



M&G Investment Funds (7)

Annual Long Report and audited Financial Statements
for the year ended 31 January 2017



Contents

M&G Investment Funds (7)

Authorised Corporate Director's Report	Page 1
Depository's Responsibilities and Report	Page 4
Independent Auditor's Report	Page 5
Financial statements and notes	Page 6
Directors' statement	Page 9

Authorised Corporate Director's Reports, including the financial highlights and financial statements and notes for:

M&G Episode Defensive Fund	Page 11
M&G European Strategic Value Fund	Page 25
M&G Global Convertibles Fund	Page 39
M&G Global Emerging Markets Fund	Page 63
M&G Global Floating Rate High Yield Fund	Page 79
M&G Pan European Dividend Fund	Page 103

Other regulatory disclosures	Page 121
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Glossary	Page 122
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M&G Investment Funds (7)

Authorised Corporate Director's Report

The Authorised Corporate Director (ACD) of M&G Investment Funds (7) presents its Annual Long Report and audited Financial Statements for the year ended 31 January 2017.

The audited financial statements of M&G Investment Funds (7) and the investment report and audited 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 (7) is an umbrella Open-Ended Investment Company (OEIC) and contains six 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 29 June 2007. The M&G Global Convertibles Fund was launched on 13 July 2007, the M&G European Strategic Value Fund was launched on 1 February 2008, the M&G Pan European Dividend Fund was launched on 18 July 2008, the M&G Global Emerging Markets Fund was launched on 5 February 2009, the M&G Episode Defensive Fund was launched on 14 September 2012 and the M&G Global Floating Rate High Yield Fund was launched on 11 September 2014.

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 31 January 2017, 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 Defensive Fund

Eric Lonergan

M&G European Strategic Value Fund

Richard Halle

M&G Global Convertibles Fund

Léonard Vinville

M&G Global Emerging Markets Fund

Matthew Vaight

M&G Global Floating Rate High Yield Fund

James Tomlins

M&G Pan European Dividend Fund

Phil Cliff

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

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

Investment manager

M&G Investment Management Limited,
Laurence Pountney Hill, London EC4R 0HH, UK
Telephone: +44 (0)20 7626 4588
(Authorised and regulated by the Financial Conduct Authority)

Registrar

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

Depositary

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

Independent auditor

Ernst & Young LLP
Ten George Street, Edinburgh EH2 2DZ, UK

Important information

Please note that from 1 August 2016, all funds in M&G Investment Funds (7), apart from M&G Pan European Dividend Fund, began taking the annual management charge, administration charge and where relevant the share class hedging charge, from capital in the case of Income shares. These charges continue to be charged to income for Accumulation shares.

Please note that from 1 August 2016, the M&G Pan European Dividend Fund began taking the annual management charge and administration charge from income in the case of Accumulation shares. These charges continue to be charged to capital for Income shares.

In the 2016 Budget, the UK government announced that, effective from 6 April 2017, interest distributions from open-ended investment companies (OEICs) may be paid without deducting income tax (currently 20%).

As a result, prices for the sterling share classes of M&G's bond funds will be calculated without an accrual for the deduction of income tax. This change, for different funds, will be phased in between October 2016 and March 2017.

From 1 February 2017 the M&G Global Convertibles Fund and the M&G Global Floating Rate High Yield Fund's prices for the sterling share classes are now calculated without income tax deducted.

M&G Investment Funds (7)

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

Telephone: +49 69 1338 6767

Email: iocs@mandg.co.uk

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, Zweigniederlassung Wien,
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 Copenhagen 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 SA, 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,
Via Ansperto 5, 20123 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 SA,
Centre operationel, 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:

J.P. Morgan Chase Bank,
National Association, Columbus, Zurich Branch,
Dreikönigstrasse 21, 8002 Zürich, Switzerland

Swiss paying agent and representative:

Société Générale, Paris, Zurich Branch,
Talacker 50, P.O. Box 5070, 8021 Zurich, Switzerland

M&G Investment Funds (7)

Authorised Corporate Director's Report

Authorised Corporate Director's Responsibilities

The Authorised Corporate Director (ACD) is required to prepare annual and interim long and short reports for the Company. The ACD must ensure that the financial statements, contained in the Long 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.

M&G Investment Funds (7)

Depository's Responsibilities and Report

Statement of the Depository's Responsibilities and Report of the Depository to the Shareholders of M&G Investment Funds (7) ('the Company') for the period ended 31 January 2017

The Depository must ensure that the Company is managed in accordance with the Financial Conduct Authority's Collective Investment Schemes sourcebook, the Open-Ended Investment Companies Regulations 2001 (SI 2001/1228) (the OEIC Regulations), as amended, the Financial Services and Markets Act 2000, as amended, (together 'the Regulations'), the Company's Instrument of Incorporation and Prospectus (together 'the Scheme documents') as detailed below.

The Depository must in the context of its role act honestly, fairly, professionally, independently and in the interests of the Company and its investors.

The Depository is responsible for the safekeeping of all custodial assets and maintaining a record of all other assets of the Company in accordance with the Regulations.

The Depository must ensure that:

- the Company's cashflows are properly monitored (this requirement on the Depository applied from 18 March 2016) and that cash of the Company is booked into the cash accounts in accordance with the Regulations;
- the sale, issue, redemption and cancellation of shares are carried out in accordance with the Regulations;
- the value of shares in the Company is calculated in accordance with the Regulations;
- any consideration relating to transactions in the Company's assets is remitted to the Company within the usual time limits;
- the Company's income is applied in accordance with the Regulations; and
- the instructions of the Authorised Fund Manager ('the AFM') are carried out (unless they conflict with the Regulations).

The Depository also has a duty to take reasonable care to ensure that the Company is managed in accordance with the Regulations and the Scheme documents in relation to the investment and borrowing powers applicable to the Company.

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

- (i) has carried out the issue, sale, redemption and cancellation, and calculation of the price of the Company's shares and the application of the Company's income in accordance with the Regulations and the Scheme documents of the Company, and
- (ii) has observed the investment and borrowing powers and restrictions applicable to the Company.

Edinburgh
15 March 2017

National Westminster Bank Plc
Trustee and Depository Services

M&G Investment Funds (7)

Independent Auditor's Report

Independent Auditor's Report to the members of M&G Investment Funds (7) ICVC

We have audited the financial statements of M&G Investment Funds (7) ICVC ('the Company') for the year ended 31 January 2017 which comprise the Statement of Total Return and Statement of Change in Net Assets Attributable to Shareholders together with the Balance Sheet for the Company's sub-funds, the accounting policies of the Company and the related notes for the sub-funds. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS102 'The Financial Reporting Standard applicable to the UK and the Republic of Ireland'.

This report is made solely to the Company's members, as a body, pursuant to Paragraph 4.5.12 of the rules of the Collective Investment Schemes sourcebook of the Financial Conduct Authority. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Authorised Corporate Director and Auditor

As explained more fully in the Authorised Corporate Director's responsibilities statement set out on page 3, the Authorised Corporate Director is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

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

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

Opinion on the financial statements

In our opinion:

- The financial statements give a true and fair view of the financial position of the Company comprising the sub-funds as at 31 January 2017 and of the net revenue and the net capital gains on the scheme property of the Company comprising the sub-funds for the year then ended; and
- The financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

Opinion on other matters prescribed by the rules of the Collective Investment Schemes sourcebook of the Financial Conduct Authority

In our opinion:

- the financial statements have been properly prepared in accordance with the Statement of Recommended Practice relating to Authorised Funds, the rules of the Collective Investment Schemes sourcebook of the Financial Conduct Authority and the Instrument of Incorporation;
- the information given in the Authorised Corporate Director's report for the financial year for which the financial statements are prepared is consistent with the financial statements;
- there is nothing to indicate that proper accounting records have not been kept or that the financial statements are not in agreement with those records; and
- we have received all the information and explanations which, to the best of our knowledge and belief, are necessary for the purposes of our audit.

Edinburgh
15 March 2017

Ernst & Young LLP
Statutory Auditor

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

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

M&G Investment Funds (7)

Financial statements and notes

The financial statements for M&G Investment Funds (7) comprise the individual financial statements for each fund and the notes below.

Notes to the financial statements

1 Statement of compliance

The financial statements of M&G Investment Funds (7) have been prepared in compliance with UK Financial Reporting Standard 102 (FRS 102) and in accordance with the Statement of Recommended Practice for Authorised Funds issued by the Investment Association in May 2014 (2014 SORP).

Amendments to FRS 102 'Fair value hierarchy disclosures' effective for annual periods beginning on or after 1 January 2017 have been early adopted. These amendments improve the consistency of fair value disclosures for financial instruments with those required by EU-adopted IFRS (International Financial Reporting Standards).

2 Summary of significant accounting policies

a) Basis of preparation

The financial statements of M&G Investment Funds (7) are prepared on a going concern basis, under the historical cost convention as modified by the revaluation of certain financial assets and liabilities measured at fair value through profit or loss.

b) Functional and presentational currency

The functional and presentational currency of M&G Investment Funds (7) is UK sterling. Where the functional and presentational currency of a fund is not UK sterling this is disclosed in the 'Financial statements and notes' of that fund.

c) Exchange rates

Transactions in currencies other than each fund's functional currency are translated at the rate of exchange ruling on the date of the transaction and where applicable assets and liabilities are translated into the fund's functional currency at the rate of exchange ruling as at 12 noon on 31 January 2017 being the last business day of the accounting period.

d) Investments - recognition and valuation

The provisions of both Section 11 and Section 12 of FRS 102 have been applied in full. All investments have been designated as fair value through profit and loss and recognised initially at fair value, which is normally the transaction price (excluding transaction costs and accrued interest).

At the end of the reporting period all investments have been measured at their fair value using the prices and the portfolio holdings determined at 12 noon on 31 January 2017, being the last valuation point of the accounting period, as this is not materially different from a valuation carried out at close of business on the balance sheet date.

Where separate bid and offer prices are available, the bid price is used for investment assets and the offer price for investment liabilities. Otherwise, the single price or most recent transaction price is used. Interest accrued is not included in the fair value. The methods of determining fair value for the principal classes of investment are:

- Equities and debt securities which are traded on an active market are included at the quoted price, which is normally the bid price, excluding any accrued interest in respect of bonds.
 - Equities traded on the Alternative Investment Market (AIM), whose liquidity cannot be guaranteed, are included at their quoted bid price as this represents the most objective and appropriate method of valuation.
 - Collective investment schemes operated by the ACD are included at either their cancellation price for dual priced funds or their single price for single priced funds.
 - Collective investment schemes operated by another manager are included at either their bid price for dual priced funds or their single price for single priced funds.
 - Other equities and debt securities which are unquoted or not actively traded on a quoted market are included at a value estimated by the ACD using an appropriate valuation technique, excluding any accrued interest in respect of bonds.
 - Exchange traded futures and options are included at the cost of closing out the contract at the balance sheet date.
 - Over the counter equity options, credit default swaps, interest rate swaps, asset swaps and inflation swaps are included at a value provided by Markit Valuations Limited, an independent credit derivative price provider. Their fair value excludes any accrued interest in respect of derivatives where the income is revenue in nature.
 - Forward currency contracts, for share class hedging and investment, are included at a value determined by reference to current forward exchange rates for contracts with similar maturity profiles.
- #### e) Recognition of income and expenses
- Dividends, including ordinary stock dividends, from equity investments are recognised when the security is quoted ex-dividend.
 - Distributions from collective investment schemes are recognised when the scheme is priced ex-distribution.
 - Interest income, including coupons from debt securities and bank interest is recognised on an accruals basis.
 - Underwriting commission is recognised when the issue takes place.
 - Revenue from derivatives is recognised on an accruals basis.
 - Fee rebates from investing in other collective investment schemes are recognised on an accruals basis.
 - Expenses are recognised on an accruals basis.
- #### f) Treatment of income and expenses
- Any increases or decreases in the fair value of investments and gains and losses realised on sales of investments are treated as capital and recognised in net capital gains / (losses).
 - Ordinary equity dividends, including ordinary stock dividends are treated as revenue.

M&G Investment Funds (7)

Financial statements and notes

Notes to the financial statements

2 Summary of significant accounting policies (continued)

f) Treatment of income and expenses (continued)

- Special dividends, share buy backs or additional share issues may be treated as revenue or capital depending on the facts of each particular case.
- The value of any enhancement to a stock dividend is treated as capital.
- Distributions from collective investment schemes are treated as revenue in nature, except for any element of equalisation, which represents the average amount of income included in the price paid for the collective investment scheme, which is treated as capital.
- Debt security interest comprises the coupon interest and the difference between the purchase price and the expected maturity price spread over its expected remaining life. This is treated as revenue with the difference adjusting the cost of the shares and treated as capital.
- Other interest income, such as bank interest is treated as revenue.
- Underwriting commission is treated as revenue, except where the fund is required to take up all or some of the shares underwritten, in which case a proportion of the commission received is deducted from the cost of the shares and treated as capital.
- The treatment of the income on derivative contracts depends upon the nature of the transaction. Both motive and circumstances are used to determine whether the returns should be treated as capital or revenue. Where positions are undertaken to protect or enhance capital, and the circumstances support this, the returns are recognised in net capital gains; similarly where the motives and circumstances are to generate or protect revenue, and the circumstances support this, the returns are included within net revenue before taxation. Where positions generate total returns it will generally be appropriate to apportion such returns between capital and revenue to properly reflect the nature of the transaction.
- Expenses relating to the purchase and sale of investments are treated as capital; all other expenses are treated as revenue.
- Rebates of charges from holdings in collective investment schemes are treated as revenue or capital in accordance with the underlying scheme's distribution policy.

g) Tax

Dividends and similar income receivable are recognised at an amount that includes any withholding tax but excludes irrecoverable tax credits. Any withholding tax suffered is shown as part of the tax charge.

Tax is accounted for at the appropriate rate of corporation tax with relief for double taxation taken where appropriate. The tax accounting treatment follows the principal amounts involved.

Deferred tax is recognised in respect of temporary timing differences that have originated but not reversed by the balance sheet date. Deferred tax is measured on a non-discounted basis, at the average rate of tax expected to apply in the period in which it expects the deferred tax to be realised or settled. A deferred tax asset is only recognised to the extent that it is more likely than not that the asset will be recovered.

h) Allocation of returns to share classes

The annual management charge, any share class hedging returns and associated share class hedging charge are directly attributable to individual share classes. All other returns are apportioned to each fund's share classes pro-rata to the value of the net assets of the relevant share class on the day that the income or expenses are recognised.

All available net revenue accounted for in accordance with the above policies and adjusted where relevant by any specific distribution policies set out in the notes to that fund's financial statements, is distributed to holders of Income shares or retained and reinvested for holders of Accumulation shares. Should expenses and taxation together exceed revenue, there will be no distribution and the shortfall will be met from capital.

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

3 Risk management policies

The ACD is responsible for establishing, implementing and maintaining an adequate and documented risk management policy for identifying, measuring and managing all risks to which funds are or might be exposed.

The Company's investment activities expose it to various types of risk which are associated with the financial instruments and markets in which it invests; market risk, credit risk and liquidity risk.

These financial statements are designed to enable users to evaluate the nature and extent of those risks and how they are managed.

The following risk management policies are applicable to the funds, with specific risk disclosures set out in the notes to the financial statements of each fund.

Market risk

Market risk is the risk of loss resulting from fluctuations in the market value of positions in a fund's portfolio attributable to changes in market variables, such as interest rates, foreign exchange rates, equity and commodity prices or an issuer's creditworthiness.

In relation to market risk, processes are applied that take account of the investment objective and policy of each fund. All funds are subject to an investment oversight process in accordance with the type and nature of the fund. In addition all funds are monitored for compliance within regulatory limits.

In measuring and monitoring market risk, the global exposure of a fund may be calculated using a 'commitment' approach or 'Value at Risk' (VaR) approach.

M&G Investment Funds (7)

Financial statements and notes

Notes to the financial statements

3 Risk management policies (continued)

Commitment approach

The commitment approach is applied for funds investing only in traditional asset classes, namely equities, fixed income, money market instruments and collective investment schemes.

In addition, the approach is applied for funds which use or intend to use derivatives or instruments embedding derivatives, but only for efficient portfolio management purposes, or in a simple way not necessarily restricted to efficient portfolio management.

Under the commitment approach the global exposure of funds is measured and monitored using a commitment (adjusted notional) methodology.

Market risk is considered on a daily basis and forms the foundation of investment oversight analysis. This can include for each fund (but is not limited to) the analysis of factors such as fund concentration; style, geographical, industry and market capitalisation biases; active, systematic and specific risk measurements; active money; and beta characteristics.

Value at Risk approach

The Value at Risk (VaR) approach is a methodology for estimating the maximum potential loss due to market risk based on historic market volatilities and correlations. More particularly, the VaR approach gives a broad indication of the maximum potential loss at a given confidence level (probability), over a specific time period under normal market conditions.

Instrument and portfolio modelling techniques are based on market accepted practices and are subject to regular audit (back-testing). Market risk factors that are analysed include LIBOR / swap rates, government yield curves, equity prices, foreign exchange, market volatility, credit spreads and credit default swap (CDS) spreads.

The VaR model is based on a Monte Carlo process with actual VaR being reported on the basis of a 99% confidence interval over a one month period (20 business days). Risk factor history used in the Monte Carlo process is based on 250 business days. From the variance / covariance matrices, a parametric Monte Carlo scenario set of 5,000 simulations is derived and applied to the fund.

VaR does have limitations in its ability to present valid levels of risk in extreme market conditions. Accordingly, the Risk Analysis team also carries out monthly stress testing and scenario based analysis. Stress testing allows for extreme sets of market circumstances which may not be reflected in historical data sets thereby enabling further assessment of combinations of market movements which may cause serious damage to portfolio values. The key element to the scenario based analysis is challenging the correlation assumptions implicit within statistical based models such as VaR.

The stress test and scenario based analysis is customised for each fund type and the VaR analysis is produced on a daily basis.

The table below shows funds using the 'commitment' approach and those using the 'Value at Risk (VaR)' approach:

Fund	Global exposure approach
M&G Episode Defensive Fund	VaR
M&G European Strategic Value Fund	Commitment
M&G Global Convertibles Fund	VaR
M&G Global Emerging Markets Fund	Commitment
M&G Global Floating Rate High Yield Fund	VaR
M&G Pan European Dividend Fund	Commitment

Liquidity risk

Liquidity risk is the risk that a fund's holdings cannot be sold, liquidated or closed out at limited cost in an adequately short time frame and that the ability of the scheme to comply at any time with its obligation to sell and redeem shares is thereby compromised.

The overall liquidity profile for each fund is reviewed and updated regularly. The liquidity profile takes into account investment, cashflow and market liquidity considerations.

Investment liquidity considerations include an assessment of asset class liquidity conditions, liquidity of underlying holdings, portfolio construction and concentration, the scale of individual stock ownership and the nature of the investment strategy.

Cashflow liquidity is managed in each fund on a daily basis using reports that include subscription and redemption information as well as the impact of trading, derivative lifecycle events and corporate action activity. In addition to the daily reporting, the fund managers are provided with reporting that highlights the impact of reasonably predictable events in the portfolio, including an allowance for the potential future exposures that might result from derivative exposures.

Market (or distribution-related) considerations include an assessment of asset demand, fund growth, client concentration and the persistency of the client base. Supplementary to this, market liquidity stress tests are carried out on a monthly basis for all sophisticated funds.

Credit risk

For funds exposed to credit risk, the credit rating, yield and maturity of each interest bearing security is considered to determine if the yield fully reflects the risk. The capital value of interest-bearing securities within the funds will fall in the event of the default or perceived increased credit risk of an issuer.

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

For funds in which they are used, credit default swaps are bought and sold in response to detailed credit research to take advantage of anticipated movements in credit spreads on individual stocks and baskets of securities. When a fund buys a credit default swap the default risk associated with the underlying security transfers to the counterparty. When a fund sells a credit default swap the fund assumes the credit risk of the underlying security.

M&G Investment Funds (7)

Financial statements and notes

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 March 2017

M&G Investment Funds (7)

Financial statements and notes

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M&G Episode Defensive Fund

Authorised Corporate Director's Report

Investment objective

The Fund aims to deliver a positive total return (the combination of income and growth of capital) over a rolling three to five year period through an investment approach that seeks to manage risk. 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 fund will typically invest in a variety of derivatives, including but not limited to index futures, currency forwards, interest rate swaps and options. The portfolio may therefore comprise a high proportion of cash and near cash. 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.

Investment approach

The manager believes 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, he seeks to respond where asset prices move away from a reasonable sense of 'fair' value due to investors reacting emotionally to events. He believes 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 adopts a flexible approach to the allocation of capital between asset classes in response to changes in economic conditions and the valuation of assets, and the manager will seek to maximise portfolio diversity wherever possible. However, in cases where the manager believes 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 manager sees 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 'A' 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.

M&G Episode Defensive Fund

Authorised Corporate Director's Report

Investment review

As at 1 February 2017, for the year ended 31 January 2017

Performance against objective

Between 1 February 2016 (the start of the review period) and 1 February 2017, the M&G Episode Defensive Fund delivered a positive total return (the combination of income and growth of capital) across all of its share classes. Overall, both the equity (company shares) and bond allocations contributed positively, although the fund incurred some losses through its basket of global currencies. (Bonds are loans in the form of securities, usually issued by a government (government bonds) or company (corporate bonds), which normally pay a fixed rate of interest over a given time period, at the end of which the initial amount borrowed is repaid.)

Over three years and since launch in September 2012, the fund delivered a positive return across most, but not all, share classes, and hence did not fully meet its investment objective of delivering positive total returns over rolling periods of three to five years.^[a]

Investment performance

The period under review began with investor sentiment seemingly in a state of peak pessimism over the global economic outlook, which prompted sharp declines in stockmarkets (which tend to perform badly when investors are averse to risk) and a rush to the perceived 'safety' of mainstream government bonds (those issued by governments which are considered most creditworthy such as the US, UK, Germany and Japan). By the middle of 2016, the UK's shock vote to leave the European Union (EU) seemingly dealt the final hammer blow to any positive sentiment that may have been returning.

In early 2016, we observed that the economy had actually been showing signs of robust recovery in many parts of the world for some time, and that this overly negative sentiment had driven the pricing of certain assets to unjustifiable extremes. Specifically, we felt equities were being significantly undervalued, particularly in relation to the overvaluation of mainstream government bonds. As such, we took the opportunity to increase exposure to selected equity markets such as the US and Japanese banking sectors. At the same time, mainstream bond prices rose dramatically to levels at which we felt they looked vulnerable to 'correction', that is, reversal. Therefore, we moved our positions in US government bonds from 'long' (designed to profit from a rise in value) to 'short' (designed to profit from a decline in value).

It is these decisions to which the fund's strong performance over the second half of the review period is attributable. The middle of 2016 saw a dramatic change in behaviour within markets as sentiment turned far more positive and the price action we saw in the first half of the year quickly unwound, with equities rallying and mainstream bonds falling rapidly out of favour with investors. Furthermore, Donald Trump's victory in the US presidential election in November – something which many had predicted would intensify risk aversion among investors – actually provided a further boost to confidence (and hence equity markets) by bolstering hopes that global policymakers (including Trump) have started to favour fiscal policies (such as tax cuts and infrastructure spending) to boost growth over the monetary policies (such as lower interest rates and the buying of bonds) of recent years, which many now regard as ineffective.

This meant that the fund's gains over the second half of the review period more than offset losses from the first half. The strongest gains came from positions in the banks sector in the US and Japan, as well as the position in the SPDR US Dividend Aristocrats ETF (a basket of stocks with a history of growing their income distributions, or dividends). Within bonds, 'short' positions in UK, Japanese and German government bonds, and 'long' positions in Italian, Spanish and US bonds added the most value. Holdings in US and European corporate bonds also made a positive contribution.

Investment activities

Over the 12 months under review, the fund was positioned in favour of equities over bonds. We believe the economic fundamentals are still indicating that equities offer good value on the whole and the fund will continue to have significant exposure to the asset class – via both direct and indirectly held positions. (Please note, a material proportion of the fund's trading strategies are executed through derivatives. Derivatives are financial contracts rather than physical holdings, and their value is dependent on one or more underlying assets. Derivatives can be used to gain exposure to, or to help protect against, changes in the value of the underlying investments. We believe the use of derivatives allows for more efficient and low cost executions of our investment ideas.)

Although we remain of the view that equities are offering better value than bonds at present, we have slightly reduced overall equity exposure as equity markets made significant gains over the later months of the review period and are thus somewhat less attractive in certain areas compared to 12 months ago. This was largely achieved by reducing US exposure as the US market was one of the strongest performers.

The more significant change was made to the fixed income allocation, where we moved the fund more aggressively away from government bonds. Most notably, we established a material 'short' position in US government bonds. In other words, we implemented a trade intended to profit from a decline in the value of these bonds. We believe, given the price of these bonds at present, the extent to which these assets can become even more expensive is limited and a decline in value is therefore more likely.

Elsewhere, in currencies, we increased exposure to sterling as the British pound weakened materially in the wake of the UK's vote to leave the EU. At the same time, we decreased exposure to US dollar as the currency strengthened significantly.

Outlook

The price behaviour over the end of 2016 and into the beginning of 2017 has been greeted with surprise and a large degree of scepticism. Many have found Donald Trump's victory to be a convenient explanation for asset price movements, and therefore believe that a continuation of the current trend is dependent upon what the Republican administration will deliver from here.

In our view, this is only part of the story. Price action since last summer is less surprising when we consider where markets had got to in the first half of the year, and how they had arrived there. Ultimately, the movements we have seen are a partial correction of that earlier phase.

The key issue of 2017 will be whether this correction marks the start of a sustained shift away from the bond-friendly, 'risk-off' environment of much of the last decade, toward a more meaningful improvement in sentiment in both markets and the real economy. US policy may be an element in this, but is not necessarily the only factor.

M&G Episode Defensive Fund

Authorised Corporate Director's Report

Investment review

Outlook (continued)

Such a shift would be supportive for the fund's longer term themes, but it is likely that the transition in regime will be subject to frequent and testing challenges. As we saw in 2016, such turbulence can present a fertile environment for the fund's approach.

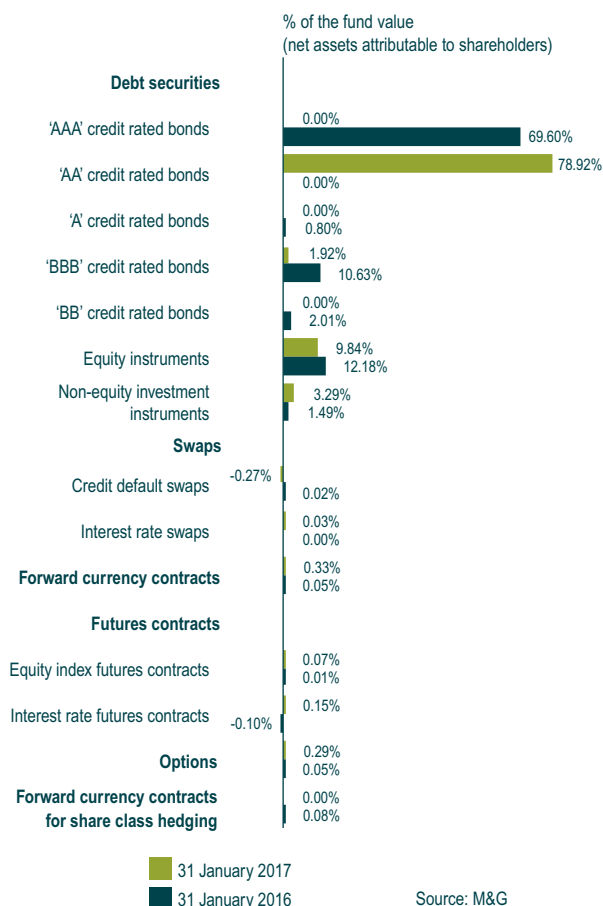
Eric Lonergan
Fund manager

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

[a] 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.

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.

Classification of investments



Source: M&G

Investments

Portfolio statement

as at 31 January	2017	2017	2016
Holding	£'000	%	%
Debt securities	19,026	80.84	83.04
'AAA' credit rated bonds	0	0.00	69.60
'AA' credit rated bonds	18,574	78.92	0.00
£2,864,850 Treasury 0% 2017 (13 Feb)	2,864	12.17	
£3,767,637 Treasury 0% 2017 (6 Mar)	3,766	16.00	
£2,450,000 Treasury 0% 2017 (20 Mar)	2,449	10.41	
£3,410,000 Treasury 0% 2017 (3 Apr)	3,408	14.48	
£1,232,449 Treasury 0% 2017 (10 Apr)	1,232	5.23	
£1,410,000 Treasury 0% 2017 (18 Apr)	1,409	5.99	
£3,448,000 Treasury 0% 2017 (24 Apr)	3,446	14.64	
'A' credit rated bonds	0	0.00	0.80
'BBB' credit rated bonds	452	1.92	10.63
MXN9,762,100 Mexico (United Mexican States) 8% 2023	392	1.67	
ZAR905,637 South Africa (Republic of) 10.5% 2026	60	0.25	
'BB' credit rated bonds	0	0.00	2.01
Equity instruments	2,315	9.84	12.18
200 3M	28	0.12	
1,100 AbbVie	53	0.23	
600 Aflac	34	0.14	
100 Alphabet A	66	0.28	
100 Amazon	66	0.28	
933 American Express	58	0.25	
400 Amgen	50	0.21	
700 Apple	68	0.29	
34,419 Banco BPM (formerly Banco Popolare)	81	0.35	
3,247 Bank of America	60	0.25	
1,325 BCA MPS (formerly Banca Monte dei Paschi di Siena) [a]	0	0.00	
200 Biogen	44	0.19	
700 Celgene	64	0.27	
1,257 Citigroup	57	0.24	
900 Coca-Cola	30	0.13	
300 Ecolab	29	0.12	
400 Exxon Mobil	27	0.11	
600 Facebook	63	0.27	
400 Illinois Tool Works	41	0.17	
300 Johnson & Johnson	27	0.11	
868 JPMorgan Chase	60	0.25	
93,322 Lloyds Banking Group	61	0.26	
500 Lowe's	30	0.13	
720 Mastercard	63	0.27	
300 McDonald's	30	0.13	
500 Medtronic	30	0.13	
3,300 Methanex	133	0.57	
1,300 Microsoft	68	0.29	
11,300 Mitsubishi UFJ Financial Group	58	0.25	
38,300 Mizuho Financial Group	57	0.24	
29,930 P2P Global Investments	234	0.99	
400 PepsiCo	33	0.14	
500 Procter & Gamble	35	0.15	
400 S&P Global	39	0.17	
18,568 Sberbank of Russia ADR	174	0.74	
1,800 Sumitomo Mitsui Financial Group	57	0.24	
1,900 Sumitomo Mitsui Trust Holdings	57	0.24	
900 Visa	60	0.25	
600 Wal-Mart Stores	32	0.14	
1,283 Wells Fargo	58	0.25	

M&G Episode Defensive Fund

Authorised Corporate Director's Report

Investments

Portfolio statement (continued)			
as at 31 January Holding	2017 £'000	2017 %	2016 %
Non-equity investment instruments	774	3.29	1.49
1,954 iShares Euro High Yield Corporate Bond	180	0.76	
14,015 iShares MSCI Turkey ETF	242	1.03	
13,905 SPDR® Barclays 10+ Year US Corporate Bond Fund ETF	352	1.50	
Credit default swaps	(64)	(0.27)	0.02
\$(2,850,000) Republic of Korea Jun 2021	(58)	(0.25)	
\$(1,453,000) Republic of the Philippines Jun 2021	(6)	(0.02)	
Interest rate swaps	7	0.03	0.00
\$1,440,000 Pay 2.215% Receive VAR Jan 2047	7	0.03	
Forward currency contracts	78	0.33	0.05
€(471,306) Sold for £410,088 (expires 21.04.17)	3	0.01	
HKD5,511,344 Bought for \$711,370 (expires 21.04.17)	0	0.00	
¥(20,029,902) Sold for £144,023 (expires 21.04.17)	2	0.01	
MXN3,985,037 Bought for £147,047 (expires 21.04.17)	6	0.02	
\$94,964 Bought for TWD2,981,399 (expires 21.04.17)	0	0.00	
\$92,659 Bought for PHP4,653,801 (expires 21.04.17)	(1)	0.00	
\$560,191 Bought for KRW655,110,135 (expires 21.04.17)	(3)	(0.01)	
\$4,906,921 Bought for HKD38,085,556 (expires 21.04.17)	(5)	(0.02)	
\$(6,605,958) Sold for £5,367,433 (expires 21.04.17)	76	0.32	
Futures contracts	52	0.22	(0.09)
Equity index futures contracts	17	0.07	0.01
3 FTSE MIB Index Mar 2017	2	0.01	
2 H-shares Index Feb 2017	1	0.00	
3 IBEX 35 Index Feb 2017	0	0.00	
2 KOSPI 200 Index Mar 2017	14	0.06	
Interest rate futures contracts	35	0.15	(0.10)
(66) 2 Year US Treasury Note Mar 2017	9	0.04	
(1) 20 Year Japan Government Bond Mar 2017	25	0.10	
(2) Euro Buxl Mar 2017	9	0.04	
(4) Swiss Federal Bond Mar 2017	(2)	(0.01)	
(3) UK Long Gilt Bond Mar 2017	(1)	0.00	
6 US Ultra Long Treasury Bond Mar 2017	(5)	(0.02)	

Portfolio statement (continued)

as at 31 January Holding	2017 £'000	2017 %	2016 %
Options	69	0.29	0.05
54 FTSE MIB Index Jun 2017 Call	30	0.13	
4 NIKKEI 225 Jun 2017 Call	35	0.15	
11 S&P 500 Index Mar 2017 Put	4	0.01	
Portfolio of investments	22,257	94.57	96.74
Forward currency contracts for share class hedging	0	0.00	0.08
€338,259 Bought for £287,562 (expires 08.02.17)	4	0.02	
€(942) Sold for £801 (expires 08.02.17)	0	0.00	
CHF60,509 Bought for £48,081 (expires 08.02.17)	1	0.00	
\$444,891 Bought for £361,954 (expires 08.02.17)	(5)	(0.02)	
Total portfolio (notes 2c & 2d on page 6)	22,257	94.57	96.82
Net other assets / (liabilities)	1,279	5.43	3.18
Net assets attributable to shareholders	23,536	100.00	100.00

[a] Suspended on 22 December 2016.

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

M&G Episode Defensive 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 show the performance for two of the fund's share classes – Sterling Class 'A' (Accumulation) shares and Sterling Class 'I' (Accumulation) shares.

We show performance for these two share classes because:

- The performance of the Sterling Class 'A' (Accumulation) share is what most individuals investing directly with M&G have received. It has the highest ongoing charge of all the share classes. Performance is shown after deduction of this charge. All investors in the fund therefore received this performance or better.
- The performance of the Sterling Class 'I' (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.

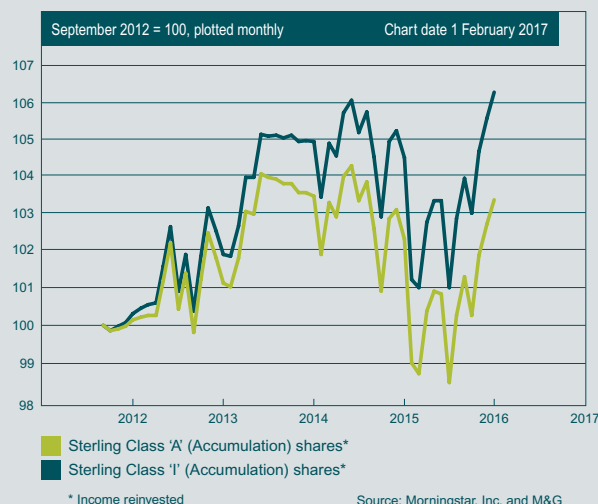
The fund is available for investment in different share classes, each with varying levels of charges and minimum investments; please refer to the Prospectus for M&G Investment Funds (7), which is available free of charge either from our website at www.mandg.co.uk/prospectuses or by calling M&G Customer Relations.

Fund level performance

Fund net asset value			
as at 31 January	2017 £'000	2016 £'000	2015 £'000
Fund net asset value (NAV)	23,536	21,953	22,156

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' (Accumulation) shares and Sterling Class 'I' (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

	One year 01.02.16 % [a]	Three years 03.02.14 % p.a.	Five years 01.02.12 % p.a.	Since launch % p.a.
Euro [b]				
Class 'A-H'	+3.5	+0.2	n/a	+0.1 [c]
Class 'C-H'	+4.2	+0.8	n/a	+0.8 [c]
Sterling [d]				
Class 'A'	+4.5	+0.9	n/a	+0.8 [c]
Class 'I'	+5.2	+1.6	n/a	+1.5 [c]
Class 'N'	+5.8	+2.1	n/a	+2.0 [c]
Class 'R'	+5.0	+1.4	n/a	+1.3 [c]
Swiss franc [b]				
Class 'A-H'	+2.9	-0.3	n/a	-0.1 [e]
Class 'C-H'	+3.6	+0.4	n/a	+0.5 [e]
US dollar [b]				
Class 'A-H'	+4.8	+0.9	n/a	+0.6 [f]
Class 'C-H'	+5.5	+1.6	n/a	+1.3 [f]

[a] Absolute basis.

[b] Price to price with net income reinvested.

[c] 14 September 2012, the launch date of the fund.

[d] Price to price with income reinvested.

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

[f] 15 November 2013, the launch date of the share class.

M&G Episode Defensive 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, comprised of 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.

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, method of execution and the quality of research provided. They are made up of direct and indirect portfolio transaction costs:

- **Direct portfolio transaction costs:** Broker execution commission, taxes, and costs of research from brokers and other research providers.
- **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				
for the year to 31 January	2017	2016	2015	Average ^[a]
Direct portfolio transaction costs ^[b]	%	%	%	%
Broker commission	0.05	0.02	0.03	0.03
Taxes	0.00	0.00	0.00	0.00
Costs before dilution adjustments	0.05	0.02	0.03	0.03
Dilution adjustments ^[c]	0.00	0.00	0.00	0.00
Total direct portfolio transaction costs	0.05	0.02	0.03	0.03
as at 31 January	2017	2016	2015	Average ^[a]
Indirect portfolio transaction costs	%	%	%	%
Average portfolio dealing spread	0.11	0.13	0.05	0.10

^[a] Average of first three columns.

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

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

M&G Episode Defensive 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' Accumulation share performance

The share class was launched on 14 September 2012.

for the year to 31 January Change in NAV per share	2017 Euro ¢	2016 Euro ¢	2015 Euro ¢
Opening NAV	968.35	1,000.71	993.85
Return before operating charges and after direct portfolio transaction costs	50.29	(18.06)	22.10
Operating charges	(14.35)	(14.30)	(15.24)
Return after operating charges	35.94	(32.36)	6.86
Distributions	0.00	0.00	0.00
Retained distributions	0.00	0.00	0.00
Closing NAV	1,004.29	968.35	1,000.71
Direct portfolio transaction costs ^[a]	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.48	0.16	0.27
Dilution adjustments ^[b]	0.00	0.00	(0.01)
Total direct portfolio transaction costs	0.48	0.16	0.26
Performance and charges	%	%	%
Direct portfolio transaction costs	0.05	0.02	0.03
Operating charges	1.45	1.42	1.51
Return after operating charges	+3.71	-3.23	+0.69
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)	269	180	110
Closing NAV percentage of total fund NAV (%)	1.14	0.82	0.49
Number of shares	31,042	24,342	14,600
Highest share price (Euro ¢)	1,009.12	1,028.85	1,033.59
Lowest share price (Euro ¢)	936.31	965.08	997.40

Euro Class 'C-H' Accumulation share performance

The share class was launched on 14 September 2012.

for the year to 31 January Change in NAV per share	2017 Euro ¢	2016 Euro ¢	2015 Euro ¢
Opening NAV	989.40	1,016.21	1,001.89
Return before operating charges and after direct portfolio transaction costs	51.26	(19.37)	22.86
Operating charges	(7.60)	(7.44)	(8.54)
Return after operating charges	43.66	(26.81)	14.32
Distributions	0.00	0.00	0.00
Retained distributions	0.00	0.00	0.00
Closing NAV	1,033.06	989.40	1,016.21
Direct portfolio transaction costs ^[a]	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.50	0.17	0.28
Dilution adjustments ^[b]	0.00	0.00	(0.01)
Total direct portfolio transaction costs	0.50	0.17	0.27
Performance and charges	%	%	%
Direct portfolio transaction costs	0.05	0.02	0.03
Operating charges	0.75	0.72	0.83
Return after operating charges	+4.41	-2.64	+1.43
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)	22	19	19
Closing NAV percentage of total fund NAV (%)	0.09	0.09	0.09
Number of shares	2,500	2,500	2,500
Highest share price (Euro ¢)	1,037.09	1,045.70	1,045.09
Lowest share price (Euro ¢)	956.87	985.83	1,006.01

Sterling Class 'A' Accumulation share performance

The share class was launched on 14 September 2012.

for the year to 31 January Change in NAV per share	2017 UK p	2016 UK p	2015 UK p
Opening NAV	98.89	101.58	100.27
Return before operating charges and after direct portfolio transaction costs	6.14	(1.25)	2.85
Operating charges	(1.45)	(1.44)	(1.54)
Return after operating charges	4.69	(2.69)	1.31
Distributions	0.00	0.00	0.00
Retained distributions	0.00	0.00	0.00
Closing NAV	103.58	98.89	101.58
Direct portfolio transaction costs ^[a]	UK p	UK p	UK p
Costs before dilution adjustments	0.05	0.02	0.03
Dilution adjustments ^[b]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.05	0.02	0.03
Performance and charges	%	%	%
Direct portfolio transaction costs	0.05	0.02	0.03
Operating charges	1.44	1.40	1.50
Return after operating charges	+4.74	-2.65	+1.31
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)	133	107	135
Closing NAV percentage of total fund NAV (%)	0.57	0.49	0.61
Number of shares	128,000	108,000	133,000
Highest share price (UK p)	103.99	104.53	104.41
Lowest share price (UK p)	95.52	98.51	100.64

M&G Episode Defensive Fund

Financial highlights

Specific share class performance

Sterling Class 'I' Accumulation share performance

The share class was launched on 14 September 2012.

for the year to 31 January Change in NAV per share	2017 UK p	2016 UK p	2015 UK p
Opening NAV	101.08	103.11	100.99
Return before operating charges and after direct portfolio transaction costs	6.31	(1.29)	2.96
Operating charges	(0.76)	(0.74)	(0.84)
Return after operating charges	5.55	(2.03)	2.12
Distributions	0.00	0.00	0.00
Retained distributions	0.00	0.00	0.00
Closing NAV	106.63	101.08	103.11
Direct portfolio transaction costs ^[a]	UK p	UK p	UK p
Costs before dilution adjustments	0.05	0.02	0.03
Dilution adjustments ^[b]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.05	0.02	0.03
Performance and charges	%	%	%
Direct portfolio transaction costs	0.05	0.02	0.03
Operating charges	0.74	0.70	0.80
Return after operating charges	+5.49	-1.97	+2.10
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)	818	631	644
Closing NAV percentage of total fund NAV (%)	3.48	2.87	2.91
Number of shares	767,075	625,075	625,075
Highest share price (UK p)	107.04	106.25	105.53
Lowest share price (UK p)	97.66	100.68	101.45

Sterling Class 'N' Accumulation share performance

The share class was launched on 14 September 2012.

for the year to 31 January Change in NAV per share	2017 UK p	2016 UK p	2015 UK p
Opening NAV	102.66	104.20	101.54
Return before operating charges and after direct portfolio transaction costs	6.42	(1.32)	2.97
Operating charges	(0.24)	(0.22)	(0.31)
Return after operating charges	6.18	(1.54)	2.66
Distributions	(0.34)	(0.10)	0.00
Retained distributions	0.34	0.10	0.00
Closing NAV	108.84	102.66	104.20
Direct portfolio transaction costs ^[a]	UK p	UK p	UK p
Costs before dilution adjustments	0.05	0.02	0.03
Dilution adjustments ^[b]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.05	0.02	0.03
Performance and charges	%	%	%
Direct portfolio transaction costs	0.05	0.02	0.03
Operating charges	0.23	0.21	0.30
Return after operating charges	+6.02	-1.48	+2.62
Historic yield	0.32	0.11	0.00
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (£'000)	21,779	20,543	20,851
Closing NAV percentage of total fund NAV (%)	92.54	93.58	94.11
Number of shares	20,010,000	20,010,000	20,010,000
Highest share price (UK p)	109.25	107.50	106.54
Lowest share price (UK p)	99.20	102.24	102.01

Sterling Class 'R' Accumulation share performance

The share class was launched on 14 September 2012.

for the year to 31 January Change in NAV per share	2017 UK p	2016 UK p	2015 UK p
Opening NAV	100.45	102.67	100.76
Return before operating charges and after direct portfolio transaction costs	6.25	(1.28)	2.95
Operating charges	(0.96)	(0.94)	(1.04)
Return after operating charges	5.29	(2.22)	1.91
Distributions	0.00	0.00	0.00
Retained distributions	0.00	0.00	0.00
Closing NAV	105.74	100.45	102.67
Direct portfolio transaction costs ^[a]	UK p	UK p	UK p
Costs before dilution adjustments	0.05	0.02	0.03
Dilution adjustments ^[b]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.05	0.02	0.03
Performance and charges	%	%	%
Direct portfolio transaction costs	0.05	0.02	0.03
Operating charges	0.94	0.91	1.00
Return after operating charges	+5.27	-2.16	+1.90
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)	109	137	140
Closing NAV percentage of total fund NAV (%)	0.46	0.62	0.63
Number of shares	103,000	136,000	136,000
Highest share price (UK p)	106.16	105.75	105.20
Lowest share price (UK p)	97.04	100.05	101.21

Swiss franc Class 'A-H' Accumulation share performance

The share class was launched on 28 September 2012.

for the year to 31 January Change in NAV per share	2017 Swiss ¢	2016 Swiss ¢	2015 Swiss ¢
Opening NAV	963.42	1,005.24	995.81
Return before operating charges and after direct portfolio transaction costs	44.37	(27.48)	24.94
Operating charges	(14.22)	(14.34)	(15.51)
Return after operating charges	30.15	(41.82)	9.43
Distributions	0.00	0.00	0.00
Retained distributions	0.00	0.00	0.00
Closing NAV	993.57	963.42	1,005.24
Direct portfolio transaction costs ^[a]	Swiss ¢	Swiss ¢	Swiss ¢
Costs before dilution adjustments	0.48	0.16	0.27
Dilution adjustments ^[b]	0.00	0.00	(0.01)
Total direct portfolio transaction costs	0.48	0.16	0.26
Performance and charges	%	%	%
Direct portfolio transaction costs	0.05	0.02	0.03
Operating charges	1.46	1.43	1.52
Return after operating charges	+3.13	-4.16	+0.95
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)	24	20	22
Closing NAV percentage of total fund NAV (%)	0.10	0.09	0.10
Number of shares	3,000	3,000	3,000
Highest share price (Swiss ¢)	999.03	1,030.06	1,034.81
Lowest share price (Swiss ¢)	931.43	960.23	999.43

M&G Episode Defensive Fund

Financial highlights

Specific share class performance

Swiss franc Class 'C-H' Accumulation share performance

The share class was launched on 28 September 2012.

for the year to 31 January Change in NAV per share	2017 Swiss ¢	2016 Swiss ¢	2015 Swiss ¢
Opening NAV	983.51	1,018.81	1,003.22
Return before operating charges and after direct portfolio transaction costs	45.30	(27.85)	24.08
Operating charges	(7.53)	(7.45)	(8.49)
Return after operating charges	37.77	(35.30)	15.59
Distributions	0.00	0.00	0.00
Retained distributions	0.00	0.00	0.00
Closing NAV	1,021.28	983.51	1,018.81
Direct portfolio transaction costs ^[a]	Swiss ¢	Swiss ¢	Swiss ¢
Costs before dilution adjustments	0.49	0.16	0.27
Dilution adjustments ^[b]	0.00	0.00	(0.01)
Total direct portfolio transaction costs	0.49	0.16	0.26
Performance and charges	%	%	%
Direct portfolio transaction costs	0.05	0.02	0.03
Operating charges	0.75	0.73	0.83
Return after operating charges	+3.84	-3.46	+1.55
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)	25	20	22
Closing NAV percentage of total fund NAV (%)	0.11	0.09	0.10
Number of shares	3,000	3,000	3,000
Highest share price (Swiss ¢)	1,025.93	1,045.70	1,045.66
Lowest share price (Swiss ¢)	951.09	979.95	1,007.36

US dollar Class 'A-H' Accumulation share performance

The share class was launched on 15 November 2013.

for the year to 31 January Change in NAV per share	2017 US ¢	2016 US ¢	2015 US ¢
Opening NAV	967.58	995.43	983.78
Return before operating charges and after direct portfolio transaction costs	62.88	(13.60)	27.18
Operating charges	(14.42)	(14.25)	(15.53)
Return after operating charges	48.46	(27.85)	11.65
Distributions	0.00	0.00	0.00
Retained distributions	0.00	0.00	0.00
Closing NAV	1,016.04	967.58	995.43
Direct portfolio transaction costs ^[a]	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.49	0.16	0.27
Dilution adjustments ^[b]	0.00	0.00	(0.01)
Total direct portfolio transaction costs	0.49	0.16	0.26
Performance and charges	%	%	%
Direct portfolio transaction costs	0.05	0.02	0.03
Operating charges	1.46	1.42	1.47
Return after operating charges	+5.01	-2.80	+1.18
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)	349	289	206
Closing NAV percentage of total fund NAV (%)	1.48	1.32	0.93
Number of shares	42,800	42,800	31,300
Highest share price (US ¢)	1,020.05	1,023.42	1,024.43
Lowest share price (US ¢)	934.58	964.04	988.29

US dollar Class 'C-H' Accumulation share performance

The share class was launched on 15 November 2013.

for the year to 31 January Change in NAV per share	2017 US ¢	2016 US ¢	2015 US ¢
Opening NAV	982.36	1,003.42	984.95
Return before operating charges and after direct portfolio transaction costs	63.91	(13.69)	26.90
Operating charges	(7.24)	(7.37)	(8.43)
Return after operating charges	56.67	(21.06)	18.47
Distributions	0.00	0.00	0.00
Retained distributions	0.00	0.00	0.00
Closing NAV	1,039.03	982.36	1,003.42
Direct portfolio transaction costs ^[a]	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.48	0.17	0.27
Dilution adjustments ^[b]	0.00	0.00	(0.01)
Total direct portfolio transaction costs	0.48	0.17	0.26
Performance and charges	%	%	%
Direct portfolio transaction costs	0.05	0.02	0.03
Operating charges	0.72	0.72	0.83
Return after operating charges	+5.77	-2.10	+1.88
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)	8	7	7
Closing NAV percentage of total fund NAV (%)	0.03	0.03	0.03
Number of shares	1,000	1,000	1,000
Highest share price (US ¢)	1,043.01	1,033.09	1,028.60
Lowest share price (US ¢)	949.13	978.72	989.52

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

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

M&G Episode Defensive Fund

Financial statements and notes

Financial statements

Statement of total return

for the year to 31 January	Note	2017 £'000	2016 £'000
Income			
Net capital gains / (losses)	3	1,338	(337)
Revenue	5	136	74
Expenses	6	(61)	(56)
Net revenue / (expense) before taxation		75	18
Taxation	7	(14)	(8)
Net revenue / (expense) after taxation		61	10
Total return before distributions		1,399	(327)
Distributions	8	(69)	(21)
Change in net assets attributable to shareholders from investment activities		1,330	(348)

Statement of change in net assets attributable to shareholders

for the year to 31 January	2017 £'000	2016 £'000
Opening net assets attributable to shareholders	21,953	22,156
Amounts received on issue of shares	218	197
Amounts paid on cancellation of shares	(34)	(73)
	184	124
Change in net assets attributable to shareholders from investment activities (see above)	1,330	(348)
Retained distributions on Accumulation shares	69	21
Closing net assets attributable to shareholders	23,536	21,953

Balance sheet

as at 31 January	Note	2017 £'000	2016 £'000
Assets			
Fixed assets			
Investments		22,343	21,416
Current assets			
Debtors	9	15	52
Cash and bank balances	10	1,308	733
Total assets		23,666	22,201
Liabilities			
Investment liabilities		(86)	(162)
Creditors			
Bank overdrafts		(14)	(77)
Other creditors	11	(30)	(9)
Total liabilities		(130)	(248)
Net assets attributable to shareholders		23,536	21,953

Notes to the financial statements

1 Accounting policies

The financial statements have been prepared in accordance with the 'Summary of significant accounting policies' set out on pages 6 and 7.

2 Distribution policy

Marginal tax relief has not been taken into account in respect of expenses offset against capital.

In determining the amount available for distribution, ordinary stock dividends have been transferred to capital, reducing the amount available.

3 Net capital gains / (losses)

for the year to 31 January	2017 £'000	2016 £'000
Non-derivative securities	1,721	(190)
Derivative contracts	(432)	(242)
Currency gains / (losses)	54	98
Transaction charges	(5)	(3)
Net capital gains / (losses)	1,338	(337)

4 Portfolio transactions and associated costs

The following tables show portfolio transactions and their associated transaction costs. For more information about the nature of the costs please see the section on 'Operating charges and portfolio transaction costs' on page 16.

for the year to 31 January	2017 £'000	% of transaction	2016 £'000	% of transaction
a) Purchases				
Equities				
Equities before transaction costs	3,382		924	
Commissions	2	0.06	0	0.00
Equities after transaction costs	3,384		924	
Debt securities [a]	69,435		74,227	
Other asset classes				
Corporate actions	67		297	
Total purchases after transaction costs	72,886		75,448	
b) Sales				
Equities				
Equities before transaction costs	4,732		170	
Commissions	(2)	0.04	0	0.00
Equities after transaction costs	4,730		170	
Debt securities [a]	68,783		73,569	
Other asset classes				
Corporate actions	38		218	
Total sales after transaction costs	73,551		73,957	
c) Direct portfolio transaction costs	2017 £'000	% of average NAV	2016 £'000	% of average NAV
Commissions paid				
Equities	4	0.02	0	0.00
Derivatives	7	0.03	3	0.02
Total direct portfolio transaction costs [b]	11	0.05	3	0.02
d) Indirect portfolio transaction costs		%		%
Portfolio dealing spread [c]		0.11		0.13

[a] These transaction types do not attract direct portfolio transaction costs.

[b] Costs before dilution adjustments. Please refer to the 'Financial highlights' section for the effect of dilution adjustments.

[c] Average portfolio dealing spread at the balance sheet date.

M&G Episode Defensive Fund

Financial statements and notes

Notes to the financial statements

5 Revenue

for the year to 31 January	2017 £'000	2016 £'000
Bank interest	1	4
Derivative revenue	(71)	(94)
Distributions from collective investment schemes: non-taxable	4	7
Distributions from collective investment schemes: taxable	32	0
Dividends from equity investments: non-taxable	74	36
Dividends from equity investments: taxable	22	25
Interest on debt securities	74	96
Total revenue	136	74

6 Expenses

for the year to 31 January	2017 £'000	2016 £'000
Payable to the ACD or associate		
Annual management charge	13	12
Administration charge	35	34
	48	46
Payable to the Depositary or associate		
Depositary's charge (including VAT)	2	2
Other expenses		
Audit fee (including VAT)	10	7
Safe custody charge	1	1
	11	8
Total expenses	61	56

7 Taxation

for the year to 31 January	2017 £'000	2016 £'000
a) Analysis of charge in the year		
Corporation tax	0	0
Withholding tax	14	8
Deferred tax (note 7c)	0	0
Total taxation	14	8
b) Factors affecting taxation charge for the year		
Net revenue / (expense) before taxation	75	18
Corporation tax at 20%	15	4
Effects of:		
Dividends from equity investments: non-taxable	(15)	(7)
Distributions from collective investment schemes: non-taxable	(1)	(2)
Current year expenses not utilised	0	5
Withholding tax	14	8
Prior year adjustment to expenses not utilised	1	0
Total tax charge (note 7a)	14	8
c) Provision for deferred taxation		
Provision at the start of the year	0	0
Deferred tax in profit and loss account (note 7a)	0	0
Provision at the end of the year	0	0

The fund has not recognised a deferred tax asset of £31,000 (2016: £31,000) arising as a result of having excess management expenses. We do not expect this asset to be utilised in the foreseeable future.

8 Distributions

for the year to 31 January	2016		2017	
Dividend distributions	Inc ^[a] £'000	Acc ^[b] £'000	Inc ^[a] £'000	Acc ^[b] £'000
Final	n/a	69	n/a	21
Income deducted on cancellation of shares		0		0
Income received on issue of shares		0		0
Distributions		69		21
Net revenue per statement of total return		61		10
Income deficit transferred to capital		8		11
Distributions		69		21

^[a] Distributions payable on Income shares.

^[b] Retained distributions on Accumulation shares.

9 Debtors

as at 31 January	2017 £'000	2016 £'000
Debt security interest receivable	4	46
Dividends receivable	1	2
Tax recoverable	10	5
Total debtors	15	53

10 Cash and bank balances

as at 31 January	2017 £'000	2016 £'000
Amounts held at futures clearing houses and brokers	377	302
Cash held as bank balances	931	431
Total cash and bank balances	1,308	733

11 Other creditors

as at 31 January	2017 £'000	2016 £'000
ACD's annual management charge payable	1	1
Administration charge payable	1	1
Derivative expense payable	16	1
Expenses payable	12	7
Total other creditors	30	10

12 Contingent assets, liabilities and outstanding commitments

There were no contingent assets, liabilities or outstanding commitments at the balance sheet date (2016: same).

M&G Episode Defensive Fund

Financial statements and notes

Notes to the financial statements

13 Shares in issue

The following table shows each class of share in issue during the year. Each share class has the same rights on winding up however they may have different charging structures as set out in note 14.

Share class	Opening 01.02.16	Movements Issued Cancelled		Closing 31.01.17
Euro				
Class 'A-H' Accumulation (Net)	24,342	6,700	0	31,042
Class 'C-H' Accumulation (Net)	2,500	0	0	2,500
Sterling				
Class 'A' Accumulation (Net)	108,000	20,000	0	128,000
Class 'I' Accumulation (Net)	625,075	142,000	0	767,075
Class 'N' Accumulation (Net)	20,010,000	0	0	20,010,000
Class 'R' Accumulation (Net)	136,000	0	(33,000)	103,000
Swiss franc				
Class 'A-H' Accumulation (Net)	3,000	0	0	3,000
Class 'C-H' Accumulation (Net)	3,000	0	0	3,000
US dollar				
Class 'A-H' Accumulation (Net)	42,800	0	0	42,800
Class 'C-H' Accumulation (Net)	1,000	0	0	1,000

14 Charging structure

The table below sets out the charging structure for each class of share.

Share class	Entry charge %	Exit charge %	Annual management charge %	Share class hedging charge %
Euro				
Class 'A-H'	4.00	n/a	1.20	[a]
Class 'C-H'	1.25	n/a	0.50	[a]
Sterling				
Class 'A'	4.00 [b]	n/a	1.20	n/a
Class 'I'	1.00 [b]	n/a	0.50	n/a
Class 'N'	nil	n/a	0.00	n/a
Class 'R'	1.00 [b]	n/a	0.70	n/a
Swiss franc				
Class 'A-H'	4.00	n/a	1.20	[a]
Class 'C-H'	1.25	n/a	0.50	[a]
US dollar				
Class 'A-H'	4.00	n/a	1.20	[a]
Class 'C-H'	1.25	n/a	0.50	[a]

[a] This charge may vary between 0.01% and 0.055%.

[b] With effect from 16 December 2016, the entry charge has been discounted to zero on all new investments into sterling share classes.

15 Related parties

M&G Securities Limited, as Authorised Corporate Director (ACD), is a related party and acts as principal on all the transactions of shares in the fund except with in-specie transactions, where M&G Securities Limited acts as an agent. The aggregate monies received through issues, and paid on cancellations, are disclosed in the 'Statement of change in net assets attributable to shareholders' and note 8. Amounts due to / from M&G Securities Limited in respect of share transactions at the year end are disclosed in notes 9 and 11 where applicable.

Amounts paid to M&G Securities Limited in respect of the ACD's annual management charge, administration charge and share class hedging charge are disclosed in note 6. Amounts due at the year end in respect of the ACD's annual management charge, administration charge and share class hedging charge are disclosed in note 11.

At the balance sheet date, shareholders from within Prudential plc, of which M&G Securities Limited is a wholly owned subsidiary, have holdings totalling 94.83% (2016: 95.44%) of the fund's shares.

16 Events after the balance sheet date

There were no events after the balance sheet date to disclose.

17 Portfolio fair value analysis

Financial instruments have been measured at their fair value and have been classified below using a hierarchy that reflects the significance of the inputs used in measuring their fair value:

Level 1: Quoted prices for identical instruments in active markets

This includes instruments such as publicly traded equities; highly liquid bonds (e.g. Government bonds) and exchange traded derivatives (e.g. futures) for which quoted prices are readily and regularly available.

Level 2: Valuation techniques using observable market data

This includes publicly traded corporate bonds and instruments which have been valued using models with observable market data inputs such as quoted prices for similar instruments, interest rates, yield curves or credit spreads. Over-the-counter instruments have also been included in the category.

Level 3: Valuation techniques using non-observable market data

This refers to instruments which have been valued using models with non-observable market data inputs. This includes private equity, unlisted closed-ended funds and investment analyst recommended prices where the market price is deemed to not be a true representation of fair value. However no such financial instruments were held.

as at 31 January	Assets 2017	Liabilities 2017	Assets 2016	Liabilities 2016
Valuation technique	£'000	£'000	£'000	£'000
Level 1	21,793	(8)	19,732	(153)
Level 2	550	(78)	1,684	(9)
Level 3	0	0	0	0
	22,343	(86)	21,416	(162)

In accordance with FRS 102 (22.4a) the shares in issue for each class meet the definition of a puttable instrument as the shareholders have the right to sell the shares back to the issuer. The shares in the fund may be issued and redeemed on any business day at the quoted price. These shares are not traded on an exchange. However, the price is observable and transactions within the fund take place regularly at that price. The shares in issue as detailed in note 13 meet the definition of a level 2 financial instrument 'Valuation techniques using observable market data'.

M&G Episode Defensive Fund

Financial statements and notes

Notes to the financial statements

18 Risk management policies

General risk management policies for the fund are described in note 3 to the financial statements on pages 7 and 8.

19 Market risk

VaR is the risk measurement methodology used to assess the fund's leverage and market risk volatility. When VaR is calculated as a percentage of the net asset value it may not be greater than the VaR limit set for the fund.

The VaR limit set during the financial year to 31 January 2017 was 6% (2016: 6%).

The lowest, highest and average utilisation of the VaR limit calculated during the financial years ended 31 January 2017 and 31 January 2016 are disclosed in the table below. The lowest, highest and average utilisation of VaR is with reference to the limit above.

	2017 %	2016 %
for the year to 31 January		
Lowest	1.61	1.49
Highest	5.06	4.13
Average	3.37	2.17

20 Credit risk

	2017 £'000	2016 £'000
as at 31 January		
Investment grade securities	19,026	17,785
Below investment grade securities	0	442
Unrated securities	0	0
Other investments	3,231	3,027
Total	22,257	21,254

21 Counterparty exposure

as at 31 January 2017	Credit default swaps £'000	Forward currency contracts £'000	Futures and options £'000	Interest rate swaps £'000	Collateral held as cash £'000	Net exposure £'000
Bank of America						
Merrill Lynch	0	0	121	0	(363)	(242)
Barclays Bank	(6)	0	0	0	0	(6)
BNP Paribas	(58)	6	0	0	0	(52)
HSBC	0	1	0	0	0	1
JPMorgan	0	0	0	7	0	7
UBS	0	71	0	0	0	71
Total	(64)	78	121	7	(363)	(221)

as at 31 January 2016	Credit default swaps £'000	Forward currency contracts £'000	Futures and options £'000	Interest rate swaps £'000	Collateral held as cash £'000	Net exposure £'000
Bank of America						
Merrill Lynch	0	0	(6)	0	(302)	(308)
BNP Paribas	0	(5)	0	0	0	(5)
Credit Suisse	4	0	0	0	0	4
HSBC	0	9	0	0	0	9
State Street Bank	0	16	0	0	0	16
UBS	0	3	0	0	0	3
Total	4	23	(6)	0	(302)	(281)

Net exposure represents the mark-to-market value of derivative contracts less any cash collateral held. Positive exposure represents the fund's exposure to that counterparty. Negative amounts are not an exposure to the fund.

22 Leverage risk

Funds using VaR approaches are required to disclose the level of leverage employed during the financial reporting period.

Derivatives can be used by the fund to generate market exposure to investments exceeding the net asset value. As a result of this exposure, the size of any positive or negative movement in markets may have a more significant effect on the net asset value of the fund.

The lowest, highest and average level of leverage employed and utilisation of the leverage level calculated during the financial years ended 31 January 2017 and 31 January 2016 are disclosed in the table below.

for the year to 31 January	2017 £'000	2017 %	2016 £'000	2016 %
Lowest	21,913	94	33,870	150
Highest	69,883	317	48,769	216
Average	46,960	208	43,220	191

23 Exchange rate risk for hedged share classes

This fund contains hedged share classes. These share classes operate currency hedges designed to reduce the impact of exchange rates in certain circumstances. As a result, profit and loss on the currency hedges may impact the liquidity of the overall fund. On a day to day basis this is monitored using reporting from the outsourced provider of the hedged share class service. On an ongoing basis the size of the hedged share classes is monitored to ensure that unforeseen exchange rate volatility can be adequately managed without significantly impacting all shareholders.

M&G Episode Defensive Fund

Financial statements and notes

Notes to the financial statements

24 Dividend distribution tables

This fund pays annual ordinary distributions and the following table sets out the distribution period.

Annual distribution period				
	Start	End	Xd	Payment
Final	01.02.16	31.01.17	01.02.17	31.03.17

The following tables set out for each distribution the rates per share for both Group 1 and Group 2 shares.

Group 1 shares are those purchased prior to a distribution period and therefore their net revenue rate is the same as the distribution rate.

Group 2 shares are those purchased during a distribution period and therefore their distribution rate is made up of net revenue and equalisation. Equalisation is the average amount of revenue included in the purchase price of all Group 2 shares and is refunded to the holders of these shares as a return of capital. Being capital it is not liable to Income Tax. Instead, it must be deducted from the cost of shares for Capital Gains Tax purposes. The tables below show the split of the Group 2 rates into the net revenue and equalisation components.

Euro Class 'A-H' Accumulation shares				
Ordinary distributions for the year to 31 January	Net revenue 2017	Group 2 Equalisation 2017	Group 1 & 2 Distribution 2017 2016	
Final	0.0000	-	0.0000	0.0000

Euro Class 'C-H' Accumulation shares				
Ordinary distributions for the year to 31 January	Net revenue 2017	Group 2 Equalisation 2017	Group 1 & 2 Distribution 2017 2016	
Final	0.0000	-	0.0000	0.0000

Sterling Class 'A' Accumulation shares				
Ordinary distributions for the year to 31 January	Net revenue 2017	Group 2 Equalisation 2017	Group 1 & 2 Distribution 2017 2016	
Final	0.0000	-	0.0000	0.0000

Sterling Class 'I' Accumulation shares				
Ordinary distributions for the year to 31 January	Net revenue 2017	Group 2 Equalisation 2017	Group 1 & 2 Distribution 2017 2016	
Final	0.0000	-	0.0000	0.0000

Sterling Class 'N' Accumulation shares				
Ordinary distributions for the year to 31 January	Net revenue 2017	Group 2 Equalisation 2017	Group 1 & 2 Distribution 2017 2016	
Final	0.3449	-	0.3449	0.1046

Sterling Class 'R' Accumulation shares				
Ordinary distributions for the year to 31 January	Net revenue 2017	Group 2 Equalisation 2017	Group 1 & 2 Distribution 2017 2016	
Final	0.0000	-	0.0000	0.0000

Swiss franc Class 'A-H' Accumulation shares				
Ordinary distributions for the year to 31 January	Net revenue 2017	Group 2 Equalisation 2017	Group 1 & 2 Distribution 2017 2016	
Final	0.0000	-	0.0000	0.0000

Swiss franc Class 'C-H' Accumulation shares				
Ordinary distributions for the year to 31 January	Net revenue 2017	Group 2 Equalisation 2017	Group 1 & 2 Distribution 2017 2016	
Final	0.0000	-	0.0000	0.0000

US dollar Class 'A-H' Accumulation shares				
Ordinary distributions for the year to 31 January	Net revenue 2017	Group 2 Equalisation 2017	Group 1 & 2 Distribution 2017 2016	
Final	0.0000	-	0.0000	0.0000

US dollar Class 'C-H' Accumulation shares				
Ordinary distributions for the year to 31 January	Net revenue 2017	Group 2 Equalisation 2017	Group 1 & 2 Distribution 2017 2016	
Final	0.0000	-	0.0000	0.0000

M&G European Strategic Value Fund

Authorised Corporate Director's Report

Important information

Please note that from 1 August 2016, the M&G European Strategic Value Fund began taking the annual management charge and the administration charge from capital in the case of Income shares. These charges continue to be charged to income for Accumulation shares.

Investment objective

The Fund aims to maximise long term total return (the combination of income and growth of capital) to investors by investing predominantly in undervalued European equities.

Investment policy

The Fund seeks to maximise total return to investors through investment in European equities of companies whose share prices do not, in the opinion of the Investment Manager, fully reflect their potential value. The Fund will invest across a wide range of geographies, sectors and market capitalisations. The Fund may also invest in other assets including other non EU transferable securities, collective investment schemes, money market instruments, cash and near cash, deposits and derivative instruments. Derivative instruments may be used in support of achieving the Fund's investment objective.

Investment approach

The M&G European Strategic Value Fund employs a bottom-up stockpicking approach to identify shares of European (including UK) companies that the fund manager believes are undervalued. He seeks to identify companies that are mispriced, while trying to avoid firms that are cheap for a reason and whose share prices are unlikely to improve over time.

The fund's approach combines strict value-focused screening with rigorous qualitative analysis to ensure the fund has a consistent and disciplined value bias, without compromising on the robustness of the companies in the portfolio. Stock selection involves three stages: screening, fundamental analysis and portfolio construction. The screening process is used to find the cheapest 25% of companies in each sector. The manager then undertakes fundamental analysis of these companies to identify and exclude those with structural and financial problems that could prevent the share price recovering. The final stage is portfolio construction where the aim is to create a diversified portfolio of 60-100 companies whose true value the manager believes is being mispriced. The main driver of returns is expected to be the value style rather than any individual sector or stock.

The fund has a long-term investment horizon (stocks are typically held for three to five years) to give time for share prices to reach a valuation that reflects the true value of the business.

Risk profile

The fund invests in the shares of European (including UK) companies and is, therefore, subject to the price volatility of the European stockmarkets and the performance of individual companies. The fund's focus is on companies that are deemed to be undervalued or out of favour with the market, and whose potential value, in the fund manager's view, is yet to be reflected in the share price. These stocks could potentially experience a degree of illiquidity in times of market distress. However, the fund is mainly invested in the shares of large and medium-sized companies, which are normally traded with relative ease. The fund also invests in the shares of smaller companies, which can be more unpredictable and difficult to buy and sell. Diversification across industries and market capitalisation is therefore key in managing liquidity risk and 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' 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 1 February 2017, for the year ended 31 January 2017

Performance against objective

Between 1 February 2016 (the start of the review period) and 1 February 2017, the M&G European Strategic Value Fund produced a positive total return (the combination of income and growth of capital) across all its share classes.^[a] Returns from the sterling share classes were significantly ahead of the euro and US dollar share classes. This divergence reflected the sharp fall in the value of the pound over the period which boosted the value of the fund's overseas assets for sterling-based investors.

The fund's returns in all share classes were ahead of a comparative index, the MSCI Europe Index. (Over the 12 months, returns for the index were 10.8%, 24.3% and 9.4% in euros, sterling and US dollars, respectively.)

Over the longer term of five years, the fund met its objective; it delivered a positive total return, driven by positive stock selection and as European stockmarkets recovered from the turmoil caused by the eurozone debt crisis in 2011 and 2012.

M&G European Strategic Value Fund

Authorised Corporate Director's Report

Investment review

Investment performance

European stockmarkets rose over the 12 months under review, despite experiencing some turbulence along the way. At the beginning of the period, share prices fell amid worries about a potential US recession and the health of the Chinese economy. Weak commodity prices also contributed to the lack of confidence.

Investor sentiment gradually improved and markets rallied from around mid-February as robust data suggested the US economic recovery was gaining momentum, China's economy appeared to stabilise and commodity prices started to recover. The oil price rose from around US\$30 per barrel in February to over US\$50 at the end of the period, supported by the efforts of leading oil-producing nations to reduce the global supply glut.

The economic picture in Europe continued to brighten too, arguably helped by the considerable stimulus measures of the European Central Bank. Economic activity picked up, most notably in Germany and Spain, while unemployment rates in the eurozone fell, albeit from elevated levels.

There were some unexpected events during the period which caused stockmarkets to retreat. The first was the UK's shock vote in June to leave the European Union. Share prices also fell after the surprise election of Donald Trump as US president in November. However, investor confidence recovered fairly swiftly after both events. By the end of the period, European stockmarkets had regained their upward momentum, driven by optimism about the improving economic outlook, and finished up in positive territory.

There was a wide dispersion of returns between different sectors over the 12 months, with more economically sensitive sectors benefiting from the upturn in risk appetite. Energy and materials stocks led the way, buoyed by higher commodity prices. The financial and industrial sectors also outperformed.

On the other hand, there was a notable shift away from so-called 'defensive' businesses, that is, companies with more predictable earnings and steady growth, which have been in favour over the past couple of years. This movement gathered pace after the election of Donald Trump as investors hoped his policies would provide a boost to global growth and corporate profits. Accordingly, consumer staples and healthcare underperformed.

Meanwhile, stocks in the telecommunication services and utilities sectors, which had been in demand for their income-generating qualities, lost their appeal after the US Federal Reserve raised interest rates.

Over the course of the 12 months, there was also a style shift away from expensive companies towards the cheaper stocks in the market. This was a significant reversal as risk-averse investors have overlooked so called 'value' stocks for a number of years. Over the period, the MSCI Europe Value Index outperformed the broader market index, which provided a tailwind for our 'value'-focused approach, which seeks to identify out-of-favour companies whose prospects we believe are undervalued by the market.

The fund outperformed the MSCI Europe Index over the review period, with stock selection in several sectors adding value, most notably within consumer staples. The holding in Oriflame, a global cosmetics firm, was among the leading contributors as the share price more than doubled over the period. Investors were encouraged by the company's results, which were driven by robust sales in Asia and Latin America. Swiss firm Valora, which runs retail outlets in stations on the continent, also advanced after reporting better-than-expected results.

Meanwhile, the fund's below-index position in consumer staples was also helpful. Not holding any shares in food and drinks companies Nestlé and Anheuser-Busch InBev added value as these stocks underperformed.

Stock selection in the materials sector aided performance as well, with stainless steelmakers Aperam and Outokumpu among the top contributors. Both firms benefited from rising steel prices while Outokumpu's share price rebounded from a period of weakness amid optimism that the company's cost-cutting and efficiency improvements were delivering positive results. Outokumpu also has a US business that is turning around and could become profitable in due course.

The holding in Italian cement maker Buzzi Unicem made a positive contribution too. Buzzi has operations in the US and its share price advanced on hopes that President Trump's election will lead to increased infrastructure spending.

Elsewhere, in the consumer discretionary sector, the holding in Darty, a UK-listed electrical appliances chain, was another notable contributor. The retailer, which sells electrical goods in France, was involved in a protracted takeover battle and its share price soared following a series of competing bids, which eventually saw Groupe FNAC, a holding in the fund, secure the deal. We sold our stake in Darty after the gains.

On the other hand, the fund's below-index position in industrials was the largest detractor as stocks in this area performed well in anticipation of faster economic growth.

The fund's below-index position and stock selection in financials also cost some performance. The holding in Aviva, a UK-based insurance and investment firm, was among the leading detractors. Investors were concerned that the low interest rate environment would hurt the company's profitability and performance. The holdings in UK banks Lloyds and Royal Bank of Scotland also held back relative performance as they were caught up in concerns about a possible downturn in the UK economy following the Brexit vote. As a large retail bank offering consumer loans, Lloyds is particularly exposed to the health of the domestic economy.

In the consumer discretionary sector, the holdings in UK bookmakers William Hill and Ladbrokes Coral were notable detractors. Both stocks were hit by worries about a potential increase in regulation of the gambling industry, particularly restrictions on fixed-odds betting terminals in their shops.

Stock selection in the energy sector detracted as well, with the holding in Cobalt International Energy, an oil explorer, weighing on returns. The fund's below-index position in multinational oil company Royal Dutch Shell also cost some performance as the stock rallied when oil prices rose.

M&G European Strategic Value Fund

Authorised Corporate Director's Report

Investment review

Investment activities

During the review period, we identified numerous attractively valued opportunities across a range of different sectors.

In the telecoms sector, we invested in TDC from Denmark, whose share price has been weak due to a price war in the Danish mobile market. TDC remained profitable despite this and, in our view, has a strong market position and should benefit from more rational pricing in the market in future.

In industrials, French railway equipment manufacturer Alstom joined the portfolio. The company has recently sold its energy assets to focus on the transport sector where it has a market-leading position.

We also invested in Randstad, a Dutch recruitment business. We believe the company's valuation reflected an economic downturn, but we think Randstad's balance sheet is strong and the company should benefit from the continued recovery in the European economy.

Investors' concerns about the development of a project in London provided us with an opportunity to invest in St Modwen Properties, a UK-listed property company, at an attractive level. The company specialises in the redevelopment of brownfield sites for commercial and residential property and we believe it is a solid business that is being mispriced.

We also increased our positions in a number of existing holdings, including pharmaceutical firms AstraZeneca and Bayer, as well as Kosmos Energy, an oil & gas explorer. We also received shares in J Sainsbury, a UK supermarket chain, when it acquired one of our holdings, Home Retail, a UK retailer.

Turning to sales, we closed the position in Darty, a UK-listed retailer with a significant business in France, after the shares rallied following a takeover battle. We also sold our stakes in GlaxoSmithKline, a British pharmaceutical firm, and Stada Arzneimittel, a German generics drug maker, on valuation grounds after a period of good performance.

Other notable trades during the period included taking profits from stocks that had outperformed, such as Wolters Kluwer, a publisher of tax and legal information, Securitas, a Swedish security services firm, and Outokumpu, a Finnish stainless steel maker.

Outlook

The recovery of 'value' stocks during the period under review was extremely encouraging. However, even after their strong performance over the past 12 months, we believe the outlook for a selective value approach remains positive. The recent outperformance of value stocks was modest compared to the extent of their underperformance since 2007. Therefore, in our opinion, 'value' still has further to go before it has reversed this underperformance.

Underpinning this view is the fact that there is still a wide divergence in valuations between the most expensive part of the market and the cheapest. We believe the potential rewards from investing in value stocks could be significant if this valuation gap continues to narrow. The improving economic backdrop in Europe should also be supportive of a value-based approach as it could help boost corporate profits.

While we are optimistic about value's long-term prospects, given the strength of the recent rally, we recognise that there may be some challenges along the way and the outperformance of value stocks will not necessarily continue in a straight line. In this environment, we believe that a selective value approach is essential.

We will continue to apply our disciplined stockpicking approach to identify companies that are being mispriced by the market, while avoiding stocks with material problems that could prevent the share price from recovering. We believe the fund is well placed to be able to capture the value opportunities that currently exist in Europe, while being well diversified across sectors and positioned to be resilient in an uncertain environment.

Richard Halle
Fund manager

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

[a] 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.

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.

Investments

Portfolio statement

as at 31 January	2017	2017	2016
Holding	€'000	%	%
Oil & gas producers	124,584	7.00	7.07
9,715,464 BP	53,764	3.02	
3,433,248 Cobalt International Energy	3,289	0.18	
3,883,628 Kosmos Energy	23,190	1.30	
6,710,225 Ophir Energy	7,291	0.41	
39,653 Royal Dutch Shell 'A'	1,005	0.06	
659,339 Royal Dutch Shell 'B'	17,397	0.98	
5,528,945 Tullow Oil	18,648	1.05	
Oil equipment, services & distribution	22,459	1.26	1.44
8,335,184 Lamprell	9,057	0.51	
4,315,607 Petroleum Geo-Services	13,402	0.75	
Chemicals	68,705	3.86	3.17
519,386 Bayer	54,172	3.04	
367,435 Yara International	14,533	0.82	
Forestry & paper	18,098	1.02	1.06
840,595 UPM-Kymmene	18,098	1.02	
Industrial metals & mining	52,874	2.97	2.13
400,968 Aperam	17,456	0.98	
3,078,558 Outokumpu	25,598	1.44	
273,279 Salzgitter	9,820	0.55	

M&G European Strategic Value Fund

Authorised Corporate Director's Report

Investments

Portfolio statement (continued)			
as at 31 January Holding	2017 €'000	2017 %	2016 %
Construction & materials	28,970	1.63	0.97
157,094 Boskalis	5,434	0.31	
976,321 Buzzi Unicem	22,494	1.26	
84,401 Buzzi Unicem Pref. (non voting)	1,042	0.06	
Aerospace & defence	36,648	2.06	0.39
8,028,395 Chemring Group	18,029	1.01	
1,519,920 Leonardo	18,619	1.05	
General industrials	16,777	0.94	0.39
244,602 Bilfinger	9,464	0.53	
4,209 Vetropack	7,313	0.41	
Industrial engineering	24,021	1.35	0.00
910,402 Alstom	24,021	1.35	
Industrial transportation	1,453	0.08	0.00
98,168 DHT	421	0.02	
143,315 Euronav	1,032	0.06	
Support services	56,007	3.15	2.55
354,110 Randstad Holding	19,069	1.07	
2,494,867 Securitas 'B'	36,938	2.08	
Automobiles & parts	48,107	2.70	2.61
353,150 Rheinmetall	25,144	1.41	
155,735 Volkswagen Pref.	22,963	1.29	
Beverages	24,961	1.40	0.00
3,484,811 Britvic	24,961	1.40	
Food producers	15,266	0.86	1.22
1,753,623 Orkla	15,266	0.86	
Household goods & home construction	20,787	1.17	1.41
133,858 BIC	16,311	0.92	
1,332 Metall Zug	4,476	0.25	
Personal goods	45,898	2.58	4.22
575,846 Oriflame	15,979	0.90	
2,365,096 Safilo Group	16,154	0.91	
494,372 Svenska Cellulosa 'B'	13,765	0.77	
Healthcare equipment & services	17,314	0.97	0.90
403,284 Livanova	17,314	0.97	
Pharmaceuticals & biotechnology	143,511	8.07	13.07
630,246 AstraZeneca	30,691	1.73	
334,795 H. Lundbeck	13,248	0.74	
743,935 Novartis (Regd.)	50,368	2.83	
453,394 Sanofi	33,932	1.91	
10,174,708 Vectura Group	15,272	0.86	
Food & drug retailers	73,684	4.14	2.68
8,084,451 J Sainsbury	24,485	1.38	
252,113 Kesko	11,784	0.66	
649,741 Metro	20,844	1.17	
52,944 Valora	16,571	0.93	
General retailers	39,377	2.22	4.45
221,435 Groupe Fnac	13,428	0.76	
411,439 Hornbach Holding KGAA	25,949	1.46	
Media	57,423	3.23	5.00
1,733,605 Vivendi	29,749	1.67	
780,537 Wolters Kluwer	27,674	1.56	

Portfolio statement (continued)

as at 31 January Holding	2017 €'000	2017 %	2016 %
Travel & leisure	89,304	5.02	6.00
2,013,924 Deutsche Lufthansa	25,416	1.43	
1,004,870 easyJet	11,245	0.63	
15,436,424 Enterprise Inns	23,840	1.34	
10,256,866 Ladbrokes	14,254	0.80	
4,825,914 William Hill	14,549	0.82	
Fixed line telecommunications	47,493	2.67	2.05
410,352 Elisa	12,856	0.72	
1,205,110 Orange	17,420	0.98	
3,532,455 TDC	17,217	0.97	
Mobile telecommunications	39,735	2.23	4.66
1,136,633 Deutsche Telekom	18,533	1.04	
205,228 Orange Belgium (formerly Mobistar)	4,314	0.24	
7,506,880 Vodafone Group	16,888	0.95	
Electricity	31,506	1.77	0.85
336,839 BKW	15,782	0.89	
368,161 Innogy	11,789	0.66	
293,315 Uniper	3,935	0.22	
Gas, water & multi-utilities	17,147	0.96	0.93
2,399,237 E.ON	17,147	0.96	
Banks	198,908	11.18	8.55
21,133,063 Bankia	20,732	1.17	
460,998 BNP Paribas	27,747	1.56	
629,819 Deutsche Bank	11,885	0.67	
2,287,357 ING Groep	30,662	1.72	
6,626,153 Intesa Sanpaolo	14,445	0.81	
191,217 JYSKE Bank	9,127	0.51	
38,620,292 Lloyds Banking Group	29,315	1.65	
5,860,623 Royal Bank of Scotland Group	15,290	0.86	
441,759 Société Générale	20,445	1.15	
1,269,480 UBS Group	19,260	1.08	
Non-life insurance	34,331	1.93	3.04
2,427,761 FBD Holdings	18,961	1.07	
87,505 Munich Re	15,370	0.86	
Life insurance	47,079	2.65	5.10
5,708,174 Aviva	31,770	1.79	
2,678,565 Storebrand	15,309	0.86	
Real estate investment & services	23,793	1.34	0.00
3,104,252 St. Modwen Properties	11,283	0.64	
4,101,700 Technopolis Oyj	12,510	0.70	
Financial services	22,165	1.25	0.36
8,089,361 Permanent TSB Group	22,165	1.25	
Software & computer services	17,535	0.99	1.09
684,699 Tieto	17,535	0.99	
Technology hardware & equipment	84,074	4.73	4.24
346,989 ams AG	11,185	0.63	
242,105 ASM International	10,999	0.62	
1,673,273 Ericsson 'B'	9,226	0.52	
506,435 Neopost	15,472	0.87	
6,822,912 Nokia	28,615	1.61	
693,648 STMicroelectronics	8,577	0.48	
Portfolio of investments	1,589,994	89.38	91.60
'AAA' rated money market funds ^[a]	122,750	6.90	7.93
105,906,000 Northern Trust Global Fund - Sterling	122,750	6.90	
Total portfolio (notes 2c & 2d on page 6)	1,712,744	96.28	99.53
Net other assets	66,160	3.72	0.47
Net assets attributable to shareholders	1,778,904	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.

M&G European Strategic Value Fund

Authorised Corporate Director's Report

Investments

Top ten portfolio transactions	
for the year to 31 January 2017	
Largest purchases	€'000
Britvic	22,692
Alstom	21,256
Permanent TSB Group	18,760
Vectura Group	17,596
Bankia	17,247
Bayer	17,135
Leonardo	16,819
Randstad Holding	16,737
Nokia	16,049
TDC	15,982
Other purchases	433,575
Total purchases	613,848
Largest sales	€'000
Darty	34,369
Wolters Kluwer	20,590
STADA Arzneimittel	18,807
Svenska Cellulosa 'B'	16,972
Sanofi	16,795
GlaxoSmithKline	16,372
BP	13,149
William Hill	12,479
Securitas 'B'	11,175
Oriflame	9,816
Other sales	206,207
Total sales	376,731

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

M&G European Strategic Value 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 show the performance for two of the fund's share classes – Sterling Class 'A' (Accumulation) shares and Sterling Class 'I' (Accumulation) shares.

We show performance for these two share classes because:

- The performance of the Sterling Class 'A' (Accumulation) share is what most individuals investing directly with M&G have received. It has the highest ongoing charge of all the share classes. Performance is shown after deduction of this charge. All investors in the fund therefore received this performance or better.
- The performance of the Sterling Class 'I' (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 (7), 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 31 January	2017 €'000	2016 €'000	2015 €'000
Fund net asset value (NAV)	1,778,904	1,302,561	1,436,445

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' (Accumulation) shares and Sterling Class 'I' (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

	One year 01.02.16 % [a]	Three years 03.02.14 % p.a.	Five years 01.02.12 % p.a.	Since launch % p.a.
Euro [b]				
Class 'A'	+11.7	+7.4	+10.7	+5.1 [c]
Class 'C'	+12.5	+8.2	+11.6	+6.0 [c]
Sterling [d]				
Class 'A'	+25.2	+8.6	+11.3	+6.6 [c]
Class 'I'	+26.2	+9.4	+12.2	+7.5 [c]
Class 'R'	+25.9	+9.1	n/a	+14.3 [e]
US dollar [b]				
Class 'A'	+11.0	n/a	n/a	-0.8 [f]
Class 'C'	+11.8	n/a	n/a	-0.0 [f]

[a] Absolute basis.

[b] Price to price with net income reinvested.

[c] 1 February 2008, the launch date of the fund.

[d] Price to price with income reinvested.

[e] 3 August 2012, the launch date of the share class.

[f] 8 August 2014, the launch date of the share class.

M&G European Strategic Value 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, comprised of 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.
- **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, method of execution and the quality of research provided. They are made up of direct and indirect portfolio transaction costs:

- **Direct portfolio transaction costs:** Broker execution commission, taxes, and costs of research from brokers and other research providers.
- **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				
for the year to 31 January	2017	2016	2015	Average ^[a]
Direct portfolio transaction costs ^[b]	%	%	%	%
Broker commission	0.04	0.05	0.04	0.04
Taxes	0.09	0.05	0.07	0.07
Costs before dilution adjustments	0.13	0.10	0.11	0.11
Dilution adjustments ^[c]	(0.07)	(0.05)	(0.11)	(0.08)
Total direct portfolio transaction costs	0.06	0.05	0.00	0.03
as at 31 January	2017	2016	2015	Average ^[a]
Indirect portfolio transaction costs	%	%	%	%
Average portfolio dealing spread	0.16	0.16	0.11	0.14

^[a] Average of first three columns.

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

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

M&G European Strategic Value 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' Accumulation share performance

The share class was launched on 1 February 2008.

for the year to 31 January Change in NAV per share	2017 Euro ¢	2016 Euro ¢	2015 Euro ¢
Opening NAV	1,384.98	1,449.69	1,250.72
Return before operating charges and after direct portfolio transaction costs	198.04	(39.37)	221.43
Operating charges	(25.45)	(25.34)	(22.46)
Return after operating charges	172.59	(64.71)	198.97
Distributions	(18.04)	(15.74)	(16.49)
Retained distributions	18.04	15.74	16.49
Closing NAV	1,557.57	1,384.98	1,449.69
Direct portfolio transaction costs ^[a]	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	2.02	1.57	1.47
Dilution adjustments ^[b]	(1.06)	(0.79)	(1.47)
Total direct portfolio transaction costs	0.96	0.78	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs	0.06	0.05	0.00
Operating charges	1.72*	1.66	1.68
Return after operating charges	+12.46	-4.46	+15.91
Historic yield	1.15	1.23	1.09
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€'000)	229,666	14,891	8,861
Closing NAV percentage of total fund NAV (%)	12.91	1.14	0.62
Number of shares	14,745,125	1,075,146	611,204
Highest share price (Euro ¢)	1,590.13	1,664.52	1,465.45
Lowest share price (Euro ¢)	1,247.65	1,318.87	1,219.60

* Due to investor inflows, the share class NAV increased significantly towards the end of the year, therefore 1.67% is a more reliable estimate of the year to 31.01.17 ongoing charges.

Euro Class 'C' Accumulation share performance

The share class was launched on 1 February 2008.

for the year to 31 January Change in NAV per share	2017 Euro ¢	2016 Euro ¢	2015 Euro ¢
Opening NAV	1,482.93	1,540.64	1,319.29
Return before operating charges and after direct portfolio transaction costs	210.74	(42.76)	234.49
Operating charges	(14.20)	(14.95)	(13.14)
Return after operating charges	196.54	(57.71)	221.35
Distributions	(30.92)	(28.81)	(28.72)
Retained distributions	30.92	28.81	28.72
Closing NAV	1,679.47	1,482.93	1,540.64
Direct portfolio transaction costs ^[a]	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	2.05	1.68	1.56
Dilution adjustments ^[b]	(1.07)	(0.85)	(1.56)
Total direct portfolio transaction costs	0.98	0.83	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs	0.06	0.05	0.00
Operating charges	0.92	0.91	0.93
Return after operating charges	+13.25	-3.75	+16.78
Historic yield	1.82	2.11	1.80
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€'000)	1,542,462	1,280,224	1,420,735
Closing NAV percentage of total fund NAV (%)	86.71	98.29	98.91
Number of shares	91,842,316	86,330,513	92,217,380
Highest share price (Euro ¢)	1,714.55	1,771.70	1,557.16
Lowest share price (Euro ¢)	1,336.25	1,411.91	1,293.24

Sterling Class 'A' Income share performance

The share class was launched on 1 February 2008.

for the year to 31 January Change in NAV per share	2017 UK p	2016 UK p	2015 UK p
Opening NAV	124.65	130.00	124.21
Return before operating charges and after direct portfolio transaction costs	36.10	(1.73)	9.46
Operating charges	(2.34)	(2.20)	(2.17)
Return after operating charges	33.76	(3.93)	7.29
Distributions	(3.09)	(1.42)	(1.50)
Closing NAV	155.32	124.65	130.00
Direct portfolio transaction costs ^[a]	UK p	UK p	UK p
Costs before dilution adjustments	0.19	0.14	0.14
Dilution adjustments ^[b]	(0.10)	(0.07)	(0.14)
Total direct portfolio transaction costs	0.09	0.07	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs	0.06	0.05	0.00
Operating charges	1.68	1.66	1.68
Return after operating charges	+27.08	-3.02	+5.87
Historic yield ^[c]	1.97	1.25	1.10
Effect on yield of charges offset against capital	1.65	0.00	0.00
Other information			
Closing NAV (€'000)	1,335	1,376	1,265
Closing NAV percentage of total fund NAV (%)	0.08	0.11	0.09
Number of shares	741,545	842,752	731,481
Highest share price (UK p)	162.19	142.55	136.04
Lowest share price (UK p)	115.72	121.58	117.31

M&G European Strategic Value Fund

Financial highlights

Specific share class performance

Sterling Class 'A' Accumulation share performance

The share class was launched on 1 February 2008.

for the year to 31 January Change in NAV per share	2017 UK p	2016 UK p	2015 UK p
Opening NAV	141.17	145.58	137.53
Return before operating charges and after direct portfolio transaction costs	40.87	(1.95)	10.45
Operating charges	(2.65)	(2.46)	(2.40)
Return after operating charges	38.22	(4.41)	8.05
Distributions	(2.08)	(1.59)	(1.65)
Retained distributions	2.08	1.59	1.65
Closing NAV	179.39	141.17	145.58

Direct portfolio transaction costs ^[a]	UK p	UK p	UK p
Costs before dilution adjustments	0.21	0.15	0.16
Dilution adjustments ^[b]	(0.11)	(0.08)	(0.16)
Total direct portfolio transaction costs	0.10	0.07	0.00

Performance and charges	%	%	%
Direct portfolio transaction costs	0.06	0.05	0.00
Operating charges	1.68	1.66	1.68
Return after operating charges	+27.07	-3.03	+5.85
Historic yield	1.15	1.23	1.09
Effect on yield of charges offset against capital	0.00	0.00	0.00

Other information

Closing NAV (€'000)	943	788	907
Closing NAV percentage of total fund NAV (%)	0.05	0.06	0.06
Number of shares	453,424	426,247	468,560
Highest share price (UK p)	183.68	159.62	150.59
Lowest share price (UK p)	131.05	136.14	129.85

Sterling Class 'I' Income share performance

The share class was launched on 1 February 2008.

for the year to 31 January Change in NAV per share	2017 UK p	2016 UK p	2015 UK p
Opening NAV	124.65	130.11	124.29
Return before operating charges and after direct portfolio transaction costs	36.28	(1.78)	9.49
Operating charges	(1.29)	(1.20)	(1.20)
Return after operating charges	34.99	(2.98)	8.29
Distributions	(3.63)	(2.48)	(2.47)
Closing NAV	156.01	124.65	130.11

Direct portfolio transaction costs ^[a]	UK p	UK p	UK p
Costs before dilution adjustments	0.19	0.14	0.14
Dilution adjustments ^[b]	(0.10)	(0.07)	(0.14)
Total direct portfolio transaction costs	0.09	0.07	0.00

Performance and charges	%	%	%
Direct portfolio transaction costs	0.06	0.05	0.00
Operating charges	0.92	0.91	0.93
Return after operating charges	+28.07	-2.29	+6.67
Historic yield ^[c]	2.31	2.17	1.83
Effect on yield of charges offset against capital	0.90	0.00	0.00

Other information

Closing NAV (€'000)	615	456	204
Closing NAV percentage of total fund NAV (%)	0.03	0.04	0.01
Number of shares	340,215	278,943	117,862
Highest share price (UK p)	163.39	142.88	136.51
Lowest share price (UK p)	115.76	122.58	118.02

Sterling Class 'I' Accumulation share performance

The share class was launched on 1 February 2008.

for the year to 31 January Change in NAV per share	2017 UK p	2016 UK p	2015 UK p
Opening NAV	151.21	154.77	145.12
Return before operating charges and after direct portfolio transaction costs	43.94	(2.11)	11.06
Operating charges	(1.56)	(1.45)	(1.41)
Return after operating charges	42.38	(3.56)	9.65
Distributions	(3.56)	(2.94)	(2.88)
Retained distributions	3.56	2.94	2.88
Closing NAV	193.59	151.21	154.77

Direct portfolio transaction costs ^[a]	UK p	UK p	UK p
Costs before dilution adjustments	0.23	0.16	0.17
Dilution adjustments ^[b]	(0.12)	(0.08)	(0.17)
Total direct portfolio transaction costs	0.11	0.08	0.00

Performance and charges	%	%	%
Direct portfolio transaction costs	0.06	0.05	0.00
Operating charges	0.92	0.91	0.93
Return after operating charges	+28.03	-2.30	+6.65
Historic yield	1.82	2.13	1.79
Effect on yield of charges offset against capital	0.00	0.00	0.00

Other information

Closing NAV (€'000)	3,360	4,220	4,384
Closing NAV percentage of total fund NAV (%)	0.19	0.32	0.31
Number of shares	1,497,468	2,129,997	2,129,750
Highest share price (UK p)	198.16	169.96	159.34
Lowest share price (UK p)	140.41	145.80	137.76

Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012.

for the year to 31 January Change in NAV per share	2017 UK p	2016 UK p	2015 UK p
Opening NAV	136.28	142.21	135.86
Return before operating charges and after direct portfolio transaction costs	39.60	(1.93)	10.36
Operating charges	(1.78)	(1.69)	(1.66)
Return after operating charges	37.82	(3.62)	8.70
Distributions	(3.79)	(2.31)	(2.35)
Closing NAV	170.31	136.28	142.21

Direct portfolio transaction costs ^[a]	UK p	UK p	UK p
Costs before dilution adjustments	0.20	0.15	0.15
Dilution adjustments ^[b]	(0.11)	(0.07)	(0.15)
Total direct portfolio transaction costs	0.09	0.08	0.00

Performance and charges	%	%	%
Direct portfolio transaction costs	0.06	0.05	0.00
Operating charges	1.16	1.17	1.17
Return after operating charges	+27.75	-2.55	+6.40
Historic yield ^[c]	2.20	1.85	1.59
Effect on yield of charges offset against capital	1.15	0.00	0.00

Other information

Closing NAV (€'000)	19	17	40
Closing NAV percentage of total fund NAV (%)	0.00	0.00	0.00
Number of shares	9,393	9,393	21,000
Highest share price (UK p)	178.22	156.09	149.07
Lowest share price (UK p)	126.55	133.64	128.77

M&G European Strategic Value Fund

Financial highlights

Specific share class performance

Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012.

for the year to 31 January Change in NAV per share	2017 UK p	2016 UK p	2015 UK p
Opening NAV	143.56	147.31	138.47
Return before operating charges and after direct portfolio transaction costs	41.69	(2.04)	10.54
Operating charges	(1.88)	(1.71)	(1.70)
Return after operating charges	39.81	(3.75)	8.84
Distributions	(2.96)	(2.41)	(2.39)
Retained distributions	2.96	2.41	2.39
Closing NAV	183.37	143.56	147.31
Direct portfolio transaction costs ^[a]	UK p	UK p	UK p
Costs before dilution adjustments	0.21	0.15	0.16
Dilution adjustments ^[b]	(0.11)	(0.08)	(0.16)
Total direct portfolio transaction costs	0.10	0.07	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs	0.06	0.05	0.00
Operating charges	1.16	1.15	1.17
Return after operating charges	+27.73	-2.55	+6.38
Historic yield	1.60	1.83	1.56
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€'000)	44	149	41
Closing NAV percentage of total fund NAV (%)	0.00	0.01	0.00
Number of shares	20,766	79,127	21,000
Highest share price (UK p)	187.72	161.68	151.89
Lowest share price (UK p)	133.29	138.43	131.21

US dollar Class 'A' Accumulation share performance

The share class was launched on 8 August 2014.

for the year to 31 January Change in NAV per share	2017 US ¢	2016 US ¢	2015 US ¢
Opening NAV	876.73	953.44	1,000.00
Return before operating charges and after direct portfolio transaction costs	110.35	(60.49)	(36.81)
Operating charges	(16.72)	(16.22)	(9.75)
Return after operating charges	93.63	(76.71)	(46.56)
Distributions	(11.13)	(9.79)	(10.82)
Retained distributions	11.13	9.79	10.82
Closing NAV	970.36	876.73	953.44
Direct portfolio transaction costs ^[a]	US ¢	US ¢	US ¢
Costs before dilution adjustments	1.41	1.06	0.59
Dilution adjustments ^[b]	(0.74)	(0.53)	(0.59)
Total direct portfolio transaction costs	0.67	0.53	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs	0.06	0.05	0.00
Operating charges	1.89*	1.65	1.65
Return after operating charges	+10.68	-8.05	-4.66
Historic yield	1.14	1.23	1.09
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€'000)	158	4	4
Closing NAV percentage of total fund NAV (%)	0.01	0.00	0.00
Number of shares	17,489	500	500
Highest share price (US ¢)	987.70	1,067.05	1,044.30
Lowest share price (US ¢)	820.28	834.12	901.25

* Due to investor inflows, the share class NAV increased significantly towards the end of the year, therefore 1.67% is a more reliable estimate of the year to 31.01.17 ongoing charges.

US dollar Class 'C' Accumulation share performance

The share class was launched on 8 August 2014.

for the year to 31 January Change in NAV per share	2017 US ¢	2016 US ¢	2015 US ¢
Opening NAV	886.65	957.00	1,000.00
Return before operating charges and after direct portfolio transaction costs	110.74	(61.65)	(37.85)
Operating charges	(8.51)	(8.70)	(5.15)
Return after operating charges	102.23	(70.35)	(43.00)
Distributions	(18.21)	(17.12)	(17.98)
Retained distributions	18.21	17.12	17.98
Closing NAV	988.88	886.65	957.00
Direct portfolio transaction costs ^[a]	US ¢	US ¢	US ¢
Costs before dilution adjustments	1.23	0.99	0.59
Dilution adjustments ^[b]	(0.64)	(0.50)	(0.59)
Total direct portfolio transaction costs	0.59	0.49	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs	0.06	0.05	0.00
Operating charges	0.92	0.89	0.87
Return after operating charges	+11.53	-7.35	-4.30
Historic yield	1.83	2.13	1.79
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€'000)	302	436	4
Closing NAV percentage of total fund NAV (%)	0.02	0.03	0.00
Number of shares	32,868	53,643	500
Highest share price (US ¢)	1,006.45	1,073.49	1,044.90
Lowest share price (US ¢)	829.80	843.42	902.59

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

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

^[c] Current year figures have been estimated to reflect the change in charging structure and therefore you may see variances between comparative and current year figures.

M&G European Strategic Value Fund

Financial statements and notes

Financial statements

Statement of total return					
for the year to 31 January	Note	2017 €'000	2016 €'000	2017 €'000	2016 €'000
Income					
Net capital gains / (losses)	3		146,112		(74,870)
Revenue	5	40,923		40,503	
Expenses	6	(12,848)		(13,253)	
Net revenue / (expense) before taxation		28,075		27,250	
Taxation	7	(1,576)		(1,540)	
Net revenue / (expense) after taxation			26,499		25,710
Total return before equalisation / distributions			172,611		(49,160)
Distributions	8		(26,512)		(25,710)
Change in net assets attributable to shareholders from investment activities			146,099		(74,870)

Statement of change in net assets attributable to shareholders				
	2017		2016	
for the year to 31 January	€'000	€'000	€'000	€'000
Opening net assets attributable to shareholders		1,302,561		1,436,445
Amounts received on issue of shares	541,202		321,102	
Amounts paid on cancellation of shares	<u>(243,891)</u>		<u>(406,627)</u>	
		297,311		(85,525)
Dilution adjustments		1,794		1,367
Change in net assets attributable to shareholders from investment activities (see above)		146,099		(74,870)
Retained distributions on Accumulation shares		31,139		25,144
Closing net assets attributable to shareholders		1,778,904		1,302,561

Balance sheet			
as at 31 January	Note	2017 €'000	2016 €'000
Assets			
Fixed assets			
Investments		1,712,744	1,296,432
Current assets			
Debtors	9	106,586	11,930
Cash and bank balances	10	0	2
Total assets		1,819,330	1,308,364
Liabilities			
Creditors			
Bank overdrafts		(11,250)	0
Distribution payable		(41)	(25)
Other creditors	11	(29,135)	(5,778)
Total liabilities		(40,426)	(5,803)
Net assets attributable to shareholders		1,778,904	1,302,561

Notes to the financial statements

1 Accounting policies

The financial statements have been prepared in accordance with the 'Summary of significant accounting policies' set out on pages 6 and 7.

2 Distribution policy

With effect from 1 August 2016, the distribution policy has been amended so that in determining the amount available for distribution to Income shares, the annual management charge and administration charge are now offset against capital, increasing the amount available for distribution whilst restraining capital performance to an equivalent extent.

Marginal tax relief has not been taken into account in respect of expenses offset against capital.

3 Net capital gains / (losses)

for the year to 31 January	2017 €'000	2016 €'000
Non-derivative securities	145,931	(75,515)
Currency gains / (losses)	197	655
Transaction charges	(16)	(10)
Net capital gains / (losses)	146,112	(74,870)

4 Portfolio transactions and associated costs

The following tables show portfolio transactions and their associated transaction costs. For more information about the nature of the costs please see the section on 'Operating charges and portfolio transaction costs' on page 31.

for the year to 31 January	2017 €'000	% of transaction	2016 €'000	% of transaction
a) Purchases				
Equities				
Equities before transaction costs	608,159		374,304	
Commissions	297	0.05	312	0.08
Taxes	1,277	0.21	720	0.19
Equities after transaction costs	609,733		375,336	
Other asset classes				
Corporate actions	4,115		0	
Total purchases after transaction costs	613,848		375,336	
b) Sales				
Equities				
Equities before transaction costs	376,978		418,207	
Commissions	(247)	0.07	(440)	0.11
Total sales after transaction costs	376,731		417,767	
c) Direct portfolio transaction costs	2017 €'000	% of average NAV	2016 €'000	% of average NAV
Commissions paid				
Equities	544	0.04	752	0.05
Taxes paid				
Equities	1,277	0.09	720	0.05
Total direct portfolio transaction costs ^[a]	1,821	0.13	1,472	0.10
d) Indirect portfolio transaction costs		%		%
Portfolio dealing spread ^[b]		0.16		0.16

^[a] Costs before dilution adjustments. Please refer to the 'Financial highlights' section for the effect of dilution adjustments.

^[b] Average portfolio dealing spread at the balance sheet date.

M&G European Strategic Value Fund

Financial statements and notes

Notes to the financial statements

5 Revenue

for the year to 31 January	2017 €'000	2016 €'000
Bank interest	231	5
Dividends from equity investments: non-taxable	34,948	38,126
Dividends from equity investments: taxable	204	(528)
HM Revenue & Customs interest	0	22
Interest distributions	397	492
Stock dividends	5,143	2,386
Total revenue	40,923	40,503

6 Expenses

for the year to 31 January	2017 €'000	2016 €'000
Payable to the ACD or associate		
Annual management charge	10,555	10,843
Administration charge	2,063	2,143
	12,618	12,986
Payable to the Depositary or associate		
Depositary's charge (including VAT)	71	76
Other expenses		
Audit fee (including VAT)	10	10
Dividend charges	0	3
Interest payable	13	11
Safe custody charge	133	158
Tax fees (including VAT)	3	9
	159	191
Total expenses	12,848	13,253

7 Taxation

for the year to 31 January	2017 €'000	2016 €'000
a) Analysis of charge in the year		
Corporation tax	0	0
Withholding tax	1,576	1,540
Deferred tax (note 7c)	0	0
Total taxation	1,576	1,540
b) Factors affecting taxation charge for the year		
Net revenue / (expense) before taxation	28,075	27,250
Corporation tax at 20%	5,615	5,450
Effects of:		
Dividends from equity investments: non-taxable	(6,990)	(7,625)
Stock dividends not taxable	(1,029)	(477)
Current year expenses not utilised	2,404	2,656
Withholding tax	1,576	1,540
Withholding tax expensed	0	(4)
Total tax charge (note 7a)	1,576	1,540
c) Provision for deferred taxation		
Provision at the start of the year	0	0
Deferred tax in profit and loss account (note 7a)	0	0
Provision at the end of the year	0	0

The fund has not recognised a deferred tax asset of €9,976,000 (2016: €7,572,000) arising as a result of having excess management expenses. We do not expect this asset to be utilised in the foreseeable future.

8 Distributions

	2017		2016	
for the year to 31 January	Inc ^[a] €'000	Acc ^[b] €'000	Inc ^[a] €'000	Acc ^[b] €'000
Dividend distributions				
Final	41	31,139	25	25,144
Total net distributions		31,180		25,169
Income deducted on cancellation of shares		4,011		5,048
Income received on issue of shares		(8,679)		(4,507)
Distributions		26,512		25,710
Net revenue per statement of total return		26,499		25,710
Expenses offset against capital		13		0
Distributions		26,512		25,710

^[a] Distributions payable on Income shares.

^[b] Retained distributions on Accumulation shares.

9 Debtors

as at 31 January	2017 €'000	2016 €'000
Amounts receivable on issues of shares	97,889	0
Currency deals outstanding	4,177	1,332
Distributions receivable	26	41
Dividends receivable	780	358
Sales awaiting settlement	123	5,922
Withholding tax recoverable	3,591	4,277
Total debtors	106,586	11,930

10 Cash and bank balances

as at 31 January	2017 €'000	2016 €'000
Cash held as bank balances	0	2
Total cash and bank balances	0	2

11 Other creditors

as at 31 January	2017 €'000	2016 €'000
ACD's annual management charge payable	559	297
Administration charge payable	104	59
Currency deals outstanding	4,183	1,338
Expenses payable	66	44
Purchases awaiting settlement	24,223	4,040
Total other creditors	29,135	5,778

12 Contingent assets, liabilities and outstanding commitments

There were no contingent assets, liabilities or outstanding commitments at the balance sheet date (2016: same).

M&G European Strategic Value Fund

Financial statements and notes

Notes to the financial statements

13 Shares in issue

The following table shows each class of share in issue during the year. Each share class has the same rights on winding up however they may have different charging structures as set out in note 14.

Share class	Opening 01.02.16	Movements Issued Cancelled		Closing 31.01.17
Euro				
Class 'A' Accumulation (Net)	1,075,146	13,866,428	(196,449)	14,745,125
Class 'C' Accumulation (Net)	86,330,513	21,363,838	(15,852,035)	91,842,316
Sterling				
Class 'A' Income (Net)	842,752	78,641	(179,848)	741,545
Class 'A' Accumulation (Net)	426,247	65,079	(37,902)	453,424
Class 'I' Income (Net)	278,943	147,674	(86,402)	340,215
Class 'I' Accumulation (Net)	2,129,997	952,304	(1,584,833)	1,497,468
Class 'R' Income (Net)	9,393	0	0	9,393
Class 'R' Accumulation (Net)	79,127	22,300	(80,661)	20,766
US dollar				
Class 'A' Accumulation (Net)	500	16,989	0	17,489
Class 'C' Accumulation (Net)	53,643	33,225	(54,000)	32,868

14 Charging structure

The table below sets out the charging structure for each class of share. The charging structure is the same for both Income and Accumulation shares of each class.

Share class	Entry charge %	Exit charge %	Annual management charge %
Euro			
Class 'A'	4.00	n/a	1.50
Class 'C'	1.25	n/a	0.75
Sterling			
Class 'A'	4.00 ^[a]	n/a	1.50
Class 'I'	1.00 ^[a]	n/a	0.75
Class 'R'	1.00 ^[a]	n/a	1.00
US dollar			
Class 'A'	4.00	n/a	1.50
Class 'C'	1.25	n/a	0.75

^[a] With effect from 16 December 2016, the entry charge has been discounted to zero on all new investments into sterling share classes.

15 Related parties

M&G Securities Limited, as Authorised Corporate Director (ACD), is a related party and acts as principal on all the transactions of shares in the fund except with in-specie transactions, where M&G Securities Limited acts as an agent. The aggregate monies received through issues, and paid on cancellations, are disclosed in the 'Statement of change in net assets attributable to shareholders' and note 8. Amounts due to / from M&G Securities Limited in respect of share transactions at the year end are disclosed in notes 9 and 11 where applicable.

Amounts paid to M&G Securities Limited in respect of the ACD's annual management charge and administration charge are disclosed in note 6. Amounts due at the year end in respect of the ACD's annual management charge and administration charge are disclosed in note 11.

At the balance sheet date, shareholders from within Prudential plc, of which M&G Securities Limited is a wholly owned subsidiary, have holdings totalling 0.22% (2016: nil%) of the fund's shares.

16 Events after the balance sheet date

There were no events after the balance sheet date to disclose.

17 Portfolio fair value analysis

Financial instruments have been measured at their fair value and have been classified below using a hierarchy that reflects the significance of the inputs used in measuring their fair value:

Level 1: Quoted prices for identical instruments in active markets

This includes instruments such as publicly traded equities; highly liquid bonds (e.g. Government bonds) and exchange traded derivatives (e.g. futures) for which quoted prices are readily and regularly available.

Level 2: Valuation techniques using observable market data

This includes publicly traded corporate bonds and instruments which have been valued using models with observable market data inputs such as quoted prices for similar instruments, interest rates, yield curves or credit spreads. Over-the-counter instruments have also been included in the category.

Level 3: Valuation techniques using non-observable market data

This refers to instruments which have been valued using models with non-observable market data inputs. This includes private equity, unlisted closed-ended funds and investment analyst recommended prices where the market price is deemed to not be a true representation of fair value. However no such financial instruments were held.

as at 31 January Valuation technique	Assets 2017 €'000	Liabilities 2017 €'000	Assets 2016 €'000	Liabilities 2016 €'000
Level 1	1,589,994	0	1,193,153	0
Level 2	122,750	0	103,279	0
Level 3	0	0	0	0
	1,712,744	0	1,296,432	0

In accordance with FRS 102 (22.4a) the shares in issue for each class meet the definition of a puttable instrument as the shareholders have the right to sell the shares back to the issuer. The shares in the fund may be issued and redeemed on any business day at the quoted price. These shares are not traded on an exchange. However, the price is observable and transactions within the fund take place regularly at that price. The shares in issue as detailed in note 13 meet the definition of a level 2 financial instrument 'Valuation techniques using observable market data'.

18 Risk management policies

General risk management policies for the fund are described in note 3 to the financial statements on pages 7 and 8.

19 Market risk

A five per cent increase in the value of the fund's investment portfolio would have the effect of increasing the return and net assets by €79,500,000 (2016: €59,658,000). A five per cent decrease would have an equal and opposite effect.

M&G European Strategic Value Fund

Financial statements and notes

Notes to the financial statements

20 Currency risk

	2017	2016
as at 31 January	€'000	€'000
Currency exposure in respect of the fund		
Danish krone	38,745	25,589
Euro	942,423	587,199
Norwegian krone	58,195	36,823
Sterling	495,249	424,714
Swedish krona	75,048	85,513
Swiss franc	126,099	110,465
Turkish lira	0	8,868
US dollar	43,145	23,390
Total	1,778,904	1,302,561

21 Dividend distribution tables

This fund pays annual ordinary distributions and the following table sets out the distribution period.

Annual distribution period				
	Start	End	Xd	Payment
Final	01.02.16	31.01.17	01.02.17	31.03.17

The following tables set out for each distribution the rates per share for both Group 1 and Group 2 shares.

Group 1 shares are those purchased prior to a distribution period and therefore their net revenue rate is the same as the distribution rate.

Group 2 shares are those purchased during a distribution period and therefore their distribution rate is made up of net revenue and equalisation. Equalisation is the average amount of revenue included in the purchase price of all Group 2 shares and is refunded to the holders of these shares as a return of capital. Being capital it is not liable to Income Tax. Instead, it must be deducted from the cost of shares for Capital Gains Tax purposes. The tables below show the split of the Group 2 rates into the net revenue and equalisation components.

Euro Class 'A' Accumulation shares

Ordinary distributions for the year to 31 January	Net revenue 2017	Group 2 Equalisation 2017	Group 1 & 2 Distribution 2017	2016
	€	€	€	€
Final	0.0000	18.0409	18.0409	15.7403

Euro Class 'C' Accumulation shares

Ordinary distributions for the year to 31 January	Net revenue 2017	Group 2 Equalisation 2017	Group 1 & 2 Distribution 2017	2016
	€	€	€	€
Final	3.4266	27.4941	30.9207	28.8118

Sterling Class 'A' Income shares

Ordinary distributions for the year to 31 January	Net revenue 2017	Group 2 Equalisation 2017	Group 1 & 2 Distribution 2017	2016
	p	p	p	p
Final	1.2028	1.8898	3.0926	1.4248

Sterling Class 'A' Accumulation shares

Ordinary distributions for the year to 31 January	Net revenue 2017	Group 2 Equalisation 2017	Group 1 & 2 Distribution 2017	2016
	p	p	p	p
Final	0.1720	1.9067	2.0787	1.5918

Sterling Class 'I' Income shares

Ordinary distributions for the year to 31 January	Net revenue 2017	Group 2 Equalisation 2017	Group 1 & 2 Distribution 2017	2016
	p	p	p	p
Final	1.4374	2.1954	3.6328	2.4755

Sterling Class 'I' Accumulation shares

Ordinary distributions for the year to 31 January	Net revenue 2017	Group 2 Equalisation 2017	Group 1 & 2 Distribution 2017	2016
	p	p	p	p
Final	0.4731	3.0916	3.5647	2.9395

Sterling Class 'R' Income shares

Ordinary distributions for the year to 31 January	Net revenue 2017	Group 2 Equalisation 2017	Group 1 & 2 Distribution 2017	2016
	p	p	p	p
Final	3.2422	0.5450	3.7872	2.3111

Sterling Class 'R' Accumulation shares

Ordinary distributions for the year to 31 January	Net revenue 2017	Group 2 Equalisation 2017	Group 1 & 2 Distribution 2017	2016
	p	p	p	p
Final	0.6532	2.3071	2.9603	2.4061

US dollar Class 'A' Accumulation shares

Ordinary distributions for the year to 31 January	Net revenue 2017	Group 2 Equalisation 2017	Group 1 & 2 Distribution 2017	2016
	¢	¢	¢	¢
Final	0.0000	11.1332	11.1332	9.7880

US dollar Class 'C' Accumulation shares

Ordinary distributions for the year to 31 January	Net revenue 2017	Group 2 Equalisation 2017	Group 1 & 2 Distribution 2017	2016
	¢	¢	¢	¢
Final	0.0000	18.2069	18.2069	17.1249

M&G Global Convertibles Fund

Authorised Corporate Director's Report

Important information

Please note that from 1 August 2016, the M&G Global Convertibles Fund began taking the annual management charge, administration charge and share class hedging charge from capital in the case of Income shares. These charges continue to be charged to income for Accumulation shares.

In the 2016 Budget, the UK government announced that, effective from 6 April 2017, interest distributions from open-ended investment companies (OEICs) may be paid without deducting income tax (currently 20%).

As a result, prices for the sterling share classes of M&G's bond funds will be calculated without an accrual for the deduction of income tax. This change, for different funds, will be phased in between October 2016 and March 2017.

From 1 February 2017 the M&G Global Convertibles Fund's prices for the sterling share classes are now calculated without income tax deducted.

Investment objective

The Fund aims to maximise long term total return (the combination of income and growth of capital) to investors by investing mainly in global convertible assets.

Investment policy

The Fund seeks to maximise the risk-reward profile through investment in convertible assets whose issuers may be in any country, including emerging markets. Global convertible assets includes all assets that either directly or via a combination of instruments achieve exposure of a convertible bond nature. Such exposure can be achieved by investing directly or through the use of derivative instruments. Additionally, derivative instruments may be used to manage the risk characteristics of the Fund. The remainder of the Fund may be invested in securities in support of the fund objective, such as, equities, bonds, collective investment schemes, derivative instruments, money market instruments, cash and near cash.

Investment approach

Convertibles are investments that share the characteristics of both shares and fixed income securities issued by companies. They are initially issued as a fixed interest instrument, usually with regular interest payments and a fixed date when they will be repaid. Importantly, however, they also give the holder the opportunity to convert into a set number of company shares. This means that convertibles have the potential to participate when share prices are rising but can also provide a degree of protection against share price falls since they will eventually be repaid.

The fund manager aims to take advantage of the special characteristics of convertibles, which can mean they participate to a greater extent in share price rises than in share price falls. The fund manager invests in convertibles that he expects will provide the best combination of risk and reward, giving the maximum potential gains in the event of higher share prices while minimising the potential losses if share prices fall.

The fund has no set geographical or industry sector guidelines and no target return. The fund manager takes a global approach to selecting his investments, based on a thorough assessment of the individual characteristics of each convertible, rather than an overall view of the economic background. The fund is diversified in terms of region, industry and currency. At least 70% of the fund will be held in convertibles, although it can also hold company shares, fixed income investments and derivatives, which are financial instruments whose value is linked to the expected future price movements of an underlying asset.

Risk profile

The fund invests globally in a diversified portfolio of convertible bonds. These are a form of debt issued by companies that can be converted into shares, either of the issuer or another company. It is, therefore, subject to the price volatility of the global stocks and fixed income markets as well as the performance of individual issuers. The fund is also subject to fluctuations in currency exchange rates.

The fund may use derivatives to achieve the manager's desired exposure to convertibles. Additionally, derivative instruments may be used to manage the risk characteristics of the fund. 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' 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.

M&G Global Convertibles Fund

Authorised Corporate Director's Report

Investment review

As at 1 February 2017, for the year ended 31 January 2017

Performance against objective

Between 1 February 2016 (the start of the review period) and 1 February 2017, the M&G Global Convertibles Fund produced a positive total return (the combination of income and growth of capital) across all its share classes.^[a] Returns from the sterling unhedged share classes were significantly ahead of the euro, US dollar, Swiss franc and sterling hedged share classes. This divergence reflected the sharp fall in the value of the pound over the period which boosted the returns of assets denominated in other currencies.

The fund's returns in all share classes were ahead of a comparative index, the Thomson Reuters Global Focus Convertible Index. (Over the 12 months, returns for the index were 21.4% (hedged 6.5%), 8.1% (hedged 5.9%), 6.8% (7.0% hedged) and 4.1% (hedged 5.5%) in sterling, euro, US dollar and Swiss franc terms, respectively.)

During the period under review, the fund continued to invest mainly in global convertibles, with the aim of maximising long-term total return (the combination of income and growth of capital). The fund achieved this objective with a positive performance in terms of total return across all its share classes over five years and since launch.

Investment performance

The 12 months under review saw most stockmarkets perform well, recovering steadily from lows reached early in the period. Concerns about the weak oil price and the state of the global economy, which caused company share prices to bottom out on 11 February 2016, faded as the prices of oil and other commodities recovered. Central banks helped support asset prices by demonstrating that they would take action to boost economies and by purchasing bonds issued by their own governments, as well as by companies. (Bonds are loans in the form of a security, usually issued by a government (government bonds) or company (corporate bonds), which normally pay a fixed rate of interest over a given time period, at the end of which the initial amount borrowed is repaid.) The actions taken by the Bank of England and its counterparts in Europe, Japan and the US enabled financial markets to continue their upward path even after potentially unsettling events such as the UK's decision to withdraw from the European Union.

Later in the period, investors began to question the long-held assumptions that economic growth, inflation and interest rates would stay low. This encouraged them to shift money out of bonds, which tend to perform poorly when inflation increases, into equities (company shares). The election of Donald Trump as US President and the possibility that he would cut taxes and regulations in order to boost economic growth led to an acceleration of this 'rotation'. Many stockmarkets, including those in the US, hit successive record highs, although the end of the review period led to some worries that President Trump's protectionist policies might weigh on global trade.

Against this generally supportive background, global convertibles also experienced good performance, reflecting both higher equity and corporate bond prices.

Convertible bonds (convertibles) are fixed income securities that can be exchanged for predetermined amounts of company shares at certain times during their life. When share prices are weak, convertibles are supported by the value of their regular interest payments and potential repayment, known as the bond value, but when share prices recover, the value of convertibles rises as the value of the shares that would be received on conversion increases. This lower volatility, or variability in returns, relative to company shares is a basic feature of convertibles.

The fund generated strong positive returns over the review period, ahead of the comparative index and the average fund in its peer group. The solid performance was driven primarily by stock selection, especially among convertibles in the basic materials industry and from the US, which outweighed some weakness from holdings in the healthcare industry.

Stronger economic data and an anticipated increase in government spending on infrastructure seemed to feed through to higher prices for metals, to the benefit of several convertibles in the portfolio. For example, the largest individual contributor to performance was a position in the convertible from Stillwater Mining, which extracts palladium and platinum from mines in Montana. A rally in the prices of both metals increased the group's earnings, boosting the price of the company's shares and convertible. Later in the review period, Stillwater agreed to be acquired by Sibanye Gold.

Exposure to Russian steel maker Severstal was another significant positive for the fund, with higher steel prices enhancing the group's profits. We hold a bond exchangeable into Severstal shares, as well as the shares themselves, and both stakes added value. We sometimes hold company shares in order to increase the sensitivity of convertible positions to rising equity prices. In the same sector, a convertible from global steel manufacturer Aperam also added value.

Optimism about global economic growth was also reflected in a higher price for oil, which extended its rally when producers agreed to cut production. The fund's holdings of convertibles and shares issued by oil services companies, such as Subsea 7 in Norway and two US groups, Chart Industries and Helix Energy, all aided performance.

Convertibles issued by US companies make up the largest proportion of both the convertibles universe and the fund. It is not surprising therefore that several of the top performers came from that country. This included two bonds from online travel services provider Priceline.

However, some of the largest detractors to performance were also issued by American businesses, particularly in the healthcare industry, which was adversely affected by a revival of controversy over drug pricing in the US. Two convertibles from Teva Pharmaceuticals and another from Allergan were detrimental. Performance was also hampered by a convertible from Great Portland Estates, which develops and operates offices in central London. The group's share price was adversely affected by concerns that demand for office space could be curtailed by the UK's vote to leave the European Union. The lower share price was reflected in the company's convertible.

Investment activities

Our investment process relies on the fund maintaining the required risk/reward profile, so that it should take part when share prices rise, but also benefit from convertibles' defensive qualities at times when shares are weak. Much of the portfolio activity undertaken during the review period was to reduce exposure to convertibles that had become less compelling, replacing them with more attractively valued issues, many of which were newly launched.

For example, we scaled back on convertibles that had risen in price to such an extent that they had become vulnerable to a downward move in the share price. This included two bonds from German residential property operator Deutsche Wohnen, which were sold in their entirety. We also reduced the size of the holding in another German residential property convertible, Leg Immobilien, and sold another, from Norwegian fish farmer Marine Harvest, after sustained price rises.

Among the larger new additions to the fund were two convertibles issued by Japanese car manufacturer Suzuki. Historically, convertibles in Japan have tended to look expensive to us, but this situation changed following sharp falls in the country's stockmarket. It is worth noting that we do not take an overall view on geographic exposure (or industry sectors) and the stocks mentioned were bought because they satisfied our investment criteria rather than due to a particular stance on Japan.

M&G Global Convertibles Fund

Authorised Corporate Director's Report

Investment review

Investment activities (continued)

Other major purchases included convertibles from Mexican building products maker Cemex and US software developer Red Hat, while we also bought a bond exchangeable into shares of Russian telecommunications firm Vimpelcom. All the new purchases appeared to represent lower risk exposure to companies that we believe are undervalued. We also increased the size of the fund's stake in a bond exchangeable into the shares of German speciality chemical producer Evonik.

Several convertibles left the portfolio when they were repaid. These included bonds that convert into shares in French tyre manufacturer Michelin, Hungarian oil company MOL and US TV channel operator HSN. On the other hand, a convertible from US computer chip manufacturer SanDisk exited the portfolio when the issuer was taken over.

Outlook

Although several stockmarkets have hit record highs in the recent past, there are many events on the horizon that could unsettle investors. These include the pace of potential interest rate increases in the US, together with the future path for the US, UK and Europe in the light of, respectively, Donald Trump's election in the US and ongoing Brexit negotiations. Central banks around the world are still supportive, but it remains to be seen what might happen when they signal a return to more normal conditions. This is particularly relevant as many government bond markets fell sharply when inflationary expectations picked up. Any increase in caution about the future direction of markets should be beneficial for convertibles, which have the potential to participate in share price rises while also providing an element of protection against share price falls.

Given the guidance from the Federal Reserve about rising US interest rates, it is worth remembering that convertibles tend to perform well when interest rates increase. When interest rates are raised because economic growth is expanding, the convertibles market can deliver good returns as rising share prices more than offset any weakness in bond prices. Additionally, convertibles have less sensitivity to rising interest rates than other types of corporate bond since they generally have less time until they are repaid.

In our view, the convertibles market offers genuine diversification and many interesting investment opportunities. Overall, the market looks reasonably valued relative to other asset classes and, in our view, should be able to generate asymmetric returns, that is, to share more in upward share price moves than in falls.

In summary, we remain cautiously optimistic that convertibles will be able to continue their recent good performance. We will continue to search for those convertibles that offer the best balance of risk and reward by focusing on the basic characteristics of the issuing companies and developing a deep understanding of the underlying business. We also rigorously analyse the technical qualities of each potential investment. We believe this approach has the potential to deliver above-average returns for investors over time.

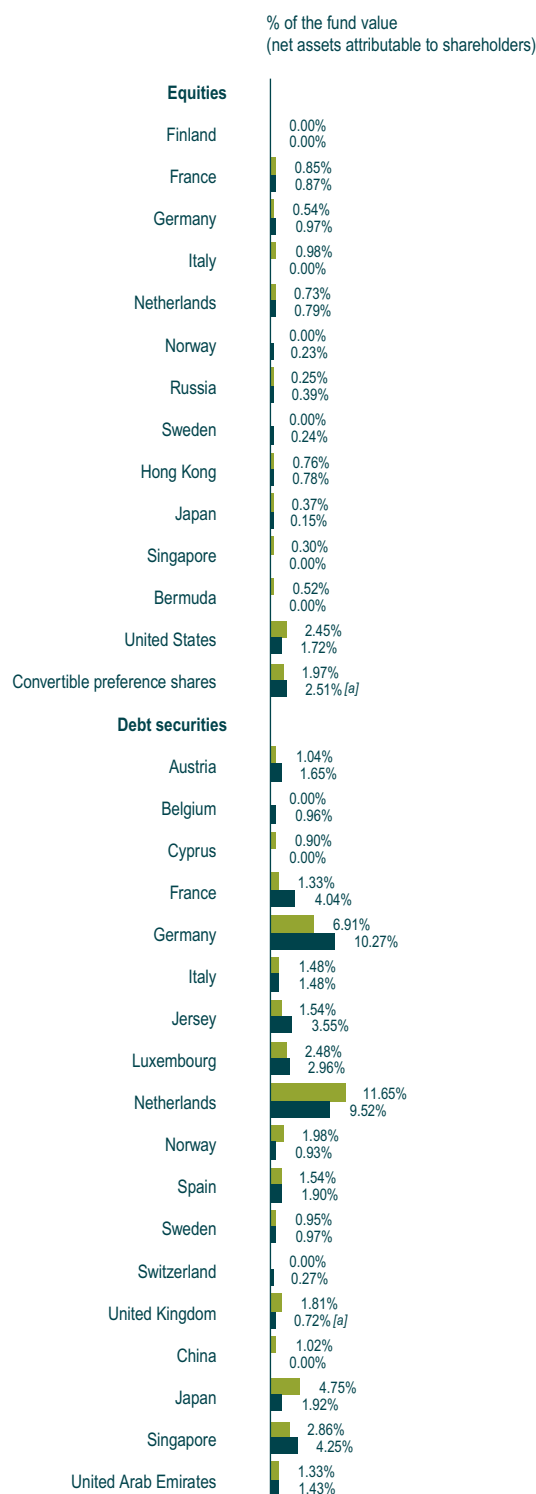
Léonard Vinville
Fund manager

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

[a] 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.

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.

Classification of investments



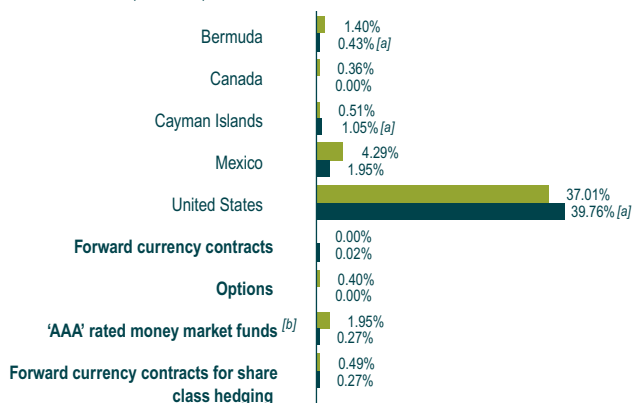
M&G Global Convertibles Fund

Authorised Corporate Director's Report

Investment review

Classification of investments (continued)

Debt securities (continued)



[a] The comparative weightings have been re-analysed to reflect changes to classifications.

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

■ 31 January 2017

■ 31 January 2016

Source: M&G

Investments

Portfolio statement

as at 31 January Holding [a]	2017 \$'000	2017 %	2016 %
Equities	221,579	9.72	8.65 [b]
Finland	0	0.00	0.00
64,322,861 Talvivaara Mining Company [c]	0	0.00	
France	19,348	0.85	0.87
59,795 Ingenico	5,073	0.22	
631,673 Suez Environnement	9,590	0.42	
275,000 Veolia Environnement	4,685	0.21	
Germany	12,294	0.54	0.97
356,452 Metro	12,294	0.54	
Italy	22,270	0.98	0.00
433,200 Azimut Holdings	7,806	0.35	
931,000 Eni	14,464	0.63	
Netherlands	16,638	0.73	0.79
381,497 Wereldhave	16,638	0.73	
Norway	0	0.00	0.23
Russia	5,620	0.25	0.39
349,913 Severstal GDR	5,620	0.25	
Sweden	0	0.00	0.24
Hong Kong	17,419	0.76	0.78
5,825,590 China Unicom (Hong Kong)	6,916	0.30	
11,662,987 Hui Xian REIT	5,240	0.23	
1,977,000 Johnson Electric	5,263	0.23	

Portfolio statement (continued)

as at 31 January Holding [a]	2017 \$'000	2017 %	2016 %
Japan	8,394	0.37	0.15
558,100 Orix	8,394	0.37	
Singapore	6,845	0.30	0.00
3,971,405 Ascendas Real Estate Investment Trust	6,845	0.30	
Bermuda	11,961	0.52	0.00
2,841,009 Vimpelcom ADR	11,961	0.52	
United States	55,728	2.45	1.72
67,300 Allergan	14,251	0.62	
259,846 Chart Industries	9,695	0.43	
790,994 Owens-Illinois	15,037	0.66	
560,000 Stillwater Mining	9,520	0.42	
264,926 Symantec	7,225	0.32	
Convertible preference shares	45,062	1.97	2.51 [b]
33,214 Allergan 5.5% Perp. (Allergan)	25,608	1.12	
31,226 Teva Pharmaceutical Industries 7% 2018 (Teva Pharmaceutical Industries)	19,454	0.85	
Debt securities	1,985,854	87.14	90.01 [b]
Austria	23,698	1.04	1.65
€22,400,000 Steinhoff Finance 1.25% 2022 (Steinhoff Finance)	23,698	1.04	
Belgium	0	0.00	0.96
Cyprus	20,447	0.90	0.00
\$15,400,000 Abigrove 0.5% 2021 (Severstal GDR)	20,447	0.90	
France	30,291	1.33	4.04
€9,192,664 BIM 2.5% 2020 (Elior)	11,543	0.51	
€6,069,920 CGG 1.75% 2020 (CGG)	1,218	0.05	
€6,955,721 Ingenico 0% 2022 (Ingenico)	7,209	0.32	
€9,133,238 Safran 0% 2020 (Safran)	10,321	0.45	
Germany	157,521	6.91	10.27
€25,400,000 Franz Haniel & Cie 0% 2020 (Franz Haniel & Cie)	28,879	1.26	
€28,500,000 Fresenius Medical Care 1.125% 2020 (Fresenius Medical Care)	36,854	1.62	
€5,300,000 LEG Immobilien 0.5% 2021 (LEG Immobilien)	8,112	0.36	
€22,400,000 RAG-Stiftung 0% 2018 (Evonik)	25,047	1.10	
€49,500,000 RAG-Stiftung 0% 2021 (Evonik)	58,629	2.57	
Italy	33,709	1.48	1.48
€21,900,000 Azimut Holdings 2.125% 2020 (Azimut Holdings)	25,060	1.10	
€7,979,349 Società Iniziative Autostradali 2.625% 2017 (Società Iniziative Autostradali)	8,649	0.38	
Jersey	35,199	1.54	3.55 [b]
£7,700,000 British Land 1.5% 2017 (British Land)	9,691	0.42	
£13,400,000 Great Portland Estates 1% 2018 (Great Portland Estates)	17,545	0.77	
€6,400,000 PT (Jersey) 0.5% 2019 (Playtech)	7,963	0.35	
Luxembourg	56,572	2.48	2.96
\$10,400,000 Aperam 0.625% 2021 (Aperam)	13,026	0.57	
\$8,062,000 Steel Capital 5.9% 2022	8,698	0.38	
\$35,200,000 Subsea 7 1% 2017 (Subsea 7)	34,848	1.53	
Netherlands	265,472	11.65	9.52
€26,900,000 Bayer Capital 5.625% 2019 (Bayer Capital)	32,804	1.43	
€12,400,000 Fugro NV 4% 2021 (Fugro NV)	13,823	0.61	
\$3,500,000 NXP 4.125% 2020	3,618	0.16	
\$3,500,000 NXP 4.625% 2022	3,684	0.16	
\$43,821,000 NXP Semiconductors 1.00% 2019	49,870	2.19	
\$12,600,000 Qiagen 0.375% 2019 (Qiagen)	14,314	0.63	
\$2,000,000 Qiagen 1.25% 2021 (Qiagen)	2,345	0.10	
\$20,500,000 Siemens 1.05% 2017	23,516	1.03	

M&G Global Convertibles Fund

Authorised Corporate Director's Report

Investments

Portfolio statement (continued)				
as at 31 January Holding ^[a]	2017 \$'000	2017 %	2016 %	
Netherlands (continued)				
\$47,500,000 Siemens 1.65% 2019	57,360	2.52		
€24,900,000 Wereldhave 1% 2019 (Wereldhave)	26,810	1.18		
\$39,448,000 Yandex 1.125% 2018 (Yandex)	37,328	1.64		
Norway				
\$40,000,000 Telenor East Holding 0.25% 2019 (Vimpelcom ADR)	45,049	1.98	0.93	
	45,049	1.98		
Spain				
€25,000,000 Indra Sistemas 1.75% 2018 (Indra Sistemas)	26,737	1.17		
€4,900,000 International Consolidated Airlines 0.25% 2020 (International Consolidated Airlines)	4,926	0.22		
€3,500,000 International Consolidated Airlines 0.625% 2022 (International Consolidated Airlines)	3,421	0.15		
Sweden				
SEK189,131,540 Elekta 2.75% 2017 (Elekta)	21,585	0.95	0.97	
	21,585	0.95		
Switzerland				
	0	0.00	0.27	
United Kingdom				
\$27,703,000 Inmarsat Finance 6.5% 2024	28,534	1.25		
\$3,590,000 Petropavlovsk 9% 2020 (Petropavlovsk)	3,685	0.16		
£7,600,000 Vodafone 0% 2020 (Vodafone)	9,089	0.40		
China				
\$22,250,000 CRRC 0% 2021 (CRRC)	23,244	1.02	0.00	
	23,244	1.02		
Japan				
\$12,900,000 Shizuoka Bank 0% 2018 (Shizuoka Bank)	12,642	0.56		
¥2,840,000,000 Suzuki Motor 0% 2021	30,621	1.34		
¥3,880,000,000 Suzuki Motor 0% 2023	42,347	1.86		
¥2,160,000,000 Unicharm 0% 2020 (Unicharm)	22,528	0.99		
Singapore				
SGD17,500,000 Capita Commercial Trust 2.5% 2017 (CapitaLand Commercial)	13,196	0.58		
SGD62,500,000 CapitaLand 1.95% 2023 (CapitaLand)	44,156	1.94		
SGD11,500,000 CapitaLand 2.8% 2025 (CapitaLand)	7,849	0.34		
United Arab Emirates				
\$30,400,000 DP World 1.75% 2024 (DP World)	30,374	1.33	1.43	
	30,374	1.33		
Bermuda				
\$11,100,000 Horizon Pharma 2.5% 2022 (Horizon Pharma)	10,462	0.46	0.43 ^[b]	
\$10,250,000 Johnson Electric 1% 2021 (Johnson Electric)	10,778	0.47		
CNY67,000,000 Kunlun Energy 1.625% 2019 (Kunlun Energy)	9,826	0.43		
HKD10,296,855 REXlot 4.5% 2019 (REXlot)	936	0.04		
Canada				
CAD10,634,000 DH Corp 6% 2018 (DH Corp)	8,277	0.36	0.00	
	8,277	0.36		
Cayman Islands				
\$11,500,000 Haitian International Holdings 2% 2019 (Haitian International Holdings)	11,522	0.51	1.05 ^[b]	
	11,522	0.51		
Mexico				
€18,700,000 América Móvil 0% 2020 (KON KPN)	19,400	0.86	1.95	
€17,600,000 América Móvil 5.50% 2018 (KON KPN)	15,793	0.69		
\$54,644,000 Cemex Sab 3.72% 2020 (Cemex Sab ADR)	62,636	2.74		

Portfolio statement (continued)

as at 31 January Holding ^[a]	2017 \$'000	2017 %	2016 %
United States			
\$27,455,000 Akamai Technologies 0% 2019 (Akamai Technologies)	843,332	37.01	39.76 ^[b]
\$38,399,000 Brocade Communication Systems 1.375% 2020 (Brocade Communication Systems)	28,759	1.26	
€12,781,000 Cemex Finance 4.625% 2024	38,615	1.70	
\$24,657,000 Chart Industries 2% 2018 (Chart Industries)	14,228	0.62	
\$86,174,000 Citrix Systems 0.5% 2019 (Citrix Systems)	24,256	1.06	
\$15,259,000 Dana Holdings 5.375% 2021	100,016	4.39	
\$26,089,000 Electronics For Imaging 0.75% 2019 (Electronics For Imaging)	15,796	0.69	
\$5,926,000 Euronet Worldwide 1.5% 2044 (Euronet Worldwide)	27,817	1.22	
\$33,474,000 Extra Space Storage 3.125% 2035 (Extra Space Storage)	6,763	0.30	
\$6,638,000 Fresenius US Finance II 4.5% 2023	34,415	1.51	
€11,800,000 Grand City Properties 0.25% 2022 (Grand City Properties)	6,870	0.30	
\$9,150,000 Helix Energy Solutions 4.25% 2022 (Helix Energy Solutions)	12,712	0.56	
\$22,975,000 Hologic 2% 2042 (Hologic)	9,416	0.41	
\$20,055,000 Huron Consulting 1.25% 2019 (Huron Consulting)	31,260	1.37	
\$17,900,000 Impax Laboratories 2% 2022 (Impax Laboratories)	19,115	0.84	
\$3,615,000 InterDigital 1.5% 2020 (InterDigital)	14,367	0.63	
\$17,027,000 Medidata Solutions 1% 2018 (Medidata Solutions)	4,964	0.22	
£19,200,000 National Grid North America 0.9% 2020 (National Grid North America)	18,198	0.80	
\$1,673,000 Nice System 1.25% 2024 (Nice ADR)	24,058	1.06	
\$6,236,000 NRG Yield 3.25% 2020 (NRG Yield)	1,765	0.08	
\$11,450,000 NRG Yield 3.5% 2019 NRG Yield)	6,057	0.27	
\$31,645,000 ON Semiconductor 1% 2020 (ON Semiconductor)	11,507	0.50	
\$10,342,000 Owens Brockway 5% 2022	33,445	1.47	
\$37,035,000 Priceline Group 0.35% 2020 (Priceline Group)	10,704	0.47	
\$58,319,000 Priceline Group 0.9% 2021 (Priceline Group)	50,044	2.20	
\$13,435,000 QVC 4.375% 2023	63,349	2.78	
\$26,990,000 Red Hat 0.25% 2019	13,467	0.59	
\$8,947,000 RPM International 2.25% 2020 (RPM International)	32,439	1.42	
\$27,788,000 Shutterfly 0.25% 2018 (Shutterfly)	10,602	0.47	
\$14,712,000 SL Green Realty 3% 2017 (SL Green Realty)	28,361	1.24	
\$15,328,000 Stillwater Mining 1.75% 2032 (Stillwater Mining)	20,744	0.91	
\$20,193,000 Teva Pharmaceutical Finance 0.25% 2026 (Teva Pharmaceutical Industries)	20,239	0.89	
€4,166,645 Ubisoft Entertainment 0% 2021 (Ubisoft Entertainment)	21,653	0.95	
\$81,468,000 Yahoo 0% 2018 (Yahoo)	4,600	0.20	
	82,731	3.63	
Forward currency contracts			
	0	0.00	0.02
Options			
11,156 Yahoo Inc Jan 2019 Call (long)	9,036	0.40	0.00
(11,156) Yahoo Inc Jan 2019 Call (short)	11,267	0.50	
	(2,231)	(0.10)	
Portfolio of investments	2,216,469	97.26	98.68

M&G Global Convertibles Fund

Authorised Corporate Director's Report

Investments

Portfolio statement (continued)			
as at 31 January Holding ^[a]	2017 \$'000	2017 %	2016 %
'AAA' rated money market funds ^[d]	44,415	1.95	0.27
35,641,867 Northern Trust Global Fund - Sterling	44,415	1.95	
Forward currency contracts for share class hedging	11,077	0.49	0.27
CAD62,978 Bought for €45,033 (expires 08.02.17)	0	0.00	
CAD33 Bought for £20 (expires 08.02.17)	0	0.00	
CAD(578,888) Sold for \$434,966 (expires 08.02.17)	(7)	0.00	
€2,140,498 Bought for CAD2,979,152 (expires 08.02.17)	26	0.00	
€3,408,158 Bought for HKD27,645,611 (expires 08.02.17)	101	0.00	
€25,266,217 Bought for ¥3,099,425,945 (expires 08.02.17)	(141)	(0.01)	
€4,201,022 Bought for NOK37,783,002 (expires 08.02.17)	(49)	0.00	
€17,614,006 Bought for SGD26,549,741 (expires 08.02.17)	186	0.01	
€45,452,144 Bought for £38,849,613 (expires 08.02.17)	461	0.02	
€5,308,536 Bought for SEK50,544,460 (expires 08.02.17)	(44)	0.00	
€639,357 Bought for CHF685,186 (expires 08.02.17)	(3)	0.00	
€368,356,348 Bought for \$385,172,665 (expires 08.02.17)	10,948	0.48	
€(32,809,014) Sold for \$34,343,156 (expires 08.02.17)	(939)	(0.04)	
HKD1,109,969 Bought for €135,522 (expires 08.02.17)	(3)	0.00	
HKD860 Bought for £91 (expires 08.02.17)	0	0.00	
HKD47,647 Bought for CHF6,241 (expires 08.02.17)	0	0.00	
HKD285,625 Bought for \$36,844 (expires 08.02.17)	0	0.00	
HKD(5,558,065) Sold for \$716,769 (expires 08.02.17)	0	0.00	
¥3,482,283 Bought for €28,791 (expires 08.02.17)	0	0.00	
¥45,202 Bought for £324 (expires 08.02.17)	0	0.00	
¥15,965,936 Bought for \$141,603 (expires 08.02.17)	(1)	0.00	
¥(625,712,538) Sold for \$5,331,980 (expires 08.02.17)	(182)	(0.01)	
NOK37,783,002 Bought for €4,199,969 (expires 08.02.17)	50	0.00	
NOK20,544 Bought for £1,965 (expires 08.02.17)	0	0.00	
NOK1,336,654 Bought for CHF159,245 (expires 08.02.17)	1	0.00	
NOK7,320,396 Bought for \$865,453 (expires 08.02.17)	19	0.00	
NOK(7,320,396) Sold for \$857,182 (expires 08.02.17)	(27)	0.00	
SGD5,319 Bought for €3,521 (expires 08.02.17)	0	0.00	
SGD(5,282,685) Sold for \$3,663,802 (expires 08.02.17)	(68)	0.00	
£998 Bought for CAD1,634 (expires 08.02.17)	0	0.00	

Portfolio statement (continued)

as at 31 January Holding ^[a]	2017 \$'000	2017 %	2016 %
Forward currency contracts for share class hedging (continued)			
£16,692,615 Bought for €19,068,173 (expires 08.02.17)	298	0.01	
£1,599 Bought for HKD15,244 (expires 08.02.17)	0	0.00	
£12,026 Bought for ¥1,734,819 (expires 08.02.17)	0	0.00	
£1,948 Bought for NOK20,544 (expires 08.02.17)	0	0.00	
£8,231 Bought for SGD14,590 (expires 08.02.17)	0	0.00	
£2,456 Bought for SEK27,510 (expires 08.02.17)	0	0.00	
£612,881 Bought for CHF750,604 (expires 08.02.17)	7	0.00	
£3,557,066 Bought for \$4,313,364 (expires 08.02.17)	120	0.01	
£(7,767,080) Sold for \$9,567,414 (expires 08.02.17)	(112)	0.00	
SEK900,938 Bought for €94,230 (expires 08.02.17)	1	0.00	
SEK(9,922,584) Sold for \$1,089,235 (expires 08.02.17)	(40)	0.00	
CHF80,877 Bought for CAD105,206 (expires 08.02.17)	1	0.00	
CHF5,436,520 Bought for €5,080,395 (expires 08.02.17)	16	0.00	
CHF132,962 Bought for HKD1,008,064 (expires 08.02.17)	4	0.00	
CHF975,431 Bought for ¥111,847,684 (expires 08.02.17)	(3)	0.00	
CHF159,085 Bought for NOK1,336,654 (expires 08.02.17)	(1)	0.00	
CHF676,856 Bought for SGD953,531 (expires 08.02.17)	9	0.00	
CHF1,773,243 Bought for £1,415,903 (expires 08.02.17)	22	0.00	
CHF202,376 Bought for SEK1,800,819 (expires 08.02.17)	(1)	0.00	
CHF13,965,785 Bought for \$13,645,593 (expires 08.02.17)	429	0.02	
CHF(29,687) Sold for \$29,403 (expires 08.02.17)	(1)	0.00	
Total portfolio (notes 2c & 2d on page 6)	2,271,961	99.70	99.22
Net other assets / (liabilities)	6,812	0.30	0.78
Net assets attributable to shareholders	2,278,773	100.00	100.00

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

^[a] The underlying stock for each convertible bond is shown in brackets.

^[b] The comparative sector weightings have been re-analysed to reflect changes to the sector classifications.

^[c] Suspended.

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

M&G Global Convertibles 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' (Accumulation) shares and Sterling Class 'I' (Accumulation) shares.

We show performance for these two share classes because:

- The performance of the Sterling Class 'A' (Accumulation) share is what most individuals investing directly with M&G have received. It has the highest ongoing charge of all the share classes. Performance is shown after deduction of this charge. All investors in the fund therefore received this performance or better.
- The performance of the Sterling Class 'I' (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 (7), 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 31 January	2017 \$'000	2016 \$'000	2015 \$'000
Fund net asset value (NAV)	2,278,773	2,270,521	2,197,080

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' (Accumulation) shares and Sterling Class 'I' (Accumulation) shares.



M&G Global Convertibles Fund

Financial highlights

Fund performance

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				
	One year 01.02.16 % ^[a]	Three years 03.02.14 % p.a.	Five years 01.02.12 % p.a.	Since launch % p.a.
Euro ^[b]				
Class 'A'	+8.8	+9.0	+8.6	+5.5 ^[c]
Class 'A-H'	+7.3	+3.3	+5.6	+5.2 ^[d]
Class 'B'	+8.3	+8.4	n/a	+8.0 ^[e]
Class 'B-H'	+6.9	+2.7	n/a	+3.4 ^[e]
Class 'C'	+9.6	+9.8	+9.4	+6.3 ^[c]
Class 'C-H'	+8.2	+4.1	+6.4	+6.1 ^[d]
Sterling ^[f]				
Class 'A'	+21.8	+9.9	+8.9	+7.7 ^[c]
Class 'A-H'	+7.1	+3.8	n/a	+6.0 ^[g]
Class 'I'	+22.5	+10.6	+9.5	+8.4 ^[c]
Class 'I-H'	+8.6	+4.4	n/a	+6.6 ^[g]
Class 'R'	+22.4	+10.4	n/a	+10.2 ^[h]
Class 'R-H'	+9.1	+4.5	n/a	+6.6 ^[g]
Swiss franc ^[b]				
Class 'A-H'	+6.9	+2.7	n/a	+5.0 ^[g]
Class 'C-H'	+7.5	+3.4	n/a	+5.8 ^[g]
US dollar ^[b]				
Class 'A-H'	+8.9	+4.1	n/a	+6.1 ^[g]
Class 'C-H'	+9.9	+4.9	n/a	+6.9 ^[g]

^[a] Absolute basis.

^[b] Price to price with gross income reinvested.

^[c] 13 July 2007, the launch date of the fund.

^[d] 21 May 2010, the launch date of the share class.

^[e] 26 July 2013, the launch date of the share class.

^[f] Price to price with income reinvested.

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

^[h] 3 August 2012, the launch date of the share class.

Operating charges and portfolio transaction costs

We explain below the payments made to meet the ongoing costs of investing and managing the fund, comprised of 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.

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.

M&G Global Convertibles Fund

Financial highlights

Fund performance

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, method of execution and the quality of research provided. They are made up of direct and indirect portfolio transaction costs:

- **Direct portfolio transaction costs:** Broker execution commission, taxes, and costs of research from brokers and other research providers.
- **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				
for the year to 31 January	2017	2016	2015	Average ^[a]
Direct portfolio transaction costs ^[b]	%	%	%	%
Broker commission	0.01	0.01	0.01	0.01
Taxes	0.00	0.00	0.00	0.00
Costs before dilution adjustments	0.01	0.01	0.01	0.01
Dilution adjustments ^[c]	0.00	0.00	0.00	0.00
Total direct portfolio transaction costs	0.01	0.01	0.01	0.01
as at 31 January	2017	2016	2015	Average ^[a]
Indirect portfolio transaction costs	%	%	%	%
Average portfolio dealing spread	0.63	0.85	0.94	0.81

^[a] Average of first three columns.

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

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

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' Income share performance

The share class was launched on 12 July 2013.

for the year to 31 January	2017	2016	2015
Change in NAV per share	Euro ¢	Euro ¢	Euro ¢
Opening NAV	1,474.69	1,490.29	1,268.00
Return before operating charges and after direct portfolio transaction costs	172.20	20.07	260.61
Operating charges	(26.25)	(25.72)	(22.47)
Return after operating charges	145.95	(5.65)	238.14
Distributions	(30.06)	(9.95)	(15.85)
Closing NAV	1,590.58	1,474.69	1,490.29
Direct portfolio transaction costs ^[a]	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.19	0.08	0.07
Dilution adjustments ^[b]	(0.04)	(0.05)	(0.06)
Total direct portfolio transaction costs	0.15	0.03	0.01
Performance and charges	%	%	%
Direct portfolio transaction costs	0.01	0.01	0.01
Operating charges	1.68	1.66	1.67
Return after operating charges	+9.90	-0.38	+18.78
Distribution yield ^[c]	2.80	0.87	1.06
Effect on yield of charges offset against capital	1.65	0.00	0.00
Other information			
Closing NAV (\$'000)	176,826	19,094	8,994
Closing NAV percentage of total fund NAV (%)	7.76	0.84	0.41
Number of shares	10,340,042	1,186,021	532,161
Highest share price (Euro ¢)	1,655.56	1,651.60	1,526.97
Lowest share price (Euro ¢)	1,415.31	1,459.06	1,265.55

M&G Global Convertibles Fund

Financial highlights

Specific share class performance

Euro Class 'A' Accumulation share performance

The share class was launched on 13 July 2007.

for the year to 31 January Change in NAV per share	2017 Euro ¢	2016 Euro ¢	2015 Euro ¢
Opening NAV	1,524.78	1,530.69	1,288.72
Return before operating charges and after direct portfolio transaction costs	177.65	20.55	264.78
Operating charges	(26.80)	(26.46)	(22.81)
Return after operating charges	150.85	(5.91)	241.97
Distributions	(17.08)	(10.16)	(16.08)
Retained distributions	17.08	10.16	16.08
Closing NAV	1,675.63	1,524.78	1,530.69

Direct portfolio transaction costs ^[a]	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.19	0.08	0.07
Dilution adjustments ^[b]	(0.05)	(0.05)	(0.06)
Total direct portfolio transaction costs	0.14	0.03	0.01

Performance and charges	%	%	%
Direct portfolio transaction costs	0.01	0.01	0.01
Operating charges	1.67	1.66	1.67
Return after operating charges	+9.89	-0.39	+18.78
Distribution yield	1.16	0.86	1.06
Effect on yield of charges offset against capital	0.00	0.00	0.00

Other information

Closing NAV (\$'000)	264,584	269,240	256,947
Closing NAV percentage of total fund NAV (%)	11.61	11.86	11.69
Number of shares	14,686,456	16,174,407	14,802,183
Highest share price (Euro ¢)	1,711.71	1,696.27	1,551.92
Lowest share price (Euro ¢)	1,463.33	1,498.51	1,286.36

Euro Class 'A-H' Income share performance

The share class was launched on 12 July 2013.

for the year to 31 January Change in NAV per share	2017 Euro ¢	2016 Euro ¢	2015 Euro ¢
Opening NAV	1,261.22	1,307.59	1,251.61
Return before operating charges and after direct portfolio transaction costs	121.10	(15.84)	91.62
Operating charges	(22.43)	(22.37)	(21.89)
Return after operating charges	98.67	(38.21)	69.73
Distributions	(25.09)	(8.16)	(13.75)
Closing NAV	1,334.80	1,261.22	1,307.59

Direct portfolio transaction costs ^[a]	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.16	0.07	0.07
Dilution adjustments ^[b]	(0.04)	(0.05)	(0.06)
Total direct portfolio transaction costs	0.12	0.02	0.01

Performance and charges	%	%	%
Direct portfolio transaction costs	0.01	0.01	0.01
Operating charges	1.70	1.68	1.69
Return after operating charges	+7.82	-2.92	+5.57
Distribution yield ^[c]	2.78	0.84	1.05
Effect on yield of charges offset against capital	1.67	0.00	0.00

Other information

Closing NAV (\$'000)	9,191	5,294	5,294
Closing NAV percentage of total fund NAV (%)	0.40	0.23	0.24
Number of shares	640,398	384,517	357,026
Highest share price (Euro ¢)	1,372.16	1,378.62	1,337.46
Lowest share price (Euro ¢)	1,233.12	1,257.99	1,237.85

Euro Class 'A-H' Accumulation share performance

The share class was launched on 21 May 2010.

for the year to 31 January Change in NAV per share	2017 Euro ¢	2016 Euro ¢	2015 Euro ¢
Opening NAV	1,301.15	1,339.08	1,270.79
Return before operating charges and after direct portfolio transaction costs	124.58	(14.95)	90.56
Operating charges	(23.13)	(22.98)	(22.27)
Return after operating charges	101.45	(37.93)	68.29
Distributions	(14.02)	(8.32)	(13.92)
Retained distributions	14.02	8.32	13.92
Closing NAV	1,402.60	1,301.15	1,339.08

Direct portfolio transaction costs ^[a]	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.16	0.07	0.07
Dilution adjustments ^[b]	(0.04)	(0.05)	(0.06)
Total direct portfolio transaction costs	0.12	0.02	0.01

Performance and charges	%	%	%
Direct portfolio transaction costs	0.01	0.01	0.01
Operating charges	1.69	1.68	1.69
Return after operating charges	+7.80	-2.83	+5.37
Distribution yield	1.14	0.84	1.06
Effect on yield of charges offset against capital	0.00	0.00	0.00

Other information

Closing NAV (\$'000)	81,108	81,878	116,955
Closing NAV percentage of total fund NAV (%)	3.56	3.61	5.32
Number of shares	5,378,479	5,764,128	7,701,601
Highest share price (Euro ¢)	1,415.31	1,413.59	1,355.55
Lowest share price (Euro ¢)	1,272.35	1,289.41	1,254.36

Euro Class 'B' Income share performance

The share class was launched on 11 September 2015.

for the year to 31 January Change in NAV per share	2017 Euro ¢	2016 Euro ¢	2015 Euro ¢
Opening NAV	990.74	1,000.00	n/a
Return before operating charges and after direct portfolio transaction costs	115.20	0.86	n/a
Operating charges	(22.61)	(8.43)	n/a
Return after operating charges	92.59	(7.57)	n/a
Distributions	(17.52)	(1.69)	n/a
Closing NAV	1,065.81	990.74	n/a

Direct portfolio transaction costs ^[a]	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.12	0.02	n/a
Dilution adjustments ^[b]	(0.03)	(0.01)	n/a
Total direct portfolio transaction costs	0.09	0.01	n/a

Performance and charges	%	%	%
Direct portfolio transaction costs	0.01	0.01	n/a
Operating charges	2.18	2.11*	n/a
Return after operating charges	+9.35	-0.76	n/a
Distribution yield ^[c]	2.80	0.37	n/a
Effect on yield of charges offset against capital	2.15	0.00	n/a

Other information

Closing NAV (\$'000)	159	57	n/a
Closing NAV percentage of total fund NAV (%)	0.01	0.00	n/a
Number of shares	13,853	5,300	n/a
Highest share price (Euro ¢)	1,107.06	1,088.05	n/a
Lowest share price (Euro ¢)	950.65	985.37	n/a

* As the share class was not in existence for the full period on 31.01.16, 2.16% is a more reliable estimate of the 31.01.16 ongoing charges.

M&G Global Convertibles Fund

Financial highlights

Specific share class performance

Euro Class 'B' Accumulation share performance

The share class was launched on 26 July 2013.

for the year to 31 January Change in NAV per share	2017 Euro ¢	2016 Euro ¢	2015 Euro ¢
Opening NAV	1,201.82	1,212.76	1,025.95
Return before operating charges and after direct portfolio transaction costs	139.72	16.06	210.73
Operating charges	(27.39)	(27.00)	(23.92)
Return after operating charges	112.33	(10.94)	186.81
Distributions	(6.93)	(1.80)	(7.02)
Retained distributions	6.93	1.80	7.02
Closing NAV	1,314.15	1,201.82	1,212.76
Direct portfolio transaction costs ^[a]	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.15	0.06	0.06
Dilution adjustments ^[b]	(0.04)	(0.04)	(0.05)
Total direct portfolio transaction costs	0.11	0.02	0.01
Performance and charges	%	%	%
Direct portfolio transaction costs	0.01	0.01	0.01
Operating charges	2.17	2.14	2.17
Return after operating charges	+9.35	-0.90	+18.21
Distribution yield	0.67	0.37	0.57
Effect on yield of charges offset against capital	0.00	0.00	0.00

Other information

Closing NAV (\$'000)	8,081	8,918	2,757
Closing NAV percentage of total fund NAV (%)	0.35	0.39	0.13
Number of shares	571,961	679,677	200,489
Highest share price (Euro ¢)	1,342.90	1,342.27	1,229.44
Lowest share price (Euro ¢)	1,153.19	1,183.61	1,023.56

Euro Class 'B-H' Income share performance

The share class was launched on 11 September 2015.

for the year to 31 January Change in NAV per share	2017 Euro ¢	2016 Euro ¢	2015 Euro ¢
Opening NAV	969.30	1,000.00	n/a
Return before operating charges and after direct portfolio transaction costs	92.22	(21.03)	n/a
Operating charges	(22.24)	(8.25)	n/a
Return after operating charges	69.98	(29.28)	n/a
Distributions	(16.79)	(1.42)	n/a
Closing NAV	1,022.49	969.30	n/a
Direct portfolio transaction costs ^[a]	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.12	0.02	n/a
Dilution adjustments ^[b]	(0.03)	(0.01)	n/a
Total direct portfolio transaction costs	0.09	0.01	n/a
Performance and charges	%	%	%
Direct portfolio transaction costs	0.01	0.01	n/a
Operating charges	2.19	2.14*	n/a
Return after operating charges	+7.22	-2.93	n/a
Distribution yield ^[c]	2.79	0.34	n/a
Effect on yield of charges offset against capital	2.17	0.00	n/a

Other information

Closing NAV (\$'000)	73	32	n/a
Closing NAV percentage of total fund NAV (%)	0.00	0.00	n/a
Number of shares	6,636	3,006	n/a
Highest share price (Euro ¢)	1,048.61	1,038.48	n/a
Lowest share price (Euro ¢)	947.55	962.11	n/a

* As the share class was not in existence for the full period on 31.01.16, 2.18% is a more reliable estimate of the 31.01.16 ongoing charges.

Euro Class 'B-H' Accumulation share performance

The share class was launched on 26 July 2013.

for the year to 31 January Change in NAV per share	2017 Euro ¢	2016 Euro ¢	2015 Euro ¢
Opening NAV	1,046.66	1,082.91	1,035.26
Return before operating charges and after direct portfolio transaction costs	100.89	(12.34)	70.61
Operating charges	(24.10)	(23.91)	(22.96)
Return after operating charges	76.79	(36.25)	47.65
Distributions	(5.69)	(1.28)	(6.18)
Retained distributions	5.69	1.28	6.18
Closing NAV	1,123.45	1,046.66	1,082.91

Direct portfolio transaction costs ^[a]	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.13	0.06	0.06
Dilution adjustments ^[b]	(0.03)	(0.04)	(0.05)
Total direct portfolio transaction costs	0.10	0.02	0.01

Performance and charges	%	%	%
Direct portfolio transaction costs	0.01	0.01	0.01
Operating charges	2.19	2.17	2.20
Return after operating charges	+7.34	-3.35	+4.60
Distribution yield	0.64	0.34	0.49
Effect on yield of charges offset against capital	0.00	0.00	0.00

Other information

Closing NAV (\$'000)	3,869	3,823	2,391
Closing NAV percentage of total fund NAV (%)	0.17	0.17	0.11
Number of shares	320,278	334,546	194,622
Highest share price (Euro ¢)	1,133.52	1,140.64	1,096.21
Lowest share price (Euro ¢)	1,023.67	1,037.39	1,015.20

Euro Class 'C' Income share performance

The share class was launched on 8 August 2014.

for the year to 31 January Change in NAV per share	2017 Euro ¢	2016 Euro ¢	2015 Euro ¢
Opening NAV	1,573.73	1,591.29	1,409.28
Return before operating charges and after direct portfolio transaction costs	184.25	21.11	217.35
Operating charges	(15.26)	(15.20)	(6.82)
Return after operating charges	168.99	5.91	210.53
Distributions	(38.53)	(23.47)	(28.52)
Closing NAV	1,704.19	1,573.73	1,591.29

Direct portfolio transaction costs ^[a]	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.20	0.08	0.04
Dilution adjustments ^[b]	(0.05)	(0.06)	(0.03)
Total direct portfolio transaction costs	0.15	0.02	0.01

Performance and charges	%	%	%
Direct portfolio transaction costs	0.01	0.01	0.01
Operating charges	0.91	0.91	0.92
Return after operating charges	+10.74	+0.37	+14.94
Distribution yield ^[c]	2.80	1.62	1.80
Effect on yield of charges offset against capital	0.90	0.00	0.00

Other information

Closing NAV (\$'000)	7,488	4,507	4,134
Closing NAV percentage of total fund NAV (%)	0.33	0.20	0.19
Number of shares	408,696	262,323	229,127
Highest share price (Euro ¢)	1,779.27	1,766.24	1,641.99
Lowest share price (Euro ¢)	1,510.85	1,564.64	1,404.31

M&G Global Convertibles Fund

Financial highlights

Specific share class performance

Euro Class 'C' Accumulation share performance

The share class was launched on 13 July 2007.

for the year to 31 January Change in NAV per share	2017 Euro ¢	2016 Euro ¢	2015 Euro ¢
Opening NAV	1,625.44	1,619.07	1,353.45
Return before operating charges and after direct portfolio transaction costs	190.07	21.80	278.90
Operating charges	(15.71)	(15.43)	(13.28)
Return after operating charges	174.36	6.37	265.62
Distributions	(31.59)	(23.58)	(28.52)
Retained distributions	31.59	23.58	28.52
Closing NAV	1,799.80	1,625.44	1,619.07

Direct portfolio transaction costs ^[a]	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.20	0.09	0.08
Dilution adjustments ^[b]	(0.05)	(0.06)	(0.06)
Total direct portfolio transaction costs	0.15	0.03	0.02

Performance and charges	%	%	%
Direct portfolio transaction costs	0.01	0.01	0.01
Operating charges	0.91	0.91	0.92
Return after operating charges	+10.73	+0.39	+19.63
Distribution yield	1.91	1.62	1.80
Effect on yield of charges offset against capital	0.00	0.00	0.00

Other information

Closing NAV (\$'000)	594,288	687,975	601,294
Closing NAV percentage of total fund NAV (%)	26.08	30.31	27.36
Number of shares	30,711,731	38,770,276	32,748,289
Highest share price (Euro ¢)	1,837.51	1,797.44	1,641.86
Lowest share price (Euro ¢)	1,560.35	1,592.32	1,351.26

Euro Class 'C-H' Income share performance

The share class was launched on 8 August 2014.

for the year to 31 January Change in NAV per share	2017 Euro ¢	2016 Euro ¢	2015 Euro ¢
Opening NAV	1,326.08	1,373.59	1,355.57
Return before operating charges and after direct portfolio transaction costs	127.60	(15.05)	48.87
Operating charges	(13.12)	(13.08)	(6.15)
Return after operating charges	114.48	(28.13)	42.72
Distributions	(31.67)	(19.38)	(24.70)
Closing NAV	1,408.89	1,326.08	1,373.59

Direct portfolio transaction costs ^[a]	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.17	0.07	0.03
Dilution adjustments ^[b]	(0.04)	(0.05)	(0.03)
Total direct portfolio transaction costs	0.13	0.02	0.00

Performance and charges	%	%	%
Direct portfolio transaction costs	0.01	0.01	0.01
Operating charges	0.93	0.93	0.94
Return after operating charges	+8.63	-2.05	+3.15
Distribution yield ^[c]	2.78	1.60	1.80
Effect on yield of charges offset against capital	0.92	0.00	0.00

Other information

Closing NAV (\$'000)	14,308	13,632	10,881
Closing NAV percentage of total fund NAV (%)	0.63	0.60	0.50
Number of shares	944,560	941,655	698,485
Highest share price (Euro ¢)	1,453.43	1,451.67	1,415.42
Lowest share price (Euro ¢)	1,297.03	1,333.16	1,307.40

Euro Class 'C-H' Accumulation share performance

The share class was launched on 21 May 2010.

for the year to 31 January Change in NAV per share	2017 Euro ¢	2016 Euro ¢	2015 Euro ¢
Opening NAV	1,370.24	1,399.18	1,318.01
Return before operating charges and after direct portfolio transaction costs	132.03	(15.61)	94.08
Operating charges	(13.53)	(13.33)	(12.91)
Return after operating charges	118.50	(28.94)	81.17
Distributions	(25.79)	(19.56)	(24.70)
Retained distributions	25.79	19.56	24.70
Closing NAV	1,488.74	1,370.24	1,399.18

Direct portfolio transaction costs ^[a]	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.17	0.07	0.07
Dilution adjustments ^[b]	(0.04)	(0.05)	(0.06)
Total direct portfolio transaction costs	0.13	0.02	0.01

Performance and charges	%	%	%
Direct portfolio transaction costs	0.01	0.01	0.01
Operating charges	0.93	0.93	0.94
Return after operating charges	+8.65	-2.07	+6.16
Distribution yield	1.88	1.59	1.80
Effect on yield of charges offset against capital	0.00	0.00	0.00

Other information

Closing NAV (\$'000)	494,957	434,611	475,905
Closing NAV percentage of total fund NAV (%)	21.72	19.14	21.66
Number of shares	30,922,814	29,053,587	29,992,555
Highest share price (Euro ¢)	1,502.14	1,478.99	1,416.28
Lowest share price (Euro ¢)	1,340.21	1,357.72	1,307.76

Sterling Class 'A' Income share performance

The share class was launched on 13 July 2007.

for the year to 31 January Change in NAV per share	2017 UK p	2016 UK p	2015 UK p
Opening NAV	146.70	146.06	136.06
Return before operating charges and after direct portfolio transaction costs	38.36	4.06	13.90
Operating charges	(2.79)	(2.43)	(2.34)
Return after operating charges	35.57	1.63	11.56
Distributions	(3.38)	(0.99)	(1.56)
Closing NAV	178.89	146.70	146.06

Direct portfolio transaction costs ^[a]	UK p	UK p	UK p
Costs before dilution adjustments	0.02	0.01	0.01
Dilution adjustments ^[b]	0.00	0.00	(0.01)
Total direct portfolio transaction costs	0.02	0.01	0.00

Performance and charges	%	%	%
Direct portfolio transaction costs	0.01	0.01	0.01
Operating charges	1.67	1.66	1.67
Return after operating charges	+24.25	+1.12	+8.50
Distribution yield ^[c]	2.80	0.86	1.06
Effect on yield of charges offset against capital	1.65	0.00	0.00

Other information

Closing NAV (\$'000)	185,307	264,323	244,879
Closing NAV percentage of total fund NAV (%)	8.13	11.64	11.15
Number of shares	83,126,265	125,954,789	111,158,881
Highest share price (UK p)	186.11	155.20	149.11
Lowest share price (UK p)	143.50	138.56	135.62

M&G Global Convertibles Fund

Financial highlights

Specific share class performance

Sterling Class 'A' Accumulation share performance

The share class was launched on 13 July 2007.

for the year to 31 January Change in NAV per share	2017 UK p	2016 UK p	2015 UK p
Opening NAV	166.65	165.04	152.46
Return before operating charges and after direct portfolio transaction costs	43.59	4.58	15.56
Operating charges	(3.18)	(2.75)	(2.63)
Return after operating charges	40.41	1.83	12.93
Distributions	(2.12)	(1.11)	(1.75)
Retained distributions	1.69	0.89	1.40
Closing NAV	206.63	166.65	165.04
Direct portfolio transaction costs ^[a]	UK p	UK p	UK p
Costs before dilution adjustments	0.02	0.01	0.01
Dilution adjustments ^[b]	(0.01)	(0.01)	(0.01)
Total direct portfolio transaction costs	0.01	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs	0.01	0.01	0.01
Operating charges	1.67	1.66	1.67
Return after operating charges	+24.25	+1.11	+8.48
Distribution yield	1.16	0.86	1.06
Effect on yield of charges offset against capital	0.00	0.00	0.00

Other information

Closing NAV (\$'000)	146,667	134,888	140,536
Closing NAV percentage of total fund NAV (%)	6.44	5.94	6.40
Number of shares	56,961,269	56,581,524	56,455,280
Highest share price (UK p)	211.73	175.37	167.07
Lowest share price (UK p)	163.01	156.57	151.96

Sterling Class 'A-H' Accumulation share performance

The share class was launched on 28 September 2012.

for the year to 31 January Change in NAV per share	2017 UK p	2016 UK p	2015 UK p
Opening NAV	119.56	121.66	115.06
Return before operating charges and after direct portfolio transaction costs	12.43	0.18	8.86
Operating charges	(2.26)	(2.12)	(2.01)
Return after operating charges	10.17	(1.94)	6.85
Distributions	(1.66)	(0.80)	(1.27)
Retained distributions	1.33	0.64	1.02
Closing NAV	129.40	119.56	121.66
Direct portfolio transaction costs ^[a]	UK p	UK p	UK p
Costs before dilution adjustments	0.02	0.01	0.01
Dilution adjustments ^[b]	0.00	0.00	(0.01)
Total direct portfolio transaction costs	0.02	0.01	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs	0.01	0.01	0.01
Operating charges	1.66	1.66	1.69
Return after operating charges	+8.51	-1.59	+5.95
Distribution yield	1.13	0.86	1.04
Effect on yield of charges offset against capital	0.00	0.00	0.00

Other information

Closing NAV (\$'000)	176	36,747	36
Closing NAV percentage of total fund NAV (%)	0.01	1.62	0.00
Number of shares	109,296	21,485,296	20,000
Highest share price (UK p)	129.74	129.41	123.15
Lowest share price (UK p)	116.85	118.43	113.83

Sterling Class 'I' Income share performance

The share class was launched on 3 August 2012.

for the year to 31 January Change in NAV per share	2017 UK p	2016 UK p	2015 UK p
Opening NAV	1,198.28	1,193.45	1,111.51
Return before operating charges and after direct portfolio transaction costs	314.44	33.42	113.89
Operating charges	(12.57)	(10.99)	(10.57)
Return after operating charges	301.87	22.43	103.32
Distributions	(33.16)	(17.60)	(21.38)
Closing NAV	1,466.99	1,198.28	1,193.45
Direct portfolio transaction costs ^[a]	UK p	UK p	UK p
Costs before dilution adjustments	0.16	0.06	0.06
Dilution adjustments ^[b]	(0.04)	(0.04)	(0.05)
Total direct portfolio transaction costs	0.12	0.02	0.01
Performance and charges	%	%	%
Direct portfolio transaction costs	0.01	0.01	0.01
Operating charges	0.92	0.91	0.92
Return after operating charges	+25.19	+1.88	+9.30
Distribution yield ^[c]	2.80	1.62	1.80
Effect on yield of charges offset against capital	0.90	0.00	0.00
Other information			
Closing NAV (\$'000)	63,903	61,829	124,409
Closing NAV percentage of total fund NAV (%)	2.80	2.72	5.66
Number of shares	3,495,634	3,607,018	6,911,303
Highest share price (UK p)	1,530.00	1,269.81	1,225.43
Lowest share price (UK p)	1,172.38	1,136.11	1,112.52

Sterling Class 'I' Accumulation share performance

The share class was launched on 13 July 2007.

for the year to 31 January Change in NAV per share	2017 UK p	2016 UK p	2015 UK p
Opening NAV	175.28	172.58	158.47
Return before operating charges and after direct portfolio transaction costs	45.99	4.79	16.23
Operating charges	(1.84)	(1.58)	(1.51)
Return after operating charges	44.15	3.21	14.72
Distributions	(3.86)	(2.54)	(3.05)
Retained distributions	3.08	2.03	2.44
Closing NAV	218.65	175.28	172.58
Direct portfolio transaction costs ^[a]	UK p	UK p	UK p
Costs before dilution adjustments	0.02	0.01	0.01
Dilution adjustments ^[b]	(0.01)	(0.01)	(0.01)
Total direct portfolio transaction costs	0.01	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs	0.01	0.01	0.01
Operating charges	0.92	0.91	0.92
Return after operating charges	+25.19	+1.86	+9.29
Distribution yield	1.91	1.62	1.80
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	88,773	82,125	99,227
Closing NAV percentage of total fund NAV (%)	3.90	3.62	4.52
Number of shares	32,580,346	32,752,195	38,118,527
Highest share price (UK p)	224.00	183.59	174.70
Lowest share price (UK p)	171.49	164.26	158.62

M&G Global Convertibles Fund

Financial highlights

Specific share class performance

Sterling Class 'I-H' Accumulation share performance

The share class was launched on 28 September 2012.

for the year to 31 January Change in NAV per share	2017 UK p	2016 UK p	2015 UK p
Opening NAV	121.22	123.46	115.99
Return before operating charges and after direct portfolio transaction costs	12.66	(0.71)	9.03
Operating charges	(1.19)	(1.18)	(1.13)
Return after operating charges	11.47	(1.89)	7.90
Distributions	(2.40)	(1.76)	(2.16)
Retained distributions	1.92	1.41	1.73
Closing NAV	132.21	121.22	123.46
Direct portfolio transaction costs ^[a]	UK p	UK p	UK p
Costs before dilution adjustments	0.02	0.01	0.01
Dilution adjustments ^[b]	0.00	0.00	(0.01)
Total direct portfolio transaction costs	0.02	0.01	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs	0.01	0.01	0.01
Operating charges	0.93	0.93	0.94
Return after operating charges	+9.46	-1.53	+6.81
Distribution yield	1.88	1.61	1.78
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	100	81	38
Closing NAV percentage of total fund NAV (%)	0.00	0.00	0.00
Number of shares	60,928	46,928	20,000
Highest share price (UK p)	133.39	130.60	124.97
Lowest share price (UK p)	118.49	120.05	115.30

Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012.

for the year to 31 January Change in NAV per share	2017 UK p	2016 UK p	2015 UK p
Opening NAV	119.84	119.35	111.15
Return before operating charges and after direct portfolio transaction costs	31.41	3.34	11.40
Operating charges	(1.60)	(1.40)	(1.34)
Return after operating charges	29.81	1.94	10.06
Distributions	(3.13)	(1.45)	(1.86)
Closing NAV	146.52	119.84	119.35
Direct portfolio transaction costs ^[a]	UK p	UK p	UK p
Costs before dilution adjustments	0.02	0.01	0.01
Dilution adjustments ^[b]	0.00	0.00	(0.01)
Total direct portfolio transaction costs	0.02	0.01	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs	0.01	0.01	0.01
Operating charges	1.17	1.16	1.17
Return after operating charges	+24.87	+1.63	+9.05
Distribution yield ^[c]	2.80	1.37	1.56
Effect on yield of charges offset against capital	1.15	0.00	0.00
Other information			
Closing NAV (\$'000)	266	52	56
Closing NAV percentage of total fund NAV (%)	0.01	0.00	0.00
Number of shares	145,531	30,127	31,000
Highest share price (UK p)	152.69	126.93	122.32
Lowest share price (UK p)	117.25	113.49	111.10

Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012.

for the year to 31 January Change in NAV per share	2017 UK p	2016 UK p	2015 UK p
Opening NAV	125.81	124.11	114.19
Return before operating charges and after direct portfolio transaction costs	32.97	3.45	11.69
Operating charges	(1.68)	(1.45)	(1.39)
Return after operating charges	31.29	2.00	10.30
Distributions	(2.38)	(1.50)	(1.90)
Retained distributions	1.90	1.20	1.52
Closing NAV	156.62	125.81	124.11
Direct portfolio transaction costs ^[a]	UK p	UK p	UK p
Costs before dilution adjustments	0.02	0.01	0.01
Dilution adjustments ^[b]	0.00	0.00	(0.01)
Total direct portfolio transaction costs	0.02	0.01	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs	0.01	0.01	0.01
Operating charges	1.17	1.16	1.17
Return after operating charges	+24.87	+1.61	+9.02
Distribution yield	1.66	1.37	1.56
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	189	185	229
Closing NAV percentage of total fund NAV (%)	0.01	0.01	0.01
Number of shares	96,927	102,694	122,337
Highest share price (UK p)	160.45	131.97	125.63
Lowest share price (UK p)	123.08	117.99	114.14

Sterling Class 'R-H' Accumulation share performance

The share class was launched on 28 September 2012.

for the year to 31 January Change in NAV per share	2017 UK p	2016 UK p	2015 UK p
Opening NAV	120.52	123.06	115.68
Return before operating charges and after direct portfolio transaction costs	13.48	(0.76)	9.18
Operating charges	(1.57)	(1.49)	(1.43)
Return after operating charges	11.91	(2.25)	7.75
Distributions	(2.03)	(1.43)	(1.85)
Retained distributions	1.62	1.14	1.48
Closing NAV	132.02	120.52	123.06
Direct portfolio transaction costs ^[a]	UK p	UK p	UK p
Costs before dilution adjustments	0.02	0.01	0.01
Dilution adjustments ^[b]	0.00	0.00	(0.01)
Total direct portfolio transaction costs	0.02	0.01	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs	0.01	0.01	0.01
Operating charges	1.18	1.18	1.19
Return after operating charges	+9.88	-1.83	+6.70
Distribution yield	1.61	1.35	1.53
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	51	226	193
Closing NAV percentage of total fund NAV (%)	0.00	0.01	0.01
Number of shares	31,206	131,206	104,000
Highest share price (UK p)	133.21	130.04	124.57
Lowest share price (UK p)	117.80	119.37	115.00

M&G Global Convertibles Fund

Financial highlights

Specific share class performance

Swiss franc Class 'A-H' Accumulation share performance

The share class was launched on 28 September 2012.

for the year to 31 January Change in NAV per share	2017 Swiss ¢	2016 Swiss ¢	2015 Swiss ¢
Opening NAV	1,151.95	1,195.73	1,140.16
Return before operating charges and after direct portfolio transaction costs	104.95	(23.34)	75.47
Operating charges	(20.45)	(20.44)	(19.90)
Return after operating charges	84.50	(43.78)	55.57
Distributions	(12.32)	(7.38)	(12.35)
Retained distributions	12.32	7.38	12.35
Closing NAV	1,236.45	1,151.95	1,195.73

Direct portfolio transaction costs ^[a]	Swiss ¢	Swiss ¢	Swiss ¢
Costs before dilution adjustments	0.14	0.06	0.06
Dilution adjustments ^[b]	(0.03)	(0.04)	(0.05)
Total direct portfolio transaction costs	0.11	0.02	0.01

Performance and charges	%	%	%
Direct portfolio transaction costs	0.01	0.01	0.01
Operating charges	1.69	1.68	1.69
Return after operating charges	+7.34	-3.66	+4.87
Distribution yield	1.13	0.86	1.09
Effect on yield of charges offset against capital	0.00	0.00	0.00

Other information

Closing NAV (\$'000)	851	504	733
Closing NAV percentage of total fund NAV (%)	0.04	0.02	0.03
Number of shares	68,337	44,649	56,709
Highest share price (Swiss ¢)	1,247.54	1,257.98	1,210.40
Lowest share price (Swiss ¢)	1,126.61	1,141.64	1,123.94

Swiss franc Class 'C-H' Accumulation share performance

The share class was launched on 28 September 2012.

for the year to 31 January Change in NAV per share	2017 Swiss ¢	2016 Swiss ¢	2015 Swiss ¢
Opening NAV	1,183.98	1,221.71	1,156.46
Return before operating charges and after direct portfolio transaction costs	105.82	(26.21)	76.56
Operating charges	(11.62)	(11.52)	(11.31)
Return after operating charges	94.20	(37.73)	65.25
Distributions	(22.08)	(16.87)	(21.30)
Retained distributions	22.08	16.87	21.30
Closing NAV	1,278.18	1,183.98	1,221.71

Direct portfolio transaction costs ^[a]	Swiss ¢	Swiss ¢	Swiss ¢
Costs before dilution adjustments	0.15	0.06	0.06
Dilution adjustments ^[b]	(0.04)	(0.04)	(0.05)
Total direct portfolio transaction costs	0.11	0.02	0.01

Performance and charges	%	%	%
Direct portfolio transaction costs	0.01	0.01	0.01
Operating charges	0.93	0.93	0.94
Return after operating charges	+7.96	-3.09	+5.64
Distribution yield	1.88	1.62	1.87
Effect on yield of charges offset against capital	0.00	0.00	0.00

Other information

Closing NAV (\$'000)	20,970	14,220	7,419
Closing NAV percentage of total fund NAV (%)	0.92	0.63	0.34
Number of shares	1,628,386	1,225,654	561,707
Highest share price (Swiss ¢)	1,289.69	1,286.27	1,236.65
Lowest share price (Swiss ¢)	1,156.89	1,173.17	1,145.94

US dollar Class 'A-H' Income share performance

The share class was launched on 8 August 2014.

for the year to 31 January Change in NAV per share	2017 US ¢	2016 US ¢	2015 US ¢
Opening NAV	1,163.82	1,201.34	1,175.93
Return before operating charges and after direct portfolio transaction costs	130.25	(9.32)	47.29
Operating charges	(20.78)	(20.51)	(9.65)
Return after operating charges	109.47	(29.83)	37.64
Distributions	(23.57)	(7.69)	(12.23)
Closing NAV	1,249.72	1,163.82	1,201.34

Direct portfolio transaction costs ^[a]	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.15	0.06	0.03
Dilution adjustments ^[b]	(0.04)	(0.04)	(0.02)
Total direct portfolio transaction costs	0.11	0.02	0.01

Performance and charges	%	%	%
Direct portfolio transaction costs	0.01	0.01	0.01
Operating charges	1.69	1.67	1.69
Return after operating charges	+9.41	-2.48	+3.20
Distribution yield ^[c]	2.81	0.85	1.02
Effect on yield of charges offset against capital	1.67	0.00	0.00

Other information

Closing NAV (\$'000)	1,110	932	21
Closing NAV percentage of total fund NAV (%)	0.05	0.04	0.00
Number of shares	88,843	80,121	1,717
Highest share price (US ¢)	1,284.75	1,266.71	1,228.69
Lowest share price (US ¢)	1,137.59	1,160.70	1,133.79

US dollar Class 'A-H' Accumulation share performance

The share class was launched on 28 September 2012.

for the year to 31 January Change in NAV per share	2017 US ¢	2016 US ¢	2015 US ¢
Opening NAV	1,182.90	1,212.99	1,147.10
Return before operating charges and after direct portfolio transaction costs	131.86	(9.34)	86.15
Operating charges	(21.10)	(20.75)	(20.26)
Return after operating charges	110.76	(30.09)	65.89
Distributions	(12.96)	(7.68)	(12.52)
Retained distributions	12.96	7.68	12.52
Closing NAV	1,293.66	1,182.90	1,212.99

Direct portfolio transaction costs ^[a]	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.15	0.06	0.06
Dilution adjustments ^[b]	(0.04)	(0.04)	(0.05)
Total direct portfolio transaction costs	0.11	0.02	0.01

Performance and charges	%	%	%
Direct portfolio transaction costs	0.01	0.01	0.01
Operating charges	1.69	1.67	1.69
Return after operating charges	+9.36	-2.48	+5.74
Distribution yield	1.15	0.84	1.02
Effect on yield of charges offset against capital	0.00	0.00	0.00

Other information

Closing NAV (\$'000)	25,704	41,981	34,252
Closing NAV percentage of total fund NAV (%)	1.13	1.85	1.56
Number of shares	1,986,919	3,549,023	2,823,777
Highest share price (US ¢)	1,305.32	1,280.14	1,227.88
Lowest share price (US ¢)	1,156.34	1,171.97	1,135.05

M&G Global Convertibles Fund

Financial highlights

Specific share class performance

US dollar Class 'C-H' Income share performance

The share class was launched on 8 August 2014.

for the year to 31 January Change in NAV per share	2017 US ¢	2016 US ¢	2015 US ¢
Opening NAV	1,173.95	1,215.50	1,191.01
Return before operating charges and after direct portfolio transaction costs	132.15	(12.78)	51.50
Operating charges	(11.87)	(11.57)	(6.11)
Return after operating charges	120.28	(24.35)	45.39
Distributions	(28.51)	(17.20)	(20.90)
Closing NAV	1,265.72	1,173.95	1,215.50
Direct portfolio transaction costs ^[a]	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.15	0.06	0.03
Dilution adjustments ^[b]	(0.04)	(0.04)	(0.03)
Total direct portfolio transaction costs	0.11	0.02	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs	0.01	0.01	0.01
Operating charges	0.94	0.92	0.94
Return after operating charges	+10.25	-2.00	+3.81
Distribution yield ^[c]	2.81	1.60	1.76
Effect on yield of charges offset against capital	0.92	0.00	0.00
Other information			
Closing NAV (\$'000)	1,232	337	20
Closing NAV percentage of total fund NAV (%)	0.05	0.01	0.00
Number of shares	97,347	28,679	1,679
Highest share price (US ¢)	1,305.86	1,281.35	1,247.50
Lowest share price (US ¢)	1,147.97	1,179.95	1,151.29

US dollar Class 'C-H' Accumulation share performance

The share class was launched on 28 September 2012.

for the year to 31 January Change in NAV per share	2017 US ¢	2016 US ¢	2015 US ¢
Opening NAV	1,211.35	1,238.35	1,157.26
Return before operating charges and after direct portfolio transaction costs	138.40	(15.26)	92.37
Operating charges	(12.18)	(11.74)	(11.28)
Return after operating charges	126.22	(27.00)	81.09
Distributions	(23.21)	(17.39)	(21.35)
Retained distributions	23.21	17.39	21.35
Closing NAV	1,337.57	1,211.35	1,238.35
Direct portfolio transaction costs ^[a]	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.15	0.06	0.06
Dilution adjustments ^[b]	(0.04)	(0.04)	(0.05)
Total direct portfolio transaction costs	0.11	0.02	0.01
Performance and charges	%	%	%
Direct portfolio transaction costs	0.01	0.01	0.01
Operating charges	0.93	0.93	0.94
Return after operating charges	+10.42	-2.18	+7.01
Distribution yield	1.88	1.60	1.76
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	88,542	103,030	59,480
Closing NAV percentage of total fund NAV (%)	3.89	4.54	2.71
Number of shares	6,619,606	8,505,389	4,803,116
Highest share price (US ¢)	1,349.55	1,302.98	1,247.53
Lowest share price (US ¢)	1,184.37	1,199.90	1,151.36

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

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

^[c] Following the change in charging structure, you may see variances between the comparative and current year figures.

M&G Global Convertibles Fund

Financial statements and notes

Financial statements

Statement of total return					
for the year to 31 January	Note	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Income					
Net capital gains / (losses)	3		138,186		(150,173)
Revenue	5	61,089		59,265	
Expenses	6	(26,851)		(31,060)	
Net revenue / (expense) before taxation		34,238		28,205	
Taxation	7	(778)		(614)	
Net revenue / (expense) after taxation			33,460		27,591
Total return before equalisation/distributions			171,646		(122,582)
Distributions	8		(36,268)		(27,479)
Change in net assets attributable to shareholders from investment activities			135,378		(150,061)

Statement of change in net assets attributable to shareholders				
	2017		2016	
for the year to 31 January	\$'000	\$'000	\$'000	\$'000
Opening net assets attributable to shareholders		2,270,521		2,197,080
Amounts received on issue of shares	744,624		957,801	
Amounts paid on cancellation of shares	<u>(902,706)</u>		<u>(761,904)</u>	
		(158,082)		195,897
Dilution adjustments		3,758		5,248
Change in net assets attributable to shareholders from investment activities (see above)		135,378		(150,061)
Retained distributions on Accumulation shares		27,198		22,357
Closing net assets attributable to shareholders		2,278,773		2,270,521

Balance sheet			
as at 31 January	Note	2017 \$'000	2016 \$'000
Assets			
Fixed assets			
Investments		2,275,814	2,255,033
Current assets			
Debtors	9	15,464	21,100
Cash and bank balances	10	11,901	12,862
Total assets		2,303,179	2,288,995
Liabilities			
Investment liabilities		(3,853)	(2,221)
Creditors			
Bank overdrafts		(7,911)	0
Distribution payable		(9,721)	(3,836)
Other creditors	11	(2,921)	(12,417)
Total liabilities		(24,406)	(18,474)
Net assets attributable to shareholders		2,278,773	2,270,521

Notes to the financial statements

1 Accounting policies

The financial statements have been prepared in accordance with the 'Summary of significant accounting policies' set out on pages 6 and 7.

2 Distribution policy

With effect from 1 August 2016, the distribution policy has been amended so that in determining the amount available for distribution to Income shares, the annual management charge, administration charge and where relevant the share class hedging charge are now offset against capital, increasing the amount available for distribution whilst restraining capital performance to an equivalent extent.

In determining the amount available for distribution, ordinary stock dividends have been transferred to capital, reducing the amount available.

3 Net capital gains / (losses)

for the year to 31 January	2017 \$'000	2016 \$'000
Non-derivative securities	141,176	(143,110)
Derivative contracts	1,472	(6,714)
Currency gains / (losses)	(4,452)	(339)
Transaction charges	(10)	(10)
Net capital gains / (losses)	138,186	(150,173)

M&G Global Convertibles Fund

Financial statements and notes

Notes to the financial statements

4 Portfolio transactions and associated costs

The following tables show portfolio transactions and their associated transaction costs. For more information about the nature of the costs please see the section on 'Operating charges and portfolio transaction costs' on pages 46 and 47.

for the year to 31 January	2017 \$'000	% of transaction	2016 \$'000	% of transaction
a) Purchases				
Equities				
Equities before transaction costs	107,920		142,980	
Commissions	59	0.05	58	0.04
Taxes	59	0.05	21	0.01
Equities after transaction costs	108,038		143,059	
Debt securities ^[a]	625,899		1,016,933	
Other asset classes				
Corporate actions	0		605	
Total purchases after transaction costs	733,937		1,160,597	
b) Sales				
Equities				
Equities before transaction costs	133,107		116,602	
Commissions	(72)	0.05	(49)	0.04
Taxes	(9)	0.01	(1)	0.00
Equities after transaction costs	133,026		116,552	
Debt securities ^[a]	788,978		793,268	
Other asset classes				
Corporate actions	13,397		11,241	
Total sales after transaction costs	935,401		921,061	
c) Direct portfolio transaction costs				
	2017 \$'000	average NAV	2016 \$'000	average NAV
Commissions paid				
Equities	131	0.01	107	0.01
Derivatives	67	0.00	0	0.00
Taxes paid				
Equities	68	0.00	22	0.00
Total direct portfolio transaction costs ^[b]	266	0.01	129	0.01
d) Indirect portfolio transaction costs				
		%		%
Portfolio dealing spread ^[c]		0.63		0.85

^[a] These transaction types do not attract direct portfolio transaction costs.

^[b] Costs before dilution adjustments. Please refer to the 'Financial highlights' section for the effect of dilution adjustments.

^[c] Average portfolio dealing spread at the balance sheet date.

5 Revenue

for the year to 31 January	2017 \$'000	2016 \$'000
Bank interest	5	26
Derivative revenue	(878)	(706)
Dividends from equity investments: non-taxable	6,360	4,737
Dividends from equity investments: taxable	2,886	2,074
Interest distributions	941	1,095
Interest on debt securities	51,715	51,928
Stock dividends	60	111
Total revenue	61,089	59,265

6 Expenses

for the year to 31 January	2017 \$'000	2016 \$'000
Payable to the ACD or associate		
Annual management charge	23,111	26,707
Administration charge	3,368	3,824
Share class hedging charge	127	158
	26,606	30,689
Payable to the Depositary or associate		
Depositary's charge (including VAT)	100	113
Other expenses		
Audit fee (including VAT)	15	12
Dividend charges	17	82
Interest payable	24	10
Safe custody charge	88	153
Tax fees (including VAT) ^[a]	1	1
	145	258
Total expenses	26,851	31,060

^[a] Fees of \$nil (2016: \$1,000) paid to overseas firms affiliated with Ernst & Young LLP.

7 Taxation

for the year to 31 January	2017 \$'000	2016 \$'000
a) Analysis of charge in the year		
Corporation tax	0	123
Withholding tax	775	614
Double taxation relief	0	(123)
Prior year adjustment	3	0
Deferred tax (note 7c)	0	0
Total taxation	778	614
b) Factors affecting taxation charge for the year		
Net revenue / (expense) before taxation	34,238	28,205
Corporation tax at 20%	6,848	5,641
Effects of:		
Dividends from equity investments: non-taxable	(1,272)	(947)
Stock dividends not taxable	(12)	(22)
Interest distributions	(5,564)	(4,549)
Withholding tax	775	614
Double taxation relief	0	(123)
Prior year adjustment	3	0
Total tax charge (note 7a)	778	614
c) Provision for deferred taxation		
Provision at the start of the year	0	0
Deferred tax in profit and loss account (note 7a)	0	0
Provision at the end of the year	0	0

The fund has not recognised a deferred tax asset in the current financial year (2016: same).

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

M&G Global Convertibles Fund

Financial statements and notes

Notes to the financial statements

8 Distributions

for the year to 31 January	2017		2016	
	Inc ^[a] \$'000	Acc ^[b] \$'000	Inc ^[a] \$'000	Acc ^[b] \$'000
Interest distributions				
Final	8,022	27,198	2,591	22,357
Total net distributions		35,220		24,948
Income tax deducted at source		1,699		1,245
Interest distributions		36,919		26,193
Income deducted on cancellation of shares		7,224		4,846
Income received on issue of shares		(7,875)		(3,560)
Distributions		36,268		27,479
Net revenue per statement of total return		33,460		27,591
Expenses offset against capital		2,868		0
Stock dividends not distributed		(60)		(111)
Undistributed income brought forward		1		0
Undistributed income carried forward		(1)		(1)
Distributions		36,268		27,479

[a] Distributions payable on Income shares.

[b] Retained distributions on Accumulation shares.

9 Debtors

as at 31 January	2017 \$'000	2016 \$'000
Amounts receivable on issues of shares	6,525	877
Currency deals outstanding	0	2,487
Debt security interest receivable	7,836	7,925
Distributions receivable	10	23
Sales awaiting settlement	311	9,193
Withholding tax recoverable	782	595
Total debtors	15,464	21,100

10 Cash and bank balances

as at 31 January	2017 \$'000	2016 \$'000
Amounts held at futures clearing houses and brokers	8,063	0
Cash held as bank balances	3,838	12,862
Total cash and bank balances	11,901	12,862

11 Other creditors

as at 31 January	2017 \$'000	2016 \$'000
ACD's annual management charge payable	983	725
Administration charge payable	140	105
Amounts payable on cancellation of shares	1,742	5,129
Currency deals outstanding	0	2,478
Expenses payable	50	31
Purchases awaiting settlement	0	3,945
Share class hedging charge payable	6	4
Total other creditors	2,921	12,417

12 Contingent assets, liabilities and outstanding commitments

There were no contingent assets, liabilities or outstanding commitments at the balance sheet date (2016: same).

13 Shares in issue

The following table shows each class of share in issue during the year. Each share class has the same rights on winding up however they may have different charging structures as set out in note 14.

Share class	Opening 01.02.16	Movements		Closing 31.01.17
		Issued	Cancelled	
Euro				
Class 'A' Income (Gross)	1,186,021	9,705,144	(551,123)	10,340,042
Class 'A' Accumulation (Gross)	16,174,407	2,276,676	(3,764,627)	14,686,456
Class 'A-H' Income (Gross)	384,517	330,577	(74,696)	640,398
Class 'A-H' Accumulation (Gross)	5,764,128	768,232	(1,153,881)	5,378,479
Class 'B' Income (Gross)	5,300	8,553	0	13,853
Class 'B' Accumulation (Gross)	679,677	287,052	(394,768)	571,961
Class 'B-H' Income (Gross)	3,006	3,630	0	6,636
Class 'B-H' Accumulation (Gross)	334,546	125,291	(139,559)	320,278
Class 'C' Income (Gross)	262,323	374,105	(227,732)	408,696
Class 'C' Accumulation (Gross)	38,770,276	11,996,281	(20,054,826)	30,711,731
Class 'C-H' Income (Gross)	941,655	300,605	(297,700)	944,560
Class 'C-H' Accumulation (Gross)	29,053,587	9,242,914	(7,373,687)	30,922,814
Sterling				
Class 'A' Income (Net)	125,954,789	525,359	(43,353,883)	83,126,265
Class 'A' Accumulation (Net)	56,581,524	11,324,534	(10,944,789)	56,961,269
Class 'A-H' Accumulation (Net)	21,485,296	40,000	(21,416,000)	109,296
Class 'I' Income (Net)	3,607,018	522,324	(633,708)	3,495,634
Class 'I' Accumulation (Net)	32,752,195	6,291,881	(6,463,730)	32,580,346
Class 'I-H' Accumulation (Net)	46,928	82,000	(68,000)	60,928
Class 'R' Income (Net)	30,127	115,404	0	145,531
Class 'R' Accumulation (Net)	102,694	47,896	(53,663)	96,927
Class 'R-H' Accumulation (Net)	131,206	0	(100,000)	31,206
Swiss franc				
Class 'A-H' Accumulation (Gross)	44,649	23,688	0	68,337
Class 'C-H' Accumulation (Gross)	1,225,654	1,358,864	(956,132)	1,628,386
US dollar				
Class 'A-H' Income (Gross)	80,121	38,415	(29,693)	88,843
Class 'A-H' Accumulation (Gross)	3,549,023	250,596	(1,812,700)	1,986,919
Class 'C-H' Income (Gross)	28,679	69,668	(1,000)	97,347
Class 'C-H' Accumulation (Gross)	8,505,389	4,474,767	(6,360,550)	6,619,606

M&G Global Convertibles Fund

Financial statements and notes

Notes to the financial statements

14 Charging structure

The table below sets out the charging structure for each class of share. The charging structure is the same for both Income and Accumulation shares of each class.

Share class	Entry charge %	Exit charge %	Annual management charge %	Share class hedging charge %
Euro				
Class 'A'	4.00	n/a	1.50	n/a
Class 'A-H'	4.00	n/a	1.50	[a]
Class 'B'	1.25	n/a	2.00	n/a
Class 'B-H'	1.25	n/a	2.00	[a]
Class 'C'	1.25	n/a	0.75	n/a
Class 'C-H'	1.25	n/a	0.75	[a]
Sterling				
Class 'A'	4.00 [b]	n/a	1.50	n/a
Class 'A-H'	4.00 [b]	n/a	1.50	[a]
Class 'I'	1.00 [b]	n/a	0.75	n/a
Class 'I-H'	1.00 [b]	n/a	0.75	[a]
Class 'R'	1.00 [b]	n/a	1.00	n/a
Class 'R-H'	1.00 [b]	n/a	1.00	[a]
Swiss franc				
Class 'A-H'	4.00	n/a	1.50	[a]
Class 'C-H'	1.25	n/a	0.75	[a]
US dollar				
Class 'A-H'	4.00	n/a	1.50	[a]
Class 'C-H'	1.25	n/a	0.75	[a]

[a] This charge may vary between 0.01% and 0.055%.

[b] With effect from 16 December 2016, the entry charge has been discounted to zero on all new investments into sterling share classes.

15 Related parties

M&G Securities Limited, as Authorised Corporate Director (ACD), is a related party and acts as principal on all the transactions of shares in the fund except with in-specie transactions, where M&G Securities Limited acts as an agent. The aggregate monies received through issues, and paid on cancellations, are disclosed in the 'Statement of change in net assets attributable to shareholders' and note 8. Amounts due to / from M&G Securities Limited in respect of share transactions at the year end are disclosed in notes 9 and 11 where applicable.

Amounts paid to M&G Securities Limited in respect of the ACD's annual management charge, administration charge and share class hedging charge are disclosed in note 6. Amounts due at the year end in respect of the ACD's annual management charge, administration charge and share class hedging charge are disclosed in note 11.

At the balance sheet date, shareholders from within Prudential plc, of which M&G Securities Limited is a wholly owned subsidiary, have holdings totalling 45.95% (2016: 39.65%) of the fund's shares.

16 Events after the balance sheet date

There were no events after the balance sheet date to disclose.

17 Portfolio fair value analysis

Financial instruments have been measured at their fair value and have been classified below using a hierarchy that reflects the significance of the inputs used in measuring their fair value:

Level 1: Quoted prices for identical instruments in active markets

This includes instruments such as publicly traded equities; highly liquid bonds (e.g. Government bonds) and exchange traded derivatives (e.g. futures) for which quoted prices are readily and regularly available.

Level 2: Valuation techniques using observable market data

This includes publicly traded corporate bonds and instruments which have been valued using models with observable market data inputs such as quoted prices for similar instruments, interest rates, yield curves or credit spreads. Over-the-counter instruments have also been included in the category.

Level 3: Valuation techniques using non-observable market data

This refers to instruments which have been valued using models with non-observable market data inputs. This includes private equity, unlisted closed-ended funds and investment analyst recommended prices where the market price is deemed to not be a true representation of fair value. However no such financial instruments were held.

as at 31 January	Assets 2017	Liabilities 2017	Assets 2016	Liabilities 2016
Valuation technique	\$'000	\$'000	\$'000	\$'000
Level 1	232,846	(2,231)	139,525	0
Level 2	2,042,968	(1,622)	2,115,508	(2,221)
Level 3	0	0	0	0
	2,275,814	(3,853)	2,255,033	(2,221)

In accordance with FRS 102 (22.4a) the shares in issue for each class meet the definition of a puttable instrument as the shareholders have the right to sell the shares back to the issuer. The shares in the fund may be issued and redeemed on any business day at the quoted price. These shares are not traded on an exchange. However, the price is observable and transactions within the fund take place regularly at that price. The shares in issue as detailed in note 13 meet the definition of a level 2 financial instrument 'Valuation techniques using observable market data'.

18 Risk management policies

General risk management policies for the fund are described in note 3 to the financial statements on pages 7 and 8.

M&G Global Convertibles Fund

Financial statements and notes

Notes to the financial statements

19 Market risk

VaR is the risk measurement methodology used to assess the fund's leverage and market risk volatility. When VaR is calculated as a percentage of the net asset value it may not be greater than the VaR limit set for the fund.

The VaR limit set during the financial year to 31 January 2017 was 13% (2016: 13%).

The lowest, highest and average VaR calculated during the financial years ended 31 January 2017 and 31 January 2016 are disclosed in the table below. The lowest, highest and average utilisation of VaR is with reference to the limit above.

for the year to 31 January	2017 %	2016 %
Lowest	4.78	4.18
Highest	8.15	5.61
Average	6.78	4.87

20 Credit risk

as at 31 January	2017 \$'000	2016 \$'000
Investment grade securities	476,951	720,638
Below investment grade securities	376,910	100,436
Unrated securities	1,131,993	1,279,688
Other investments	286,107	152,050
Total	2,271,961	2,252,812

21 Counterparty exposure

as at 31 January 2017	Credit default swaps \$'000	Forward currency contracts \$'000	Futures & options \$'000	Collateral held as cash \$'000	Net exposure \$'000
Bank of America Merrill Lynch	0	0	9,036	(152)	8,884
State Street Bank	0	11,077	0	0	11,077
Total	0	11,077	9,036	(152)	19,961

as at 31 January 2016	Credit default swaps \$'000	Forward currency contracts \$'000	Futures & options \$'000	Collateral held as cash \$'000	Net exposure \$'000
State Street Bank	0	6,498	0	0	6,498
Total	0	6,498	0	0	6,498

Net exposure represents the mark-to-market value of derivative contracts less any cash collateral held. Positive exposure represents the fund's exposure to that counterparty. Negative amounts are not an exposure to the fund.

22 Leverage risk

Funds using VaR approaches are required to disclose the level of leverage employed during the financial reporting period.

Derivatives can be used by the fund to generate market exposure to investments exceeding the net asset value. As a result of this exposure, the size of any positive or negative movement in markets may have a more significant effect on the net asset value of the fund.

The lowest, highest and average level of leverage employed and utilisation of the leverage level calculated during the financial years ended 31 January 2017 and 31 January 2016 are disclosed in the table below.

for the year to 31 January	2017 ^[a] \$'000	2017 ^[a] %	2016 ^[a] \$'000	2016 ^[a] %
Lowest	3,594,484	162	3,735,763	162
Highest	5,050,663	227	5,850,223	221
Average	4,035,062	180	4,563,174	180

^[a] Global exposure stated as gross notional. Expressed as a % over fund valuation.

23 Exchange rate risk for hedged share classes

This fund contains hedged share classes. These share classes operate currency hedges designed to reduce the impact of exchange rates in certain circumstances. As a result, profit and loss on the currency hedges may impact the liquidity of the overall fund. On a day to day basis this is monitored using reporting from the outsourced provider of the hedged share class service. On an ongoing basis the size of the hedged share classes is monitored to ensure that unforeseen exchange rate volatility can be adequately managed without significantly impacting all shareholders.

24 Interest distribution tables

This fund pays annual interest distributions and the following table sets out the distribution period.

Annual distribution period				
	Start	End	Xd	Payment
Final	01.02.16	31.01.17	01.02.17	31.03.17

The following tables set out for each distribution the rates per share for both Group 1 and Group 2 shares.

Group 1 shares are those purchased prior to a distribution period and therefore their net revenue rate is the same as the distribution rate.

Group 2 shares are those purchased during a distribution period and therefore their distribution rate is made up of net revenue and equalisation. Equalisation is the average amount of revenue included in the purchase price of all Group 2 shares and is refunded to the holders of these shares as a return of capital. Being capital it is not liable to Income Tax. Instead, it must be deducted from the cost of shares for Capital Gains Tax purposes. The tables below show the split of the Group 2 rates into the net revenue and equalisation components.

M&G Global Convertibles Fund

Financial statements and notes

Notes to the financial statements

24 Interest distribution tables (continued)

Euro Class 'A' Income shares						
Interest distributions for the year to 31 January	Gross income 2017	Income tax deducted 2017	Net income 2017	Equalisation 2017	Distribution 2017	Distribution 2016
Group 1	€	€	€	€	€	€
Final	30.0636	-	30.0636	-	30.0636	9.9482
Group 2						
Final	16.7714	-	16.7714	13.2922	30.0636	9.9482

Euro Class 'A' Accumulation shares						
Interest distributions for the year to 31 January	Gross income 2017	Income tax deducted 2017	Net income 2017	Equalisation 2017	Distribution 2017	Distribution 2016
Group 1	€	€	€	€	€	€
Final	17.0831	-	17.0831	-	17.0831	10.1637
Group 2						
Final	7.0111	-	7.0111	10.0720	17.0831	10.1637

Euro Class 'A-H' Income shares						
Interest distributions for the year to 31 January	Gross income 2017	Income tax deducted 2017	Net income 2017	Equalisation 2017	Distribution 2017	Distribution 2016
Group 1	€	€	€	€	€	€
Final	25.0908	-	25.0908	-	25.0908	8.1560
Group 2						
Final	4.0971	-	4.0971	20.9937	25.0908	8.1560

Euro Class 'A-H' Accumulation shares						
Interest distributions for the year to 31 January	Gross income 2017	Income tax deducted 2017	Net income 2017	Equalisation 2017	Distribution 2017	Distribution 2016
Group 1	€	€	€	€	€	€
Final	14.0169	-	14.0169	-	14.0169	8.3229
Group 2						
Final	6.5004	-	6.5004	7.5165	14.0169	8.3229

Euro Class 'B' Income shares						
Interest distributions for the year to 31 January	Gross income 2017	Income tax deducted 2017	Net income 2017	Equalisation 2017	Distribution 2017	Distribution 2016
Group 1	€	€	€	€	€	€
Final	17.5204	-	17.5204	-	17.5204	1.6945
Group 2						
Final	5.8600	-	5.8600	11.6604	17.5204	1.6945

Euro Class 'B' Accumulation shares						
Interest distributions for the year to 31 January	Gross income 2017	Income tax deducted 2017	Net income 2017	Equalisation 2017	Distribution 2017	Distribution 2016
Group 1	€	€	€	€	€	€
Final	6.9284	-	6.9284	-	6.9284	1.7975
Group 2						
Final	4.0358	-	4.0358	2.8926	6.9284	1.7975

Euro Class 'B-H' Income shares						
Interest distributions for the year to 31 January	Gross income 2017	Income tax deducted 2017	Net income 2017	Equalisation 2017	Distribution 2017	Distribution 2016
Group 1	€	€	€	€	€	€
Final	16.7876	-	16.7876	-	16.7876	1.4171
Group 2						
Final	9.9311	-	9.9311	6.8565	16.7876	1.4171

Euro Class 'B-H' Accumulation shares						
Interest distributions for the year to 31 January	Gross income 2017	Income tax deducted 2017	Net income 2017	Equalisation 2017	Distribution 2017	Distribution 2016
Group 1	€	€	€	€	€	€
Final	5.6937	-	5.6937	-	5.6937	1.2777
Group 2						
Final	2.8222	-	2.8222	2.8715	5.6937	1.2777

Euro Class 'C' Income shares						
Interest distributions for the year to 31 January	Gross income 2017	Income tax deducted 2017	Net income 2017	Equalisation 2017	Distribution 2017	Distribution 2016
Group 1	€	€	€	€	€	€
Final	38.5292	-	38.5292	-	38.5292	23.4693
Group 2						
Final	33.2340	-	33.2340	5.2952	38.5292	23.4693

Euro Class 'C' Accumulation shares						
Interest distributions for the year to 31 January	Gross income 2017	Income tax deducted 2017	Net income 2017	Equalisation 2017	Distribution 2017	Distribution 2016
Group 1	€	€	€	€	€	€
Final	31.5854	-	31.5854	-	31.5854	23.5826
Group 2						
Final	15.2609	-	15.2609	16.3245	31.5854	23.5826

Euro Class 'C-H' Income shares						
Interest distributions for the year to 31 January	Gross income 2017	Income tax deducted 2017	Net income 2017	Equalisation 2017	Distribution 2017	Distribution 2016
Group 1	€	€	€	€	€	€
Final	31.6702	-	31.6702	-	31.6702	19.3767
Group 2						
Final	27.2254	-	27.2254	4.4448	31.6702	19.3767

Euro Class 'C-H' Accumulation shares						
Interest distributions for the year to 31 January	Gross income 2017	Income tax deducted 2017	Net income 2017	Equalisation 2017	Distribution 2017	Distribution 2016
Group 1	€	€	€	€	€	€
Final	25.7879	-	25.7879	-	25.7879	19.5649
Group 2						
Final	9.8764	-	9.8764	15.9115	25.7879	19.5649

Sterling Class 'A' Income shares						
Interest distributions for the year to 31 January	Gross income 2017	Income tax deducted 2017	Net income 2017	Equalisation 2017	Distribution 2017	Distribution 2016
Group 1	p	p	p	p	p	p
Final	3.3835	0.6767	2.7068	-	2.7068	0.7900
Group 2						
Final	1.9893	0.3979	1.5914	1.1154	2.7068	0.7900

M&G Global Convertibles Fund

Financial statements and notes

Notes to the financial statements

24 Interest distribution tables (continued)

Sterling Class 'A' Accumulation shares						
Interest distributions for the year to 31 January	Gross income 2017	Income tax deducted 2017	Net income 2017	Equalisation 2017	Distribution 2017 2016	
Group 1	p	p	p	p	p	p
Final	2.1165	0.4233	1.6932	-	1.6932	0.8920
Group 2						
Final	0.5304	0.1061	0.4243	1.2689	1.6932	0.8920

Sterling Class 'A-H' Accumulation shares						
Interest distributions for the year to 31 January	Gross income 2017	Income tax deducted 2017	Net income 2017	Equalisation 2017	Distribution 2017 2016	
Group 1	p	p	p	p	p	p
Final	1.6585	0.3317	1.3268	-	1.3268	0.6416
Group 2						
Final	1.3928	0.2786	1.1142	0.2126	1.3268	0.6416

Sterling Class 'I' Income shares						
Interest distributions for the year to 31 January	Gross income 2017	Income tax deducted 2017	Net income 2017	Equalisation 2017	Distribution 2017 2016	
Group 1	p	p	p	p	p	p
Final	33.1595	6.6319	26.5276	-	26.5276	14.0820
Group 2						
Final	17.0026	3.4005	13.6021	12.9255	26.5276	14.0820

Sterling Class 'I' Accumulation shares						
Interest distributions for the year to 31 January	Gross income 2017	Income tax deducted 2017	Net income 2017	Equalisation 2017	Distribution 2017 2016	
Group 1	p	p	p	p	p	p
Final	3.8560	0.7712	3.0848	-	3.0848	2.0324
Group 2						
Final	1.6735	0.3347	1.3388	1.7460	3.0848	2.0324

Sterling Class 'I-H' Accumulation shares						
Interest distributions for the year to 31 January	Gross income 2017	Income tax deducted 2017	Net income 2017	Equalisation 2017	Distribution 2017 2016	
Group 1	p	p	p	p	p	p
Final	2.3960	0.4792	1.9168	-	1.9168	1.4084
Group 2						
Final	1.4944	0.2989	1.1955	0.7213	1.9168	1.4084

Sterling Class 'R' Income shares						
Interest distributions for the year to 31 January	Gross income 2017	Income tax deducted 2017	Net income 2017	Equalisation 2017	Distribution 2017 2016	
Group 1	p	p	p	p	p	p
Final	3.1330	0.6266	2.5064	-	2.5064	1.1580
Group 2						
Final	2.2099	0.4420	1.7679	0.7385	2.5064	1.1580

Sterling Class 'R' Accumulation shares						
Interest distributions for the year to 31 January	Gross income 2017	Income tax deducted 2017	Net income 2017	Equalisation 2017	Distribution 2017 2016	
Group 1	p	p	p	p	p	p
Final	2.3770	0.4754	1.9016	-	1.9016	1.2012
Group 2						
Final	1.1484	0.2297	0.9187	0.9829	1.9016	1.2012

Sterling Class 'R-H' Accumulation shares						
Interest distributions for the year to 31 January	Gross income 2017	Income tax deducted 2017	Net income 2017	Equalisation 2017	Distribution 2017 2016	
Group 1	p	p	p	p	p	p
Final	2.0260	0.4052	1.6208	-	1.6208	1.1424
Group 2						
Final	2.0260	0.4052	1.6208	0.0000	1.6208	1.1424

Swiss franc Class 'A-H' Accumulation shares						
Interest distributions for the year to 31 January	Gross income 2017	Income tax deducted 2017	Net income 2017	Equalisation 2017	Distribution 2017 2016	
Group 1	¢	¢	¢	¢	¢	¢
Final	12.3186	-	12.3186	-	12.3186	7.3812
Group 2						
Final	2.3216	-	2.3216	9.9970	12.3186	7.3812

Swiss franc Class 'C-H' Accumulation shares						
Interest distributions for the year to 31 January	Gross income 2017	Income tax deducted 2017	Net income 2017	Equalisation 2017	Distribution 2017 2016	
Group 1	¢	¢	¢	¢	¢	¢
Final	22.0834	-	22.0834	-	22.0834	16.8691
Group 2						
Final	13.9239	-	13.9239	8.1595	22.0834	16.8691

US dollar Class 'A-H' Income shares						
Interest distributions for the year to 31 January	Gross income 2017	Income tax deducted 2017	Net income 2017	Equalisation 2017	Distribution 2017 2016	
Group 1	¢	¢	¢	¢	¢	¢
Final	23.5706	-	23.5706	-	23.5706	7.6874
Group 2						
Final	18.8186	-	18.8186	4.7520	23.5706	7.6874

US dollar Class 'A-H' Accumulation shares						
Interest distributions for the year to 31 January	Gross income 2017	Income tax deducted 2017	Net income 2017	Equalisation 2017	Distribution 2017 2016	
Group 1	¢	¢	¢	¢	¢	¢
Final	12.9599	-	12.9599	-	12.9599	7.6821
Group 2						
Final	6.9040	-	6.9040	6.0559	12.9599	7.6821

US dollar Class 'C-H' Income shares						
Interest distributions for the year to 31 January	Gross income 2017	Income tax deducted 2017	Net income 2017	Equalisation 2017	Distribution 2017 2016	
Group 1	¢	¢	¢	¢	¢	¢
Final	28.5102	-	28.5102	-	28.5102	17.1958
Group 2						
Final	3.9627	-	3.9627	24.5475	28.5102	17.1958

M&G Global Convertibles Fund

Financial statements and notes

Notes to the financial statements

24 Interest distribution tables (continued)

US dollar Class 'C-H' Accumulation shares						
Interest distributions for the year to 31 January	Gross income 2017	Income tax deducted 2017	Net income 2017	Equal- isation 2017	Distribution	
					2017	2016
Group 1	€	€	€	€	€	€
Final	23.2065	-	23.2065	-	23.2065	17.3898
Group 2						
Final	6.0660	-	6.0660	17.1405	23.2065	17.3898

M&G Global Emerging Markets Fund

Authorised Corporate Director's Report

Important information

Please note that from 1 August 2016, the M&G Global Emerging Markets Fund began taking the annual management charge and the administration charge from capital in the case of Income shares. These charges continue to be charged to income for Accumulation shares.

Investment objective

The Fund aims to maximise long term total return (the combination of capital growth and income) by investing in emerging market countries.

Investment policy

The Fund will invest mainly in the securities of companies domiciled in or conducting the major part of their economic activity in emerging market countries*. Exposure to these securities may be gained through the use of derivatives. The Fund may invest across a wide range of geographies, sectors and market capitalisations. The Fund may also invest in other assets including collective investment schemes, other transferable securities, cash and near cash, deposits, warrants, money market instruments and derivatives.

* The current reference point for defining emerging market countries are those included within the MSCI Emerging Markets Index and/or those included in the World Bank definition of developing economies as updated from time to time.

Investment approach

The M&G Global Emerging Markets Fund employs a bottom-up stockpicking approach to identify companies whose ability to improve their profitability or sustain high levels of profitability over time is, in the fund manager's opinion, being undervalued.

It is the core belief of the fund manager that company specific factors, not economic growth levels, drive share prices over the long run. Consequently, investment decisions are determined by fundamental analysis of individual companies with a specific focus on their use of capital and profitability. The fund manager applies a strict valuation discipline and looks for companies whose future profitability is, in his opinion, being under-appreciated by the market. He also assesses their corporate governance practices to find companies that are run for the benefit of their shareholders. The fund's country and sector exposure is not influenced by top-down views.

The fund invests in two specific types of company. The first comprises firms with the potential to improve their profitability, either through external change or internal change. The fund also invests in businesses with high levels of profitability where the market does not believe these levels of returns are sustainable over time; we define these as asset growth and quality companies. Investing in these different types of company is designed to create a balanced portfolio that has the potential to perform in a variety of market conditions.

The fund manager aims to hold between 50 and 70 stocks, with a typical holding period of three to five years. Taking a long-term view enables the manager to align his interest with the strategic value-creating decisions of company management. It also enables him to take advantage of valuation anomalies created by the short-term nature of emerging market investors.

Risk profile

The fund invests mainly in company shares issued by companies located in emerging markets. It is, therefore, subject to the price volatility of the global stockmarket and the performance of individual issuers. The fund is also subject to fluctuations in currency exchange rates.

The fund's focus is on emerging markets, and hence it may be more volatile compared to a fund that invests mainly in the securities of companies in developed countries. The reasons for this greater volatility include: the financial infrastructure in emerging markets is typically less mature, the regulatory systems and disclosure standards are less developed and adverse market and political circumstances are more likely to occur in these markets.

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' 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.

M&G Global Emerging Markets Fund

Authorised Corporate Director's Report

Investment review

As at 1 February 2017, for the year ended 31 January 2017

Performance against objective

Between 1 February 2016 (the start of the review period) and 1 February 2017, the M&G Global Emerging Markets Fund produced a positive total return (the combination of income and growth of capital) across all its share classes.^[a] Returns from the sterling share classes were significantly ahead of the euro, Singapore dollar and US dollar share classes. This divergence reflected the sharp fall in the value of the pound over the period, which boosted the value of the fund's overseas assets for sterling-based investors.

The fund's returns in all share classes were ahead of a comparative index, the MSCI Emerging Markets Index. (Over the 12 months, returns for the index were 27.9%, 43.6%, 26.3% and 25.6% in euros, sterling, US dollars and Singapore dollars, respectively.)

Over the longer term of five years, the fund has achieved its performance objective of maximising long-term total return. All share classes produced positive returns over the period. However, the returns from the fund's US dollar share classes were more modest due to the strength of the US dollar.

Investment performance

Share prices of emerging market companies recovered from a troubled start to deliver robust gains over the 12 months under review. Encouragingly, the returns were ahead of those from developed market company shares (equities) for the first time in a number of years.

At the beginning of the review period, investor sentiment towards emerging markets was extremely negative. Share prices declined amid worries about the health of the Chinese economy, a potential US recession and weak commodity prices. However, the sense of panic gradually receded and equities rallied as China's economy appeared to stabilise, arguably supported by government stimulus and investment, and the US economic recovery started to gain momentum.

The rebound in commodity prices boosted investor risk appetite too. Oil prices nearly doubled over the 12 months, supported by the efforts of oil-producing nations to reduce the global supply glut. Investors also welcomed the prospect of political change and economic reforms in Brazil following the impeachment of President Dilma Rousseff.

The stockmarket rally was interrupted by the surprise election of Donald Trump as US president in November. His proposals for protectionist policies and the prospect of higher interest rates in the US, which could potentially hurt emerging economies, led to a decline in share prices. By the end of the period, however, markets resumed their upward momentum and these losses were recouped.

Overall, the 12 months under review could be characterised as one of 'recovery' as the best-performing markets and sectors were those that had previously experienced the biggest falls. At the sector level, there was a shift towards economically sensitive areas. Energy and materials delivered significant gains, buoyed by higher oil and commodity prices. Information technology and financial stocks outperformed too.

In contrast, consumer staples and healthcare, so-called 'defensive' sectors which are perceived to be resilient during challenging periods, underperformed. Utilities and telecommunication services stocks lagged as well.

At the country level, Brazil was the standout performer as the stockmarket rallied on optimism about a potential turnaround in the country's economic fortunes. Brazil also benefited from rising commodity prices, as did Peru and Russia.

On the other hand, Mexico's stockmarket underperformed on concerns about the potential impact of President Trump's trade policies. Turkey suffered from worries about political risks and the country's financial position. India was another laggard as the government's surprise decision to remove high-value currency from circulation weighed on share prices.

The upturn in risk appetite meant that cheap 'value' stocks outperformed the broader market index over the period. (Value stocks tend to trade at a lower price relative to their fundamentals, such as earnings and sales, and are therefore considered undervalued by a value investor.) This trend provided a tailwind for the fund's value-oriented approach and helped the fund deliver returns ahead of the index.

The fund's above-index position in Brazil added value to performance. A number of the fund's Brazilian holdings made positive contributions as the Brazilian stockmarket rallied sharply from low levels on the back of encouraging political and macroeconomic newsflow. The share prices of Banco Bradesco, one of the country's largest banks, MRV Engenharia, a housebuilder, and Cosan, a conglomerate, advanced strongly.

Several of the fund's leading contributors benefited either directly or indirectly from the recovery of commodity prices during the period. Shares in First Quantum Minerals, a Canada-listed copper miner, rebounded, while Barloworld, a South African supplier of Caterpillar mining equipment, was another notable contributor. The company's shares gained on the prospect of a recovery in the mining sector.

Higher oil prices buoyed the share price of Lukoil, a Russian energy firm. As Russia is one of world's largest oil producers and exporters, the outlook for the country's economy improved as oil prices rose. Against this backdrop, the holding in Sberbank, Russia's largest deposit bank, added value. Investors were also encouraged by Sberbank's operational improvements.

On the other hand, stock selection in China detracted from performance. The holding in HollySys Automation Technologies, a provider of control devices to the nuclear and railway industries, cost some performance. The company's shares retreated after a period of gains as demand for its automation services slowed and there were delays in new orders for its train signalling equipment.

The holdings in Chinese non-life insurer PICC Property & Casualty, and Dongfeng Motor, a car maker, were notable detractors too. Dongfeng's margins and returns have been declining as competition increases, while investors have been concerned about PICC's capital allocation decisions following investments in non-core businesses, including buying a stake in a bank.

M&G Global Emerging Markets Fund

Authorised Corporate Director's Report

Investment review

Investment performance (continued)

The position in Juhayna Food Industries, an Egyptian dairy products and fruit juice company, also cost some performance. The company suffered from the shortage of foreign currency in Egypt, which hampered the company's ability to pay for imports. Nonetheless, we remain optimistic about Juhayna's long-term prospects, particularly as Egypt has secured funds from the International Monetary Fund, which should help ease the country's financial difficulties.

The biggest single detractor was Casetek Holdings, a manufacturer of casings for mobile phones and tablets, which was hurt by concerns that Apple might switch the casing for its new iPhones from metal to glass. However, we retain our conviction in the company and bought more shares during the period; with its innovative products and high margins, we believe the market is undervaluing Casetek's prospects.

Investment activities

During the review period, we continued to position the fund towards the cheaper, more economically sensitive areas of the market. In the financial sector, we started a position in Bank Mandiri, Indonesia's largest lender by assets. In our view, the bank has attractive long-term growth prospects, supported by a shift towards more profitable consumer lending.

Investors' concerns about South Africa's economy provided the opportunity to invest in a local financial services company, Sanlam, at an attractive price. We believe Sanlam is a quality holding with a solid core business in South Africa and good growth prospects as it seeks to expand throughout Africa. AIA Group, a Hong Kong-listed insurance firm with leading market positions in several Asian countries, joined the portfolio too.

We also identified new opportunities in the information technology sector, which is now the fund's biggest above-index position. We invested in Lenovo, a Chinese technology company, which has suffered from concerns about declining PC sales and a struggling mobile phone business. However, we think the market is being overly negative about the prospects of these businesses, which the company is taking sensible steps to improve. Luxoft, a Russian IT services firm, was another newcomer. In our view, Luxoft is a quality company with products that its customers are very reliant upon and, as such, Luxoft should continue to generate high returns.

In the energy sector, we started positions in Tullow Oil, a UK-listed oil & gas explorer, and Kosmos Energy, a US-listed explorer. Both firms have attractive oil-producing assets in Africa.

In terms of sales, we closed the position in Genpact, an Indian business solutions firm, on valuation grounds after a period of impressive gains. The small stake in Brasil Insurance, a Brazilian insurance firm, was sold as well. We had been reducing the holding as the company failed to execute its restructuring plan as we had expected.

In addition, Hermes Microvision, a Taiwanese supplier of semiconductor inspection equipment, left the portfolio after the business was taken over. Elsewhere, we sold our shares in Mindray Medical International, a Chinese medical equipment firm, following a management buyout.

Outlook

We remain optimistic that emerging markets can maintain their recent positive momentum. Even after the recent gains, by our assessment, valuations broadly remain attractive, relative to history and developed market equities. In our view, emerging markets still have a long way to go to reverse the underperformance of the past few years.

One of the main drivers of emerging markets' recent recovery was better corporate performance. After years of emerging market firms pursuing growth, we are starting to see evidence of better capital discipline and an increased focus on profitability. We are optimistic that firms, particularly in South Korea, will start to implement more shareholder-friendly policies, which could lead to higher shareholder returns over time. In our view, these positive fundamental trends are not currently reflected in valuations.

Within emerging markets, we see this improvement in corporate performance as supportive for the continued switch into the cheaper, 'value' segments of the market. Furthermore, the wide valuation gap between 'growth' and 'value' stocks should also support the performance of value stocks.

We recognise that there are a number of potential headwinds facing emerging markets, including uncertainty about the policies of the new US administration. However, given the combination of valuations and fundamentals, we believe that the long-term prospects of emerging market companies remain promising. Although there is likely to be turbulence, we believe a selective, value-oriented approach should be rewarded with attractive long-term returns.

Matthew Vaight Fund manager

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

[a] 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.

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.

Investments

Portfolio statement

as at 31 January	2017	2017	2016
Holding	\$'000	%	%
Finland	8,110	0.36	1.29
402,925 Tikkurila	8,110	0.36	
Russia	120,806	5.37	4.47
3,816,727 Etalon Group	14,312	0.63	
801,441 Lukoil ADR	45,383	2.02	
4,719,437 O'Key Group GDR	11,539	0.52	
4,238,694 Sberbank of Russia ADR	49,572	2.20	
Spain	4,855	0.22	2.61
768,046 Prosegur Compania Seguridad	4,855	0.22	
Turkey	59,935	2.66	1.95
13,320,699 Sabanci Holdings	35,309	1.57	
1,139,429 Tüpraş	24,626	1.09	

M&G Global Emerging Markets Fund

Authorised Corporate Director's Report

Investments

Portfolio statement (continued)			
as at 31 January Holding	2017 \$'000	2017 %	2016 %
United Kingdom	106,464	4.73	4.53
12,989,358 Ophir Energy	15,175	0.68	
2,297,713 Petrofac	26,571	1.18	
4,000,840 Standard Chartered	39,686	1.76	
6,902,763 Tullow Oil	25,032	1.11	
China	258,812	11.50	18.21
42,547,000 AMVIG Holdings	14,370	0.64	
50,086,000 China Lesso	34,348	1.53	
14,593,051 China Resources Power Holdings	25,245	1.12	
32,042,027 China Unicom (Hong Kong)	38,041	1.69	
18,706,000 CNOOC	23,727	1.05	
23,332,000 Dongfeng Motor	24,843	1.10	
70,718,000 Greatview Aseptic Packaging	33,365	1.48	
2,426,459 HollySys Automation Technologies	40,182	1.79	
16,205,000 PICC Property & Casualty	24,691	1.10	
Hong Kong	102,918	4.57	1.50
8,057,000 AIA Group	50,112	2.22	
32,661,000 Far East Horizon	29,893	1.33	
34,784,000 Lenovo	22,913	1.02	
India	96,513	4.29	4.90
5,169,390 Axis Bank	35,503	1.58	
4,203,812 CESC	45,316	2.01	
6,179,803 NTPC	15,694	0.70	
Indonesia	17,038	0.76	0.00
20,871,300 Bank Mandiri	17,038	0.76	
Philippines	36,547	1.62	1.93
333,109,900 Energy Development	36,547	1.62	
Singapore	19,380	0.86	0.98
64,755,060 Ezion Holdings	18,754	0.83	
10,178,430 Ezion Holdings wts. 2020	626	0.03	
South Korea	400,106	17.78	17.66
96,535 E-Mart	16,863	0.75	
1,542,922 Hana Financial Group	45,739	2.03	
265,803 Hyundai Motor	31,907	1.42	
600,034 Kia Motors	18,795	0.84	
72,492 Samsung Electronic	123,076	5.47	
143,217 Samsung Fire & Marine Insurance	33,152	1.47	
1,597,287 Shinhan Financial Group	63,089	2.80	
1,460,412 SK hynix	67,485	3.00	
Taiwan	339,376	15.08	15.25 ^[a]
6,294,000 Casetek Holdings	19,216	0.85	
3,689,000 Catcher Technology	29,951	1.33	
10,946,000 Cathay Financial Holdings	16,570	0.74	
17,421,925 Chicony Electronics	40,906	1.82	
26,958,026 Compal Electronics	16,211	0.72	
9,557,535 Delta Electronics	52,901	2.35	
2,232,000 eMemory Technology	28,482	1.26	
18,094,000 Taiwan Semiconductor Manufacturing	107,077	4.76	
31,192,000 TECO Electric & Machinery	28,062	1.25	
Thailand	16,355	0.73	1.80
30,469,102 Krung Thai Bank	16,355	0.73	
Canada	26,580	1.18	0.35
2,182,587 First Quantum Minerals	26,580	1.18	
United States	163,350	7.26	4.03 ^[a]
398,838 Baidu ADR	69,661	3.10	
218,142 CrediCorp	35,784	1.59	
586,122 Ctrip.com International ADR	25,432	1.13	
1,743,956 Kosmos Energy	11,196	0.50	
359,415 Luxoft	21,277	0.94	

Portfolio statement (continued)

as at 31 January Holding	2017 \$'000	2017 %	2016 %
Brazil	251,625	11.18	9.46
11,952,467 Ambev	65,151	2.90	
4,497,987 Banco Bradesco	46,667	2.07	
3,810,645 Cosan	30,714	1.36	
5,122,618 Cyrela Brazil Realty	20,485	0.91	
6,529,089 Energias Do Brasil	28,627	1.27	
7,299,928 MRV Engenharia	28,700	1.28	
3,704,249 TOTVS	31,281	1.39	
Mexico	8,449	0.38	0.42
1,313,732 Grupo Comercial Chedraui	2,460	0.11	
1,221,127 Grupo Financiero Banorte	5,989	0.27	
Egypt	27,066	1.20	2.18
5,158,606 Commercial International Bank	20,752	0.92	
19,857,058 Juhayna Food Industries	6,314	0.28	
South Africa	153,161	6.81	5.29
4,738,924 Barloworld	38,516	1.71	
2,851,753 Imperial Holdings	35,350	1.57	
7,132,370 Sanlam	34,443	1.53	
1,517,725 Sasol	44,852	2.00	
Portfolio of investments	2,217,446	98.54	98.81
'AAA' rated money market funds ^[b]	1,772	0.08	1.99
1,772,000 Northern Trust Global Fund - US dollar	1,772	0.08	
Total portfolio (notes 2c & 2d on page 6)	2,219,218	98.62	100.80
Net other assets / (liabilities)	31,011	1.38	(0.80)
Net assets attributable to shareholders	2,250,229	100.00	100.00

^[a] The comparative sector weightings have been re-analysed to reflect changes to the sector classifications.

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

Top ten portfolio transactions

for the year to 31 January 2017

Largest purchases	\$'000
AIA Group	47,010
Sabancı Holdings	41,424
Sanlam	31,583
Ctrip.com International ADR	25,146
Lenovo	24,531
Baidu ADR	23,186
Tullow Oil	20,120
Luxoft	18,607
Ambev	17,553
Cathay Financial Holdings	16,703
Other purchases	264,669
Total purchases	530,532
Largest sales	\$'000
Prosegur Compania Seguridad	57,926
Mindray Medical International ADR	51,762
Hermes Microvision	29,026
MRV Engenharia	24,785
Tüpraş	19,019
Banco Bradesco	18,907
Tikkurila	18,616
Petrofac	17,768
Samsung Electronic	17,429
Krung Thai Bank	16,716
Other sales	299,370
Total sales	571,324

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

M&G Global Emerging Markets 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 show the performance for two of the fund's share classes – Sterling Class 'A' (Accumulation) shares and Sterling Class 'I' (Accumulation) shares.

We show performance for these two share classes because:

- The performance of the Sterling Class 'A' (Accumulation) share is what most individuals investing directly with M&G have received. It has the highest ongoing charge of all the share classes. Performance is shown after deduction of this charge. All investors in the fund therefore received this performance or better.
- The performance of the Sterling Class 'I' (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 (7), 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 31 January	2017 \$'000	2016 \$'000	2015 \$'000
Fund net asset value (NAV)	2,250,229	1,726,589	2,537,959

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' (Accumulation) shares and Sterling Class 'I' (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				
	One year 01.02.16 % [a]	Three years 03.02.14 % p.a.	Five years 01.02.12 % p.a.	Since launch % p.a.
Euro [b]				
Class 'A'	+34.9	+9.1	+4.6	+13.1 [c]
Class 'C'	+36.3	+10.2	+5.7	+14.2 [c]
Singapore dollar [b]				
Class 'A'	+33.0	n/a	n/a	+5.1 [d]
Class 'C'	+34.3	n/a	n/a	+6.1 [d]
Sterling [e]				
Class 'A'	+51.7	+10.5	+5.4	+12.8 [c]
Class 'I'	+52.9	+11.3	+6.2	+13.7 [c]
Class 'R'	+52.5	+11.1	n/a	+7.0 [f]
US dollar [b]				
Class 'A'	+34.1	+1.2	+0.6	+10.6 [c]
Class 'C'	+35.5	+2.2	+1.6	+11.7 [c]

[a] Absolute basis.

[b] Price to price with net income reinvested.

[c] 5 February 2009, the launch date of the fund.

[d] 16 January 2015, the launch date of the share class.

[e] Price to price with income reinvested.

[f] 3 August 2012, the launch date of the share class.

M&G Global Emerging Markets 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, comprised of 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.
- **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, method of execution and the quality of research provided. They are made up of direct and indirect portfolio transaction costs:

- **Direct portfolio transaction costs:** Broker execution commission, taxes, and costs of research from brokers and other research providers.
- **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				
for the year to 31 January	2017	2016	2015	Average ^[a]
Direct portfolio transaction costs ^[b]	%	%	%	%
Broker commission	0.06	0.07	0.10	0.07
Taxes	0.04	0.05	0.05	0.05
Costs before dilution adjustments	0.10	0.12	0.15	0.12
Dilution adjustments ^[c]	(0.06)	(0.06)	(0.12)	(0.08)
Total direct portfolio transaction costs	0.04	0.06	0.03	0.04
as at 31 January	2017	2016	2015	Average ^[a]
Indirect portfolio transaction costs	%	%	%	%
Average portfolio dealing spread	0.25	0.41	0.39	0.35

^[a] Average of first three columns.

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

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

M&G Global Emerging Markets 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' Income share performance

The share class was launched on 8 August 2014.

for the year to 31 January Change in NAV per share	2017 Euro ¢	2016 Euro ¢	2015 Euro ¢
Opening NAV	1,930.28	2,460.73	2,427.02
Return before operating charges and after direct portfolio transaction costs	750.16	(470.44)	68.60
Operating charges	(49.21)	(47.21)	(21.29)
Return after operating charges	700.95	(517.65)	47.31
Distributions	(39.99)	(12.80)	(13.60)
Closing NAV	2,591.24	1,930.28	2,460.73
Direct portfolio transaction costs ^[a]	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	2.53	2.74	1.59
Dilution adjustments ^[b]	(1.36)	(1.45)	(1.27)
Total direct portfolio transaction costs	1.17	1.29	0.32
Performance and charges	%	%	%
Direct portfolio transaction costs	0.04	0.06	0.03
Operating charges	2.06*	2.00	1.99
Return after operating charges	+36.31	-21.04	+1.95
Historic yield ^[c]	1.41	0.57	0.45
Effect on yield of charges offset against capital	1.90	0.00	0.00
Other information			
Closing NAV (\$'000)	2,056	153	183
Closing NAV percentage of total fund NAV (%)	0.09	0.01	0.01
Number of shares	73,794	7,243	6,587
Highest share price (Euro ¢)	2,675.10	2,805.38	2,640.00
Lowest share price (Euro ¢)	1,818.49	1,816.75	2,121.67

* Due to investor inflows, the share class NAV increased significantly towards the end of the year, therefore 2.04% is a more reliable estimate of the year to 31.01.17 ongoing charges.

Euro Class 'A' Accumulation share performance

The share class was launched on 5 February 2009.

for the year to 31 January Change in NAV per share	2017 Euro ¢	2016 Euro ¢	2015 Euro ¢
Opening NAV	1,953.81	2,474.20	2,063.20
Return before operating charges and after direct portfolio transaction costs	755.24	(472.51)	455.21
Operating charges	(47.53)	(47.88)	(44.21)
Return after operating charges	707.71	(520.39)	411.00
Distributions	(14.87)	(11.93)	(13.66)
Retained distributions	14.87	11.93	13.66
Closing NAV	2,661.52	1,953.81	2,474.20
Direct portfolio transaction costs ^[a]	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	2.45	2.78	3.29
Dilution adjustments ^[b]	(1.33)	(1.47)	(2.63)
Total direct portfolio transaction costs	1.12	1.31	0.66
Performance and charges	%	%	%
Direct portfolio transaction costs	0.04	0.06	0.03
Operating charges	2.03	2.00	1.99
Return after operating charges	+36.22	-21.03	+19.92
Historic yield	0.46	0.50	0.44
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	163,054	116,856	222,423
Closing NAV percentage of total fund NAV (%)	7.25	6.77	8.76
Number of shares	5,698,146	5,478,553	7,927,069
Highest share price (Euro ¢)	2,705.88	2,819.69	2,640.06
Lowest share price (Euro ¢)	1,837.70	1,826.01	2,021.00

Euro Class 'C' Income share performance

The share class was launched on 8 August 2014.

for the year to 31 January Change in NAV per share	2017 Euro ¢	2016 Euro ¢	2015 Euro ¢
Opening NAV	2,022.67	2,584.06	2,561.96
Return before operating charges and after direct portfolio transaction costs	787.79	(498.88)	74.26
Operating charges	(25.31)	(25.00)	(11.56)
Return after operating charges	762.48	(523.88)	62.70
Distributions	(53.54)	(37.51)	(40.60)
Closing NAV	2,731.61	2,022.67	2,584.06
Direct portfolio transaction costs ^[a]	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	2.59	2.90	1.70
Dilution adjustments ^[b]	(1.40)	(1.53)	(1.36)
Total direct portfolio transaction costs	1.19	1.37	0.34
Performance and charges	%	%	%
Direct portfolio transaction costs	0.04	0.06	0.03
Operating charges	1.03	1.00	1.00
Return after operating charges	+37.70	-20.27	+2.45
Historic yield ^[c]	1.81	1.78	1.45
Effect on yield of charges offset against capital	0.90	0.00	0.00
Other information			
Closing NAV (\$'000)	8,693	3,198	5,026
Closing NAV percentage of total fund NAV (%)	0.39	0.19	0.20
Number of shares	296,002	144,822	171,525
Highest share price (Euro ¢)	2,831.57	2,951.66	2,789.23
Lowest share price (Euro ¢)	1,906.58	1,925.86	2,247.94

M&G Global Emerging Markets Fund

Financial highlights

Specific share class performance

Euro Class 'C' Accumulation share performance

The share class was launched on 5 February 2009.

for the year to 31 January Change in NAV per share	2017 Euro €	2016 Euro €	2015 Euro €
Opening NAV	2,092.38	2,624.51	2,166.72
Return before operating charges and after direct portfolio transaction costs	813.92	(506.84)	481.13
Operating charges	(25.84)	(25.29)	(23.34)
Return after operating charges	788.08	(532.13)	457.79
Distributions	(43.00)	(38.09)	(40.62)
Retained distributions	43.00	38.09	40.62
Closing NAV	2,880.46	2,092.38	2,624.51
Direct portfolio transaction costs ^[a]	Euro €	Euro €	Euro €
Costs before dilution adjustments	2.66	2.94	3.47
Dilution adjustments ^[b]	(1.44)	(1.55)	(2.78)
Total direct portfolio transaction costs	1.22	1.39	0.69
Performance and charges	%	%	%
Direct portfolio transaction costs	0.04	0.06	0.03
Operating charges	1.02	1.00	1.00
Return after operating charges	+37.66	-20.28	+21.13
Historic yield	1.37	1.90	1.43
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	472,412	223,012	386,407
Closing NAV percentage of total fund NAV (%)	20.99	12.92	15.23
Number of shares	15,254,166	9,763,022	12,982,699
Highest share price (Euro €)	2,928.40	2,997.74	2,789.19
Lowest share price (Euro €)	1,969.64	1,955.94	2,124.92

Singapore dollar Class 'A' Income share performance

The share class was launched on 16 January 2015.

for the year to 31 January Change in NAV per share	2017 Singapore €	2016 Singapore €	2015 Singapore €
Opening NAV	817.53	1,027.86	1,000.00
Return before operating charges and after direct portfolio transaction costs	292.33	(185.80)	30.75
Operating charges	(19.45)	(19.65)	(0.71)
Return after operating charges	272.88	(205.45)	30.04
Distributions	(16.36)	(4.88)	(2.18)
Closing NAV	1,074.05	817.53	1,027.86
Direct portfolio transaction costs ^[a]	Singapore €	Singapore €	Singapore €
Costs before dilution adjustments	0.96	1.15	0.06
Dilution adjustments ^[b]	(0.52)	(0.61)	(0.05)
Total direct portfolio transaction costs	0.44	0.54	0.01
Performance and charges	%	%	%
Direct portfolio transaction costs	0.04	0.06	0.03
Operating charges	2.03	2.00	1.82*
Return after operating charges	+33.38	-19.99	+3.00
Historic yield ^[c]	1.40	0.50	0.45
Effect on yield of charges offset against capital	1.90	0.00	0.00
Other information			
Closing NAV (\$'000)	4	3	5
Closing NAV percentage of total fund NAV (%)	0.00	0.00	0.00
Number of shares	500	500	500
Highest share price (Singapore €)	1,109.15	1,105.26	1,049.63
Lowest share price (Singapore €)	780.35	775.99	1,000.00

* As the share class was not in existence for the full period in 2015, 1.99% is a more reliable estimate of the 2015 ongoing charges.

Singapore dollar Class 'A' Accumulation share performance

The share class was launched on 16 January 2015.

for the year to 31 January Change in NAV per share	2017 Singapore €	2016 Singapore €	2015 Singapore €
Opening NAV	824.09	1,030.05	1,000.00
Return before operating charges and after direct portfolio transaction costs	296.14	(186.28)	30.76
Operating charges	(21.05)	(19.68)	(0.71)
Return after operating charges	275.09	(205.96)	30.05
Distributions	(6.42)	(4.88)	(2.18)
Retained distributions	6.42	4.88	2.18
Closing NAV	1,099.18	824.09	1,030.05
Direct portfolio transaction costs ^[a]	Singapore €	Singapore €	Singapore €
Costs before dilution adjustments	1.08	1.15	0.06
Dilution adjustments ^[b]	(0.58)	(0.61)	(0.05)
Total direct portfolio transaction costs	0.50	0.54	0.01
Performance and charges	%	%	%
Direct portfolio transaction costs	0.04	0.06	0.03
Operating charges	2.06*	2.00	1.82**
Return after operating charges	+33.38	-20.00	+3.01
Historic yield	0.49	0.50	0.44
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	210	3	5
Closing NAV percentage of total fund NAV (%)	0.01	0.00	0.00
Number of shares	27,088	500	500
Highest share price (Singapore €)	1,118.07	1,107.59	1,049.63
Lowest share price (Singapore €)	785.72	777.59	1,000.00

* Due to investor inflows, the share class NAV increased significantly towards the end of the year, therefore 2.03% is a more reliable estimate of the year to 31.01.17 ongoing charges.

** As the share class was not in existence for the full period in 2015, 1.99% is a more reliable estimate of the 2015 ongoing charges.

Singapore dollar Class 'C' Income share performance

The share class was launched on 16 January 2015.

for the year to 31 January Change in NAV per share	2017 Singapore €	2016 Singapore €	2015 Singapore €
Opening NAV	815.64	1,027.86	1,000.00
Return before operating charges and after direct portfolio transaction costs	293.44	(187.31)	30.73
Operating charges	(9.97)	(9.91)	(0.35)
Return after operating charges	283.47	(197.22)	30.38
Distributions	(20.95)	(15.00)	(2.52)
Closing NAV	1,078.16	815.64	1,027.86
Direct portfolio transaction costs ^[a]	Singapore €	Singapore €	Singapore €
Costs before dilution adjustments	0.98	1.15	0.06
Dilution adjustments ^[b]	(0.53)	(0.61)	(0.05)
Total direct portfolio transaction costs	0.45	0.54	0.01
Performance and charges	%	%	%
Direct portfolio transaction costs	0.04	0.06	0.03
Operating charges	1.04*	1.00	0.89**
Return after operating charges	+34.75	-19.19	+3.04
Historic yield ^[c]	1.81	1.76	1.44
Effect on yield of charges offset against capital	0.90	0.00	0.00
Other information			
Closing NAV (\$'000)	4	3	5
Closing NAV percentage of total fund NAV (%)	0.00	0.00	0.00
Number of shares	500	500	500
Highest share price (Singapore €)	1,117.85	1,107.53	1,049.90
Lowest share price (Singapore €)	779.01	783.60	1,000.00

* Due to investor inflows, the share class NAV increased significantly towards the end of the year, therefore 1.03% is a more reliable estimate of the year to 31.01.17 ongoing charges.

** As the share class was not in existence for the full period in 2015, 0.99% is a more reliable estimate of the 2015 ongoing charges.

M&G Global Emerging Markets Fund

Financial highlights

Specific share class performance

Singapore dollar Class 'C' Accumulation share performance

The share class was launched on 16 January 2015.

for the year to 31 January Change in NAV per share	2017 Singapore ¢	2016 Singapore ¢	2015 Singapore ¢
Opening NAV	832.65	1,030.39	1,000.00
Return before operating charges and after direct portfolio transaction costs	299.27	(187.81)	30.74
Operating charges	(10.23)	(9.93)	(0.35)
Return after operating charges	289.04	(197.74)	30.39
Distributions	(16.41)	(15.06)	(2.52)
Retained distributions	16.41	15.06	2.52
Closing NAV	1,121.69	832.65	1,030.39
Direct portfolio transaction costs ^[a]	Singapore ¢	Singapore ¢	Singapore ¢
Costs before dilution adjustments	1.06	1.15	0.06
Dilution adjustments ^[b]	(0.57)	(0.61)	(0.05)
Total direct portfolio transaction costs	0.49	0.54	0.01
Performance and charges	%	%	%
Direct portfolio transaction costs	0.04	0.06	0.03
Operating charges	1.04*	1.00	0.89**
Return after operating charges	+34.71	-19.19	+3.04
Historic yield	1.34	1.74	1.41
Effect on yield of charges offset against capital	0.00	0.00	0.00

Other information

Closing NAV (\$'000)	4	3	5
Closing NAV percentage of total fund NAV (%)	0.00	0.00	0.00
Number of shares	500	500	500
Highest share price (Singapore ¢)	1,140.83	1,110.21	1,049.90
Lowest share price (Singapore ¢)	794.21	785.48	1,000.00

* Due to investor inflows, the share class NAV increased significantly towards the end of the year, therefore 1.03% is a more reliable estimate of the year to 31.01.17 ongoing charges.

** As the share class was not in existence for the full period in 2015, 0.99% is a more reliable estimate of the 2015 ongoing charges.

Sterling Class 'A' Income share performance

The share class was launched on 5 February 2009.

for the year to 31 January Change in NAV per share	2017 UK p	2016 UK p	2015 UK p
Opening NAV	163.61	205.58	188.74
Return before operating charges and after direct portfolio transaction costs	92.89	(37.13)	22.14
Operating charges	(3.74)	(3.34)	(3.64)
Return after operating charges	89.15	(40.47)	18.50
Distributions	(4.09)	(1.50)	(1.66)
Closing NAV	248.67	163.61	205.58
Direct portfolio transaction costs ^[a]	UK p	UK p	UK p
Costs before dilution adjustments	0.22	0.22	0.31
Dilution adjustments ^[b]	(0.12)	(0.12)	(0.25)
Total direct portfolio transaction costs	0.10	0.10	0.06
Performance and charges	%	%	%
Direct portfolio transaction costs	0.04	0.06	0.03
Operating charges	1.77	1.75	1.75
Return after operating charges	+54.49	-19.69	+9.80
Historic yield ^[c]	1.51	0.84	0.69
Effect on yield of charges offset against capital	1.65	0.00	0.00
Other information			
Closing NAV (\$'000)	109,775	123,468	183,402
Closing NAV percentage of total fund NAV (%)	4.88	7.15	7.23
Number of shares	35,425,606	52,755,139	59,148,718
Highest share price (UK p)	255.33	224.57	235.93
Lowest share price (UK p)	156.99	156.33	186.68

Sterling Class 'A' Accumulation share performance

The share class was launched on 5 February 2009.

for the year to 31 January Change in NAV per share	2017 UK p	2016 UK p	2015 UK p
Opening NAV	170.90	212.77	193.80
Return before operating charges and after direct portfolio transaction costs	97.00	(38.43)	22.71
Operating charges	(3.93)	(3.44)	(3.74)
Return after operating charges	93.07	(41.87)	18.97
Distributions	(2.16)	(1.55)	(1.71)
Retained distributions	2.16	1.55	1.71
Closing NAV	263.97	170.90	212.77
Direct portfolio transaction costs ^[a]	UK p	UK p	UK p
Costs before dilution adjustments	0.23	0.23	0.32
Dilution adjustments ^[b]	(0.13)	(0.12)	(0.25)
Total direct portfolio transaction costs	0.10	0.11	0.07
Performance and charges	%	%	%
Direct portfolio transaction costs	0.04	0.06	0.03
Operating charges	1.77	1.75	1.75
Return after operating charges	+54.46	-19.68	+9.79
Historic yield	0.71	0.83	0.68
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	345,284	291,008	389,384
Closing NAV percentage of total fund NAV (%)	15.34	16.86	15.34
Number of shares	104,963,849	119,035,636	121,331,011
Highest share price (UK p)	266.66	232.44	242.23
Lowest share price (UK p)	163.80	161.81	191.67

M&G Global Emerging Markets Fund

Financial highlights

Specific share class performance

Sterling Class 'I' Income share performance

The share class was launched on 5 February 2009.

for the year to 31 January Change in NAV per share	2017 UK p	2016 UK p	2015 UK p
Opening NAV	163.50	205.79	188.93
Return before operating charges and after direct portfolio transaction costs	93.23	(37.34)	22.21
Operating charges	(2.18)	(1.91)	(2.11)
Return after operating charges	91.05	(39.25)	20.10
Distributions	(4.90)	(3.04)	(3.24)
Closing NAV	249.65	163.50	205.79
Direct portfolio transaction costs ^[a]	UK p	UK p	UK p
Costs before dilution adjustments	0.22	0.22	0.31
Dilution adjustments ^[b]	(0.12)	(0.12)	(0.25)
Total direct portfolio transaction costs	0.10	0.10	0.06
Performance and charges	%	%	%
Direct portfolio transaction costs	0.04	0.06	0.03
Operating charges	1.02	1.00	1.00
Return after operating charges	+55.69	-19.07	+10.64
Historic yield ^[c]	1.82	1.80	1.45
Effect on yield of charges offset against capital	0.90	0.00	0.00
Other information			
Closing NAV (\$'000)	151,863	108,817	148,166
Closing NAV percentage of total fund NAV (%)	6.75	6.30	5.84
Number of shares	48,815,032	46,526,766	47,735,541
Highest share price (UK p)	257.03	225.16	237.26
Lowest share price (UK p)	156.95	157.65	186.95

Sterling Class 'I' Accumulation share performance

The share class was launched on 5 February 2009.

for the year to 31 January Change in NAV per share	2017 UK p	2016 UK p	2015 UK p
Opening NAV	179.99	222.43	201.08
Return before operating charges and after direct portfolio transaction costs	102.53	(40.37)	23.59
Operating charges	(2.39)	(2.07)	(2.24)
Return after operating charges	100.14	(42.44)	21.35
Distributions	(4.16)	(3.29)	(3.45)
Retained distributions	4.16	3.29	3.45
Closing NAV	280.13	179.99	222.43
Direct portfolio transaction costs ^[a]	UK p	UK p	UK p
Costs before dilution adjustments	0.25	0.24	0.33
Dilution adjustments ^[b]	(0.13)	(0.13)	(0.27)
Total direct portfolio transaction costs	0.12	0.11	0.06
Performance and charges	%	%	%
Direct portfolio transaction costs	0.04	0.06	0.03
Operating charges	1.02	1.00	1.00
Return after operating charges	+55.64	-19.08	+10.62
Historic yield	1.36	1.77	1.43
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	477,128	405,627	532,626
Closing NAV percentage of total fund NAV (%)	21.20	23.49	20.98
Number of shares	136,680,904	157,535,896	158,763,066
Highest share price (UK p)	282.89	243.35	252.45
Lowest share price (UK p)	172.56	170.40	198.95

Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012.

for the year to 31 January Change in NAV per share	2017 UK p	2016 UK p	2015 UK p
Opening NAV	84.23	105.96	97.28
Return before operating charges and after direct portfolio transaction costs	47.94	(19.20)	11.44
Operating charges	(1.39)	(1.23)	(1.36)
Return after operating charges	46.55	(20.43)	10.08
Distributions	(2.38)	(1.30)	(1.40)
Closing NAV	128.40	84.23	105.96
Direct portfolio transaction costs ^[a]	UK p	UK p	UK p
Costs before dilution adjustments	0.11	0.11	0.16
Dilution adjustments ^[b]	(0.06)	(0.06)	(0.13)
Total direct portfolio transaction costs	0.05	0.05	0.03
Performance and charges	%	%	%
Direct portfolio transaction costs	0.04	0.06	0.03
Operating charges	1.27	1.25	1.25
Return after operating charges	+55.27	-19.28	+10.36
Historic yield ^[c]	1.72	1.48	1.19
Effect on yield of charges offset against capital	1.15	0.00	0.00
Other information			
Closing NAV (\$'000)	455	418	534
Closing NAV percentage of total fund NAV (%)	0.02	0.02	0.02
Number of shares	284,407	347,283	333,836
Highest share price (UK p)	132.10	115.87	121.98
Lowest share price (UK p)	80.84	80.97	96.25

Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012.

for the year to 31 January Change in NAV per share	2017 UK p	2016 UK p	2015 UK p
Opening NAV	87.96	108.98	98.75
Return before operating charges and after direct portfolio transaction costs	50.06	(19.75)	11.60
Operating charges	(1.46)	(1.27)	(1.37)
Return after operating charges	48.60	(21.02)	10.23
Distributions	(1.73)	(1.34)	(1.42)
Retained distributions	1.73	1.34	1.42
Closing NAV	136.56	87.96	108.98
Direct portfolio transaction costs ^[a]	UK p	UK p	UK p
Costs before dilution adjustments	0.12	0.12	0.16
Dilution adjustments ^[b]	(0.06)	(0.06)	(0.13)
Total direct portfolio transaction costs	0.06	0.06	0.03
Performance and charges	%	%	%
Direct portfolio transaction costs	0.04	0.06	0.03
Operating charges	1.27	1.25	1.25
Return after operating charges	+55.25	-19.29	+10.36
Historic yield	1.15	1.46	1.18
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	432	335	667
Closing NAV percentage of total fund NAV (%)	0.02	0.02	0.03
Number of shares	253,659	266,419	405,246
Highest share price (UK p)	137.92	119.16	123.80
Lowest share price (UK p)	84.32	83.27	97.70

M&G Global Emerging Markets Fund

Financial highlights

Specific share class performance

US dollar Class 'A' Income share performance

The share class was launched on 8 August 2014.

for the year to 31 January Change in NAV per share	2017 US ¢	2016 US ¢	2015 US ¢
Opening NAV	1,637.16	2,167.75	2,524.51
Return before operating charges and after direct portfolio transaction costs	600.12	(479.94)	(323.52)
Operating charges	(40.84)	(40.64)	(21.99)
Return after operating charges	559.28	(520.58)	(345.51)
Distributions	(32.31)	(10.01)	(11.25)
Closing NAV	2,164.13	1,637.16	2,167.75

Direct portfolio transaction costs ^[a]	US ¢	US ¢	US ¢
Costs before dilution adjustments	2.11	2.35	1.62
Dilution adjustments ^[b]	(1.14)	(1.24)	(1.30)
Total direct portfolio transaction costs	0.97	1.11	0.32

Performance and charges	%	%	%
Direct portfolio transaction costs	0.04	0.06	0.03
Operating charges	2.03	2.00	2.00
Return after operating charges	+34.16	-24.01	-13.69
Historic yield ^[c]	1.37	0.52	0.40
Effect on yield of charges offset against capital	1.90	0.00	0.00

Other information

Closing NAV (\$'000)	937	381	719
Closing NAV percentage of total fund NAV (%)	0.04	0.02	0.03
Number of shares	43,303	23,265	33,208
Highest share price (US ¢)	2,217.86	2,368.97	2,666.76
Lowest share price (US ¢)	1,596.33	1,538.71	2,053.11

US dollar Class 'A' Accumulation share performance

The share class was launched on 5 February 2009.

for the year to 31 January Change in NAV per share	2017 US ¢	2016 US ¢	2015 US ¢
Opening NAV	1,655.73	2,179.04	2,171.01
Return before operating charges and after direct portfolio transaction costs	606.77	(482.27)	53.67
Operating charges	(40.23)	(41.04)	(45.64)
Return after operating charges	566.54	(523.31)	8.03
Distributions	(13.13)	(9.91)	(11.28)
Retained distributions	13.13	9.91	11.28
Closing NAV	2,222.27	1,655.73	2,179.04

Direct portfolio transaction costs ^[a]	US ¢	US ¢	US ¢
Costs before dilution adjustments	2.08	2.38	3.39
Dilution adjustments ^[b]	(1.12)	(1.26)	(2.72)
Total direct portfolio transaction costs	0.96	1.12	0.67

Performance and charges	%	%	%
Direct portfolio transaction costs	0.04	0.06	0.03
Operating charges	2.02	2.00	2.00
Return after operating charges	+34.22	-24.02	+0.37
Historic yield	0.50	0.50	0.40
Effect on yield of charges offset against capital	0.00	0.00	0.00

Other information

Closing NAV (\$'000)	87,429	94,697	176,294
Closing NAV percentage of total fund NAV (%)	3.89	5.48	6.95
Number of shares	3,934,208	5,719,341	8,090,534
Highest share price (US ¢)	2,243.97	2,381.27	2,666.89
Lowest share price (US ¢)	1,612.60	1,546.67	2,053.05

US dollar Class 'C' Income share performance

The share class was launched on 8 August 2014.

for the year to 31 January Change in NAV per share	2017 US ¢	2016 US ¢	2015 US ¢
Opening NAV	1,716.00	2,277.08	2,666.51
Return before operating charges and after direct portfolio transaction costs	632.84	(508.70)	(341.71)
Operating charges	(21.49)	(21.39)	(11.94)
Return after operating charges	611.35	(530.09)	(353.65)
Distributions	(44.95)	(30.99)	(35.78)
Closing NAV	2,282.40	1,716.00	2,277.08

Direct portfolio transaction costs ^[a]	US ¢	US ¢	US ¢
Costs before dilution adjustments	2.20	2.48	1.74
Dilution adjustments ^[b]	(1.19)	(1.31)	(1.39)
Total direct portfolio transaction costs	1.01	1.17	0.35

Performance and charges	%	%	%
Direct portfolio transaction costs	0.04	0.06	0.03
Operating charges	1.02	1.00	1.00
Return after operating charges	+35.63	-23.28	-13.26
Historic yield ^[c]	1.84	1.73	1.44
Effect on yield of charges offset against capital	0.90	0.00	0.00

Other information

Closing NAV (\$'000)	4,132	1,837	3,015
Closing NAV percentage of total fund NAV (%)	0.18	0.11	0.11
Number of shares	181,060	107,075	132,394
Highest share price (US ¢)	2,349.80	2,493.47	2,818.98
Lowest share price (US ¢)	1,674.15	1,631.57	2,176.65

US dollar Class 'C' Accumulation share performance

The share class was launched on 5 February 2009.

for the year to 31 January Change in NAV per share	2017 US ¢	2016 US ¢	2015 US ¢
Opening NAV	1,775.07	2,312.82	2,281.43
Return before operating charges and after direct portfolio transaction costs	653.42	(515.96)	55.57
Operating charges	(21.92)	(21.79)	(24.18)
Return after operating charges	631.50	(537.75)	31.39
Distributions	(35.90)	(32.44)	(35.81)
Retained distributions	35.90	32.44	35.81
Closing NAV	2,406.57	1,775.07	2,312.82

Direct portfolio transaction costs ^[a]	US ¢	US ¢	US ¢
Costs before dilution adjustments	2.25	2.53	3.59
Dilution adjustments ^[b]	(1.22)	(1.34)	(2.87)
Total direct portfolio transaction costs	1.03	1.19	0.72

Performance and charges	%	%	%
Direct portfolio transaction costs	0.04	0.06	0.03
Operating charges	1.02	1.00	1.00
Return after operating charges	+35.58	-23.25	+1.38
Historic yield	1.38	1.76	1.41
Effect on yield of charges offset against capital	0.00	0.00	0.00

Other information

Closing NAV (\$'000)	426,357	356,770	489,093
Closing NAV percentage of total fund NAV (%)	18.95	20.66	19.27
Number of shares	17,716,425	20,098,907	21,147,019
Highest share price (US ¢)	2,429.76	2,533.53	2,818.98
Lowest share price (US ¢)	1,729.49	1,657.79	2,176.61

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

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

^[c] Current year figures have been estimated to reflect the change in charging structure and therefore you may see variances between comparative and current year figures.

M&G Global Emerging Markets Fund

Financial statements and notes

Financial statements

Statement of total return					
for the year to 31 January	Note	2017 \$'000		2016 \$'000	
Income					
Net capital gains / (losses)	3		551,841	(582,953)	
Revenue	5	60,255		63,144	
Expenses	6	(26,375)		(29,699)	
Net revenue / (expense) before taxation		33,880		33,445	
Taxation	7	(5,601)		(4,938)	
Net revenue / (expense) after taxation			28,279	28,507	
Total return before distributions			580,120	(554,446)	
Distributions	8		(30,037)	(25,926)	
Change in net assets attributable to shareholders from investment activities			550,083	(580,372)	

Statement of change in net assets attributable to shareholders				
	2017		2016	
for the year to 31 January	\$'000	\$'000	\$'000	\$'000
Opening net assets attributable to shareholders		1,726,589		2,537,959
Amounts received on issue of shares	545,280		568,849	
Amounts paid on cancellation of shares	<u>(598,733)</u>		<u>(824,645)</u>	
		(53,453)		(255,796)
Dilution adjustments		2,248		2,876
Change in net assets attributable to shareholders from investment activities (see above)		550,083		(580,372)
Retained distributions on Accumulation shares		24,762		21,922
Closing net assets attributable to shareholders		2,250,229		1,726,589

Balance sheet			
as at 31 January	Note	2017 \$'000	2016 \$'000
Assets			
Fixed assets			
Investments		2,219,218	1,740,486
Current assets			
Debtors	9	24,500	11,832
Cash and bank balances	10	14,659	7,365
Total assets		2,258,377	1,759,683
Liabilities			
Creditors			
Distribution payable		(5,089)	(3,259)
Other creditors	11	(3,059)	(29,835)
Total liabilities		(8,148)	(33,094)
Net assets attributable to shareholders		2,250,229	1,726,589

Notes to the financial statements

1 Accounting policies

The financial statements have been prepared in accordance with the 'Summary of significant accounting policies' set out on pages 6 and 7.

2 Distribution policy

With effect from 1 August 2016, the distribution policy has been amended so that in determining the amount available for distribution to Income shares, the annual management charge and administration charge are now offset against capital, increasing the amount available for distribution whilst restraining capital performance to an equivalent extent.

Marginal tax relief has not been taken into account in respect of expenses offset against capital.

In determining the amount available for distribution, ordinary stock dividends have been transferred to capital, reducing the amount available.

3 Net capital gains / (losses)

for the year to 31 January	2017 \$'000	2016 \$'000
Non-derivative securities	552,493	(584,125)
Currency gains / (losses)	(597)	1,207
Transaction charges	(55)	(35)
Net capital gains / (losses)	551,841	(582,953)

M&G Global Emerging Markets Fund

Financial statements and notes

Notes to the financial statements

4 Portfolio transactions and associated costs

The following tables show portfolio transactions and their associated transaction costs. For more information about the nature of the costs please see the section on 'Operating charges and portfolio transaction costs' on page 68.

for the year to 31 January	2017 \$'000	% of transaction	2016 \$'000	% of transaction
a) Purchases				
Equities				
Equities before transaction costs	520,747		493,321	
Commissions	696	0.13	761	0.15
Taxes	374	0.07	190	0.04
Equities after transaction costs	521,817		494,272	
Other asset classes				
Corporate actions	8,715		7,346	
Total purchases after transaction costs	530,532		501,618	
b) Sales				
Equities				
Equities before transaction costs	572,396		727,741	
Commissions	(659)	0.12	(775)	0.11
Taxes	(413)	0.07	(875)	0.12
Total sales after transaction costs	571,324		726,091	
c) Direct portfolio transaction costs				
	2017 \$'000	% of average NAV	2016 \$'000	% of average NAV
Commissions paid				
Equities	1,355	0.06	1,536	0.07
Taxes paid				
Equities	787	0.04	1,065	0.05
Total direct portfolio transaction costs [a]	2,142	0.10	2,601	0.12
d) Indirect portfolio transaction costs				
		%		%
Portfolio dealing spread [b]		0.25		0.41

[a] Costs before dilution adjustments. Please refer to the 'Financial highlights' section for the effect of dilution adjustments.

[b] Average portfolio dealing spread at the balance sheet date.

5 Revenue

for the year to 31 January	2017 \$'000	2016 \$'000
Bank interest	3	5
Dividends from equity investments: non-taxable	50,488	55,557
Dividends from equity investments: taxable	9,574	4,958
HM Revenue & Customs interest	0	6
Interest distributions	190	37
Stock dividends	0	2,581
Total revenue	60,255	63,144

6 Expenses

for the year to 31 January	2017 \$'000	2016 \$'000
Payable to the ACD or associate		
Annual management charge	20,966	24,085
Administration charge	3,078	3,357
	24,044	27,442
Payable to the Depositary or associate		
Depositary's charge (including VAT)	94	103
Other expenses		
Audit fee (including VAT)	11	10
Dividend charges	415	289
Interest payable	9	4
Legal fees	0	14
Safe custody charge	1,757	1,806
Tax fees (including VAT)	45	31
	2,237	2,154
Total expenses	26,375	29,699

7 Taxation

for the year to 31 January	2017 \$'000	2016 \$'000
a) Analysis of charge in the year		
Corporation tax	0	0
Withholding tax	5,550	4,938
Prior year adjustment	51	0
Deferred tax (note 7c)	0	0
Total taxation	5,601	4,938
b) Factors affecting taxation charge for the year		
Net revenue / (expense) before taxation	33,880	33,445
Corporation tax at 20%	6,776	6,689
Effects of:		
Dividends from equity investments: non-taxable	(10,097)	(11,111)
Stock dividends not taxable	0	(516)
Current year expenses not utilised	3,490	5,081
Withholding tax	5,550	4,938
Withholding tax expensed	(165)	(143)
Prior year adjustment	51	0
Prior year adjustment to expenses not utilised	(4)	0
Total tax charge (note 7a)	5,601	4,938
c) Provision for deferred taxation		
Provision at the start of the year	0	0
Deferred tax in profit and loss account (note 7a)	0	0
Provision at the end of the year	0	0

The fund has not recognised a deferred tax asset of \$21,901,000 (2016: \$18,411,000) arising as a result of having excess management expenses. We do not expect this asset to be utilised in the foreseeable future.

8 Distributions

for the year to 31 January	2017		2016	
	Inc [a] \$'000	Acc [b] \$'000	Inc [a] \$'000	Acc [b] \$'000
Dividend distributions				
Final	5,089	24,762	3,259	21,922
Total net distributions		29,851		25,181
Income deducted on cancellation of shares		4,456		4,377
Income received on issue of shares		(4,270)		(3,632)
Distributions		30,037		25,926
Net revenue per statement of total return		28,279		28,507
Expenses offset against capital		1,758		0
Stock dividends not distributed		0		(2,581)
Distributions		30,037		25,926

[a] Distributions payable on Income shares.

[b] Retained distributions on Accumulation shares.

M&G Global Emerging Markets Fund

Financial statements and notes

Notes to the financial statements

9 Debtors

as at 31 January	2017 \$'000	2016 \$'000
Amounts receivable on issues of shares	15,318	2,871
Currency deals outstanding	0	1,279
Distributions receivable	1	6
Dividends receivable	7,891	5,601
Sales awaiting settlement	1,133	1,464
Withholding tax recoverable	157	611
Total debtors	24,500	11,832

10 Cash and bank balances

as at 31 January	2017 \$'000	2016 \$'000
Cash held as bank balances	14,659	7,365
Total cash and bank balances	14,659	7,365

11 Other creditors

as at 31 January	2017 \$'000	2016 \$'000
ACD's annual management charge payable	925	540
Administration charge payable	137	76
Amounts payable on cancellation of shares	1,441	18,100
Currency deals outstanding	0	1,283
Expenses payable	556	253
Purchases awaiting settlement	0	9,583
Total other creditors	3,059	29,835

12 Contingent assets, liabilities and outstanding commitments

There were no contingent assets, liabilities or outstanding commitments at the balance sheet date (2016: same).

13 Shares in issue

The following table shows each class of share in issue during the year. Each share class has the same rights on winding up however they may have different charging structures as set out in note 14.

Share class	Opening 01.02.16	Movements		Closing 31.01.17
		Issued	Cancelled	
Euro				
Class 'A' Income (Net)	7,243	77,594	(11,043)	73,794
Class 'A' Accumulation (Net)	5,478,553	2,289,413	(2,069,820)	5,698,146
Class 'C' Income (Net)	144,822	201,767	(50,587)	296,002
Class 'C' Accumulation (Net)	9,763,022	10,570,860	(5,079,716)	15,254,166
Singapore dollar				
Class 'A' Income (Net)	500	0	0	500
Class 'A' Accumulation (Net)	500	26,588	0	27,088
Class 'C' Income (Net)	500	0	0	500
Class 'C' Accumulation (Net)	500	0	0	500
Sterling				
Class 'A' Income (Net)	52,755,139	320,751	(17,650,284)	35,425,606
Class 'A' Accumulation (Net)	119,035,636	1,111,709	(15,183,496)	104,963,849
Class 'I' Income (Net)	46,526,766	13,791,901	(11,503,635)	48,815,032
Class 'I' Accumulation (Net)	157,535,896	13,444,241	(34,299,233)	136,680,904
Class 'R' Income (Net)	347,283	8,392	(71,268)	284,407
Class 'R' Accumulation (Net)	266,419	8,872	(21,632)	253,659
US dollar				
Class 'A' Income (Net)	23,265	29,038	(9,000)	43,303
Class 'A' Accumulation (Net)	5,719,341	937,705	(2,722,838)	3,934,208
Class 'C' Income (Net)	107,075	135,003	(61,018)	181,060
Class 'C' Accumulation (Net)	20,098,907	3,519,249	(5,901,731)	17,716,425

14 Charging structure

The table below sets out the charging structure for each class of share. The charging structure is the same for both Income and Accumulation shares of each class.

Share class	Entry charge %	Exit charge %	Annual management charge %
Euro			
Class 'A'	4.00	n/a	1.75
Class 'C'	1.25	n/a	0.75
Singapore dollar			
Class 'A'	4.00	n/a	1.75
Class 'C'	1.25	n/a	0.75
Sterling			
Class 'A'	4.00 [a]	n/a	1.50
Class 'I'	1.00 [a]	n/a	0.75
Class 'R'	1.00 [a]	n/a	1.00
US dollar			
Class 'A'	4.00	n/a	1.75
Class 'C'	1.25	n/a	0.75

[a] With effect from 16 December 2016, the entry charge has been discounted to zero on all new investments into sterling share classes.

15 Related parties

M&G Securities Limited, as Authorised Corporate Director (ACD), is a related party and acts as principal on all the transactions of shares in the fund except with in-specie transactions, where M&G Securities Limited acts as an agent. The aggregate monies received through issues, and paid on cancellations, are disclosed in the 'Statement of change in net assets attributable to shareholders' and note 8. Amounts due to / from M&G Securities Limited in respect of share transactions at the year end are disclosed in notes 9 and 11 where applicable.

Amounts paid to M&G Securities Limited in respect of the ACD's annual management charge and administration charge are disclosed in note 6. Amounts due at the year end in respect of the ACD's annual management charge and administration charge are disclosed in note 11.

At the balance sheet date, shareholders from within Prudential plc, of which M&G Securities Limited is a wholly owned subsidiary, have holdings totalling 16.52% (2016: 23.15%) of the fund's shares.

16 Events after the balance sheet date

There were no events after the balance sheet date to disclose.

M&G Global Emerging Markets Fund

Financial statements and notes

Notes to the financial statements

17 Portfolio fair value analysis

Financial instruments have been measured at their fair value and have been classified below using a hierarchy that reflects the significance of the inputs used in measuring their fair value:

Level 1: Quoted prices for identical instruments in active markets

This includes instruments such as publicly traded equities; highly liquid bonds (e.g. Government bonds) and exchange traded derivatives (e.g. futures) for which quoted prices are readily and regularly available.

Level 2: Valuation techniques using observable market data

This includes publicly traded corporate bonds and instruments which have been valued using models with observable market data inputs such as quoted prices for similar instruments, interest rates, yield curves or credit spreads. Over-the-counter instruments have also been included in the category.

Level 3: Valuation techniques using non-observable market data

This refers to instruments which have been valued using models with non-observable market data inputs. This includes private equity, unlisted closed-ended funds and investment analyst recommended prices where the market price is deemed to not be a true representation of fair value. However no such financial instruments were held.

as at 31 January	Assets	Liabilities	Assets	Liabilities
Valuation technique	2017 \$'000	2017 \$'000	2016 \$'000	2016 \$'000
Level 1	2,217,446	0	1,706,079	0
Level 2	1,772	0	34,407	0
Level 3	0	0	0	0
	2,219,218	0	1,740,486	0

In accordance with FRS 102 (22.4a) the shares in issue for each class meet the definition of a puttable instrument as the shareholders have the right to sell the shares back to the issuer. The shares in the fund may be issued and redeemed on any business day at the quoted price. These shares are not traded on an exchange. However, the price is observable and transactions within the fund take place regularly at that price. The shares in issue as detailed in note 13 meet the definition of a level 2 financial instrument 'Valuation techniques using observable market data'.

18 Risk management policies

General risk management policies for the fund are described in note 3 to the financial statements on pages 7 and 8.

19 Market risk

A five per cent increase in the value of the fund's investment portfolio would have the effect of increasing the return and net assets by \$110,960,900 (2016: \$87,024,300). A five per cent decrease would have an equal and opposite effect.

20 Currency risk

as at 31 January	2017 \$'000	2016 \$'000
Currency exposure in respect of the fund		
Brazilian real	223,582	148,645
Canadian dollar	27,686	6,044
Egyptian pound	27,066	38,136
Euro	18,694	67,815
Hong Kong dollar	361,541	282,761
Indian rupee	96,513	0
Indonesian rupiah	17,038	76,639
Mexican peso	8,449	7,564
Philippine peso	36,548	33,277
Singapore dollar	19,380	17,018
Sterling	62,233	42,799
South African rand	153,161	91,451
South Korean won	404,081	309,244
Taiwan dollar	347,197	271,000
Thailand baht	16,355	31,106
Turkish lira	59,935	33,592
US dollar	370,770	269,498
Total	2,250,229	1,726,589

21 Dividend distribution tables

This fund pays annual ordinary distributions and the following table sets out the distribution period.

Annual distribution period				
	Start	End	Xd	Payment
Final	01.02.16	31.01.17	01.02.17	31.03.17

The following tables set out for each distribution the rates per share for both Group 1 and Group 2 shares.

Group 1 shares are those purchased prior to a distribution period and therefore their net revenue rate is the same as the distribution rate.

Group 2 shares are those purchased during a distribution period and therefore their distribution rate is made up of net revenue and equalisation. Equalisation is the average amount of revenue included in the purchase price of all Group 2 shares and is refunded to the holders of these shares as a return of capital. Being capital it is not liable to Income Tax. Instead, it must be deducted from the cost of shares for Capital Gains Tax purposes. The tables below show the split of the Group 2 rates into the net revenue and equalisation components.

Euro Class 'A' Income shares

Ordinary distributions for the year to 31 January	Group 2 Net revenue 2017	Group 2 Equalisation 2017	Group 1 & 2 Distribution 2017	2016
	€	€	€	€
Final	11.4828	28.5073	39.9901	12.8008

Euro Class 'A' Accumulation shares

Ordinary distributions for the year to 31 January	Group 2 Net revenue 2017	Group 2 Equalisation 2017	Group 1 & 2 Distribution 2017	2016
	€	€	€	€
Final	4.8377	10.0354	14.8731	11.9301

M&G Global Emerging Markets Fund

Financial statements and notes

Notes to the financial statements

21 Dividend distribution tables (continued)

Euro Class 'C' Income shares				
Ordinary distributions for the year to 31 January	Net revenue 2017	Group 2 Equalisation 2017	Group 1 & 2 Distribution 2017	2016
	€	€	€	€
Final	19.8721	33.6663	53.5384	37.5141

Euro Class 'C' Accumulation shares				
Ordinary distributions for the year to 31 January	Net revenue 2017	Group 2 Equalisation 2017	Group 1 & 2 Distribution 2017	2016
	€	€	€	€
Final	21.4694	21.5296	42.9990	38.0892

Singapore dollar Class 'A' Income shares				
Ordinary distributions for the year to 31 January	Net revenue 2017	Group 2 Equalisation 2017	Group 1 & 2 Distribution 2017	2016
	¢	¢	¢	¢
Final	16.3600	0.0000	16.3600	4.8820

Singapore dollar Class 'A' Accumulation shares				
Ordinary distributions for the year to 31 January	Net revenue 2017	Group 2 Equalisation 2017	Group 1 & 2 Distribution 2017	2016
	¢	¢	¢	¢
Final	0.4340	5.9862	6.4202	4.8820

Singapore dollar Class 'C' Income shares				
Ordinary distributions for the year to 31 January	Net revenue 2017	Group 2 Equalisation 2017	Group 1 & 2 Distribution 2017	2016
	¢	¢	¢	¢
Final	20.9480	0.0000	20.9480	15.0040

Singapore dollar Class 'C' Accumulation shares				
Ordinary distributions for the year to 31 January	Net revenue 2017	Group 2 Equalisation 2017	Group 1 & 2 Distribution 2017	2016
	¢	¢	¢	¢
Final	16.4100	0.0000	16.4100	15.0640

Sterling Class 'A' Income shares				
Ordinary distributions for the year to 31 January	Net revenue 2017	Group 2 Equalisation 2017	Group 1 & 2 Distribution 2017	2016
	p	p	p	p
Final	2.8482	1.2401	4.0883	1.5021

Sterling Class 'A' Accumulation shares				
Ordinary distributions for the year to 31 January	Net revenue 2017	Group 2 Equalisation 2017	Group 1 & 2 Distribution 2017	2016
	p	p	p	p
Final	1.1232	1.0392	2.1624	1.5509

Sterling Class 'T' Income shares				
Ordinary distributions for the year to 31 January	Net revenue 2017	Group 2 Equalisation 2017	Group 1 & 2 Distribution 2017	2016
	p	p	p	p
Final	2.6255	2.2696	4.8951	3.0395

Sterling Class 'T' Accumulation shares				
Ordinary distributions for the year to 31 January	Net revenue 2017	Group 2 Equalisation 2017	Group 1 & 2 Distribution 2017	2016
	p	p	p	p
Final	2.2842	1.8769	4.1611	3.2912

Sterling Class 'R' Income shares				
Ordinary distributions for the year to 31 January	Net revenue 2017	Group 2 Equalisation 2017	Group 1 & 2 Distribution 2017	2016
	p	p	p	p
Final	1.6697	0.7143	2.3840	1.3019

Sterling Class 'R' Accumulation shares				
Ordinary distributions for the year to 31 January	Net revenue 2017	Group 2 Equalisation 2017	Group 1 & 2 Distribution 2017	2016
	p	p	p	p
Final	0.6437	1.0875	1.7312	1.3379

US dollar Class 'A' Income shares				
Ordinary distributions for the year to 31 January	Net revenue 2017	Group 2 Equalisation 2017	Group 1 & 2 Distribution 2017	2016
	¢	¢	¢	¢
Final	14.6293	17.6759	32.3052	10.0136

US dollar Class 'A' Accumulation shares				
Ordinary distributions for the year to 31 January	Net revenue 2017	Group 2 Equalisation 2017	Group 1 & 2 Distribution 2017	2016
	¢	¢	¢	¢
Final	1.8364	11.2937	13.1301	9.9088

US dollar Class 'C' Income shares				
Ordinary distributions for the year to 31 January	Net revenue 2017	Group 2 Equalisation 2017	Group 1 & 2 Distribution 2017	2016
	¢	¢	¢	¢
Final	14.9861	29.9642	44.9503	30.9948

US dollar Class 'C' Accumulation shares				
Ordinary distributions for the year to 31 January	Net revenue 2017	Group 2 Equalisation 2017	Group 1 & 2 Distribution 2017	2016
	¢	¢	¢	¢
Final	16.1133	19.7826	35.8959	32.4355

M&G Global Floating Rate High Yield Fund

Authorised Corporate Director's Report

Important information

Please note that from 1 August 2016, the M&G Global Floating Rate High Yield Fund began taking the annual management charge, administration charge and share class hedging from capital in the case of Income shares. These charges continue to be charged to income for Accumulation shares.

In the 2016 Budget, the UK government announced that, effective from 6 April 2017, interest distributions from open-ended investment companies (OEICs) may be paid without deducting income tax (currently 20%).

As a result, prices for the sterling share classes of M&G's bond funds will be calculated without an accrual for the deduction of income tax. This change, for different funds, will be phased in between October 2016 and March 2017.

From 1 February 2017 the M&G Global Floating Rate High Yield Fund's prices for the sterling share classes are now calculated without income tax deducted.

Investment objective

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

Investment policy

The Fund invests on a global basis mainly in high yield corporate or government floating rate notes and asset backed securities denominated in any currency. Floating rate note exposure may be achieved either directly or synthetically, through various combinations of government securities, corporate bonds, cash, credit default swaps, interest rate swaps, asset swaps or other credit derivatives.

The Fund may also invest in other government and public securities and other transferable securities, collective investment schemes, cash and near cash, deposits, warrants, money market instruments and other derivative instruments.

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

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

Investment approach

The M&G Global Floating Rate High Yield Fund is designed to provide an attractive level of income, along with a natural hedge against rising interest rates, by investing mainly in high yield floating rates notes (FRNs). FRNs are bonds which pay a variable rate of income, which is regularly reset in line with changes in interest rates. If interest rates rise, investors in FRNs will benefit from a higher income as their coupons are automatically adjusted upwards (equally, should interest rates fall, then the coupons will be adjusted downwards). The fund invests predominantly in FRNs issued by high yield companies, which typically pay higher rates of interest to compensate investors for the greater risk of default. The fund is globally diversified and the fund manager has the flexibility to invest in the best opportunities across different regions, including the US, continental Europe and the UK.

Risk profile

The fund invests globally in high yield corporate or government floating rate notes and asset-backed securities denominated in any currency. It is, therefore, subject to the price volatility of the global bond market and the performance of individual issuers. It is also subject to fluctuations in currency exchange rates.

The fund's exposure to the above assets 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.

The fund focuses on floating rate notes issued by companies with a low credit rating, which typically pay higher levels of interest to compensate investors for the greater risk of default. These higher risk assets could potentially experience a degree of illiquidity in times of market distress.

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.

M&G Global Floating Rate High Yield Fund

Authorised Corporate Director's Report

Investment review

As at 1 February 2017, for the year ended 31 January 2017

Performance against objective

Between 1 February 2016 (the start of the review period) and 1 February 2017, the M&G Global Floating Rate High Yield Fund produced a positive total return (the combination of income and growth of capital) across all share classes.^[a] The fund's objective is to maximise total return. The fund's returns in all share classes were behind a comparative index, the BofA Merrill Lynch Global Floating Rate High Yield 3% Constrained (Hedged) Index.

Investment performance

The M&G Global Floating Rate High Yield Fund is designed to provide an attractive level of income, along with a natural hedge against rising interest rates by investing mainly in floating rate notes (FRNs). These are securities whose interest payments, or coupons, are periodically adjusted depending on the change in a reference interest rate.

If interest rates rise, investors in FRNs will benefit from a higher income as coupons are automatically adjusted upwards (equally, should interest rates fall, then the coupons will be adjusted downwards).

The fund invests predominantly in FRNs issued by high yield companies, which are so called as they generally pay relatively high rates of interest to compensate investors for the greater risk that they might fail to repay the money they have borrowed.

The 12 months under review was a positive period for high yield bonds as many of the factors that had weighed on sentiment throughout much of 2015 started to dissipate. A recovery in oil prices from around the middle of February 2016 proved especially helpful for the US high yield market, given its significant exposure to the energy sector. Meanwhile, the European high yield sector was well supported by the announcement of further stimulus measures from the European Central Bank (ECB).

The second half of the review period was notable for a sharp rise in government bond yields as investors started to price in the prospect of higher global inflation, further US rate hikes and, following Donald Trump's surprise election victory in the US, significant fiscal stimulus through a programme of increased government spending and corporate tax cuts. In this respect, FRNs benefited from their lack of sensitivity to movements in interest rates, which meant they were not directly affected by the sell-off in government bond markets. (Government bonds are 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. Bond yields refer 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. Bond yields typically move in the opposite direction to bond prices.)

The fund delivered a positive return over the period, although it lagged the comparative index. Relative performance was held back, given the fund's cautious positioning in the energy and mining sectors, which were amongst the best-performing areas of the high yield market as commodity prices rebounded strongly.

Investment activities

While high yield FRNs delivered positive returns over the period, the gains masked material fluctuations in high yield markets over the 12 months. We believe further volatility is possible over the coming months and for these reasons we have maintained our focus on defensive businesses which we think should be able to perform well in a variety of economic conditions. These include global packaging companies and European cable operators. We continue to have minimal exposure to companies that are more exposed to the economic cycle, such as energy producers, miners and European banks.

In the run-up to the referendum on European Union membership, we took the decision to reduce risk in the portfolio and increase cash in order to prepare for a potential 'Leave' vote (so-called 'Brexit'). Following the sell-off in fixed income markets immediately after the vote, we added back some risk through credit default swaps (CDS). These are a type of derivative, namely financial instruments whose value and prices 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.

The second half of the review period was mainly focused on adding to some of the fund's core holdings at attractive price levels, including issues from the UK supermarket chain Iceland and a number of global packaging companies such as Guala Closures, Reynolds and Ardagh Group. We were also active in the primary market, participating in attractively priced new deals from names such as travel management company Carlson Wagonlit Travel and UK healthcare provider Synlab.

In terms of sales, we trimmed a number of positions that had performed well, such as issues from frozen foods producer Iglo and clothing merchant New Look, given the increasingly challenging backdrop for the UK retail sector. Elsewhere, we sold the remainder of the position in Petrobras following Brazil's ratings downgrade.

Outlook

Given the possibility of further periods of volatility as markets adapt to the new political landscape, we maintain a relatively cautious stance. Nevertheless, in the current low yield environment, we think high yield FRNs continue to offer a stable and relatively attractive income stream, with additional upside potential if we see further interest rate rises this year. Despite recent market strength, we do not consider valuations to be overly stretched and believe that an improving economic backdrop should offer continued support for the asset class.

Given their very low sensitivity to movements in interest rates, we think high yield FRNs could also appeal to investors concerned about a further sell-off in government bond markets. Indeed, with the prospect of further US rate hikes this year as President Trump looks to push through his ambitious spending plans and tax cuts, we believe a high yield FRN strategy looks especially attractive at this point in the economic cycle.

James Tomlins
Fund manager

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

^[a] 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.

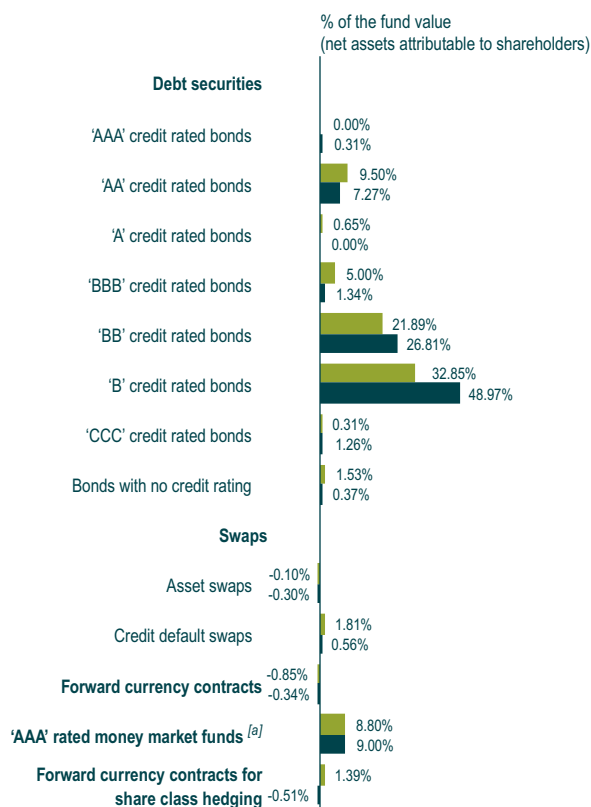
Please note that the views expressed in this Report should not be taken as a recommendation or advice on how the fund or any holding mentioned in the Report is likely to perform. If you wish to obtain financial advice as to whether an investment is suitable for your needs, you should consult a Financial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

M&G Global Floating Rate High Yield 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.

■ 31 January 2017
■ 31 January 2016

Source: M&G

Investments

Portfolio statement

as at 31 January Holding	2017 \$'000	2017 %	2016 %
Debt securities	1,549,412	71.73	86.33
'AAA' credit rated bonds	0	0.00	0.31
'AA' credit rated bonds	205,249	9.50	7.27
\$60,000,000 US Treasury FRN 2018 (30 Apr)	60,096	2.78	
\$70,000,000 US Treasury FRN 2018 (31 Jul)	70,083	3.24	
\$75,000,000 US Treasury FRN 2018 (31 Oct)	75,070	3.48	
'A' credit rated bonds	13,975	0.65	0.00
\$1,000,000 Banco Santander Var. Rate Perp. (6.375%)	936	0.04	
\$1,629,879 Mitchells & Butlers Finance FRN 2030	1,442	0.07	
\$11,500,000 Wells Fargo FRN 2023	11,597	0.54	

Portfolio statement (continued)

as at 31 January Holding	2017 \$'000	2017 %	2016 %
'BBB' credit rated bonds	108,052	5.00	1.34
\$1,000,000 Banco Bilbao Vizcaya Argentaria 9% Perp.	1,043	0.05	
\$5,000,000 Bank of America FRN 2023	5,011	0.23	
\$9,000,000 Bank of America FRN 2026	8,215	0.38	
\$5,950,000 Barclays Bank FRN 2021	6,141	0.29	
\$6,000,000 Barclays Var. Rate 2023 (0%)	6,016	0.28	
€14,845,000 Channel Link Enterprises Finance FRN 2050	15,956	0.74	
€1,000,000 Citigroup FRN 2019	1,077	0.05	
\$7,000,000 Citigroup FRN 2021	7,057	0.33	
\$16,000,000 Citigroup FRN 2023	16,238	0.75	
\$630,000 Citigroup FRN 2036	504	0.02	
€1,000,000 Commerzbank FRN 2018	1,082	0.05	
\$2,500,000 CoreStates Capital III FRN 2027	2,225	0.10	
\$12,000,000 CS Group Funding FRN 2021	12,471	0.58	
\$15,500,000 HCA Holdings 4.5% 2027	15,144	0.70	
\$1,100,000 Mellon Capital FRN Perp.	906	0.04	
\$2,500,000 Sabine Pass Liquef 5.625% 2021	2,684	0.12	
\$2,500,000 Sabine Pass Liquefaction 5.75% 2024	2,741	0.13	
CHF2,000,000 Sunrise Communication Holdings 2.125% 2022	2,042	0.09	
\$1,000,000 UniCredit Var. Rate 2049 (8%)	921	0.04	
\$700,000 USB Capital IX FRN 2099	578	0.03	
'BB' credit rated bonds	472,776	21.89	26.81
\$5,000,000 ADT 3.5% 2022	4,757	0.22	
\$5,551,000 AES Corp FRN 2019	5,558	0.26	
€2,000,000 Arcelormittal FRN 2018	2,184	0.10	
\$6,000,000 Ardagh Packaging Finance 4.625% 2023	6,075	0.28	
\$7,954,775 Ardagh Packaging FRN 2019	8,094	0.38	
\$9,000,000 Ardagh Packaging FRN 2021	9,144	0.42	
€26,725,000 Arrow Global Finance FRN 2021	30,061	1.39	
€19,945,000 Arrow Global Finance FRN 2023	22,141	1.03	
\$6,100,000 AVIS Budget Car FRN 2017	6,102	0.28	
€1,000,000 Bank of Ireland 10% 2022	1,433	0.07	
\$10,000,000 Cemex 5.7% 2025	10,024	0.46	
\$6,000,000 Cemex Finance 9.375% 2022 REGS	6,511	0.30	
\$5,000,000 Cemex Finance LLC 6% 2024	5,113	0.24	
\$24,600,000 Cemex FRN 2018	25,429	1.18	
\$5,000,000 Credit Suisse Group Var. Rate Perp. (7.125%)	5,018	0.23	
€3,150,000 Empark Funding FRN 2019	3,400	0.16	
\$48,746,000 Energy Transfer Partners FRN 2066	41,739	1.93	
\$3,000,000 Fiat Chrysler Automobiles 4.5% 2020	3,055	0.14	
€40,968,000 Iglo Foods Bondco FRN 2020	44,601	2.06	
€3,000,000 Ineos Finance 4% 2023	3,348	0.15	
\$4,715,000 Level 3 Financing FRN 2018	4,715	0.22	
€1,800,000 Lock 7% 2021	2,055	0.10	
\$2,000,000 Neptune Finco 6.625% 2025	2,159	0.10	
\$3,000,000 Owens Brockway 5% 2022 144A	3,105	0.14	
€14,421,937 Picard Groupe FRN 2019	15,671	0.73	
€5,108,000 Promontoria MCS FRN 2021	5,610	0.26	
€8,000,000 Smurfit Kappa Acquisitions 2.375% 2024	8,630	0.40	
€24,750,000 Smurfit Kappa Acquisitions FRN 2020	28,618	1.32	
\$2,000,000 Société Générale Var. Rate Perp. (8.25%)	2,078	0.10	
£837,000 Spirit Issuer FRN 2031 A2	974	0.05	
\$73,000,000 Tenet Healthcare FRN 2020	73,730	3.41	
€5,000,000 Unitymedia Hessen 4% 2025	5,577	0.26	
\$4,000,000 Unitymedia Hessen 5% 2025	4,068	0.19	
\$5,000,000 Unitymedia Hessen 5.5% 2023	5,172	0.24	

M&G Global Floating Rate High Yield Fund

Authorised Corporate Director's Report

Investments

Portfolio statement (continued)				
as at 31 January		2017	2017	2016
Holding		\$'000	%	%
'BB' credit rated bonds (continued)				
\$1,500,000	Virgin Media 5.25% 2021	1,598	0.07	
\$13,500,000	Virgin Media Secured Finance 5.25% 2026	13,559	0.63	
\$3,000,000	Wind Acquisition 4.75% 2020	3,044	0.14	
€5,500,000	Wind Acquisition Finance 4% 2020	6,010	0.28	
€17,022,000	Wind Acquisition Finance FRN 2020	18,600	0.86	
€11,595,000	Wind Acquisition Finance FRN 2020 (Regs.)	12,479	0.58	
€6,000,000	Ziggo Secured Finance 3.75% 2025	6,574	0.30	
\$5,000,000	Ziggo Secured Finance 5.5% 2027	4,963	0.23	
	'B' credit rated bonds	709,596	32.85	48.97
€20,026,000	Autodis FRN 2022	22,124	1.02	
\$2,000,000	Barclays Bank Var. Rate Perp.(8.25%)	2,087	0.10	
€3,500,000	Bisoho FRN 2022	3,840	0.18	
\$3,000,000	Bombardier 8.75% 2021	3,218	0.15	
€3,000,000	Cable Communications Systems 5.0% 2023	3,430	0.16	
€30,350,000	Cabot Financial FRN 2021	33,292	1.54	
€32,100,000	Carlson Travel FRN 2023	35,229	1.63	
\$22,700,000	Chesapeake Energy 8% 2022	24,261	1.12	
\$3,000,000	Crown Americas 4.5% 2023	3,069	0.14	
€21,800,000	Dry Mix Solutions FRN 2021	23,491	1.09	
€5,752,000	Dry Mix Solutions FRN 2023	6,294	0.29	
€21,980,454	Financiere Quick FRN 2019	22,886	1.06	
\$15,000,000	FTS International FRN 2020	15,347	0.71	
€5,158,000	Galapagos Holding FRN 2021	5,364	0.25	
€2,600,000	Galaxy Bidco FRN 2019	3,244	0.15	
€2,000,000	Garfunkelux 8.5% 2022	2,555	0.12	
€17,500,000	Garfunkelux Holdco FRN 2021	19,173	0.89	
€44,997,000	Guala Closures FRN 2021	49,800	2.31	
€7,616,000	Homevi FRN 2021	8,334	0.39	
£11,000,000	House of Fraser Funding FRN 2020	12,402	0.57	
£31,950,000	Iceland Bondco FRN 2020	39,523	1.83	
€9,803,118	Innovia Group FRN 2020	10,574	0.49	
€3,335,000	Kerneos Technology Group FRN 2021	3,596	0.17	
€12,039,000	Lecta FRN 2022	13,258	0.61	
€20,650,000	Lock FRN 2020	22,313	1.03	
€10,500,000	Matterhorn Telecom 3.875% 2022	11,584	0.54	
€26,500,000	Matterhorn Telecom FRN 2022	28,804	1.33	
€7,500,000	Mercury Bondco FRN 2021	8,210	0.38	
€7,730,000	Montichem Holdco FRN 2021	8,333	0.39	
£15,000,000	Nemean Bondco FRN 2023	18,147	0.84	
€5,486,000	Novafives SAS FRN 2020	5,618	0.26	
\$5,000,000	Numericable-SFR 7.375% 2026	5,131	0.24	
€500,000	Paroc Group FRN 2020	536	0.02	
€4,830,000	PortAventura Entertainment Barcelona FRN 2019	5,206	0.24	
£5,900,000	Premier Foods Finance FRN 2020	7,258	0.34	
€2,000,000	Progroup 5.125% 2022 REGS	2,289	0.11	
€7,206,000	Progroup FRN 2022	7,813	0.36	
\$63,405,000	Reynolds Group FRN 2021	65,228	3.02	
\$1,000,000	Royal Bank of Scotland Var. Rate Perp. (7.5%)	967	0.04	
€22,500,000	Schumann FRN 2022	24,958	1.15	
€12,000,000	SNAI FRN 2021	13,308	0.62	
£12,376,000	Stonegate Pub Company FRN 2019	15,419	0.71	
€41,250,000	Synlab Bondco FRN 2022	45,119	2.09	
€5,000,000	Telenet Finance VI 4.875% 2027	5,624	0.26	
£3,000,000	TES Finance FRN 2020	3,148	0.15	
£11,300,000	Travellex Financing FRN 2018	14,041	0.65	

Portfolio statement (continued)

as at 31 January	2017	2017	2016
Holding	\$'000	%	%
'B' credit rated bonds (continued)			
\$5,000,000	Veritas 7.5% 2023	4,806	0.22
€3,000,000	VRX Escrow 4.5% 2023	2,411	0.11
€13,861,000	Xefin Lux SCA FRN 2019	14,914	0.69
\$2,000,000	Ziggo Bond Finance 5.875% 2025	2,020	0.09
	'CCC' credit rated bonds	6,793	0.31
£1,500,000	Bibby Offshore Services 7.5% 2021	1,121	0.05
\$5,000,000	Caesars Entertainment Resort Properties 8% 2020	5,193	0.24
€550,000	Takko Luxembourg 2 FRN 2019	479	0.02
	Bonds with no credit rating	32,971	1.53
£15,907,000	Care UK Health FRN 2019	19,319	0.90
€13,900,000	New Look FRN 2022	13,652	0.63
	Asset swaps	(2,258)	(0.10)
\$2,000,000	ADT Pay 3.5% Receive VAR Jul 2022	77	0.00
\$6,000,000	Ardagh Packaging Finance Pay 4.625% Receive VAR May 2023	(24)	0.00
\$1,000,000	BACR Pay 8.25% Receive VAR Dec 2018	2	0.00
\$1,000,000	Banco Bilbao Vizcaya Argentaria Pay 9% Receive VAR May 2018	(38)	0.00
€1,000,000	Bank of Ireland Pay 10% Receive VAR Dec 2022	(275)	(0.01)
\$3,000,000	Bombardier Pay 8.75% Receive VAR Dec 2021	15	0.00
\$1,500,000	Caesars Entertainment Resort Pay 8% Receive VAR Oct 2018	4	0.00
€3,000,000	CBLCSY Pay 5% Receive VAR Oct 2023	29	0.00
\$10,000,000	Cemex Finance Pay 5.75% Receive VAR Jan 2025	(49)	0.00
\$5,000,000	Cemex Finance Pay 6% Receive VAR Apr 2024	(163)	(0.01)
\$4,000,000	Cemex Finance Pay 9.375% Receive VAR Oct 2017	(281)	(0.02)
\$1,000,000	CER Pay 8% Receive VAR Oct 2018	(5)	0.00
\$2,500,000	CER Pay 8% Receive VAR Oct 2020	0	0.00
\$5,000,000	Chesapeake Energy Pay 8% Receive VAR Dec 2022	(381)	(0.02)
€5,000,000	Credit Suisse Pay 7.125% Receive VAR Perpetual	(268)	(0.01)
\$5,000,000	Credit Suisse Pay 7.125% Receive VAR Perpetual	(47)	(0.00)
\$1,500,000	Crown American Capital Pay 4.5% Receive VAR Jan 2023	(23)	0.00
\$1,500,000	Crown Holdings Pay 4.5% Receive VAR Jan 2023	(2)	0.00
\$2,000,000	CVC Pay 6.625% Receive VAR Oct 2025	(142)	(0.01)
\$3,000,000	Fiat Chrysler Automobiles Pay 4.5% Receive VAR Apr 2020	15	0.00
£2,000,000	GFKL Financial Services Pay 8.5% Receive VAR Nov 2020	(60)	0.00
\$15,500,000	HCA Pay 4.5% Receive VAR Feb 2027	653	0.03
€1,500,000	INEOS Pay 4% Receive VAR May 2020	(27)	0.00
€1,500,000	INEOS Pay 4% Receive VAR May 2023	(10)	0.00
€10,500,000	Matterhorn Telecom Pay 3.875% Receive VAR May 2022	(207)	(0.01)
\$2,000,000	Morgan Stanley Pay 9.375% Receive VAR Oct 2017	(124)	(0.01)
\$3,000,000	Oi Pay 5% Receive VAR Jan 2022	(53)	0.00
€2,000,000	ProGRP Pay 5.125% Receive VAR May 2020	(78)	0.00
\$1,000,000	RBS Pay 7.5% Receive VAR Aug 2020	(5)	0.00
\$2,500,000	Sabine Pass Liquef Pay 5.75% Receive VAR Feb 2024	(213)	(0.01)
\$1,000,000	Santander Pay 6.375% Receive VAR May 2019	(1)	0.00
\$5,000,000	SFR Group Pay 7.375% VAR May 2026	(229)	(0.01)

M&G Global Floating Rate High Yield Fund

Authorised Corporate Director's Report

Investments

Portfolio statement (continued)			
as at 31 January Holding	2017 \$'000	2017 %	2016 %
Asset swaps (continued)			
€8,000,000 Smurfit Kappa Pay 2.375% Receive VAR Feb 2024	(17)	0.00	
\$2,000,000 Société Générale Pay 8.25% Receive VAR Nov 2018	(49)	0.00	
CHF2,000,000 SunCom Pay 2.125% Receive VAR Mar 2022	(3)	0.00	
\$1,000,000 The British Association for Cancer Research Pay 8.25% Receive VAR Dec 2018	(39)	0.00	
\$1,000,000 UniCredit Pay 8% Receive VAR Jun 2024	(26)	0.00	
\$4,000,000 Unity Pay 5% Receive VAR Jan 2025	16	0.00	
\$5,000,000 Unity Pay 5.5% Receive VAR Jan 2018	(182)	(0.01)	
\$5,000,000 Veritas Pay 7.5% Receive VAR Feb 2023	164	0.01	
\$1,500,000 Virgin Media Pay 5.25% Receive VAR Jan 2021	(65)	0.00	
\$13,500,000 Virgin Media Pay 5.25% Receive VAR Jan 2026	(20)	0.00	
€2,500,000 Wind Acquisition Finance Pay 4% Receive VAR Jul 2017	(40)	0.00	
\$3,000,000 Wind Acquisition Finance Pay 4.75% Receive VAR Jul 2020	(39)	0.00	
€2,000,000 Ziggo Pay 3.75% Receive VAR Jan 2023	(53)	0.00	
€4,000,000 Ziggo Pay 3.75% Receive VAR Jan 2025	(107)	(0.01)	
\$5,000,000 Ziggo Pay 5.5% Receive VAR Jan 2027	44	0.00	
\$2,000,000 Ziggo Pay 5.875% Receive VAR Jan 2025	68	0.00	
Credit default swaps	39,104	1.81	0.56
€(1,000,000) Alice Finco Sep 2019	86	0.00	
\$ (3,000,000) Bombardier Dec 2021	87	0.00	
\$3,000,000 Chesapeake Energy Sep 2017	(102)	0.00	
€(3,000,000) Iceland Bondco Dec 2021	91	0.00	
\$ (53,214,000) Markit CDX North American High Yield Series 24 5 Year Jun 2020	4,105	0.19	
\$ (61,000,000) Markit CDX North American High Yield Series 26 5 Year Jun 2021	4,316	0.20	
\$ (310,000,000) Markit CDX North American High Yield Series 27 5 Year Dec 2021	19,633	0.91	
\$ (25,000,000) Markit CDX North American Investment Grade Series 26 5 Year Jun 2021	1,780	0.08	
\$ (2,000,000) Markit CDX North American Investment Grade Series 27 5 Year Dec 2021	126	0.01	
€ (11,679,960) Markit iTraxx Europe Xover Series 23 5 Year Dec 2020	1,128	0.05	
€ (7,000,000) Markit iTraxx Europe Xover Series 25 5 Year Jun 2021	662	0.03	
€ (22,000,000) Markit iTraxx Europe Xover Series 26 5 Year Dec 2021	2,030	0.10	
\$4,000,000 New Look Senior Issuer Jun 2021	627	0.03	
€ (5,000,000) Selecta Group Dec 2021	(891)	(0.04)	
\$ (1,000,000) Sprint Communications Jun 2020	89	0.00	
€ (13,500,000) Stonegate Pub Financing Dec 2021	2,172	0.10	
€ (2,500,000) Vougeot Bidco Jun 2020	272	0.01	
€ (25,000,000) Vue International Bidco Dec 2021	2,893	0.14	

Portfolio statement (continued)

as at 31 January Holding	2017 \$'000	2017 %	2016 %
Forward currency contracts	(18,359)	(0.85)	(0.34)
€(653,917,384) Sold for \$686,252,334 (expires 08.02.17)	(16,952)	(0.78)	
£2,355,029 Bought for \$2,867,271 (expires 08.02.17)	68	0.00	
£(112,705,954) Sold for \$139,035,431 (expires 08.02.17)	(1,426)	(0.07)	
CHF(2,081,268) Sold for \$2,048,493 (expires 08.02.17)	(49)	0.00	
Portfolio of investments	1,567,899	72.59	86.25
'AAA' rated money market funds ^[a]	190,171	8.80	9.00
\$190,171,011 Northern Trust Global Fund - US dollar	190,171	8.80	
Forward currency contracts for share class hedging	30,069	1.39	(0.51)
€1,091,756,091 Bought for \$1,150,140,023 (expires 08.02.17)	23,905	1.11	
€(15,139,911) Sold for \$15,816,105 (expires 08.02.17)	(466)	(0.02)	
£357,865,515 Bought for \$439,942,679 (expires 08.02.17)	6,051	0.28	
£(9,342,542) Sold for \$11,492,196 (expires 08.02.17)	(151)	(0.01)	
SGD10,201,083 Bought for \$7,141,352 (expires 08.02.17)	65	0.00	
SGD(30,479) Sold for \$21,122 (expires 08.02.17)	0	0.00	
CHF26,243,412 Bought for \$25,773,567 (expires 08.02.17)	674	0.03	
CHF(284,106) Sold for \$277,156 (expires 08.02.17)	(9)	0.00	
Total portfolio (notes 2c & 2d on page 6)	1,788,139	82.78	94.74
Net other assets / (liabilities)	371,897	17.22	5.26
Net assets attributable to shareholders	2,160,036	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.

M&G Global Floating Rate High Yield 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 share classes. Performance is shown after deduction of this charge. All 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.

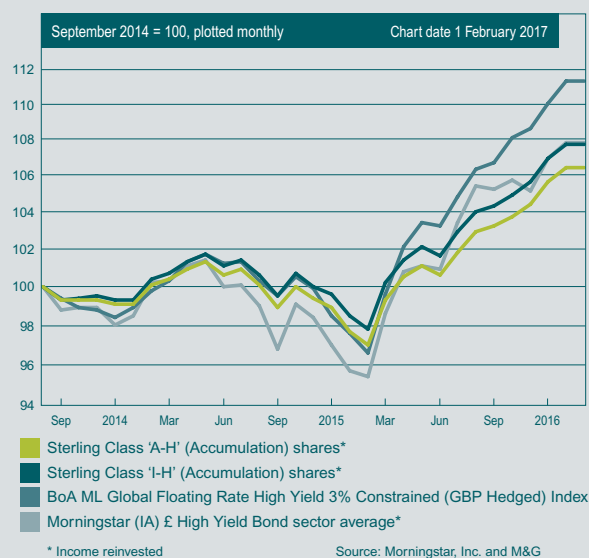
The fund is available for investment in different share classes, each with varying levels of charges and minimum investments; please refer to the Prospectus for M&G Investment Funds (7), which is available free of charge either from our website at www.mandg.co.uk/prospectuses or by calling M&G Customer Relations.

Fund net asset value

as at 31 January	2017 \$'000	2016 \$'000	2015 \$'000
Fund net asset value (NAV)	2,160,036	754,845	240,916

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.



M&G Global Floating Rate High Yield Fund

Financial highlights

Fund performance

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				
	One year 01.02.16 % ^[a]	Three years 03.02.14 % p.a.	Five years 01.02.12 % p.a.	Since launch % p.a.
Euro ^[b]				
Class 'A-H'	+8.4	n/a	n/a	+0.8 ^[c]
Class 'B-H'	+7.9	n/a	n/a	+1.1 ^[d]
Class 'C-H'	+9.0	n/a	n/a	+1.4 ^[d]
Singapore dollar ^[b]				
Class 'A-H'	+10.2	n/a	n/a	+3.1 ^[e]
Class 'A-H M'	+10.1	n/a	n/a	+4.4 ^[f]
Class 'C-H M'	+10.8	n/a	n/a	+5.0 ^[f]
Sterling ^[g]				
Class 'A-H'	+8.8	n/a	n/a	+1.0 ^[c]
Class 'E-H'	+9.6	n/a	n/a	+1.8 ^[c]
Class 'I-H'	+9.4	n/a	n/a	+1.6 ^[c]
Class 'R-H'	+9.1	n/a	n/a	+1.3 ^[c]
Swiss franc ^[b]				
Class 'A-H'	+7.9	n/a	n/a	+0.2 ^[c]
Class 'C-H'	+8.5	n/a	n/a	+0.8 ^[c]
US dollar ^[b]				
Class 'A'	+9.9	n/a	n/a	+1.5 ^[c]
Class 'A M'	+9.6	n/a	n/a	+3.7 ^[f]
Class 'C'	+10.6	n/a	n/a	+2.1 ^[c]
Class 'C M'	+10.4	n/a	n/a	+4.3 ^[f]

^[a] Absolute basis.

^[b] Price to price with gross income reinvested.

^[c] 11 September 2014, the launch date of the fund.

^[d] 11 September 2015, the launch date of the share class.

^[e] 16 January 2015, the launch date of the share class.

^[f] 9 October 2015, the launch date of the share class.

^[g] Price to price with income reinvested.

Operating charges and portfolio transaction costs

We explain below the payments made to meet the ongoing costs of investing and managing the fund, comprised of 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.

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.

M&G Global Floating Rate High Yield Fund

Financial highlights

Fund performance

Operating charges and portfolio transaction costs

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, method of execution and the quality of research provided. They are made up of direct and indirect portfolio transaction costs:

- **Direct portfolio transaction costs:** Broker execution commission, taxes, and costs of research from brokers and other research providers.
- **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 wholly in fixed interest securities no direct portfolio transaction costs are applicable. 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				
for the year to 31 January	2017	2016	2015	Average ^[a]
Indirect portfolio transaction costs	%	%	%	%
Average portfolio dealing spread	0.66	0.92	0.84	0.81

^[a] Average of first three columns.

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 11 September 2014.

for the year to 31 January Change in NAV per share	2017 Euro ¢	2016 Euro ¢	2015 Euro ¢
Opening NAV	930.76	971.45	1,000.00
Return before operating charges and after direct portfolio transaction costs	93.98	(1.03)	(11.77)
Operating charges	(13.85)	(13.73)	(5.55)
Return after operating charges	80.13	(14.76)	(17.32)
Distributions	(36.02)	(25.93)	(11.23)
Closing NAV	974.87	930.76	971.45
Performance and charges	%	%	%
Direct portfolio transaction costs	0.00	0.00	0.00
Operating charges	1.45	1.42	1.44
Return after operating charges	+8.61	-1.52	-1.73
Distribution yield ^[a]	4.14	2.99	2.89
Effect on yield of charges offset against capital	1.42	0.00	0.00

Other information			
Closing NAV (\$'000)	99,028	14,841	2,685
Closing NAV percentage of total fund NAV (%)	4.59	1.97	1.11
Number of shares	9,448,121	1,460,598	243,766
Highest share price (Euro ¢)	992.01	996.84	1,002.91
Lowest share price (Euro ¢)	923.39	934.79	985.35

Euro Class 'A-H' Accumulation share performance

The share class was launched on 11 September 2014.

for the year to 31 January Change in NAV per share	2017 Euro ¢	2016 Euro ¢	2015 Euro ¢
Opening NAV	968.33	983.16	1,000.00
Return before operating charges and after direct portfolio transaction costs	99.03	(0.77)	(11.32)
Operating charges	(14.69)	(14.06)	(5.52)
Return after operating charges	84.34	(14.83)	(16.84)
Distributions	(30.48)	(26.51)	(11.32)
Retained distributions	30.48	26.51	11.32
Closing NAV	1,052.67	968.33	983.16
Performance and charges	%	%	%
Direct portfolio transaction costs	0.00	0.00	0.00
Operating charges	1.45	1.42	1.44
Return after operating charges	+8.71	-1.51	-1.68
Distribution yield	2.74	2.98	2.89
Effect on yield of charges offset against capital	0.00	0.00	0.00

Other information			
Closing NAV (\$'000)	585,633	75,957	15,480
Closing NAV percentage of total fund NAV (%)	27.11	10.06	6.43
Number of shares	51,744,585	7,185,200	1,388,397
Highest share price (Euro ¢)	1,059.45	1,012.46	1,002.91
Lowest share price (Euro ¢)	960.04	964.99	985.58

M&G Global Floating Rate High Yield Fund

Financial highlights

Specific share class performance

Euro Class 'B-H' Income share performance

The share class was launched on 11 September 2015.

for the year to 31 January Change in NAV per share	2017 Euro ¢	2016 Euro ¢	2015 Euro ¢
Opening NAV	952.41	1,000.00	n/a
Return before operating charges and after direct portfolio transaction costs	95.64	(27.37)	n/a
Operating charges	(19.11)	(7.17)	n/a
Return after operating charges	76.53	(34.54)	n/a
Distributions	(34.46)	(13.05)	n/a
Closing NAV	994.48	952.41	n/a
Performance and charges	%	%	%
Direct portfolio transaction costs	0.00	0.00	n/a
Operating charges	1.97	1.86*	n/a
Return after operating charges	+8.04	-3.45	n/a
Distribution yield ^[a]	4.14	2.49	n/a
Effect on yield of charges offset against capital	1.92	0.00	n/a
Other information			
Closing NAV (\$'000)	8,944	409	n/a
Closing NAV percentage of total fund NAV (%)	0.41	0.05	n/a
Number of shares	836,515	39,302	n/a
Highest share price (Euro ¢)	1,012.02	1,000.00	n/a
Lowest share price (Euro ¢)	944.87	955.38	n/a

* As the share class was not in existence for the full period on 31.01.16, 1.94% is a more reliable estimate of the 31.01.16 ongoing charges.

Euro Class 'B-H' Accumulation share performance

The share class was launched on 11 September 2015.

for the year to 31 January Change in NAV per share	2017 Euro ¢	2016 Euro ¢	2015 Euro ¢
Opening NAV	965.30	1,000.00	n/a
Return before operating charges and after direct portfolio transaction costs	98.49	(27.50)	n/a
Operating charges	(19.87)	(7.20)	n/a
Return after operating charges	78.62	(34.70)	n/a
Distributions	(25.27)	(13.12)	n/a
Retained distributions	25.27	13.12	n/a
Closing NAV	1,043.92	965.30	n/a
Performance and charges	%	%	%
Direct portfolio transaction costs	0.00	0.00	n/a
Operating charges	1.98*	1.86**	n/a
Return after operating charges	+8.14	-3.47	n/a
Distribution yield	2.26	2.48	n/a
Effect on yield of charges offset against capital	0.00	0.00	n/a
Other information			
Closing NAV (\$'000)	22,795	934	n/a
Closing NAV percentage of total fund NAV (%)	1.06	0.12	n/a
Number of shares	2,030,993	88,674	n/a
Highest share price (Euro ¢)	1,050.60	1,000.00	n/a
Lowest share price (Euro ¢)	956.79	961.93	n/a

* Due to investor inflows, the share class NAV increased significantly towards the end of the year, therefore 1.94% is a more reliable estimate of the year to 31.01.17 ongoing charges.

** As the share class was not in existence for the full period on 31.01.16, 1.94% is a more reliable estimate of the 31.01.16 ongoing charges.

Euro Class 'C-H' Income share performance

The share class was launched on 11 September 2014.

for the year to 31 January Change in NAV per share	2017 Euro ¢	2016 Euro ¢	2015 Euro ¢
Opening NAV	930.22	971.37	1,000.00
Return before operating charges and after direct portfolio transaction costs	93.55	(1.37)	(11.87)
Operating charges	(8.07)	(7.99)	(3.28)
Return after operating charges	85.48	(9.36)	(15.15)
Distributions	(38.92)	(31.79)	(13.48)
Closing NAV	976.78	930.22	971.37
Performance and charges	%	%	%
Direct portfolio transaction costs	0.00	0.00	0.00
Operating charges	0.84	0.82	0.83
Return after operating charges	+9.19	-0.96	-1.52
Distribution yield ^[a]	4.13	3.57	3.50
Effect on yield of charges offset against capital	0.82	0.00	0.00
Other information			
Closing NAV (\$'000)	54,289	7,508	2,531
Closing NAV percentage of total fund NAV (%)	2.51	0.99	1.05
Number of shares	5,169,530	739,386	229,777
Highest share price (Euro ¢)	994.03	998.04	1,002.96
Lowest share price (Euro ¢)	923.19	935.60	985.88

Euro Class 'C-H' Accumulation share performance

The share class was launched on 11 September 2014.

for the year to 31 January Change in NAV per share	2017 Euro ¢	2016 Euro ¢	2015 Euro ¢
Opening NAV	975.64	984.76	1,000.00
Return before operating charges and after direct portfolio transaction costs	99.24	(0.95)	(11.87)
Operating charges	(8.60)	(8.17)	(3.37)
Return after operating charges	90.64	(9.12)	(15.24)
Distributions	(36.96)	(32.56)	13.48
Retained distributions	36.96	32.56	(13.48)
Closing NAV	1,066.28	975.64	984.76
Performance and charges	%	%	%
Direct portfolio transaction costs	0.00	0.00	0.00
Operating charges	0.84	0.82	0.84
Return after operating charges	+9.29	-0.93	-1.52
Distribution yield	3.33	3.58	3.50
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	408,045	152,221	8,773
Closing NAV percentage of total fund NAV (%)	18.89	20.17	3.64
Number of shares	35,593,143	14,291,683	785,589
Highest share price (Euro ¢)	1,073.24	1,016.12	1,002.96
Lowest share price (Euro ¢)	967.42	972.14	985.81

M&G Global Floating Rate High Yield Fund

Financial highlights

Specific share class performance

Singapore dollar Class 'A-H' Income share performance

The share class was launched on 16 January 2015.

for the year to 31 January Change in NAV per share	2017 Singapore ¢	2016 Singapore ¢	2015 Singapore ¢
Opening NAV	964.63	992.65	1,000.00
Return before operating charges and after direct portfolio transaction costs	115.11	12.21	(6.80)
Operating charges	(14.48)	(13.66)	(0.55)
Return after operating charges	100.63	(1.45)	(7.35)
Distributions	(37.84)	(26.57)	0.00
Closing NAV	1,027.42	964.63	992.65
Performance and charges	%	%	%
Direct portfolio transaction costs	0.00	0.00	0.00
Operating charges	1.46	1.36	1.46
Return after operating charges	+10.43	-0.15	-0.74
Distribution yield ^[a]	4.14	2.95	3.16
Effect on yield of charges offset against capital	1.42	0.00	0.00
Other information			
Closing NAV (\$'000)	3,450	142	15
Closing NAV percentage of total fund NAV (%)	0.16	0.02	0.01
Number of shares	475,439	20,946	2,000
Highest share price (Singapore ¢)	1,045.03	1,021.27	1,002.89
Lowest share price (Singapore ¢)	957.84	968.57	1,000.00

Singapore dollar Class 'A-H M' Income share performance

The share class was launched on 9 October 2015.

for the year to 31 January Change in NAV per share	2017 Singapore ¢	2016 Singapore ¢	2015 Singapore ¢
Opening NAV	964.67	1,000.00	n/a
Return before operating charges and after direct portfolio transaction costs	114.33	(16.34)	n/a
Operating charges	(14.65)	(4.19)	n/a
Return after operating charges	99.68	(20.53)	n/a
Distributions	(37.42)	(14.80)	n/a
Closing NAV	1,026.93	964.67	n/a
Performance and charges	%	%	%
Direct portfolio transaction costs	0.00	0.00	n/a
Operating charges	1.58*	1.40**	n/a
Return after operating charges	+10.33	-2.05	n/a
Distribution yield ^[a]	4.14	2.95	n/a
Effect on yield of charges offset against capital	1.42	0.00	n/a
Other information			
Closing NAV (\$'000)	3,904	27	n/a
Closing NAV percentage of total fund NAV (%)	0.18	0.00	n/a
Number of shares	538,137	4,004	n/a
Highest share price (Singapore ¢)	1,037.50	1,005.19	n/a
Lowest share price (Singapore ¢)	957.87	963.70	n/a

* Due to investor inflows, the share class NAV increased significantly towards the end of the year, therefore 1.45% is a more reliable estimate of the year to 31.01.17 ongoing charges.

** As the share class was not in existence for the full period on 31.01.16, 1.43% is a more reliable estimate of the 31.01.16 ongoing charges.

Singapore dollar Class 'C-H M' Income share performance

The share class was launched on 9 October 2015.

for the year to 31 January Change in NAV per share	2017 Singapore ¢	2016 Singapore ¢	2015 Singapore ¢
Opening NAV	963.54	1,000.00	n/a
Return before operating charges and after direct portfolio transaction costs	114.11	(16.38)	n/a
Operating charges	(8.36)	(2.44)	n/a
Return after operating charges	105.75	(18.82)	n/a
Distributions	(40.32)	(17.64)	n/a
Closing NAV	1,028.97	963.54	n/a
Performance and charges	%	%	%
Direct portfolio transaction costs	0.00	0.00	n/a
Operating charges	0.84	0.82	n/a
Return after operating charges	+10.98	-1.88	n/a
Distribution yield ^[a]	4.14	3.53	n/a
Effect on yield of charges offset against capital	0.82	0.00	n/a
Other information			
Closing NAV (\$'000)	47	27	n/a
Closing NAV percentage of total fund NAV (%)	0.00	0.00	n/a
Number of shares	6,401	4,005	n/a
Highest share price (Singapore ¢)	1,039.54	1,005.48	n/a
Lowest share price (Singapore ¢)	956.98	963.00	n/a

Sterling Class 'A-H' Income share performance

The share class was launched on 11 September 2014.

for the year to 31 January Change in NAV per share	2017 UK p	2016 UK p	2015 UK p
Opening NAV	94.16	97.48	100.00
Return before operating charges and after direct portfolio transaction costs	10.58	0.67	(0.95)
Operating charges	(1.41)	(1.39)	(0.56)
Return after operating charges	9.17	(0.72)	(1.51)
Distributions	(3.74)	(2.60)	(1.01)
Closing NAV	99.59	94.16	97.48
Performance and charges	%	%	%
Direct portfolio transaction costs	0.00	0.00	0.00
Operating charges	1.44	1.42	1.44
Return after operating charges	+9.74	-0.74	-1.51
Distribution yield ^[a]	4.12	3.00	2.85
Effect on yield of charges offset against capital	1.42	0.00	0.00
Other information			
Closing NAV (\$'000)	9,680	10,117	3,116
Closing NAV percentage of total fund NAV (%)	0.45	1.35	1.29
Number of shares	7,799,962	7,511,535	2,119,227
Highest share price (UK p)	101.12	100.12	100.30
Lowest share price (UK p)	93.38	94.43	98.51

M&G Global Floating Rate High Yield Fund

Financial highlights

Specific share class performance

Sterling Class 'A-H' Accumulation share performance

The share class was launched on 11 September 2014.

for the year to 31 January Change in NAV per share	2017 UK p	2016 UK p	2015 UK p
Opening NAV	96.95	98.30	100.00
Return before operating charges and after direct portfolio transaction costs	10.91	0.57	(0.94)
Operating charges	(1.46)	(1.39)	(0.56)
Return after operating charges	9.45	(0.82)	(1.50)
Distributions	(3.18)	(2.65)	(1.01)
Retained distributions	2.55	2.12	0.81
Closing NAV	105.77	96.95	98.30

Performance and charges	%	%	%
Direct portfolio transaction costs	0.00	0.00	0.00
Operating charges	1.44	1.41	1.43
Return after operating charges	+9.75	-0.83	-1.50
Distribution yield	2.74	3.02	2.85
Effect on yield of charges offset against capital	0.00	0.00	0.00

Other information

Closing NAV (\$'000)	12,046	2,588	174
Closing NAV percentage of total fund NAV (%)	0.56	0.34	0.07
Number of shares	9,138,957	1,866,182	117,616
Highest share price (UK p)	106.45	101.32	100.30
Lowest share price (UK p)	96.09	96.62	98.52

Sterling Class 'E-H' Income share performance

The share class was launched on 3 October 2014.

for the year to 31 January Change in NAV per share	2017 UK p	2016 UK p	2015 UK p
Opening NAV	94.15	97.51	100.00
Return before operating charges and after direct portfolio transaction costs	10.52	0.63	(0.90)
Operating charges	(0.58)	(0.57)	(0.21)
Return after operating charges	9.94	0.06	(1.11)
Distributions	(4.15)	(3.42)	(1.38)
Closing NAV	99.94	94.15	97.51

Performance and charges	%	%	%
Direct portfolio transaction costs	0.00	0.00	0.00
Operating charges	0.59	0.58	0.58
Return after operating charges	+10.56	+0.06	-1.11
Distribution yield ^[a]	4.12	3.84	3.71
Effect on yield of charges offset against capital	0.57	0.00	0.00

Other information

Closing NAV (\$'000)	42,029	60,928	85,067
Closing NAV percentage of total fund NAV (%)	1.95	8.07	35.31
Number of shares	33,748,077	45,236,678	57,841,308
Highest share price (UK p)	101.47	100.30	99.75
Lowest share price (UK p)	93.39	94.59	98.58

Sterling Class 'E-H' Accumulation share performance

The share class was launched on 11 September 2014.

for the year to 31 January Change in NAV per share	2017 UK p	2016 UK p	2015 UK p
Opening NAV	98.01	98.71	100.00
Return before operating charges and after direct portfolio transaction costs	11.10	0.58	(0.77)
Operating charges	(0.61)	(0.58)	(0.24)
Return after operating charges	10.49	0.00	(1.01)
Distributions	(4.07)	(3.50)	(1.38)
Retained distributions	3.26	2.80	1.10
Closing NAV	107.69	98.01	98.71

Performance and charges	%	%	%
Direct portfolio transaction costs	0.00	0.00	0.00
Operating charges	0.59	0.58	0.58
Return after operating charges	+10.70	+0.00	-1.01
Distribution yield	3.57	3.84	3.71
Effect on yield of charges offset against capital	0.00	0.00	0.00

Other information

Closing NAV (\$'000)	40,008	46,433	51,424
Closing NAV percentage of total fund NAV (%)	1.85	6.15	21.35
Number of shares	29,813,464	33,118,557	34,540,136
Highest share price (UK p)	108.38	101.91	100.30
Lowest share price (UK p)	97.15	97.65	98.66

Sterling Class 'I-H' Income share performance

The share class was launched on 11 September 2014.

for the year to 31 January Change in NAV per share	2017 UK p	2016 UK p	2015 UK p
Opening NAV	94.11	97.47	100.00
Return before operating charges and after direct portfolio transaction costs	10.60	0.63	(0.92)
Operating charges	(0.81)	(0.81)	(0.33)
Return after operating charges	9.79	(0.18)	(1.25)
Distributions	(4.03)	(3.18)	(1.28)
Closing NAV	99.87	94.11	97.47

Performance and charges	%	%	%
Direct portfolio transaction costs	0.00	0.00	0.00
Operating charges	0.84	0.83	0.83
Return after operating charges	+10.40	-0.18	-1.25
Distribution yield ^[a]	4.13	3.60	3.45
Effect on yield of charges offset against capital	0.82	0.00	0.00

Other information

Closing NAV (\$'000)	215,208	134,737	29,075
Closing NAV percentage of total fund NAV (%)	9.96	17.85	12.07
Number of shares	172,929,829	100,080,364	19,776,849
Highest share price (UK p)	101.40	100.22	100.31
Lowest share price (UK p)	93.34	94.50	98.56

M&G Global Floating Rate High Yield Fund

Financial highlights

Specific share class performance

Sterling Class 'I-H' Accumulation share performance

The share class was launched on 11 September 2014.

for the year to 31 January Change in NAV per share	2017 UK p	2016 UK p	2015 UK p
Opening NAV	97.69	98.52	100.00
Return before operating charges and after direct portfolio transaction costs	11.03	0.65	(0.89)
Operating charges	(0.86)	(0.83)	(0.33)
Return after operating charges	10.17	(0.18)	(1.22)
Distributions	(3.79)	(3.25)	(1.29)
Retained distributions	3.04	2.60	1.03
Closing NAV	107.11	97.69	98.52

Performance and charges	%	%	%
Direct portfolio transaction costs	0.00	0.00	0.00
Operating charges	0.84	0.83	0.83
Return after operating charges	+10.41	-0.18	-1.22
Distribution yield	3.32	3.61	3.46
Effect on yield of charges offset against capital	0.00	0.00	0.00

Other information

Closing NAV (\$'000)	113,868	62,256	4,860
Closing NAV percentage of total fund NAV (%)	5.27	8.25	2.02
Number of shares	85,306,938	44,549,811	3,270,310
Highest share price (UK p)	107.80	101.72	100.31
Lowest share price (UK p)	96.83	97.33	98.57

Sterling Class 'R-H' Income share performance

The share class was launched on 11 September 2014.

for the year to 31 January Change in NAV per share	2017 UK p	2016 UK p	2015 UK p
Opening NAV	94.13	97.48	100.00
Return before operating charges and after direct portfolio transaction costs	10.57	0.64	(0.93)
Operating charges	(1.16)	(1.15)	(0.46)
Return after operating charges	9.41	(0.51)	(1.39)
Distributions	(3.86)	(2.84)	(1.13)
Closing NAV	99.68	94.13	97.48

Performance and charges	%	%	%
Direct portfolio transaction costs	0.00	0.00	0.00
Operating charges	1.19	1.18	1.18
Return after operating charges	+10.00	-0.52	-1.39
Distribution yield ^[a]	4.13	3.25	3.10
Effect on yield of charges offset against capital	1.17	0.00	0.00

Other information

Closing NAV (\$'000)	106	91	37
Closing NAV percentage of total fund NAV (%)	0.01	0.01	0.02
Number of shares	85,320	67,908	25,060
Highest share price (UK p)	101.21	100.13	100.30
Lowest share price (UK p)	93.36	94.45	98.54

Sterling Class 'R-H' Accumulation share performance

The share class was launched on 11 September 2014.

for the year to 31 January Change in NAV per share	2017 UK p	2016 UK p	2015 UK p
Opening NAV	97.31	98.46	100.00
Return before operating charges and after direct portfolio transaction costs	11.01	0.60	(0.84)
Operating charges	(1.21)	(1.17)	(0.47)
Return after operating charges	9.80	(0.57)	(1.31)
Distributions	(3.41)	(2.89)	(1.16)
Retained distributions	2.73	2.31	0.93
Closing NAV	106.43	97.31	98.46

Performance and charges	%	%	%
Direct portfolio transaction costs	0.00	0.00	0.00
Operating charges	1.20	1.17	1.18
Return after operating charges	+10.07	-0.58	-1.31
Distribution yield	2.97	3.26	3.10
Effect on yield of charges offset against capital	0.00	0.00	0.00

Other information

Closing NAV (\$'000)	68	14	15
Closing NAV percentage of total fund NAV (%)	0.00	0.00	0.01
Number of shares	51,567	10,000	10,000
Highest share price (UK p)	107.11	101.53	100.30
Lowest share price (UK p)	96.44	96.95	98.53

Swiss franc Class 'A-H' Income share performance

The share class was launched on 14 December 2015.

for the year to 31 January Change in NAV per share	2017 Swiss ¢	2016 Swiss ¢	2015 Swiss ¢
Opening NAV	984.32	1,000.00	n/a
Return before operating charges and after direct portfolio transaction costs	93.84	(6.02)	n/a
Operating charges	(14.65)	(1.78)	n/a
Return after operating charges	79.19	(7.80)	n/a
Distributions	(37.89)	(7.88)	n/a
Closing NAV	1,025.62	984.32	n/a

Performance and charges	%	%	%
Direct portfolio transaction costs	0.00	0.00	n/a
Operating charges	1.45	1.36*	n/a
Return after operating charges	+8.05	-0.78	n/a
Distribution yield ^[a]	4.12	3.04	n/a
Effect on yield of charges offset against capital	1.42	0.00	n/a

Other information

Closing NAV (\$'000)	645	29	n/a
Closing NAV percentage of total fund NAV (%)	0.03	0.00	n/a
Number of shares	62,397	3,000	n/a
Highest share price (Swiss ¢)	1,043.65	1,012.31	n/a
Lowest share price (Swiss ¢)	976.45	988.68	n/a

* As the share class was not in existence for the full period on 31.01.16, 1.44% is a more reliable estimate of the 31.01.16 ongoing charges.

M&G Global Floating Rate High Yield Fund

Financial highlights

Specific share class performance

Swiss franc Class 'A-H' Accumulation share performance

The share class was launched on 11 September 2014.

for the year to 31 January Change in NAV per share	2017 Swiss ¢	2016 Swiss ¢	2015 Swiss ¢
Opening NAV	958.85	983.63	1,000.00
Return before operating charges and after direct portfolio transaction costs	92.71	(11.20)	(10.76)
Operating charges	(14.40)	(13.58)	(5.61)
Return after operating charges	78.31	(24.78)	(16.37)
Distributions	(30.09)	(26.47)	(9.60)
Retained distributions	30.09	26.47	9.60
Closing NAV	1,037.16	958.85	983.63
Performance and charges	%	%	%
Direct portfolio transaction costs	0.00	0.00	0.00
Operating charges	1.44	1.40	1.43
Return after operating charges	+8.17	-2.52	-1.64
Distribution yield	2.74	3.04	2.99
Effect on yield of charges offset against capital	0.00	0.00	0.00

Other information

Closing NAV (\$'000)	5,087	1,272	11
Closing NAV percentage of total fund NAV (%)	0.24	0.17	0.00
Number of shares	486,868	135,372	1,000
Highest share price (Swiss ¢)	1,043.88	1,008.77	1,002.90
Lowest share price (Swiss ¢)	950.53	955.62	985.35

Swiss franc Class 'C-H' Income share performance

The share class was launched on 14 December 2015.

for the year to 31 January Change in NAV per share	2017 Swiss ¢	2016 Swiss ¢	2015 Swiss ¢
Opening NAV	983.59	1,000.00	n/a
Return before operating charges and after direct portfolio transaction costs	93.71	(6.10)	n/a
Operating charges	(8.72)	(0.96)	n/a
Return after operating charges	84.99	(7.06)	n/a
Distributions	(40.65)	(9.35)	n/a
Closing NAV	1,027.93	983.59	n/a
Performance and charges	%	%	%
Direct portfolio transaction costs	0.00	0.00	n/a
Operating charges	0.87*	0.78**	n/a
Return after operating charges	+8.64	-0.71	n/a
Distribution yield ^[a]	4.09	3.64	n/a
Effect on yield of charges offset against capital	0.82	0.00	n/a

Other information

Closing NAV (\$'000)	5,220	29	n/a
Closing NAV percentage of total fund NAV (%)	0.24	0.00	n/a
Number of shares	504,019	3,001	n/a
Highest share price (Swiss ¢)	1,045.63	1,012.59	n/a
Lowest share price (Swiss ¢)	976.04	989.36	n/a

* Due to investor inflows, the share class NAV increased significantly towards the end of the year, therefore 0.84% is a more reliable estimate of the year to 31.01.17 ongoing charges.

** As the share class was not in existence for the full period on 31.01.16, 0.83% is a more reliable estimate of the 31.01.16 ongoing charges.

Swiss franc Class 'C-H' Accumulation share performance

The share class was launched on 11 September 2014.

for the year to 31 January Change in NAV per share	2017 Swiss ¢	2016 Swiss ¢	2015 Swiss ¢
Opening NAV	968.51	985.82	1,000.00
Return before operating charges and after direct portfolio transaction costs	93.11	(9.20)	(10.89)
Operating charges	(8.61)	(8.11)	(3.29)
Return after operating charges	84.50	(17.31)	(14.18)
Distributions	(36.81)	(32.61)	(11.84)
Retained distributions	36.81	32.61	11.84
Closing NAV	1,053.01	968.51	985.82
Performance and charges	%	%	%
Direct portfolio transaction costs	0.00	0.00	0.00
Operating charges	0.84	0.82	0.83
Return after operating charges	+8.72	-1.76	-1.42
Distribution yield	3.33	3.64	3.62
Effect on yield of charges offset against capital	0.00	0.00	0.00

Other information

Closing NAV (\$'000)	15,968	146	11
Closing NAV percentage of total fund NAV (%)	0.74	0.02	0.00
Number of shares	1,505,156	15,345	1,000
Highest share price (Swiss ¢)	1,059.67	1,013.31	1,002.95
Lowest share price (Swiss ¢)	959.43	964.22	985.88

US dollar Class 'A' Income share performance

The share class was launched on 11 September 2014.

for the year to 31 January Change in NAV per share	2017 US ¢	2016 US ¢	2015 US ¢
Opening NAV	939.87	975.22	1,000.00
Return before operating charges and after direct portfolio transaction costs	108.40	4.46	(9.16)
Operating charges	(13.90)	(13.58)	(5.59)
Return after operating charges	94.50	(9.12)	(14.75)
Distributions	(36.59)	(26.23)	(10.03)
Closing NAV	997.78	939.87	975.22
Performance and charges	%	%	%
Direct portfolio transaction costs	0.00	0.00	0.00
Operating charges	1.42	1.38	1.42
Return after operating charges	+10.05	-0.94	-1.48
Distribution yield ^[a]	4.19	3.00	2.86
Effect on yield of charges offset against capital	1.40	0.00	0.00

Other information

Closing NAV (\$'000)	40,252	22,012	1,601
Closing NAV percentage of total fund NAV (%)	1.86	2.92	0.66
Number of shares	4,034,134	2,342,071	164,226
Highest share price (US ¢)	1,015.20	1,001.83	1,002.93
Lowest share price (US ¢)	932.30	943.85	985.83

M&G Global Floating Rate High Yield Fund

Financial highlights

Specific share class performance

US dollar Class 'A' Accumulation share performance

The share class was launched on 11 September 2014.

for the year to 31 January Change in NAV per share	2017 US ¢	2016 US ¢	2015 US ¢
Opening NAV	975.60	985.07	1,000.00
Return before operating charges and after direct portfolio transaction costs	113.95	4.52	(9.22)
Operating charges	(14.72)	(13.99)	(5.71)
Return after operating charges	99.23	(9.47)	(14.93)
Distributions	(31.02)	(26.74)	(10.18)
Retained distributions	31.02	26.74	10.18
Closing NAV	1,074.83	975.60	985.07
Performance and charges	%	%	%
Direct portfolio transaction costs	0.00	0.00	0.00
Operating charges	1.43	1.40	1.42
Return after operating charges	+10.17	-0.96	-1.49
Distribution yield	2.79	3.00	2.86
Effect on yield of charges offset against capital	0.00	0.00	0.00

Other information

Closing NAV (\$'000)	120,204	38,784	6,724
Closing NAV percentage of total fund NAV (%)	5.57	5.14	2.79
Number of shares	11,183,488	3,975,390	682,571
Highest share price (US ¢)	1,081.80	1,016.07	1,002.93
Lowest share price (US ¢)	967.03	972.01	985.92

US dollar Class 'A M' Income share performance

The share class was launched on 9 October 2015.

for the year to 31 January Change in NAV per share	2017 US ¢	2016 US ¢	2015 US ¢
Opening NAV	961.47	1,000.00	n/a
Return before operating charges and after direct portfolio transaction costs	110.95	(19.26)	n/a
Operating charges	(14.63)	(4.32)	n/a
Return after operating charges	96.32	(23.58)	n/a
Distributions	(37.30)	(14.95)	n/a
Closing NAV	1,020.49	961.47	n/a
Performance and charges	%	%	%
Direct portfolio transaction costs	0.00	0.00	n/a
Operating charges	1.52*	1.35**	n/a
Return after operating charges	+10.02	-2.36	n/a
Distribution yield ^[a]	4.19	3.00	n/a
Effect on yield of charges offset against capital	1.40	0.00	n/a

Other information

Closing NAV (\$'000)	38,940	323	n/a
Closing NAV percentage of total fund NAV (%)	1.80	0.05	n/a
Number of shares	3,815,836	33,581	n/a
Highest share price (US ¢)	1,030.99	1,005.07	n/a
Lowest share price (US ¢)	953.71	960.69	n/a

* Due to investor inflows, the share class NAV increased significantly towards the end of the year, therefore 1.43% is a more reliable estimate of the year to 31.01.17 ongoing charges.

** As the share class was not in existence for the full period on 31.01.16, 1.42% is a more reliable estimate of the 31.01.16 ongoing charges.

US dollar Class 'C' Income share performance

The share class was launched on 11 September 2014.

for the year to 31 January Change in NAV per share	2017 US ¢	2016 US ¢	2015 US ¢
Opening NAV	939.85	974.96	1,000.00
Return before operating charges and after direct portfolio transaction costs	108.52	4.87	(9.58)
Operating charges	(8.25)	(8.01)	(3.21)
Return after operating charges	100.27	(3.14)	(12.79)
Distributions	(39.27)	(31.97)	(12.25)
Closing NAV	1,000.85	939.85	974.96
Performance and charges	%	%	%
Direct portfolio transaction costs	0.00	0.00	0.00
Operating charges	0.83	0.82	0.83
Return after operating charges	+10.67	-0.32	-1.28
Distribution yield ^[a]	4.18	3.59	3.46
Effect on yield of charges offset against capital	0.80	0.00	0.00

Other information

Closing NAV (\$'000)	23,260	3,303	10,416
Closing NAV percentage of total fund NAV (%)	1.08	0.44	4.32
Number of shares	2,323,991	351,414	1,068,353
Highest share price (US ¢)	1,018.31	1,003.31	1,002.98
Lowest share price (US ¢)	932.50	945.18	986.38

US dollar Class 'C' Accumulation share performance

The share class was launched on 11 September 2014.

for the year to 31 January Change in NAV per share	2017 US ¢	2016 US ¢	2015 US ¢
Opening NAV	983.41	987.04	1,000.00
Return before operating charges and after direct portfolio transaction costs	115.11	4.43	(9.70)
Operating charges	(8.54)	(8.06)	(3.26)
Return after operating charges	106.57	(3.63)	(12.96)
Distributions	(37.70)	(32.82)	(12.25)
Retained distributions	37.70	32.82	12.25
Closing NAV	1,089.98	983.41	987.04
Performance and charges	%	%	%
Direct portfolio transaction costs	0.00	0.00	0.00
Operating charges	0.82	0.80	0.81
Return after operating charges	+10.84	-0.37	-1.30
Distribution yield	3.39	3.60	3.46
Effect on yield of charges offset against capital	0.00	0.00	0.00

Other information

Closing NAV (\$'000)	284,326	119,688	18,901
Closing NAV percentage of total fund NAV (%)	13.16	15.86	7.85
Number of shares	26,085,507	12,170,761	1,914,954
Highest share price (US ¢)	1,097.02	1,020.21	1,002.98
Lowest share price (US ¢)	975.00	979.74	986.37

M&G Global Floating Rate High Yield Fund

Financial highlights

Specific share class performance

US dollar Class 'C M' Income share performance

The share class was launched on 9 October 2015.

for the year to 31 January	2017	2016	2015
Change in NAV per share	US ¢	US ¢	US ¢
Opening NAV	960.36	1,000.00	n/a
Return before operating charges and after direct portfolio transaction costs	110.51	(19.40)	n/a
Operating charges	(8.15)	(2.43)	n/a
Return after operating charges	102.36	(21.83)	n/a
Distributions	(40.27)	(17.81)	n/a
Closing NAV	1,022.45	960.36	n/a
Performance and charges	%	%	%
Direct portfolio transaction costs	0.00	0.00	n/a
Operating charges	0.88*	0.80	n/a
Return after operating charges	+10.66	-2.18	n/a
Distribution yield ^[a]	4.19	3.59	n/a
Effect on yield of charges offset against capital	0.80	0.00	n/a
Other information			
Closing NAV (\$'000)	6,986	29	n/a
Closing NAV percentage of total fund NAV (%)	0.32	0.00	n/a
Number of shares	683,249	3,000	n/a
Highest share price (US ¢)	1,032.97	1,005.38	n/a
Lowest share price (US ¢)	952.84	960.02	n/a

* Due to investor inflows, the share class NAV increased significantly towards the end of the year, therefore 0.83% is a more reliable estimate of the year to 31.01.17 ongoing charges.

^[a] Following the change in charging structure, you may see variances between the comparative and current year figures.

M&G Global Floating Rate High Yield Fund

Financial statements and notes

Financial statements

Statement of total return					
for the year to 31 January	Note	2017		2016	
		\$'000	\$'000	\$'000	\$'000
Income					
Net capital gains / (losses)	3		6,059	(69,892)	
Revenue	5	41,373		26,112	
Expenses	6	(9,268)		(5,443)	
Net revenue / (expense) before taxation		32,105		20,669	
Taxation	7	(21)		(38)	
Net revenue / (expense) after taxation			32,084	20,631	
Total return before distributions			38,143	(49,261)	
Distributions	8		(33,752)	(20,634)	
Change in net assets attributable to shareholders from investment activities			4,391	(69,895)	

Statement of change in net assets attributable to shareholders				
	2017		2016	
for the year to 31 January	\$'000	\$'000	\$'000	\$'000
Opening net assets attributable to shareholders		754,845		240,916
Amounts received on issue of shares	1,649,732		848,424	
Amounts paid on cancellation of shares	<u>(279,806)</u>		<u>(282,523)</u>	
		1,369,926		565,901
Dilution adjustments		5,369		3,680
Change in net assets attributable to shareholders from investment activities (see above)		4,391		(69,895)
Retained distributions on Accumulation shares		25,505		14,243
Closing net assets attributable to shareholders		2,160,036		754,845

Balance sheet			
as at 31 January	Note	2017 \$'000	2016 \$'000
Assets			
Fixed assets			
Investments		1,811,530	731,292
Current assets			
Debtors	9	252,101	38,742
Cash and bank balances	10	327,984	45,930
Total assets		2,391,615	815,964
Liabilities			
Investment liabilities		(23,391)	(16,143)
Creditors			
Bank overdrafts		0	(1)
Distribution payable		(6,009)	(2,599)
Other creditors	11	(202,179)	(42,376)
Total liabilities		(231,579)	(61,119)
Net assets attributable to shareholders		2,160,036	754,845

Notes to the financial statements

1 Accounting policies

The financial statements have been prepared in accordance with the 'Summary of significant accounting policies' set out on pages 6 and 7.

2 Distribution policy

With effect from 1 August 2016, the distribution policy has been amended so that in determining the amount available for distribution to Income shares, the annual management charge, administration charge and where relevant the share class hedging charge are now offset against capital, increasing the amount available for distribution whilst restraining capital performance to an equivalent extent.

3 Net capital gains / (losses)

for the year to 31 January	2017 \$'000	2016 \$'000
Non-derivative securities	31,079	(51,316)
Derivative contracts	(33,804)	(29,056)
Currency gains / (losses)	8,796	10,492
Transaction charges	(12)	(12)
Net capital gains / (losses)	6,059	(69,892)

4 Portfolio transactions and associated costs

The following tables show portfolio transactions and their associated transaction costs. For more information about the nature of the costs please see the section on 'Operating charges and portfolio transaction costs' on pages 85 and 86.

for the year to 31 January	2017 \$'000	2016 \$'000
a) Purchases		
Debt securities ^[a]	1,256,131	724,983
b) Sales		
Debt securities ^[a]	377,994	245,481
Other asset classes		
Corporate actions	9,922	1,303
Total sales after transaction costs	387,916	246,784
c) There were no direct portfolio transaction costs.		
d) Indirect portfolio transaction costs	%	%
Portfolio dealing spread ^[b]	0.66	0.92

^[a] These types of transaction do not attract direct portfolio transaction costs.

^[b] Average portfolio dealing spread at the balance sheet date.

5 Revenue

for the year to 31 January	2017 \$'000	2016 \$'000
Bank interest	37	2
Derivative revenue	7,240	3,178
Interest distributions	520	96
Interest on debt securities	33,576	22,836
Total revenue	41,373	26,112

M&G Global Floating Rate High Yield Fund

Financial statements and notes

Notes to the financial statements

6 Expenses

for the year to 31 January	2017 \$'000	2016 \$'000
Payable to the ACD or associate		
Annual management charge	7,543	4,330
Administration charge	1,407	931
Share class hedging charge	133	97
	9,083	5,358
Payable to the Depositary or associate		
Depositary's charge (including VAT)	58	45
	58	45
Other expenses		
Audit fee (including VAT)	14	9
Interest payable	82	8
Safe custody charge	31	23
	127	40
Total expenses	9,268	5,443

7 Taxation

for the year to 31 January	2017 \$'000	2016 \$'000
a) Analysis of charge in the year		
Corporation tax	0	0
Withholding tax	21	32
Prior year adjustment	0	6
Deferred tax (note 7c)	0	0
Total taxation	21	38
b) Factors affecting taxation charge for the year		
Net revenue / (expense) before taxation	32,105	20,669
Corporation tax at 20%	6,421	4,134
Effects of:		
Interest distributions	(8,275)	(5,222)
Current year expenses not utilised	1,854	1,088
Withholding tax	21	32
Prior year adjustment	0	6
Total tax charge (note 7a)	21	38
c) Provision for deferred taxation		
Provision at the start of the year	0	0
Deferred tax in profit and loss account (note 7a)	0	0
Provision at the end of the year	0	0

The fund has not recognised a deferred tax asset in the current financial year (2016: same).

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

8 Distributions

	2017		2016	
for the year to 31 January	Inc ^[a] \$'000	Acc ^[b] \$'000	Inc ^[a] \$'000	Acc ^[b] \$'000
Interest distributions				
First interim	1	0	n/a	n/a
Second interim	1	0	n/a	n/a
Third interim	2,003	4,100	1,118	1,410
Fourth interim	2	0	n/a	n/a
Fifth interim	3	0	n/a	n/a
Sixth interim	1,965	3,867	1,405	3,399
Seventh interim	4	0	n/a	n/a
Eighth interim	4	0	n/a	n/a
Ninth interim	3,174	4,728	1,905	5,124
Tenth interim	10	0	n/a	n/a
Eleventh interim	14	0	n/a	n/a
Final	5,170	12,810	2,002	4,310
Total net distributions		37,856		20,673
Income tax deducted at source		2,785		2,107
Interest distributions		40,641		22,780
Income deducted on cancellation of shares		1,591		1,227
Income received on issue of shares		(8,480)		(3,373)
Distributions		33,752		20,634
Net revenue per statement of total return		32,084		20,631
Expenses offset against capital		1,669		0
Undistributed income brought forward		0		3
Undistributed income carried forward		(1)		0
Distributions		33,752		20,634

^[a] Distributions payable on Income shares.

^[b] Retained distributions on Accumulation shares.

9 Debtors

as at 31 January	2017 \$'000	2016 \$'000
Amounts receivable on issues of shares	120,302	12,272
Currency deals outstanding	80,453	19,451
Debt security interest receivable	9,062	4,649
Distributions receivable	100	20
Derivative revenue receivable	2,169	2,350
Sales awaiting settlement	39,999	0
Withholding tax recoverable	16	0
Total debtors	252,101	38,742

10 Cash and bank balances

as at 31 January	2017 \$'000	2016 \$'000
Amounts held at futures clearing houses and brokers	1,360	0
Cash held as bank balances	326,624	45,930
Total cash and bank balances	327,984	45,930

11 Other creditors

as at 31 January	2017 \$'000	2016 \$'000
ACD's annual management charge payable	704	171
Administration charge payable	118	35
Amounts payable on cancellation of shares	348	20,437
Bank overdraft interest payable	0	2,296
Currency deals outstanding	80,976	19,415
Expenses payable	37	18
Purchases awaiting settlement	119,985	0
Share class hedging charge payable	11	4
Total other creditors	202,179	42,376

M&G Global Floating Rate High Yield Fund

Financial statements and notes

Notes to the financial statements

12 Contingent assets, liabilities and outstanding commitments

There were no contingent assets, liabilities or outstanding commitments at the balance sheet date (2016: same).

13 Shares in issue

The following table shows each class of share in issue during the year. Each share class has the same rights on winding up however they may have different charging structures as set out in note 14.

Share class	Opening 01.02.16	Movements Issued Cancelled	Closing 31.01.17
Euro			
Class 'A-H' Income (Gross)	1,460,598	8,048,266 (60,743)	9,448,121
Class 'A-H' Accumulation (Gross)	7,185,200	45,554,452 (995,067)	51,744,585
Class 'B-H' Income (Gross)	39,302	798,728 (1,515)	836,515
Class 'B-H' Accumulation (Gross)	88,674	1,943,329 (1,010)	2,030,993
Class 'C-H' Income (Gross)	739,386	4,756,685 (326,541)	5,169,530
Class 'C-H' Accumulation (Gross)	14,291,683	29,646,103 (8,344,643)	35,593,143
Singapore dollar			
Class 'A-H' Income (Gross)	20,946	454,493 0	475,439
Class 'A-H M' Income (Gross)	4,004	534,133 0	538,137
Class 'C-H M' Income (Gross)	4,005	2,396 0	6,401
Sterling			
Class 'A-H' Income (Net)	7,511,535	756,264 (467,837)	7,799,962
Class 'A-H' Accumulation (Net)	1,866,182	9,297,262 (2,024,487)	9,138,957
Class 'E-H' Income (Net)	45,236,678	0 (11,488,601)	33,748,077
Class 'E-H' Accumulation (Net)	33,118,557	43,011 (3,348,104)	29,813,464
Class 'I-H' Income (Net)	100,080,364	85,564,130 (12,714,665)	172,929,829
Class 'I-H' Accumulation (Net)	44,549,811	44,967,723 (4,210,596)	85,306,938
Class 'R-H' Income (Net)	67,908	17,412 0	85,320
Class 'R-H' Accumulation (Net)	10,000	41,567 0	51,567
Swiss franc			
Class 'A-H' Income (Gross)	3,000	59,397 0	62,397
Class 'A-H' Accumulation (Gross)	135,372	353,505 (2,009)	486,868
Class 'C-H' Income (Gross)	3,001	501,018 0	504,019
Class 'C-H' Accumulation (Gross)	15,345	1,541,767 (51,956)	1,505,156
US dollar			
Class 'A' Income (Gross)	2,342,071	2,144,913 (452,850)	4,034,134
Class 'A' Accumulation (Gross)	3,975,390	8,906,549 (1,698,451)	11,183,488
Class 'A M' Income (Gross)	33,581	3,783,255 (1,000)	3,815,836
Class 'C' Income (Gross)	351,414	2,189,067 (216,490)	2,323,991
Class 'C' Accumulation (Gross)	12,170,761	23,800,287 (9,885,541)	26,085,507
Class 'C M' Income (Gross)	3,000	680,249 0	683,249

14 Charging structure

The table below sets out the charging structure for each class of share. The charging structure is the same for both Income and Accumulation shares of each class.

Share class	Entry charge %	Exit charge %	Annual management charge %	Share class hedging charge %
Euro				
Class 'A-H'	4.00	n/a	1.25	[a]
Class 'B-H'	1.25	n/a	1.75	[a]
Class 'C-H'	1.25	n/a	0.65	[a]
Singapore dollar				
Class 'A-H'	4.00	n/a	1.25	[a]
Class 'A-H M'	4.00	n/a	1.25	[a]
Class 'C-H M'	1.25	n/a	0.65	[a]
Sterling				
Class 'A-H'	3.00 [b]	n/a	1.25	[a]
Class 'E-H'	0.00 [b]	n/a	0.40	[a]
Class 'I-H'	1.00 [b]	n/a	0.65	[a]
Class 'R-H'	1.00 [b]	n/a	1.00	[a]
Swiss franc				
Class 'A-H'	4.00	n/a	1.25	[a]
Class 'C-H'	1.25	n/a	0.65	[a]
US dollar				
Class 'A'	4.00	n/a	1.25	n/a
Class 'A M'	4.00	n/a	1.25	n/a
Class 'C'	1.25	n/a	0.65	n/a
Class 'C M'	1.25	n/a	0.65	n/a

[a] This charge may vary between 0.01% and 0.055%.

[b] With effect from 16 December 2016, the entry charge has been discounted to zero on all new investments into sterling share classes.

15 Related parties

M&G Securities Limited, as Authorised Corporate Director (ACD), is a related party and acts as principal on all the transactions of shares in the fund except with in-specie transactions, where M&G Securities Limited acts as an agent. The aggregate monies received through issues, and paid on cancellations, are disclosed in the 'Statement of change in net assets attributable to shareholders' and note 8. Amounts due to / from M&G Securities Limited in respect of share transactions at the year end are disclosed in notes 9 and 11 where applicable.

Amounts paid to M&G Securities Limited in respect of the ACD's annual management charge, administration charge and share class hedging charge are disclosed in note 6. Amounts due at the year end in respect of the ACD's annual management charge, administration charge and share class hedging charge are disclosed in note 11.

At the balance sheet date, shareholders from within Prudential plc, of which M&G Securities Limited is a wholly owned subsidiary, have holdings totalling 0.16% (2016: 1.27%) of the fund's shares.

16 Events after the balance sheet date

There were no events after the balance sheet date to disclose.

M&G Global Floating Rate High Yield Fund

Financial statements and notes

Notes to the financial statements

17 Portfolio fair value analysis

Financial instruments have been measured at their fair value and have been classified below using a hierarchy that reflects the significance of the inputs used in measuring their fair value:

Level 1: Quoted prices for identical instruments in active markets

This includes instruments such as publicly traded equities; highly liquid bonds (e.g. Government bonds) and exchange traded derivatives (e.g. futures) for which quoted prices are readily and regularly available.

Level 2: Valuation techniques using observable market data

This includes publicly traded corporate bonds and instruments which have been valued using models with observable market data inputs such as quoted prices for similar instruments, interest rates, yield curves or credit spreads. Over-the-counter instruments have also been included in the category.

Level 3: Valuation techniques using non-observable market data

This refers to instruments which have been valued using models with non-observable market data inputs. This includes private equity, unlisted closed-ended funds and investment analyst recommended prices where the market price is deemed to not be a true representation of fair value. However no such financial instruments were held.

as at 31 January	Assets	Liabilities	Assets	Liabilities
Valuation technique	2017 \$'000	2017 \$'000	2016 \$'000	2016 \$'000
Level 1	205,249	0	54,921	0
Level 2	1,606,281	(23,391)	676,371	(16,143)
Level 3	0	0	0	0
	1,811,530	(23,391)	731,292	(16,143)

In accordance with FRS 102 (22.4a) the shares in issue for each class meet the definition of a puttable instrument as the shareholders have the right to sell the shares back to the issuer. The shares in the fund may be issued and redeemed on any business day at the quoted price. These shares are not traded on an exchange. However, the price is observable and transactions within the fund take place regularly at that price. The shares in issue as detailed in note 13 meet the definition of a level 2 financial instrument 'Valuation techniques using observable market data'.

18 Risk management policies

General risk management policies for the fund are described in note 3 to the financial statements on pages 7 and 8.

19 Market risk

VaR is the risk measurement methodology used to assess the fund's leverage and market risk volatility. When VaR is calculated as a percentage of the net asset value it may not be greater than the VaR limit set for the fund.

The VaR limit set during the financial year to 31 January 2017 was 12% (2016: 12%).

The lowest, highest and average level of leverage employed and utilisation of the leverage level calculated during the financial years ended 31 January 2017 and 31 January 2016 are disclosed in the table below. The lowest, highest and average utilisation of VaR is with reference to the limit above.

for the year to 31 January	2017 %	2016 %
Lowest	2.91	2.79
Highest	5.72	6.30
Average	3.98	4.05

20 Credit risk

as at 31 January	2017 \$'000	2016 \$'000
Investment grade securities	327,276	67,363
Below investment grade securities	1,189,165	581,766
Unrated securities	32,971	2,815
Other investments	238,727	63,205
Total	1,788,139	715,149

21 Counterparty exposure

as at 31 January 2017	Credit default swaps \$'000	Asset swaps \$'000	Forward currency contracts \$'000	Collateral held as cash \$'000	Net exposure \$'000
Bank of America Merrill Lynch	1,450	0	0	0	1,450
Barclays Bank	4,828	0	0	0	4,828
Citigroup	1,292	5	0	0	1,297
Credit Suisse	12,312	(45)	0	0	12,267
Goldman Sachs	3,681	(1,125)	0	0	2,556
HSBC	0	(661)	(65)	0	(726)
JPMorgan	15,541	(432)	(113)	(1,360)	13,636
Royal Bank of Scotland	0	0	(616)	0	(616)
State Street Bank	0	0	12,504	0	12,504
Total	39,104	(2,258)	11,710	(1,360)	47,196

as at 31 January 2016	Credit default swaps \$'000	Asset swaps \$'000	Forward currency contracts \$'000	Collateral held as cash \$'000	Net exposure \$'000
BNP Paribas	296	0	0	0	296
Citigroup	367	0	0	0	367
Credit Suisse	741	0	0	0	741
HSBC	0	(1,278)	0	0	(1,278)
JPMorgan	2,753	(1,115)	0	0	1,638
Royal Bank of Scotland	0	0	(291)	0	(291)
State Street Bank	0	0	(6,196)	0	(6,196)
Total	4,157	(2,393)	(6,487)	0	(4,723)

Net exposure represents the mark-to-market value of derivative contracts less any cash collateral held. Positive exposure represents the fund's exposure to that counterparty. Negative amounts are not an exposure to the fund.

M&G Global Floating Rate High Yield Fund

Financial statements and notes

Notes to the financial statements

22 Leverage risk

Funds using VaR approaches are required to disclose the level of leverage employed during the financial reporting period.

Derivatives can be used by the fund to generate market exposure to investments exceeding the net asset value. As a result of this exposure, the size of any positive or negative movement in markets may have a more significant effect on the net asset value of the fund.

The lowest, highest and average level of leverage employed and utilisation of the leverage level calculated during the financial years ended 31 January 2017 and 31 January 2016 are disclosed in the table below.

for the year to 31 January	2017 \$'000	2017 %	2016 \$'000	2016 %
Lowest	1,802,416	226	1,530,640	244
Highest	5,903,644	420	4,304,713	473
Average	2,520,706	277	2,451,861	296

23 Exchange rate risk for hedged share classes

This fund contains hedged share classes. These share classes operate currency hedges designed to reduce the impact of exchange rates in certain circumstances. As a result, profit and loss on the currency hedges may impact the liquidity of the overall fund. On a day to day basis this is monitored using reporting from the outsourced provider of the hedged share class service. On an ongoing basis the size of the hedged share classes is monitored to ensure that unforeseen exchange rate volatility can be adequately managed without significantly impacting all shareholders.

24 Interest distribution tables

This fund pays both monthly and quarterly interest distributions depending on the share class. The following tables set out the distribution periods applicable.

Monthly distribution periods				
	Start	End	Xd	Payment
First interim	01.02.16	29.02.16	01.03.16	30.04.16
Second interim	01.03.16	31.03.16	01.04.16	31.05.16
Third interim	01.04.16	30.04.16	03.05.16	30.06.16
Fourth interim	01.05.16	31.05.16	01.06.16	31.07.16
Fifth interim	01.06.16	30.06.16	01.07.16	31.08.16
Sixth interim	01.07.16	31.07.16	01.08.16	30.09.16
Seventh interim	01.08.16	31.08.16	01.09.16	31.10.16
Eighth interim	01.09.16	30.09.16	03.10.16	30.11.16
Ninth interim	01.10.16	31.10.16	01.11.16	31.12.16
Tenth interim	01.11.16	30.11.16	01.12.16	31.01.17
Eleventh interim	01.12.16	31.12.16	03.01.17	28.02.17
Final	01.01.17	31.01.17	01.02.17	31.03.17

Quarterly distribution periods				
	Start	End	Xd	Payment
First interim	01.02.16	30.04.16	03.05.16	30.06.16
Second interim	01.05.16	31.07.16	01.08.16	30.09.16
Third interim	01.08.16	31.10.16	01.11.16	31.12.16
Final	01.11.16	31.01.17	01.02.17	31.03.17

The following tables set out for each distribution the rates per share for both Group 1 and Group 2 shares.

Group 1 shares are those purchased prior to a distribution period and therefore their net revenue rate is the same as the distribution rate.

Group 2 shares are those purchased during a distribution period and therefore their distribution rate is made up of net revenue and equalisation. Equalisation is the average amount of revenue included in the purchase price of all Group 2 shares and is refunded to the holders of these shares as a return of capital. Being capital it is not liable to Income Tax. Instead, it must be deducted from the cost of shares for Capital Gains Tax purposes. The tables below show the split of the Group 2 rates into the net revenue and equalisation components.

Euro Class 'A-H' Income shares

Interest distributions for the year to 31 January	Gross income 2017	Income tax deducted 2017	Net income 2017	Equalisation 2017	Distribution 2017 2016	
Group 1	€	€	€	€	€	€
First interim	6.9499	-	6.9499	-	6.9499	5.5368
Second interim	7.1760	-	7.1760	-	7.1760	6.1108
Third interim	11.0365	-	11.0365	-	11.0365	7.0080
Final	10.8555	-	10.8555	-	10.8555	7.2709
Group 2						
First interim	1.6184	-	1.6184	5.3315	6.9499	5.5368
Second interim	3.4762	-	3.4762	3.6998	7.1760	6.1108
Third interim	3.4812	-	3.4812	7.5553	11.0365	7.0080
Final	3.4436	-	3.4436	7.4119	10.8555	7.2709

Euro Class 'A-H' Accumulation shares

Interest distributions for the year to 31 January	Gross income 2017	Income tax deducted 2017	Net income 2017	Equalisation 2017	Distribution 2017 2016	
Group 1	€	€	€	€	€	€
First interim	7.1994	-	7.1994	-	7.1994	5.6060
Second interim	7.5079	-	7.5079	-	7.5079	6.2246
Third interim	8.0242	-	8.0242	-	8.0242	7.1808
Final	7.7515	-	7.7515	-	7.7515	7.5029
Group 2						
First interim	2.0435	-	2.0435	5.1559	7.1994	5.6060
Second interim	3.6285	-	3.6285	3.8794	7.5079	6.2246
Third interim	2.1737	-	2.1737	5.8505	8.0242	7.1808
Final	2.3093	-	2.3093	5.4422	7.7515	7.5029

Euro Class 'B-H' Income shares

Interest distributions for the year to 31 January	Gross income 2017	Income tax deducted 2017	Net income 2017	Equalisation 2017	Distribution 2017 2016	
Group 1	€	€	€	€	€	€
First interim	6.0275	-	6.0275	-	6.0275	n/a
Second interim	6.1090	-	6.1090	-	6.1090	n/a
Third interim	11.2465	-	11.2465	-	11.2465	6.7536
Final	11.0763	-	11.0763	-	11.0763	6.2961
Group 2						
First interim	2.2639	-	2.2639	3.7636	6.0275	n/a
Second interim	2.2657	-	2.2657	3.8433	6.1090	n/a
Third interim	4.1415	-	4.1415	7.1050	11.2465	6.7536
Final	3.1260	-	3.1260	7.9503	11.0763	6.2961

M&G Global Floating Rate High Yield Fund

Financial statements and notes

Notes to the financial statements

24 Interest distribution tables (continued)

Euro Class 'B-H' Accumulation shares						
Interest distributions for the year to 31 January	Gross income 2017	Income tax deducted 2017	Net income 2017	Equalisation 2017	Distribution	
					2017	2016
Group 1	€	€	€	€	€	€
First interim	6.0507	-	6.0507	-	6.0507	n/a
Second interim	6.2222	-	6.2222	-	6.2222	n/a
Third interim	6.6626	-	6.6626	-	6.6626	6.7432
Final	6.3361	-	6.3361	-	6.3361	6.3764
Group 2						
First interim	2.4070	-	2.4070	3.6437	6.0507	n/a
Second interim	2.6061	-	2.6061	3.6161	6.2222	n/a
Third interim	1.3987	-	1.3987	5.2639	6.6626	6.7432
Final	2.3363	-	2.3363	3.9998	6.3361	6.3764

Euro Class 'C-H' Income shares						
Interest distributions for the year to 31 January	Gross income 2017	Income tax deducted 2017	Net income 2017	Equalisation 2017	Distribution	
					2017	2016
Group 1	€	€	€	€	€	€
First interim	8.3366	-	8.3366	-	8.3366	6.9892
Second interim	8.6247	-	8.6247	-	8.6247	7.6104
Third interim	11.0777	-	11.0777	-	11.0777	8.4940
Final	10.8824	-	10.8824	-	10.8824	8.6986
Group 2						
First interim	5.6940	-	5.6940	2.6426	8.3366	6.9892
Second interim	3.3550	-	3.3550	5.2697	8.6247	7.6104
Third interim	2.9635	-	2.9635	8.1142	11.0777	8.4940
Final	2.9928	-	2.9928	7.8896	10.8824	8.6986

Euro Class 'C-H' Accumulation shares						
Interest distributions for the year to 31 January	Gross income 2017	Income tax deducted 2017	Net income 2017	Equalisation 2017	Distribution	
					2017	2016
Group 1	€	€	€	€	€	€
First interim	8.6794	-	8.6794	-	8.6794	7.0412
Second interim	9.1018	-	9.1018	-	9.1018	7.7680
Third interim	9.7076	-	9.7076	-	9.7076	8.7400
Final	9.4760	-	9.4760	-	9.4760	9.0068
Group 2						
First interim	3.6413	-	3.6413	5.0381	8.6794	7.0412
Second interim	5.0950	-	5.0950	4.0068	9.1018	7.7680
Third interim	2.4820	-	2.4820	7.2256	9.7076	8.7400
Final	3.5342	-	3.5342	5.9418	9.4760	9.0068

Singapore dollar Class 'A-H' Income shares						
Interest distributions for the year to 31 January	Gross income 2017	Income tax deducted 2017	Net income 2017	Equalisation 2017	Distribution	
					2017	2016
Group 1	€	€	€	€	€	€
First interim	7.5774	-	7.5774	-	7.5774	5.4652
Second interim	7.3093	-	7.3093	-	7.3093	6.3549
Third interim	11.5993	-	11.5993	-	11.5993	7.0816
Final	11.3545	-	11.3545	-	11.3545	7.6651
Group 2						
First interim	7.3432	-	7.3432	0.2342	7.5774	5.4652
Second interim	2.5528	-	2.5528	4.7565	7.3093	6.3549
Third interim	1.5366	-	1.5366	10.0627	11.5993	7.0816
Final	2.1517	-	2.1517	9.2028	11.3545	7.6651

Singapore dollar Class 'A-H M' Income shares						
Interest distributions for the year to 31 January	Gross income 2017	Income tax deducted 2017	Net income 2017	Equalisation 2017	Distribution	
					2017	2016
Group 1	€	€	€	€	€	€
First interim	2.9963	-	2.9963	-	2.9963	0.0000
Second interim	2.2292	-	2.2292	-	2.2292	0.0000
Third interim	2.1804	-	2.1804	-	2.1804	7.2108
Fourth interim	2.5184	-	2.5184	-	2.5184	0.0000
Fifth interim	2.5051	-	2.5051	-	2.5051	0.0000
Sixth interim	2.2804	-	2.2804	-	2.2804	2.3106
Seventh interim	3.9855	-	3.9855	-	3.9855	0.0000
Eighth interim	3.7748	-	3.7748	-	3.7748	0.0000
Ninth interim	3.8309	-	3.8309	-	3.8309	2.5451
Tenth interim	3.6510	-	3.6510	-	3.6510	0.0000
Eleventh interim	3.5652	-	3.5652	-	3.5652	0.0000
Final	3.9057	-	3.9057	-	3.9057	2.7380

Group 2						
First interim	2.9963	-	2.9963	0.0000	2.9963	0.0000
Second interim	2.2292	-	2.2292	0.0000	2.2292	0.0000
Third interim	2.1804	-	2.1804	0.0000	2.1804	7.2108
Fourth interim	2.5184	-	2.5184	0.0000	2.5184	0.0000
Fifth interim	2.5051	-	2.5051	0.0000	2.5051	0.0000
Sixth interim	2.2804	-	2.2804	0.0000	2.2804	2.3106
Seventh interim	3.9855	-	3.9855	0.0000	3.9855	0.0000
Eighth interim	3.7748	-	3.7748	0.0000	3.7748	0.0000
Ninth interim	3.8309	-	3.8309	0.0000	3.8309	2.5451
Tenth interim	3.6510	-	3.6510	0.0000	3.6510	0.0000
Eleventh interim	3.5652	-	3.5652	0.0000	3.5652	0.0000
Final	1.2564	-	1.2564	2.6493	3.9057	2.7380

Singapore dollar Class 'C-H M' Income shares						
Interest distributions for the year to 31 January	Gross income 2017	Income tax deducted 2017	Net income 2017	Equalisation 2017	Distribution	
					2017	2016
Group 1	€	€	€	€	€	€
First interim	3.4708	-	3.4708	-	3.4708	0.0000
Second interim	2.7238	-	2.7238	-	2.7238	0.0000
Third interim	2.6459	-	2.6459	-	2.6459	8.5900
Fourth interim	3.0333	-	3.0333	-	3.0333	0.0000
Fifth interim	2.9948	-	2.9948	-	2.9948	0.0000
Sixth interim	2.7568	-	2.7568	-	2.7568	2.8147
Seventh interim	3.9988	-	3.9988	-	3.9988	0.0000
Eighth interim	3.7742	-	3.7742	-	3.7742	0.0000
Ninth interim	3.8313	-	3.8313	-	3.8313	3.0319
Tenth interim	3.6345	-	3.6345	-	3.6345	0.0000
Eleventh interim	3.5638	-	3.5638	-	3.5638	0.0000
Final	3.8930	-	3.8930	-	3.8930	3.2071

Group 2						
First interim	3.4708	-	3.4708	0.0000	3.4708	0.0000
Second interim	2.7238	-	2.7238	0.0000	2.7238	0.0000
Third interim	2.6459	-	2.6459	0.0000	2.6459	8.5900
Fourth interim	3.0333	-	3.0333	0.0000	3.0333	0.0000
Fifth interim	2.9948	-	2.9948	0.0000	2.9948	0.0000
Sixth interim	2.7568	-	2.7568	0.0000	2.7568	2.8147
Seventh interim	3.9988	-	3.9988	0.0000	3.9988	0.0000
Eighth interim	3.7742	-	3.7742	0.0000	3.7742	0.0000
Ninth interim	3.8313	-	3.8313	0.0000	3.8313	3.0319
Tenth interim	3.3588	-	3.3588	0.2757	3.6345	0.0000
Eleventh interim	1.9278	-	1.9278	1.6360	3.5638	0.0000
Final	3.8930	-	3.8930	0.0000	3.8930	3.2071

M&G Global Floating Rate High Yield Fund

Financial statements and notes

Notes to the financial statements

24 Interest distribution tables (continued)

Sterling Class 'A-H' Income shares						
Interest distributions for the year to 31 January	Gross income 2017	Income tax deducted 2017	Net income 2017	Equalisation 2017	Distribution	
	p	p	p	p	2017	2016
Group 1						
First interim	0.7245	0.1449	0.5796	-	0.5796	0.4388
Second interim	0.7620	0.1524	0.6096	-	0.6096	0.4708
Third interim	1.1440	0.2288	0.9152	-	0.9152	0.5612
Final	1.1085	0.2217	0.8868	-	0.8868	0.6128
Group 2						
First interim	0.3966	0.0793	0.3173	0.2623	0.5796	0.4388
Second interim	0.1401	0.0280	0.1121	0.4975	0.6096	0.4708
Third interim	0.4445	0.0889	0.3556	0.5596	0.9152	0.5612
Final	0.2426	0.0485	0.1941	0.6927	0.8868	0.6128

Sterling Class 'A-H' Accumulation shares						
Interest distributions for the year to 31 January	Gross income 2017	Income tax deducted 2017	Net income 2017	Equalisation 2017	Distribution	
	p	p	p	p	2017	2016
Group 1						
First interim	0.7870	0.1574	0.6296	-	0.6296	0.4392
Second interim	0.7895	0.1579	0.6316	-	0.6316	0.4812
Third interim	0.8225	0.1645	0.6580	-	0.6580	0.5728
Final	0.7835	0.1567	0.6268	-	0.6268	0.6240
Group 2						
First interim	0.4219	0.0844	0.3375	0.2921	0.6296	0.4392
Second interim	0.3201	0.0640	0.2561	0.3755	0.6316	0.4812
Third interim	0.1920	0.0384	0.1536	0.5044	0.6580	0.5728
Final	0.1850	0.0370	0.1480	0.4788	0.6268	0.6240

Sterling Class 'E-H' Income shares						
Interest distributions for the year to 31 January	Gross income 2017	Income tax deducted 2017	Net income 2017	Equalisation 2017	Distribution	
	p	p	p	p	2017	2016
Group 1						
First interim	0.9190	0.1838	0.7352	-	0.7352	0.5980
Second interim	0.9715	0.1943	0.7772	-	0.7772	0.6404
Third interim	1.1495	0.2299	0.9196	-	0.9196	0.7284
Final	1.1105	0.2221	0.8884	-	0.8884	0.7688
Group 2						
First interim	0.9190	0.1838	0.7352	0.0000	0.7352	0.5980
Second interim	0.9715	0.1943	0.7772	0.0000	0.7772	0.6404
Third interim	1.1495	0.2299	0.9196	0.0000	0.9196	0.7284
Final	1.1105	0.2221	0.8884	0.0000	0.8884	0.7688

Sterling Class 'E-H' Accumulation shares						
Interest distributions for the year to 31 January	Gross income 2017	Income tax deducted 2017	Net income 2017	Equalisation 2017	Distribution	
	p	p	p	p	2017	2016
Group 1						
First interim	0.9580	0.1916	0.7664	-	0.7664	0.6020
Second interim	1.0185	0.2037	0.8148	-	0.8148	0.6500
Third interim	1.0650	0.2130	0.8520	-	0.8520	0.7460
Final	1.0290	0.2058	0.8232	-	0.8232	0.8024
Group 2						
First interim	0.4324	0.0865	0.3459	0.4205	0.7664	0.6020
Second interim	0.4960	0.0992	0.3968	0.4180	0.8148	0.6500
Third interim	0.4964	0.0993	0.3971	0.4549	0.8520	0.7460
Final	0.4659	0.0932	0.3727	0.4505	0.8232	0.8024

Sterling Class 'I-H' Income shares						
Interest distributions for the year to 31 January	Gross income 2017	Income tax deducted 2017	Net income 2017	Equalisation 2017	Distribution	
	p	p	p	p	2017	2016
Group 1						
First interim	0.8630	0.1726	0.6904	-	0.6904	0.5496
Second interim	0.9100	0.1820	0.7280	-	0.7280	0.5920
Third interim	1.1495	0.2299	0.9196	-	0.9196	0.6800
Final	1.1110	0.2222	0.8888	-	0.8888	0.7252
Group 2						
First interim	0.3680	0.0736	0.2944	0.3960	0.6904	0.5496
Second interim	0.4909	0.0982	0.3927	0.3353	0.7280	0.5920
Third interim	0.7185	0.1437	0.5748	0.3448	0.9196	0.6800
Final	0.6093	0.1219	0.4874	0.4014	0.8888	0.7252

Sterling Class 'I-H' Accumulation shares						
Interest distributions for the year to 31 January	Gross income 2017	Income tax deducted 2017	Net income 2017	Equalisation 2017	Distribution	
	p	p	p	p	2017	2016
Group 1						
First interim	0.8940	0.1788	0.7152	-	0.7152	0.5604
Second interim	0.9500	0.1900	0.7600	-	0.7600	0.6012
Third interim	0.9945	0.1989	0.7956	-	0.7956	0.6952
Final	0.9555	0.1911	0.7644	-	0.7644	0.7444
Group 2						
First interim	0.2744	0.0549	0.2195	0.4957	0.7152	0.5604
Second interim	0.4004	0.0801	0.3203	0.4397	0.7600	0.6012
Third interim	0.4378	0.0876	0.3502	0.4454	0.7956	0.6952
Final	0.3079	0.0616	0.2463	0.5181	0.7644	0.7444

Sterling Class 'R-H' Income shares						
Interest distributions for the year to 31 January	Gross income 2017	Income tax deducted 2017	Net income 2017	Equalisation 2017	Distribution	
	p	p	p	p	2017	2016
Group 1						
First interim	0.7815	0.1563	0.6252	-	0.6252	0.4848
Second interim	0.8300	0.1660	0.6640	-	0.6640	0.5204
Third interim	1.1460	0.2292	0.9168	-	0.9168	0.6120
Final	1.1030	0.2206	0.8824	-	0.8824	0.6572
Group 2						
First interim	0.7815	0.1563	0.6252	0.0000	0.6252	0.4848
Second interim	0.8300	0.1660	0.6640	0.0000	0.6640	0.5204
Third interim	1.1460	0.2292	0.9168	0.0000	0.9168	0.6120
Final	0.5981	0.1196	0.4785	0.4039	0.8824	0.6572

Sterling Class 'R-H' Accumulation shares						
Interest distributions for the year to 31 January	Gross income 2017	Income tax deducted 2017	Net income 2017	Equalisation 2017	Distribution	
	p	p	p	p	2017	2016
Group 1						
First interim	0.8080	0.1616	0.6464	-	0.6464	0.4848
Second interim	0.8540	0.1708	0.6832	-	0.6832	0.5280
Third interim	0.8905	0.1781	0.7124	-	0.7124	0.6200
Final	0.8570	0.1714	0.6856	-	0.6856	0.6780
Group 2						
First interim	0.8080	0.1616	0.6464	0.0000	0.6464	0.4848
Second interim	0.8540	0.1708	0.6832	0.0000	0.6832	0.5280
Third interim	0.8905	0.1781	0.7124	0.0000	0.7124	0.6200
Final	0.1853	0.0371	0.1482	0.5374	0.6856	0.6780

M&G Global Floating Rate High Yield Fund

Financial statements and notes

Notes to the financial statements

24 Interest distribution tables (continued)

Swiss franc Class 'A-H' Income shares

Interest distributions for the year to 31 January	Gross income 2017	Income tax deducted 2017	Net income 2017	Equalisation 2017	Distribution 2017	2016
Group 1	€	€	€	€	€	€
First interim	7.3984	-	7.3984	-	7.3984	n/a
Second interim	7.4862	-	7.4862	-	7.4862	n/a
Third interim	11.6258	-	11.6258	-	11.6258	n/a
Final	11.3775	-	11.3775	-	11.3775	7.8842
Group 2						
First interim	7.3984	-	7.3984	0.0000	7.3984	n/a
Second interim	1.0594	-	1.0594	6.4268	7.4862	n/a
Third interim	0.3806	-	0.3806	11.2452	11.6258	n/a
Final	3.3985	-	3.3985	7.9790	11.3775	7.8842

Swiss franc Class 'A-H' Accumulation shares

Interest distributions for the year to 31 January	Gross income 2017	Income tax deducted 2017	Net income 2017	Equalisation 2017	Distribution 2017	2016
Group 1	€	€	€	€	€	€
First interim	7.2035	-	7.2035	-	7.2035	5.5070
Second interim	7.3540	-	7.3540	-	7.3540	6.2856
Third interim	7.9172	-	7.9172	-	7.9172	7.2116
Final	7.6104	-	7.6104	-	7.6104	7.4635
Group 2						
First interim	1.2646	-	1.2646	5.9389	7.2035	5.5070
Second interim	6.4734	-	6.4734	0.8806	7.3540	6.2856
Third interim	3.1394	-	3.1394	4.7778	7.9172	7.2116
Final	2.2705	-	2.2705	5.3399	7.6104	7.4635

Swiss franc Class 'C-H' Income shares

Interest distributions for the year to 31 January	Gross income 2017	Income tax deducted 2017	Net income 2017	Equalisation 2017	Distribution 2017	2016
Group 1	€	€	€	€	€	€
First interim	8.6662	-	8.6662	-	8.6662	n/a
Second interim	8.9592	-	8.9592	-	8.9592	n/a
Third interim	11.6807	-	11.6807	-	11.6807	n/a
Final	11.3456	-	11.3456	-	11.3456	9.3465
Group 2						
First interim	8.6662	-	8.6662	0.0000	8.6662	n/a
Second interim	8.9592	-	8.9592	0.0000	8.9592	n/a
Third interim	11.6807	-	11.6807	0.0000	11.6807	n/a
Final	3.0578	-	3.0578	8.2878	11.3456	9.3465

Swiss franc Class 'C-H' Accumulation shares

Interest distributions for the year to 31 January	Gross income 2017	Income tax deducted 2017	Net income 2017	Equalisation 2017	Distribution 2017	2016
Group 1	€	€	€	€	€	€
First interim	8.8560	-	8.8560	-	8.8560	6.9984
Second interim	8.9553	-	8.9553	-	8.9553	7.8999
Third interim	9.6766	-	9.6766	-	9.6766	8.7592
Final	9.3246	-	9.3246	-	9.3246	8.9546
Group 2						
First interim	6.9698	-	6.9698	1.8862	8.8560	6.9984
Second interim	2.4127	-	2.4127	6.5426	8.9553	7.8999
Third interim	4.2789	-	4.2789	5.3977	9.6766	8.7592
Final	3.3561	-	3.3561	5.9685	9.3246	8.9546

US dollar Class 'A' Income shares

Interest distributions for the year to 31 January	Gross income 2017	Income tax deducted 2017	Net income 2017	Equalisation 2017	Distribution 2017	2016
Group 1	€	€	€	€	€	€
First interim	7.2567	-	7.2567	-	7.2567	5.6396
Second interim	7.2175	-	7.2175	-	7.2175	6.0716
Third interim	11.2038	-	11.2038	-	11.2038	7.0328
Final	10.9081	-	10.9081	-	10.9081	7.4856
Group 2						
First interim	3.7037	-	3.7037	3.5530	7.2567	5.6396
Second interim	4.7544	-	4.7544	2.4631	7.2175	6.0716
Third interim	3.1680	-	3.1680	8.0358	11.2038	7.0328
Final	4.0065	-	4.0065	6.9016	10.9081	7.4856

US dollar Class 'A' Accumulation shares

Interest distributions for the year to 31 January	Gross income 2017	Income tax deducted 2017	Net income 2017	Equalisation 2017	Distribution 2017	2016
Group 1	€	€	€	€	€	€
First interim	7.5229	-	7.5229	-	7.5229	5.7016
Second interim	7.5424	-	7.5424	-	7.5424	6.1661
Third interim	8.1642	-	8.1642	-	8.1642	7.1896
Final	7.7884	-	7.7884	-	7.7884	7.6821
Group 2						
First interim	2.9146	-	2.9146	4.6083	7.5229	5.7016
Second interim	3.2860	-	3.2860	4.2564	7.5424	6.1661
Third interim	3.1071	-	3.1071	5.0571	8.1642	7.1896
Final	2.3336	-	2.3336	5.4548	7.7884	7.6821

US dollar Class 'A M' Income shares

Interest distributions for the year to 31 January	Gross income 2017	Income tax deducted 2017	Net income 2017	Equalisation 2017	Distribution 2017	2016
Group 1	€	€	€	€	€	€
First interim	3.0604	-	3.0604	-	3.0604	0.0000
Second interim	2.2918	-	2.2918	-	2.2918	0.0000
Third interim	2.1906	-	2.1906	-	2.1906	7.2952
Fourth interim	2.4689	-	2.4689	-	2.4689	0.0000
Fifth interim	2.5536	-	2.5536	-	2.5536	0.0000
Sixth interim	2.3349	-	2.3349	-	2.3349	2.2860
Seventh interim	3.9608	-	3.9608	-	3.9608	0.0000
Eighth interim	3.7360	-	3.7360	-	3.7360	0.0000
Ninth interim	3.7850	-	3.7850	-	3.7850	2.5974
Tenth interim	3.5527	-	3.5527	-	3.5527	0.0000
Eleventh interim	3.4784	-	3.4784	-	3.4784	0.0000
Final	3.8889	-	3.8889	-	3.8889	2.7696
Group 2						
First interim	3.0604	-	3.0604	0.0000	3.0604	0.0000
Second interim	2.2918	-	2.2918	0.0000	2.2918	0.0000
Third interim	2.1906	-	2.1906	0.0000	2.1906	7.2952
Fourth interim	0.8688	-	0.8688	1.6001	2.4689	0.0000
Fifth interim	2.5536	-	2.5536	0.0000	2.5536	0.0000
Sixth interim	2.3349	-	2.3349	0.0000	2.3349	2.2860
Seventh interim	1.4122	-	1.4122	2.5486	3.9608	0.0000
Eighth interim	3.7360	-	3.7360	0.0000	3.7360	0.0000
Ninth interim	1.4339	-	1.4339	2.3511	3.7850	2.5974
Tenth interim	3.1154	-	3.1154	0.4373	3.5527	0.0000
Eleventh interim	0.3685	-	0.3685	3.1099	3.4784	0.0000
Final	1.1781	-	1.1781	2.7108	3.8889	2.7696

M&G Global Floating Rate High Yield Fund

Financial statements and notes

Notes to the financial statements

24 Interest distribution tables (continued)

US dollar Class 'C' Income shares						
Interest distributions for the year to 31 January	Gross income 2017	Income tax deducted 2017	Net income 2017	Equalisation 2017	Distribution	
					2017	2016
Group 1	€	€	€	€	€	€
First interim	8.4215	-	8.4215	-	8.4215	7.0484
Second interim	8.6679	-	8.6679	-	8.6679	7.5584
Third interim	11.2496	-	11.2496	-	11.2496	8.4920
Final	10.9336	-	10.9336	-	10.9336	8.8712
Group 2						
First interim	2.3571	-	2.3571	6.0644	8.4215	7.0484
Second interim	3.4427	-	3.4427	5.2252	8.6679	7.5584
Third interim	0.4146	-	0.4146	10.8350	11.2496	8.4920
Final	6.1909	-	6.1909	4.7427	10.9336	8.8712

US dollar Class 'C' Accumulation shares						
Interest distributions for the year to 31 January	Gross income 2017	Income tax deducted 2017	Net income 2017	Equalisation 2017	Distribution	
					2017	2016
Group 1	€	€	€	€	€	€
First interim	9.1220	-	9.1220	-	9.1220	7.1528
Second interim	9.1503	-	9.1503	-	9.1503	7.7297
Third interim	9.8747	-	9.8747	-	9.8747	8.7200
Final	9.5557	-	9.5557	-	9.5557	9.2220
Group 2						
First interim	4.7045	-	4.7045	4.4175	9.1220	7.1528
Second interim	6.2434	-	6.2434	2.9069	9.1503	7.7297
Third interim	4.7403	-	4.7403	5.1344	9.8747	8.7200
Final	5.2249	-	5.2249	4.3308	9.5557	9.2220

US dollar Class 'C M' Income shares						
Interest distributions for the year to 31 January	Gross income 2017	Income tax deducted 2017	Net income 2017	Equalisation 2017	Distribution	
					2017	2016
Group 1	€	€	€	€	€	€
First interim	3.5314	-	3.5314	-	3.5314	0.0000
Second interim	2.7930	-	2.7930	-	2.7930	0.0000
Third interim	2.6672	-	2.6672	-	2.6672	8.7340
Fourth interim	2.9922	-	2.9922	-	2.9922	0.0000
Fifth interim	3.0371	-	3.0371	-	3.0371	0.0000
Sixth interim	2.7973	-	2.7973	-	2.7973	2.7884
Seventh interim	3.9744	-	3.9744	-	3.9744	0.0000
Eighth interim	3.7365	-	3.7365	-	3.7365	0.0000
Ninth interim	3.7865	-	3.7865	-	3.7865	3.0388
Tenth interim	3.5603	-	3.5603	-	3.5603	0.0000
Eleventh interim	3.4937	-	3.4937	-	3.4937	0.0000
Final	3.9003	-	3.9003	-	3.9003	3.2456
Group 2						
First interim	3.5314	-	3.5314	0.0000	3.5314	0.0000
Second interim	2.7930	-	2.7930	0.0000	2.7930	0.0000
Third interim	2.6672	-	2.6672	0.0000	2.6672	8.7340
Fourth interim	2.9922	-	2.9922	0.0000	2.9922	0.0000
Fifth interim	3.0371	-	3.0371	0.0000	3.0371	0.0000
Sixth interim	2.7973	-	2.7973	0.0000	2.7973	2.7884
Seventh interim	3.9744	-	3.9744	0.0000	3.9744	0.0000
Eighth interim	3.7365	-	3.7365	0.0000	3.7365	0.0000
Ninth interim	3.7865	-	3.7865	0.0000	3.7865	3.0388
Tenth interim	3.5603	-	3.5603	0.0000	3.5603	0.0000
Eleventh interim	3.4937	-	3.4937	0.0000	3.4937	0.0000
Final	1.3616	-	1.3616	2.5387	3.9003	3.2456

M&G Pan European Dividend Fund

Authorised Corporate Director's Report

Important information

Please note that from 1 August 2016, the M&G Pan European Dividend Fund began taking the annual management charge and administration charge from income in the case of Accumulation shares. These charges continue to be charged to capital for Income shares.

Investment objective

The Fund aims to deliver a dividend yield above the market average, by investing mainly in a range of European equities. The Fund aims to increase distributions over the long term whilst also maximising total return (the combination of income and growth of capital).

Investment policy

The Fund aims to deliver a dividend yield above the market average, whilst aiming to increase annual distributions over the long term, by investing in a range of European equities. The Fund's exposure to European equities may be gained through the use of derivatives. The Fund may invest across a wide range of geographies, sectors and market capitalisations. The Fund may also invest in other assets including collective investment schemes, other transferable securities, cash and near cash, deposits, warrants, money market instruments and derivatives.

Investment approach

The M&G Pan European Dividend Fund employs a bottom-up stockpicking approach, driven by the fundamental analysis of individual companies. The fund manager seeks to invest in companies with excellent capital discipline and the potential for long-term dividend growth. The fund manager believes rising dividends create upward pressure on the value of shares. Dividend yield is not the primary consideration for stock selection.

The fund manager aims to create a diversified portfolio with exposure to a broad range of countries and sectors. He selects stocks with different drivers of dividend growth to construct a portfolio that has the potential to cope in a variety of market conditions. The fund will usually hold between 30 and 40 stocks with a long-term investment view of three years or more.

Risk profile

The fund invests in the shares of European-listed companies and is, therefore, subject to the price volatility of the European stockmarket and the performance of individual companies. The fund's focus is on shares of companies that have the potential to grow their dividends over the long term. Income distributions from the fund's holdings, however, are not guaranteed and may vary. Diversification is therefore key in managing liquidity risk and 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' 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.

M&G Pan European Dividend Fund

Authorised Corporate Director's Report

Investment review

As at 1 February 2017, for the year ended 31 January 2017

Distribution summary

Over the 12-month review period to 1 February 2017, the fund distributed income of 59.4411 cents per Euro Class 'A' (Income) share.^[a] This is 3.1% higher than the distribution in the previous financial year. The payout represented a yield (distributed income as a percentage of the share price) of 4.28% versus a yield of 3.45% for the MSCI Europe Index, a comparative index.

We are pleased that fund distributions have grown compared to the previous financial year, especially in an environment where dividends in some areas of the European stockmarket have been under pressure. (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.) We have been concerned about the headwinds faced by the commodity-related sectors given the questionable investments they have made in the past, and our caution proved to be well placed as the mining companies cut their dividends in early 2016 in response to falling commodity prices, closely followed by some of the oil majors, namely ENI and Repsol, which did the same against the backdrop of a lower oil price.

Dividend cuts were not confined to the materials and energy sectors, however. Barclays warned of lower dividends in the years to come against a backdrop of mounting regulatory pressure across the banking industry, while the malaise extended to the perceived safe-havens of utilities and telecoms where RWE and Telefonica reduced their dividends, not for the first time.

Despite these more challenging times, the increase in fund distributions was achieved through the consistent application of our investment approach, which focuses on companies with the potential to increase dividends over the long term (typically three years or more) through prudent and disciplined capital allocation. Being selective is essential and Europe still provides an array of opportunities for investors on the hunt for rising income streams.

The review period saw the majority of holdings deliver underlying dividend growth of 5% to 15%, in line with previous years, led by some of the top holdings, including Italy's Banca IFIS and UK packaging company DS Smith, which raised their annual dividends by 15% in euros and 12% in sterling, respectively.

Outside the 5% to 15% range, Italian bank Intesa Sanpaolo announced the biggest increase after the dividend for the savings shares we own was given an 86% boost in euros. Micro Focus, in the technology sector, also delivered impressive dividend growth. In July, the infrastructure software group reported a 38% dividend increase for the financial year ended April, followed by the announcement in December of a 76% dividend increase for the six months ended October. Micro Focus, which is listed in the UK, pays dividends in US dollars.

At the lower end, there were more modest increases from some of our defensive holdings, that is to say companies that tend to have stable earnings and are less affected by the peaks and troughs in the economy. Novartis and British American Tobacco (BAT) were among the holdings where dividend growth was less than 5%, but we have a high degree of confidence in the sustainability of their dividends and remain comfortable with these holdings over the long term.

Not all of our holdings delivered growth, however. While we avoided the majority of pitfalls in Europe from a dividend perspective, Rio Tinto and Golar LNG cut their payments in February as commodity prices tumbled. The holding in Rio Tinto has been sold subsequently at a profit, but Golar remains one of the few companies that we like in the energy-related areas of the market.

Yet these isolated setbacks were not enough to derail the fund from increasing its distributions in the period. In addition to growth in regular dividends, special dividends contributed to the fund's income. Financials dominated the list of those paying special dividends, highlighting the importance of being selective in a broad and varied sector. Hiscox (insurance), Jupiter Fund Management (asset management) and Aurelius (private equity) made one-off payments during the year under review, in each case repeating the exercise from the same period last year. Outside financials, Dunelm (retail) and GVC (online gaming) also paid special dividends during the review period, while Micro Focus (technology) has committed to a one-off cash payment following the announcement of its acquisition of Hewlett Packard Enterprise's software business. We applaud the discipline of returning excess cash to shareholders if companies cannot invest that cash in a disciplined manner.

We have also maintained a yield above that of the MSCI Europe Index. We are very aware that the combination of an attractive yield and rising distribution is important to many of our investors and remain focused on meeting this objective. The distribution for the Euro Class 'A' (Income) share has increased in every financial year since the introduction of the share class on 18 July 2013. Based on the annual payments, the fund's historic yield has been higher than that of the MSCI Europe Index at the end of each financial year since the share class became available. Prior to the change in the fund's functional currency from sterling to euros on 1 February 2015, the Sterling Class 'A' (Income) share increased the distribution in every financial year since the fund's launch on 18 July 2008 and the fund's historic yield has been at a premium to the MSCI Europe Index since 2013. The Sterling Class 'I' (Income) share has increased the distribution in every financial year since the launch of the share class in August 2012 and the yield has been at a consistent premium.

The fund's distributions paid by each income share class in euros, sterling and US dollars, and their respective yields are as shown in the 'Specific share class performance' tables in the Interim Long Report and audited Financial Statements for M&G Investment Funds (7). The fund's distributions are subject to changes in the market environment and currency fluctuations. As a result, there is no guarantee that the fund will increase the distribution for all income share classes in every reporting period. In keeping with prior years under my tenure, special dividends formed a key component of the fund's income and these dividends should be seen as special and not necessarily recurring.

Performance against objective

Between 1 February 2016 (the start of the review period) and 1 February 2017, the fund delivered a positive total return (the combination of income and growth of capital) across its share classes with the sterling share classes generating higher returns than their euro and US dollar counterparts as sterling weakened following the UK's vote to leave the European Union. However, the fund's returns in the sterling, euro and US dollar share classes lagged the MSCI Europe Index over the fund's financial year. (Over the year, returns for the index were 24.3%, 10.8%, and 9.4% in sterling, euros, and US dollars, respectively.)

M&G Pan European Dividend Fund

Authorised Corporate Director's Report

Investment review

Performance against objective (continued)

The fund delivered a dividend yield above the market average over the annual review period. It also continued to meet its aim to increase distributions over the long term. Over a longer period of five years, all share classes have delivered positive total returns.

Investment performance

The fund delivered positive returns in the past 12 months, but trailed the MSCI Europe Index. After strong performance in the previous financial year when the fund was significantly ahead of the MSCI Europe Index, the fund experienced a more challenging period this financial year as a result of stock-specific issues. The shortfall was exacerbated by not owning Royal Dutch Shell and the mining trio of Glencore, Anglo American and BHP Billiton, all of which rallied strongly as commodity prices recovered from their lows.

Essentra was the biggest detractor during the review period after the international supplier of plastic, packaging and fibre products lowered expectations on a number of occasions. The series of downgrades has been disappointing, but we see significant value in the stock. The company welcomed a new chief executive in January and we are supportive of his plans to improve group performance. In his view, the challenge the company faces is isolated in one division, Health & Personal Care Packaging, where the issues are related to people, not the quality of the underlying business. We added to the holding on weakness and continue to monitor the situation closely.

SES, a satellite operator listed in France and Luxembourg, was another detractor. The stock underperformed in the first half of the year following the announcement of a capital-raising programme to finance an acquisition. We are supportive of the company's buy-in of their joint venture O3B as it provides excellent opportunities for growth and profits in cruise, data and airline markets. More recently in January, the share price came under renewed pressure after Sky announced plans to launch its Sky TV service in the UK without the need for a satellite dish (the service will be provided via high-speed internet). The potential for Sky to provide services to those who do not want to or cannot have a dish installed has spooked investors, but we believe this development does not alter the fact that satellite remains an important broadcast infrastructure for the foreseeable future because it is the lowest cost option for the mass market audience. We believe we are at an inflexion point for revenue growth and the stock remains a core holding.

In healthcare, Novo Nordisk was a notable laggard. The sector has been out of favour because of the adverse sentiment towards US drug pricing, but the underperformance of the world's leading provider of diabetes care and insulin products was also based on fundamental grounds. The market reacted negatively to the lower growth forecasts provided by the Danish company, but we believe the long-term investment case, which is driven by continued growth in diabetes and new drugs, remains intact. We bought more stock as the share price weakened.

Elsewhere, Intesa Sanpaolo was prominent among the detractors within financials as uncertainties about non-performing loans in Italy provided a headwind, although this was offset to a degree by the strong performance of Nordea, the Scandinavian bank, which returned more than 30% in local currency during the 12 months under review.

Turning to the other positives, Covestro was the standout performer after the stock more than doubled in euros. The German chemicals business spun off by Bayer has made an excellent start as a standalone company, delivering strong operating performance and raising its 2016 outlook along the way. The stock has since been sold on valuation grounds.

It was also pleasing to see two of our recent purchases in industrials make a positive impact. Alfa Laval, which provides equipment and services for the marine, food & water and energy industries, enjoyed a strong finish to the review period as its fourth-quarter results were well received by the market. The Swedish company reported a strengthening of order intake and confirmed that the restructuring programme announced in autumn last year is on track to deliver cost savings. The stock has gained over 20% in local currency terms since we initiated the position in November. Volvo, the Swedish manufacturer of trucks and construction equipment, has also returned more than 20% since its initial purchase in April.

Technology was another source of added value as Infineon and Micro Focus outperformed. Infineon continued to benefit from higher semiconductor content in the automotive industry and Micro Focus benefited from a series of attractive acquisitions.

Sector allocation also worked in our favour, primarily the fund's zero exposure to the bond proxy sectors of telecoms, utilities and real estate. Defensive sectors underperformed during the review period with the trend becoming more pronounced from the first week of November when Donald Trump's victory in the US presidential election led to a reappraisal of growth prospects. The fund has no holdings in telecoms, utilities or real estate, not because of a view on bond yields, but because those sectors are structurally challenged in terms of long-term growth. Healthcare and consumer staples are the main source of viable investment candidates in the defensive areas of the market because the companies in these sectors have the ability to compound growth over the long term. Despite defensives being out of favour, it was pleasing to see some of our holdings in these sectors buck the negative trend. Actelion, the Swiss pharmaceuticals company, was among the fund's top positive contributors during the period and our tobacco holdings, BAT and Scandinavian Tobacco, also added value.

Investment activities

We made 13 new purchases and 16 complete sales during the 12 months under review – a similar level of turnover to the previous financial year.

Scandinavian Tobacco, listed in Denmark, was purchased at its initial public offering in February because of the potential for operational efficiencies to drive cashflow and dividends. This was followed by software group Micro Focus which joined the fund in March, given the attractions of its business model: high recurring revenue, strong cash generation and the scope to add value through acquisitions.

Volvo was one of four purchases in the second quarter of 2016. Many of Volvo's key end-markets now offer potential for upside after several years of contraction and the new chief executive comes with a strong track record of increasing profitability. We bought three more stocks in the industrials sector in the fourth quarter: Legrand in France, Siemens in Germany and Sweden's Alfa Laval. We also bought Methanex, the world's leading methanol producer, in December. With methanol prices recovering, we believe the potential for cash generation is significantly underappreciated.

M&G Pan European Dividend Fund

Authorised Corporate Director's Report

Investment review

Investment activities (continued)

Elsewhere, we reinitiated a position in Prudential. The insurer is a beneficiary of long-term growth trends, particularly in Asia, but the stock made little progress for most of 2016, especially in US dollars, which provided the opportunity to re-enter in November. In the same month, we bought AstraZeneca whose pipeline in oncology could lead to significant growth in the future. The stock's underperformance provided a buying opportunity which was supported by a 5% dividend yield.

Our final addition to the portfolio in the period was CTS Eventim, a leading European online ticketing solution for live events. As the company moves from offline purchase towards online purchase, we see the potential for significant growth in revenue and cashflow which, combined with cash on the balance sheet, offers the possibility of special dividends.

Turning to sales, we were able to move on from many of our holdings having generated significant gains for the fund. Aurelius, the German private equity company, exited the portfolio in June after the shares returned 60% in euros since their initial purchase in January 2015. The investment in WPP, the global advertising company, doubled in value in sterling since the stock was first bought in October 2012. The sale was also completed in June.

In the second half of the review period, we recycled significant gains from two Swiss stocks, Actelion and Banque Cantonale Vaudoise (BCV). Actelion was sold in August after the pharmaceutical stock returned 40% in Swiss francs, having initiated the holding in March 2015. We also sold the BCV holding in November having returned more than 50% since its initial purchase in June 2013. The investment in Covestro, however, generated a larger gain after the share price more than doubled in euros since its purchase in October 2015. The stock was sold in December.

Other holdings were sold as a source of cash for better ideas. BP, the fund's only oil major, left the portfolio in August because of concerns about the sustainability of the dividend over the very long term. In November, we sold Philips Lighting above our initial purchase price and exited GlaxoSmithKline to fund the investment in AstraZeneca. We also took profit in BAE Systems towards the end of the review period and sold Bpost as a source of cash with the proceeds being directed to higher-conviction growth.

In our pursuit of higher-conviction ideas, the fund has been concentrated further and the number of holdings has been reduced to 37. That said, there remains a tail of holdings which provides scope for the fund to be more concentrated. Europe offers excellent opportunities for stock pickers and we believe that the potential for investors in the stockmarket is best captured by a concentrated portfolio of best ideas.

Outlook

There has been a tendency in the past 12 months to exaggerate the importance of political events, but we remain firmly focused on the fundamental analysis of individual companies and the close scrutiny of valuation. The UK's shock decision to leave the European Union has created much uncertainty, but the fundamentals of the companies we are invested in have been largely unaffected. We have a natural bias towards global businesses which just so happen to be based in Europe and the impact on their prospects has been relatively muted so far. However, we are conscious that the lagged effects of sterling's

weakness have yet to make their mark and that the onset of inflation could be damaging for domestic UK companies without pricing power. Many UK retailers, for example, look potentially vulnerable. That said, we can see a scenario where the currency effect reverses. Sterling is starting to look cheap. Sterling's strength would be to the detriment of the UK's overseas earners who have enjoyed the benefits of a strong US dollar which has persisted for many years. We believe it is entirely possible that yesterday's tailwind becomes tomorrow's headwind for the UK's multinationals.

In the meantime, investors have been confronted with another surprise in Donald Trump who has ambitious plans to reinvigorate the US economy. His policies could have wide repercussions and the financial markets have taken note. Bond yields have risen and stockmarkets around the world have rallied, albeit with economic sensitivity in demand at the expense of defensive characteristics.

At the corporate level, the picture in Europe remains mixed. The oil majors, which account for some of the region's biggest companies, are still paying uncovered dividends, that is to say they are paying out more than the earnings they generate from their business. Although the recent rally in the oil price has provided short-term relief, we have significant doubts over the sustainability of growth and dividends in the energy sector over the long term. Banks remain another bugbear. The European banking industry remains mired in a world of low growth and low interest rates, and the continued scrutiny of regulators presents a difficult backdrop for dividends to grow. Banking regulation is increasing under the guidance of the European Central Bank which is keen to harmonise standards and impose tougher requirements across the industry. This is not an environment conducive to banks delivering growth.

Fortunately, there is more to Europe than energy and banks. Europe is home to some world class companies with excellent growth potential and the region offers a wide range of investment opportunities for disciplined stock pickers. The reporting season in 2017 has started on a positive footing for many of our holdings, with better-than-expected results from the likes of Volvo, whose dividend growth will be reflected in the distributions for the financial year ahead. We remain focused on our aim of increasing the fund's distributions, in line with its objective, although our ability to achieve this goal will depend on the recurrence of some special dividends which are, by their very nature, not guaranteed. Currency is another factor which can influence returns and we are mindful of the headwind that sterling may provide for investors in the fund's euro share classes.

We remain committed to our pursuit of a dividend growth strategy and continue to apply our investment approach with conviction. The cash-generative nature of the fund's holdings, their ability to grow dividends over the long term and their attractive valuation in the stockmarket stand us in good stead for the long term. The fund's yield of 4.28%, which we aim to grow over time, offers a favourable proposition for long-term investors. We appreciate your continued support.

Phil Cliff

Fund manager

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

[a] 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.

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 Pan European Dividend Fund

Authorised Corporate Director's Report

Investments

Portfolio statement			
as at 31 January Holding	2017 €'000	2017 %	2016 %
Oil & gas producers	0	0.00	2.93
Oil equipment, services & distribution	4,908	4.04	2.59^[a]
142,185 Golar LNG	3,407	2.80	
384,948 Prosafe	1,501	1.24	
Chemicals	5,169	4.25	5.27
24,094 Bayer	2,513	2.07	
57,000 Methanex	2,656	2.18	
Mining	0	0.00	1.74
Aerospace & defence	0	0.00	4.12
General industrials	8,361	6.88	2.24
829,178 DS Smith	4,297	3.54	
34,353 Siemens	4,064	3.34	
Electronic & electrical equipment	3,665	3.02	0.00
67,679 Legrand	3,665	3.02	
Industrial engineering	13,391	11.02	2.66
285,700 Alfa Laval	4,974	4.09	
67,875 Kone	2,862	2.36	
472,000 Volvo 'B'	5,555	4.57	
Industrial transportation	3,322	2.74	2.25^[a]
249,862 Abertis Infraestructuras	3,322	2.74	
Support services	5,800	4.77	7.86
77,140 CTS EVENTIM	2,500	2.06	
694,332 Essentra	3,300	2.71	
Automobiles & parts	4,061	3.34	2.07
116,634 Nokian Renkaat	4,061	3.34	
Personal goods	3,706	3.05	2.55
133,100 Svenska Cellulosa 'B'	3,706	3.05	
Tobacco	7,485	6.16	3.63
82,468 British American Tobacco	4,671	3.84	
177,385 Scandinavian Tobacco Group	2,814	2.32	
Pharmaceuticals & biotechnology	11,389	9.37	8.95
69,177 AstraZeneca	3,369	2.77	
56,128 Novartis (Regd.)	3,800	3.13	
126,100 Novo-Nordisk 'B'	4,220	3.47	
General retailers	2,971	2.45	3.11
201,250 Dunelm Group	1,567	1.29	
657,764 Saga	1,404	1.16	
Media	11,988	9.87	11.84
468,650 NOS (formerly ZON Multimedia)	2,444	2.01	
303,165 RELX	4,769	3.93	
256,606 SES Global	4,775	3.93	
Travel & leisure	2,077	1.71	2.55
297,900 GVC Holdings	2,077	1.71	
Banks	6,277	5.17	11.65
643,879 Intesa Sanpaolo	1,330	1.10	
441,000 Nordea Bank	4,947	4.07	
Non-life insurance	7,772	6.40	4.14
215,651 Hiscox	2,572	2.12	
120,000 Sampo	5,200	4.28	
Life insurance	3,892	3.20	3.57
216,062 Prudential ^[b]	3,892	3.20	
Real estate investment & services	1,116	0.92	2.29
306,618 NewRiver Retail	1,116	0.92	
Real estate investment trusts	0	0.00	0.94

Portfolio statement (continued)

as at 31 January Holding	2017 €'000	2017 %	2016 %
Financial services	7,064	5.81	5.78
173,000 Banca IFIS	4,306	3.54	
593,000 Jupiter Fund Management	2,758	2.27	
Equity investment instruments	1,569	1.29	1.17
113,500 Ranger Direct Lending Fund	1,355	1.11	
18,916 Ranger Direct Lending Fund C Shares	214	0.18	
Software & computer services	3,617	2.98	0.00
145,000 Micro Focus International	3,617	2.98	
Technology hardware & equipment	3,096	2.55	2.56
180,750 Infineon Technologies	3,096	2.55	
Portfolio of investments	122,696	100.99	98.46
'AAA' rated money market funds ^[c]	141	0.12	3.42
122,000 Northern Trust Global Fund - Sterling	141	0.12	
Total portfolio (notes 2c & 2d on page 6)	122,837	101.11	101.88
Net other assets / (liabilities)	(1,351)	(1.11)	(1.88)
Net assets attributable to shareholders	121,486	100.00	100.00

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

^[a] The comparative sector weightings have been re-analysed to reflect changes to the sector classifications.

^[b] Related party to the fund.

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

Top ten portfolio transactions

for the year to 31 January 2017

	€'000
Largest purchases	
Novo-Nordisk 'B'	5,346
Volvo 'B'	4,831
Alfa Laval	3,914
Scandinavian Tobacco Group	3,864
Prudential ^[a]	3,789
Siemens	3,762
SES Global	3,671
AstraZeneca	3,506
Legrand	3,459
Micro Focus International	3,043
Other purchases	46,637
Total purchases	85,822
Largest sales	
BAE Systems	5,840
Covestro	4,466
bpost	4,103
GlaxoSmithKline	3,898
Banque Cantonale Vaudoise	3,348
BP	3,276
Aviva	2,807
Intesa Sanpaolo	2,801
Philips Lighting	2,707
Aurelius	2,556
Other sales	24,561
Total sales	60,363

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

^[a] Related party to the fund.

M&G Pan European Dividend 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 charts and tables show the performance for two of the fund's share classes – Sterling Class 'A' (Accumulation) shares and Sterling Class 'I' (Accumulation) shares.

We show performance for these two share classes because:

- The performance of the Sterling Class 'A' (Accumulation) share is what most individuals investing directly with M&G have received. It has the highest ongoing charge of all the share classes. Performance is shown after deduction of this charge. All investors in the fund therefore received this performance or better.
- The performance of the Sterling Class 'I' (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 (7), 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 31 January	2017 €'000	2016 €'000	2015 €'000
Fund net asset value (NAV)	121,486	97,317	77,342

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' (Accumulation) shares and Sterling Class 'I' (Accumulation) shares.



The fund's Sterling Class 'I' (Accumulation) shares were launched on 3 August 2012. Performance data shown prior to this date is that of the fund's Sterling Class 'A' (Accumulation) shares.

Historic yield

The charts below show the historic yield of Sterling Class 'A' (Income) shares and Sterling Class 'I' (Income) shares against that of a comparative index.

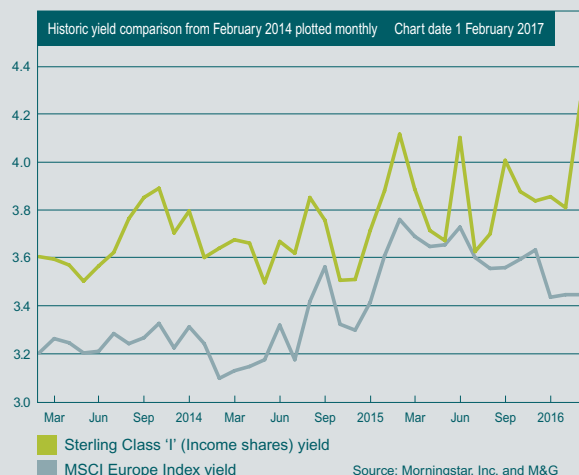


M&G Pan European Dividend Fund

Financial highlights

Fund performance

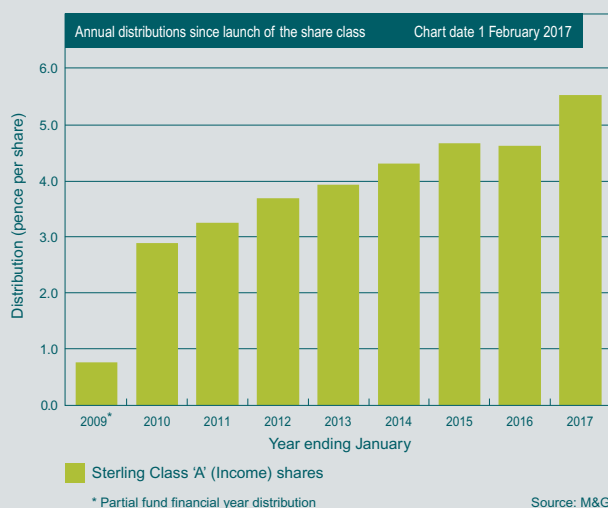
Historic yield (continued)



Historic yield: The historic yield reflects distributions declared over the past twelve months as a percentage of the mid-market price, as at the date shown. It does not include any preliminary charge and investors may be subject to tax on their distributions.

Distribution since launch

The charts below show the annual distribution of Sterling Class 'A' (Income) shares and Sterling Class 'I' (Income) shares since launch.



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

	One year 01.02.16 % ^[a]	Three years 03.02.14 % p.a.	Five years 01.02.12 % p.a.	Since launch % p.a.
Euro ^[b]				
Class 'A'	+2.9	+7.3	+9.7	+5.9 ^[c]
Class 'B'	n/a	n/a	n/a	+2.3 ^[d]
Class 'C'	+3.7	+8.1	+10.5	+6.7 ^[c]
Sterling ^[e]				
Class 'A'	+15.4	+8.5	+10.3	+6.8 ^[c]
Class 'I'	+16.3	+9.3	n/a	+12.3 ^[f]
Class 'R'	+16.0	+9.0	n/a	+12.0 ^[f]
US dollar ^[b]				
Class 'A'	+2.3	n/a	n/a	-1.5 ^[g]
Class 'C'	+3.1	n/a	n/a	-0.8 ^[g]

^[a] Absolute basis.

^[b] Price to price with net income reinvested.

^[c] 18 July 2008, the launch date of the fund.

^[d] 18 March 2016, the launch date of the share class. Absolute basis.

^[e] Price to price with income reinvested.

^[f] 3 August 2012, the launch date of the share class.

^[g] 8 August 2014, the launch date of the share class.

M&G Pan European Dividend 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, comprised of 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.
- **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, method of execution and the quality of research provided. They are made up of direct and indirect portfolio transaction costs:

- **Direct portfolio transaction costs:** Broker execution commission, taxes, and costs of research from brokers and other research providers.
- **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

for the year to 31 January	2017	2016	2015	Average ^[a]
Direct portfolio transaction costs ^[b]	%	%	%	%
Broker commission	0.08	0.10	0.08	0.09
Taxes	0.14	0.13	0.06	0.11
Costs before dilution adjustments	0.22	0.23	0.14	0.20
Dilution adjustments ^[c]	(0.14)	(0.06)	(0.02)	(0.07)
Total direct portfolio transaction costs	0.08	0.17	0.12	0.13
as at 31 January	2017	2016	2015	Average ^[a]
Indirect portfolio transaction costs	%	%	%	%
Average portfolio dealing spread	0.14	0.15	0.11	0.13

^[a] Average of first three columns.

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

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

M&G Pan European Dividend 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' Income share performance

The share class was launched on 12 July 2013.

for the year to 31 January Change in NAV per share	2017 Euro ¢	2016 Euro ¢	2015 Euro ¢
Opening NAV	1,389.11	1,450.41	1,253.46
Return before operating charges and after direct portfolio transaction costs	75.12	22.32	275.42
Operating charges	(23.43)	(25.97)	(22.92)
Return after operating charges	51.69	(3.65)	252.50
Distributions	(59.69)	(57.65)	(55.55)
Closing NAV	1,381.11	1,389.11	1,450.41
Direct portfolio transaction costs ^[a]	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	3.02	3.50	1.86
Dilution adjustments ^[b]	(0.99)	(0.97)	(0.25)
Total direct portfolio transaction costs	2.03	2.53	1.61
Performance and charges	%	%	%
Direct portfolio transaction costs	0.08	0.17	0.12
Operating charges	1.69	1.68	1.71
Return after operating charges	+3.72	-0.25	+20.14
Historic yield	4.17	4.53	3.73
Effect on yield of charges offset against capital	1.69	1.67	1.71
Other information			
Closing NAV (€'000)	3,316	3,296	854
Closing NAV percentage of total fund NAV (%)	2.73	3.39	1.10
Number of shares	240,122	237,309	58,843
Highest share price (Euro ¢)	1,454.28	1,685.26	1,488.25
Lowest share price (Euro ¢)	1,248.65	1,365.35	1,208.11

Euro Class 'A' Accumulation share performance

The share class was launched on 18 July 2008.

for the year to 31 January Change in NAV per share	2017 Euro ¢	2016 Euro ¢	2015 Euro ¢
Opening NAV	1,558.29	1,563.48	1,300.52
Return before operating charges and after direct portfolio transaction costs	85.28	23.11	287.06
Operating charges	(26.49)	(28.30)	(24.10)
Return after operating charges	58.79	(5.19)	262.96
Distributions	(53.97)	(62.48)	(58.06)
Retained distributions	53.97	62.48	58.06
Closing NAV	1,617.08	1,558.29	1,563.48
Direct portfolio transaction costs ^[a]	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	3.42	3.83	1.96
Dilution adjustments ^[b]	(1.12)	(1.06)	(0.26)
Total direct portfolio transaction costs	2.30	2.77	1.70
Performance and charges	%	%	%
Direct portfolio transaction costs	0.08	0.17	0.12
Operating charges	1.69	1.67	1.71
Return after operating charges	+3.77	-0.33	+20.22
Historic yield ^[c]	2.42	4.38	3.61
Effect on yield of charges offset against capital	0.04	1.66	1.71
Other information			
Closing NAV (€'000)	10,668	15,941	4,932
Closing NAV percentage of total fund NAV (%)	8.78	16.38	6.38
Number of shares	659,681	1,022,986	315,474
Highest share price (Euro ¢)	1,658.80	1,819.42	1,573.78
Lowest share price (Euro ¢)	1,400.34	1,497.52	1,277.32

Euro Class 'B' Income share performance

The share class was launched on 18 March 2016.

for the year to 31 January Change in NAV per share	2017 Euro ¢	2016 Euro ¢	2015 Euro ¢
Opening NAV	1,000.00	n/a	n/a
Return before operating charges and after direct portfolio transaction costs	34.60	n/a	n/a
Operating charges	(18.74)	n/a	n/a
Return after operating charges	15.86	n/a	n/a
Distributions	(29.19)	n/a	n/a
Closing NAV	986.67	n/a	n/a
Direct portfolio transaction costs ^[a]	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	1.88	n/a	n/a
Dilution adjustments ^[b]	(0.62)	n/a	n/a
Total direct portfolio transaction costs	1.26	n/a	n/a
Performance and charges	%	%	%
Direct portfolio transaction costs	0.08	n/a	n/a
Operating charges	2.19	n/a	n/a
Return after operating charges	+1.59	n/a	n/a
Historic yield	4.13	n/a	n/a
Effect on yield of charges offset against capital	2.19	n/a	n/a
Other information			
Closing NAV (€'000)	44	n/a	n/a
Closing NAV percentage of total fund NAV (%)	0.04	n/a	n/a
Number of shares	4,500	n/a	n/a
Highest share price (Euro ¢)	1,030.90	n/a	n/a
Lowest share price (Euro ¢)	907.14	n/a	n/a

M&G Pan European Dividend Fund

Financial highlights

Specific share class performance

Euro Class 'B' Accumulation share performance

The share class was launched on 18 March 2016.

for the year to 31 January Change in NAV per share	2017 Euro ¢	2016 Euro ¢	2015 Euro ¢
Opening NAV	1,000.00	n/a	n/a
Return before operating charges and after direct portfolio transaction costs	35.18	n/a	n/a
Operating charges	(18.88)	n/a	n/a
Return after operating charges	16.30	n/a	n/a
Distributions	(18.44)	n/a	n/a
Retained distributions	18.44	n/a	n/a
Closing NAV	1,016.30	n/a	n/a

Direct portfolio transaction costs ^[a]	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	1.88	n/a	n/a
Dilution adjustments ^[b]	(0.62)	n/a	n/a
Total direct portfolio transaction costs	1.26	n/a	n/a

Performance and charges	%	%	%
Direct portfolio transaction costs	0.08	n/a	n/a
Operating charges	2.19	n/a	n/a
Return after operating charges	+1.63	n/a	n/a
Historic yield ^[c]	3.13	n/a	n/a
Effect on yield of charges offset against capital	0.04	n/a	n/a

Other information

Closing NAV (€'000)	38	n/a	n/a
Closing NAV percentage of total fund NAV (%)	0.03	n/a	n/a
Number of shares	3,707	n/a	n/a
Highest share price (Euro ¢)	1,042.92	n/a	n/a
Lowest share price (Euro ¢)	907.15	n/a	n/a

Euro Class 'C' Income share performance

The share class was launched on 8 August 2014.

for the year to 31 January Change in NAV per share	2017 Euro ¢	2016 Euro ¢	2015 Euro ¢
Opening NAV	1,557.94	1,613.71	1,429.79
Return before operating charges and after direct portfolio transaction costs	84.83	24.48	223.50
Operating charges	(14.62)	(16.00)	(6.71)
Return after operating charges	70.21	8.48	216.79
Distributions	(67.03)	(64.25)	(32.87)
Closing NAV	1,561.12	1,557.94	1,613.71

Direct portfolio transaction costs ^[a]	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	3.41	3.95	1.11
Dilution adjustments ^[b]	(1.12)	(1.10)	(0.15)
Total direct portfolio transaction costs	2.29	2.85	0.96

Performance and charges	%	%	%
Direct portfolio transaction costs	0.08	0.17	0.12
Operating charges	0.94	0.93	0.98
Return after operating charges	+4.51	+0.53	+15.16
Historic yield	4.14	4.50	3.59
Effect on yield of charges offset against capital	0.94	0.92	0.97

Other information

Closing NAV (€'000)	11,426	19	6
Closing NAV percentage of total fund NAV (%)	9.41	0.02	0.01
Number of shares	731,922	1,209	350
Highest share price (Euro ¢)	1,638.83	1,882.22	1,655.12
Lowest share price (Euro ¢)	1,400.80	1,530.86	1,341.60

Euro Class 'C' Accumulation share performance

The share class was launched on 18 July 2008.

for the year to 31 January Change in NAV per share	2017 Euro ¢	2016 Euro ¢	2015 Euro ¢
Opening NAV	1,651.21	1,644.02	1,356.78
Return before operating charges and after direct portfolio transaction costs	90.91	23.51	301.73
Operating charges	(15.61)	(16.32)	(14.49)
Return after operating charges	75.30	7.19	287.24
Distributions	(63.68)	(65.88)	(60.78)
Retained distributions	63.68	65.88	60.78
Closing NAV	1,726.51	1,651.21	1,644.02

Direct portfolio transaction costs ^[a]	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	3.63	4.00	2.07
Dilution adjustments ^[b]	(1.19)	(1.11)	(0.28)
Total direct portfolio transaction costs	2.44	2.89	1.79

Performance and charges	%	%	%
Direct portfolio transaction costs	0.08	0.17	0.12
Operating charges	0.94	0.93	0.98
Return after operating charges	+4.56	+0.44	+21.17
Historic yield ^[c]	3.13	4.36	3.58
Effect on yield of charges offset against capital	0.04	0.92	0.97

Other information

Closing NAV (€'000)	7,019	8,085	271
Closing NAV percentage of total fund NAV (%)	5.78	8.31	0.35
Number of shares	406,537	489,613	16,500
Highest share price (Euro ¢)	1,770.02	1,920.22	1,655.03
Lowest share price (Euro ¢)	1,484.25	1,586.55	1,341.59

Sterling Class 'A' Income share performance

The share class was launched on 18 July 2008.

for the year to 31 January Change in NAV per share	2017 UK p	2016 UK p	2015 UK p
Opening NAV	115.57	118.83	112.48
Return before operating charges and after direct portfolio transaction costs	22.00	3.43	13.04
Operating charges	(2.11)	(2.06)	(2.01)
Return after operating charges	19.89	1.37	11.03
Distributions	(5.56)	(4.63)	(4.68)
Closing NAV	129.90	115.57	118.83

Direct portfolio transaction costs ^[a]	UK p	UK p	UK p
Costs before dilution adjustments	0.27	0.28	0.16
Dilution adjustments ^[b]	(0.09)	(0.08)	(0.02)
Total direct portfolio transaction costs	0.18	0.20	0.14

Performance and charges	%	%	%
Direct portfolio transaction costs	0.08	0.17	0.12
Operating charges	1.69	1.68	1.72
Return after operating charges	+17.21	+1.15	+9.81
Historic yield	4.13	4.41	3.82
Effect on yield of charges offset against capital	1.69	1.67	1.71

Other information

Closing NAV (€'000)	59,940	41,571	30,829
Closing NAV percentage of total fund NAV (%)	49.34	42.72	39.86
Number of shares	39,811,476	27,451,648	19,506,545
Highest share price (UK p)	135.94	130.58	122.62
Lowest share price (UK p)	107.05	115.04	104.99

M&G Pan European Dividend Fund

Financial highlights

Specific share class performance

Sterling Class 'A' Accumulation share performance

The share class was launched on 18 July 2008.

for the year to 31 January Change in NAV per share	2017 UK p	2016 UK p	2015 UK p
Opening NAV	149.92	148.14	134.99
Return before operating charges and after direct portfolio transaction costs	28.74	4.40	15.58
Operating charges	(2.77)	(2.62)	(2.43)
Return after operating charges	25.97	1.78	13.15
Distributions	(5.80)	(5.81)	(5.63)
Retained distributions	5.80	5.81	5.63
Closing NAV	175.89	149.92	148.14
Direct portfolio transaction costs ^[a]	UK p	UK p	UK p
Costs before dilution adjustments	0.36	0.35	0.20
Dilution adjustments ^[b]	(0.12)	(0.10)	(0.03)
Total direct portfolio transaction costs	0.24	0.25	0.17
Performance and charges	%	%	%
Direct portfolio transaction costs	0.08	0.17	0.12
Operating charges	1.69	1.68	1.72
Return after operating charges	+17.32	+1.20	+9.74
Historic yield ^[c]	2.48	4.26	3.69
Effect on yield of charges offset against capital	0.04	1.68	1.71
Other information			
Closing NAV (€'000)	26,570	25,627	39,761
Closing NAV percentage of total fund NAV (%)	21.87	26.34	51.41
Number of shares	13,033,469	13,045,310	20,179,789
Highest share price (UK p)	179.73	163.04	148.90
Lowest share price (UK p)	138.84	145.90	128.39

Sterling Class 'I' Income share performance

The share class was launched on 3 August 2012.

for the year to 31 January Change in NAV per share	2017 UK p	2016 UK p	2015 UK p
Opening NAV	1,263.16	1,289.08	1,210.72
Return before operating charges and after direct portfolio transaction costs	241.42	36.89	140.75
Operating charges	(12.89)	(12.45)	(12.16)
Return after operating charges	228.53	24.44	128.59
Distributions	(60.89)	(50.36)	(50.23)
Closing NAV	1,430.80	1,263.16	1,289.08
Direct portfolio transaction costs ^[a]	UK p	UK p	UK p
Costs before dilution adjustments	3.00	3.03	1.76
Dilution adjustments ^[b]	(0.98)	(0.84)	(0.24)
Total direct portfolio transaction costs	2.02	2.19	1.52
Performance and charges	%	%	%
Direct portfolio transaction costs	0.08	0.17	0.12
Operating charges	0.94	0.93	0.96
Return after operating charges	+18.09	+1.90	+10.62
Historic yield	4.11	4.39	3.79
Effect on yield of charges offset against capital	0.94	0.92	0.96
Other information			
Closing NAV (€'000)	683	403	157
Closing NAV percentage of total fund NAV (%)	0.56	0.41	0.20
Number of shares	41,156	24,375	9,174
Highest share price (UK p)	1,496.74	1,418.56	1,323.30
Lowest share price (UK p)	1,170.40	1,257.08	1,136.06

Sterling Class 'I' Accumulation share performance

The share class was launched on 3 August 2012.

for the year to 31 January Change in NAV per share	2017 UK p	2016 UK p	2015 UK p
Opening NAV	1,431.07	1,406.08	1,269.49
Return before operating charges and after direct portfolio transaction costs	275.22	38.74	149.40
Operating charges	(14.64)	(13.75)	(12.81)
Return after operating charges	260.58	24.99	136.59
Distributions	(61.71)	(55.14)	(53.01)
Retained distributions	61.71	55.14	53.01
Closing NAV	1,691.65	1,431.07	1,406.08
Direct portfolio transaction costs ^[a]	UK p	UK p	UK p
Costs before dilution adjustments	3.41	3.34	1.86
Dilution adjustments ^[b]	(1.12)	(0.92)	(0.25)
Total direct portfolio transaction costs	2.29	2.42	1.61
Performance and charges	%	%	%
Direct portfolio transaction costs	0.08	0.17	0.12
Operating charges	0.94	0.93	0.96
Return after operating charges	+18.21	+1.78	+10.76
Historic yield ^[c]	3.14	4.24	3.67
Effect on yield of charges offset against capital	0.04	0.92	0.96
Other information			
Closing NAV (€'000)	1,361	1,668	478
Closing NAV percentage of total fund NAV (%)	1.12	1.71	0.62
Number of shares	69,415	88,943	25,538
Highest share price (UK p)	1,728.06	1,546.95	1,410.86
Lowest share price (UK p)	1,325.62	1,392.52	1,213.82

Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012.

for the year to 31 January Change in NAV per share	2017 UK p	2016 UK p	2015 UK p
Opening NAV	125.16	128.04	120.59
Return before operating charges and after direct portfolio transaction costs	23.89	3.69	14.00
Operating charges	(1.61)	(1.57)	(1.53)
Return after operating charges	22.28	2.12	12.47
Distributions	(6.03)	(5.00)	(5.02)
Closing NAV	141.41	125.16	128.04
Direct portfolio transaction costs ^[a]	UK p	UK p	UK p
Costs before dilution adjustments	0.30	0.30	0.18
Dilution adjustments ^[b]	(0.10)	(0.08)	(0.02)
Total direct portfolio transaction costs	0.20	0.22	0.16
Performance and charges	%	%	%
Direct portfolio transaction costs	0.08	0.17	0.12
Operating charges	1.19	1.18	1.22
Return after operating charges	+17.80	+1.66	+10.34
Historic yield	4.11	4.39	3.81
Effect on yield of charges offset against capital	1.19	1.17	1.22
Other information			
Closing NAV (€'000)	42	44	36
Closing NAV percentage of total fund NAV (%)	0.04	0.05	0.05
Number of shares	25,845	26,740	21,000
Highest share price (UK p)	147.95	140.85	131.70
Lowest share price (UK p)	115.96	124.57	112.96

M&G Pan European Dividend Fund

Financial highlights

Specific share class performance

Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012.

for the year to 31 January Change in NAV per share	2017 UK p	2016 UK p	2015 UK p
Opening NAV	141.56	139.21	126.38
Return before operating charges and after direct portfolio transaction costs	27.20	4.08	14.58
Operating charges	(1.85)	(1.73)	(1.75)
Return after operating charges	25.35	2.35	12.83
Distributions	(5.90)	(5.46)	(5.26)
Retained distributions	5.90	5.46	5.26
Closing NAV	166.91	141.56	139.21
Direct portfolio transaction costs ^[a]	UK p	UK p	UK p
Costs before dilution adjustments	0.34	0.37	0.28
Dilution adjustments ^[b]	(0.11)	(0.10)	(0.04)
Total direct portfolio transaction costs	0.23	0.27	0.24
Performance and charges	%	%	%
Direct portfolio transaction costs	0.08	0.17	0.12
Operating charges	1.19	1.18	1.22
Return after operating charges	+17.91	+1.69	+10.15
Historic yield ^[c]	2.92	4.24	3.67
Effect on yield of charges offset against capital	0.04	1.18	1.22
Other information			
Closing NAV (€'000)	48	2	2
Closing NAV percentage of total fund NAV (%)	0.04	0.00	0.00
Number of shares	25,000	1,000	1,000
Highest share price (UK p)	170.52	153.34	139.92
Lowest share price (UK p)	131.12	137.75	120.52

US dollar Class 'A' Income share performance

The share class was launched on 8 August 2014.

for the year to 31 January Change in NAV per share	2017 US ¢	2016 US ¢	2015 US ¢
Opening NAV	878.81	952.69	1,000.00
Return before operating charges and after direct portfolio transaction costs	34.42	(20.94)	(19.98)
Operating charges	(14.96)	(16.45)	(7.80)
Return after operating charges	19.46	(37.39)	(27.78)
Distributions	(37.74)	(36.49)	(19.53)
Closing NAV	860.53	878.81	952.69
Direct portfolio transaction costs ^[a]	US ¢	US ¢	US ¢
Costs before dilution adjustments	1.94	2.28	0.60
Dilution adjustments ^[b]	(0.64)	(0.63)	(0.08)
Total direct portfolio transaction costs	1.30	1.65	0.52
Performance and charges	%	%	%
Direct portfolio transaction costs	0.08	0.17	0.12
Operating charges	1.69	1.64	1.64
Return after operating charges	+2.21	-3.92	-2.78
Historic yield	4.26	4.53	3.82
Effect on yield of charges offset against capital	1.69	1.63	1.64
Other information			
Closing NAV (€'000)	52	39	4
Closing NAV percentage of total fund NAV (%)	0.04	0.04	0.00
Number of shares	6,478	4,881	500
Highest share price (US ¢)	949.78	1,081.27	1,038.16
Lowest share price (US ¢)	818.90	862.97	891.69

US dollar Class 'A' Accumulation share performance

The share class was launched on 8 August 2014.

for the year to 31 January Change in NAV per share	2017 US ¢	2016 US ¢	2015 US ¢
Opening NAV	931.93	972.42	1,000.00
Return before operating charges and after direct portfolio transaction costs	36.57	(23.54)	(19.77)
Operating charges	(16.09)	(16.95)	(7.81)
Return after operating charges	20.48	(40.49)	(27.58)
Distributions	(32.37)	(37.44)	(19.53)
Retained distributions	32.37	37.44	19.53
Closing NAV	952.41	931.93	972.42
Direct portfolio transaction costs ^[a]	US ¢	US ¢	US ¢
Costs before dilution adjustments	2.07	2.30	0.60
Dilution adjustments ^[b]	(0.68)	(0.64)	(0.08)
Total direct portfolio transaction costs	1.39	1.66	0.52
Performance and charges	%	%	%
Direct portfolio transaction costs	0.08	0.17	0.12
Operating charges	1.70	1.66	1.64
Return after operating charges	+2.20	-4.16	-2.76
Historic yield ^[c]	2.47	4.39	3.69
Effect on yield of charges offset against capital	0.05	1.65	1.64
Other information			
Closing NAV (€'000)	270	614	4
Closing NAV percentage of total fund NAV (%)	0.22	0.63	0.01
Number of shares	30,482	71,888	500
Highest share price (US ¢)	1,006.89	1,103.72	1,038.16
Lowest share price (US ¢)	868.14	894.77	891.64

US dollar Class 'C' Income share performance

The share class was launched on 8 August 2014.

for the year to 31 January Change in NAV per share	2017 US ¢	2016 US ¢	2015 US ¢
Opening NAV	889.05	956.51	1,000.00
Return before operating charges and after direct portfolio transaction costs	34.90	(21.52)	(19.91)
Operating charges	(8.29)	(9.18)	(4.08)
Return after operating charges	26.61	(30.70)	(23.99)
Distributions	(38.26)	(36.76)	(19.50)
Closing NAV	877.40	889.05	956.51
Direct portfolio transaction costs ^[a]	US ¢	US ¢	US ¢
Costs before dilution adjustments	2.27	2.37	0.60
Dilution adjustments ^[b]	(0.75)	(0.66)	(0.08)
Total direct portfolio transaction costs	1.52	1.71	0.52
Performance and charges	%	%	%
Direct portfolio transaction costs	0.08	0.17	0.12
Operating charges	0.92	0.91	0.86
Return after operating charges	+2.99	-3.21	-2.40
Historic yield	4.24	4.51	3.79
Effect on yield of charges offset against capital	0.92	0.91	0.86
Other information			
Closing NAV (€'000)	4	4	4
Closing NAV percentage of total fund NAV (%)	0.00	0.00	0.00
Number of shares	500	500	500
Highest share price (US ¢)	963.44	1,087.92	1,038.59
Lowest share price (US ¢)	830.24	872.82	892.98

M&G Pan European Dividend Fund

Financial highlights

Specific share class performance

US dollar Class 'C' Accumulation share performance

The share class was launched on 8 August 2014.

for the year to 31 January Change in NAV per share	2017 US ¢	2016 US ¢	2015 US ¢
Opening NAV	942.57	976.15	1,000.00
Return before operating charges and after direct portfolio transaction costs	36.99	(24.18)	(19.77)
Operating charges	(8.86)	(9.40)	(4.08)
Return after operating charges	28.13	(33.58)	(23.85)
Distributions	(36.31)	(37.62)	(19.50)
Retained distributions	36.31	37.62	19.50
Closing NAV	970.70	942.57	976.15
Direct portfolio transaction costs ^[a]	US ¢	US ¢	US ¢
Costs before dilution adjustments	2.28	2.41	0.60
Dilution adjustments ^[b]	(0.75)	(0.67)	(0.08)
Total direct portfolio transaction costs	1.53	1.74	0.52
Performance and charges	%	%	%
Direct portfolio transaction costs	0.08	0.17	0.12
Operating charges	0.92	0.91	0.86
Return after operating charges	+2.98	-3.44	-2.39
Historic yield ^[c]	3.19	4.36	3.67
Effect on yield of charges offset against capital	0.02	0.91	0.86
Other information			
Closing NAV (€'000)	5	4	4
Closing NAV percentage of total fund NAV (%)	0.00	0.00	0.01
Number of shares	500	500	500
Highest share price (US ¢)	1,021.16	1,110.30	1,038.59
Lowest share price (US ¢)	879.98	904.85	892.98

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

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

^[c] Current year figures have been estimated to reflect the change in charging structure and therefore you may see variances between comparative and current year figures.

M&G Pan European Dividend Fund

Financial statements and notes

Financial statements

Statement of total return					
for the year to 31 January	Note	2017 €'000	2016 €'000	2017 €'000	2016 €'000
Income					
Net capital gains / (losses)	3		1,377		(3,902)
Revenue	5	4,414		3,413	
Expenses	6	(1,643)		(1,518)	
Net revenue / (expense) before taxation		2,771		1,895	
Taxation	7	(179)		(129)	
Net revenue / (expense) after taxation			2,592		1,766
Total return before distributions			3,969		(2,136)
Distributions	8		(3,870)		(3,283)
Change in net assets attributable to shareholders from investment activities			99		(5,419)

Statement of change in net assets attributable to shareholders				
for the year to 31 January	2017 €'000	2016 €'000	2017 €'000	2016 €'000
Opening net assets attributable to shareholders		97,317		77,342
Amounts received on issue of shares	44,045		49,709	
Amounts paid on cancellation of shares	(21,725)		(26,263)	
		22,320		23,446
Dilution adjustments		122		109
Change in net assets attributable to shareholders from investment activities (see above)		99		(5,419)
Retained distributions on Accumulation shares		1,628		1,839
Closing net assets attributable to shareholders		121,486		97,317

Balance sheet			
as at 31 January	Note	2017 €'000	2016 €'000
Assets			
Fixed assets			
Investments		122,837	99,149
Current assets			
Debtors	9	523	299
Cash and bank balances	10	742	0
Total assets		124,102	99,448
Liabilities			
Creditors			
Bank overdrafts		0	(406)
Distribution payable		(1,821)	(1,036)
Other creditors	11	(795)	(689)
Total liabilities		(2,616)	(2,131)
Net assets attributable to shareholders		121,486	97,317

Notes to the financial statements

1 Accounting policies

The financial statements have been prepared in accordance with the 'Summary of significant accounting policies' set out on pages 6 and 7.

2 Distribution policy

With effect from 1 August 2016, the distribution policy has been amended so that in determining the amount available for reinvestment to Accumulation shares, the annual management charge and administration charge are no longer offset against capital, reducing the amount available for reinvestment. The audit, depositary and safe custody charges continue to be offset against capital, increasing the amount available for reinvestment, whilst restraining capital performance to an equivalent extent. In determining the amount available for distribution to Income shares, all expenses with the exception of overdraft interest continue to be offset against capital, increasing the amount available for distribution, whilst restraining capital performance to an equivalent extent.

Marginal tax relief has not been taken into account in respect of expenses offset against capital.

3 Net capital gains / (losses)

for the year to 31 January	2017 €'000	2016 €'000
Non-derivative securities	1,468	(4,029)
Derivative contracts	135	0
Currency gains / (losses)	(220)	134
Transaction charges	(6)	(7)
Net capital gains / (losses)	1,377	(3,902)

M&G Pan European Dividend Fund

Financial statements and notes

Notes to the financial statements

4 Portfolio transactions and associated costs

The following tables show portfolio transactions and their associated transaction costs. For more information about the nature of the costs please see the section on 'Operating charges and portfolio transaction costs' on page 110.

for the year to 31 January	2017 €'000	% of transaction	2016 €'000	% of transaction
a) Purchases				
Equities				
Equities before transaction costs	85,634		71,643	
Commissions	48	0.06	55	0.08
Taxes	140	0.16	121	0.17
Total purchases after transaction costs	85,822		71,819	
b) Sales				
Equities				
Equities before transaction costs	60,402		51,182	
Commissions	(39)	0.06	(36)	0.07
Equities after transaction costs	60,363		51,146	
Other asset classes				
Corporate actions	0		285	
Total sales after transaction costs	60,363		51,431	
c) Direct portfolio transaction costs				
Commissions paid				
Equities	87	0.08	91	0.10
Taxes paid				
Equities	140	0.14	121	0.13
Total direct portfolio transaction costs [a]	227	0.22	212	0.23
d) Indirect portfolio transaction costs				
Portfolio dealing spread [b]		0.14		0.15

[a] Costs before dilution adjustments. Please refer to the 'Financial highlights' section for the effect of dilution adjustments.

[b] Average portfolio dealing spread at the balance sheet date.

5 Revenue

for the year to 31 January	2017 €'000	2016 €'000
Distributions from collective investment schemes: taxable	106	0
Distributions from collective investment schemes: property income dividends	45	0
Dividends from equity investments: non-taxable	3,940	3,362
Dividends from equity investments: taxable	243	(14)
Interest distributions	3	8
Interest on withholding tax previously withheld at source	0	4
Stock dividends	57	51
Underwriting commission	20	2
Total revenue	4,414	3,413

6 Expenses

for the year to 31 January	2017 €'000	2016 €'000
Payable to the ACD or associate		
Annual management charge	1,447	1,348
Administration charge	156	140
	1,603	1,488
Payable to the Depositary or associate		
Depositary's charge (including VAT)	9	8
	9	8
Other expenses		
Audit fee (including VAT)	10	10
Interest payable	10	1
Safe custody charge	10	9
Tax fees (including VAT)	1	2
	31	22
Total expenses	1,643	1,518

7 Taxation

for the year to 31 January	2017 €'000	2016 €'000
a) Analysis of charge in the year		
Corporation tax	0	0
Withholding tax	179	129
Deferred tax (note 7c)	0	0
Total taxation	179	129
b) Factors affecting taxation charge for the year		
Net revenue / (expense) before taxation	2,771	1,895
Corporation tax at 20%	554	379
Effects of:		
Dividends from equity investments: non-taxable	(788)	(672)
Stock dividends not taxable	(11)	(10)
Current year expenses not utilised	247	306
Withholding tax	179	129
Withholding tax expensed	(2)	(3)
Total tax charge (note 7a)	179	129
c) Provision for deferred taxation		
Provision at the start of the year	0	0
Deferred tax in profit and loss account (note 7a)	0	0
Provision at the end of the year	0	0

The fund has not recognised a deferred tax asset of €1,294,000 (2016: €1,047,000) arising as a result of having excess management expenses and interest distributions. We do not expect this asset to be utilised in the foreseeable future.

8 Distributions

for the year to 31 January	2017		2016	
	Inc [a]	Acc [b]	Inc [a]	Acc [b]
Dividend distributions	€'000	€'000	€'000	€'000
Interim	964	904	841	691
Final	1,821	724	1,037	1,148
Total net distributions		4,413		3,717
Income deducted on cancellation of shares		387		582
Income received on issue of shares		(930)		(1,016)
Distributions		3,870		3,283
Net revenue per statement of total return		2,592		1,766
Expenses offset against capital		1,278		1,517
Distributions		3,870		3,283

[a] Distributions payable on Income shares.

[b] Retained distributions on Accumulation shares.

M&G Pan European Dividend Fund

Financial statements and notes

Notes to the financial statements

9 Debtors

as at 31 January	2017 €'000	2016 €'000
Amounts receivable on issues of shares	48	0
Distributions receivable	0	1
Dividends receivable	43	0
Tax recoverable	24	0
Withholding tax recoverable	408	298
Total debtors	523	299

10 Cash and bank balances

as at 31 January	2017 €'000	2016 €'000
Cash held as bank balances	742	0
Total cash and bank balances	742	0

11 Other creditors

as at 31 January	2017 €'000	2016 €'000
ACD's annual management charge payable	69	42
Administration charge payable	8	4
Amounts payable on cancellation of shares	702	0
Expenses payable	16	14
Purchases awaiting settlement	0	629
Total other creditors	795	689

12 Contingent assets, liabilities and outstanding commitments

There were no contingent assets, liabilities or outstanding commitments at the balance sheet date (2016: same).

13 Shares in issue

The following table shows each class of share in issue during the year. Each share class has the same rights on winding up however they may have different charging structures as set out in note 14.

Share class	Opening 01.02.16	Movements		Closing 31.01.17
		Issued	Cancelled	
Euro				
Class 'A' Income (Net)	237,309	55,013	(52,200)	240,122
Class 'A' Accumulation (Net)	1,022,986	145,525	(508,830)	659,681
Class 'B' Income (Net)	0	4,500	0	4,500
Class 'B' Accumulation (Net)	0	3,707	0	3,707
Class 'C' Income (Net)	1,209	730,713	0	731,922
Class 'C' Accumulation (Net)	489,613	542,323	(625,399)	406,537
Sterling				
Class 'A' Income (Net)	27,451,648	13,572,901	(1,213,073)	39,811,476
Class 'A' Accumulation (Net)	13,045,310	33,047	(44,888)	13,033,469
Class 'I' Income (Net)	24,375	29,305	(12,524)	41,156
Class 'I' Accumulation (Net)	88,943	29,226	(48,754)	69,415
Class 'R' Income (Net)	26,740	0	(895)	25,845
Class 'R' Accumulation (Net)	1,000	34,000	(10,000)	25,000
US dollar				
Class 'A' Income (Net)	4,881	1,597	0	6,478
Class 'A' Accumulation (Net)	71,888	0	(41,406)	30,482
Class 'C' Income (Net)	500	0	0	500
Class 'C' Accumulation (Net)	500	0	0	500

14 Charging structure

The table below sets out the charging structure for each class of share. The charging structure is the same for both Income and Accumulation shares of each class.

Share class	Entry charge %	Exit charge %	Annual management charge %
Euro			
Class 'A'	4.00	n/a	1.50
Class 'B'	1.25	n/a	2.00
Class 'C'	1.25	n/a	0.75
Sterling			
Class 'A'	4.00 ^[a]	n/a	1.50
Class 'I'	1.00 ^[a]	n/a	0.75
Class 'R'	1.00 ^[a]	n/a	1.00
US dollar			
Class 'A'	4.00	n/a	1.50
Class 'C'	1.25	n/a	0.75

^[a] With effect from 16 December 2016, the entry charge has been discounted to zero on all new investments into sterling share classes.

15 Related parties

M&G Securities Limited, as Authorised Corporate Director (ACD), is a related party and acts as principal on all the transactions of shares in the fund except with in-specie transactions, where M&G Securities Limited acts as an agent. The aggregate monies received through issues, and paid on cancellations, are disclosed in the 'Statement of change in net assets attributable to shareholders' and note 8. Amounts due to / from M&G Securities Limited in respect of share transactions at the year end are disclosed in notes 9 and 11 where applicable.

Amounts paid to M&G Securities Limited in respect of the ACD's annual management charge and administration charge are disclosed in note 6. Amounts due at the year end in respect of the ACD's annual management charge and administration charge are disclosed in note 11.

During the year, there were transactions in Prudential plc, a related party of M&G Securities Limited with a total value of €3,789,000 (2016: €4,984,000).

At the balance sheet date, the fund held shares in related parties of M&G Securities Limited with a value of €3,892,000 (2016: €nil).

At the balance sheet date, shareholders from within Prudential plc, of which M&G Securities Limited is a wholly owned subsidiary, have holdings totalling 94.41% (2016: 93.24%) of the fund's shares.

M&G Pan European Dividend Fund

Financial statements and notes

Notes to the financial statements

16 Events after the balance sheet date

There were no events after the balance sheet date to disclose.

17 Portfolio fair value analysis

Financial instruments have been measured at their fair value and have been classified below using a hierarchy that reflects the significance of the inputs used in measuring their fair value:

Level 1: Quoted prices for identical instruments in active markets

This includes instruments such as publicly traded equities; highly liquid bonds (e.g. Government bonds) and exchange traded derivatives (e.g. futures) for which quoted prices are readily and regularly available.

Level 2: Valuation techniques using observable market data

This includes publicly traded corporate bonds and instruments which have been valued using models with observable market data inputs such as quoted prices for similar instruments, interest rates, yield curves or credit spreads. Over-the-counter instruments have also been included in the category.

Level 3: Valuation techniques using non-observable market data

This refers to instruments which have been valued using models with non-observable market data inputs. This includes private equity, unlisted closed-ended funds and investment analyst recommended prices where the market price is deemed to not be a true representation of fair value. However no such financial instruments were held.

as at 31 January	Assets 2017	Liabilities 2017	Assets 2016	Liabilities 2016
Valuation technique	€'000	€'000	€'000	€'000
Level 1	122,696	0	95,817	0
Level 2	141	0	3,332	0
Level 3	0	0	0	0
	122,837	0	99,149	0

In accordance with FRS 102 (22.4a) the shares in issue for each class meet the definition of a puttable instrument as the shareholders have the right to sell the shares back to the issuer. The shares in the fund may be issued and redeemed on any business day at the quoted price. These shares are not traded on an exchange. However, the price is observable and transactions within the fund take place regularly at that price. The shares in issue as detailed in note 13 meet the definition of a level 2 financial instrument 'Valuation techniques using observable market data'.

18 Risk management policies

General risk management policies for the fund are described in note 3 to the financial statements on pages 7 and 8.

19 Market risk

A five per cent increase in the value of the fund's investment portfolio would have the effect of increasing the return and net assets by €6,135,000 (2016: €4,957,000). A five per cent decrease would have an equal and opposite effect.

20 Currency risk

as at 31 January	2017 €'000	2016 €'000
Currency exposure in respect of the fund		
Danish krone	7,053	0
Euro	48,780	40,528
Norwegian krone	1,501	862
Sterling	34,931	38,408
Swedish krona	19,182	7,140
Swiss franc	3,977	8,720
US dollar	6,062	1,659
Total	121,486	97,317

21 Dividend distribution tables

This fund pays semi-annual ordinary distributions and the following table sets out the distribution periods.

Semi-annual distribution periods				
	Start	End	Xd	Payment
Interim	01.02.16	31.07.16	01.08.16	30.09.16
Final	01.08.16	31.01.17	01.02.17	31.03.17

The following tables set out for each distribution the rates per share for both Group 1 and Group 2 shares.

Group 1 shares are those purchased prior to a distribution period and therefore their net revenue rate is the same as the distribution rate.

Group 2 shares are those purchased during a distribution period and therefore their distribution rate is made up of net revenue and equalisation. Equalisation is the average amount of revenue included in the purchase price of all Group 2 shares and is refunded to the holders of these shares as a return of capital. Being capital it is not liable to Income Tax. Instead, it must be deducted from the cost of shares for Capital Gains Tax purposes. The tables below show the split of the Group 2 rates into the net revenue and equalisation components.

Euro Class 'A' Income shares				
Ordinary distributions for the year to 31 January	Net revenue 2017	Group 2 Equalisation 2017	Group 1 & 2 Distribution 2017	2016
	€	€	€	€
Interim	3.1058	23.2942	26.4000	25.9897
Final	3.9491	29.3366	33.2857	31.6564

Euro Class 'A' Accumulation shares				
Ordinary distributions for the year to 31 January	Net revenue 2017	Group 2 Equalisation 2017	Group 1 & 2 Distribution 2017	2016
	€	€	€	€
Interim	3.5771	26.0301	29.6072	28.0590
Final	0.0000	24.3647	24.3647	34.4161

M&G Pan European Dividend Fund

Financial statements and notes

Notes to the financial statements

21 Dividend distribution tables (continued)

Euro Class 'B' Income shares

Ordinary distributions for the year to 31 January	Net revenue 2017	Group 2 Equalisation 2017	Group 1 & 2 Distribution 2017	2016
	€	€	€	€
Interim	11.2685	0.0000	11.2685	n/a
Final	1.9644	15.9522	17.9166	n/a

Euro Class 'B' Accumulation shares

Ordinary distributions for the year to 31 January	Net revenue 2017	Group 2 Equalisation 2017	Group 1 & 2 Distribution 2017	2016
	€	€	€	€
Interim	11.2685	0.0000	11.2685	n/a
Final	0.0000	7.1674	7.1674	n/a

Euro Class 'C' Income shares

Ordinary distributions for the year to 31 January	Net revenue 2017	Group 2 Equalisation 2017	Group 1 & 2 Distribution 2017	2016
	€	€	€	€
Interim	0.0000	29.6177	29.6177	28.9485
Final	6.1344	31.2811	37.4155	35.3051

Euro Class 'C' Accumulation shares

Ordinary distributions for the year to 31 January	Net revenue 2017	Group 2 Equalisation 2017	Group 1 & 2 Distribution 2017	2016
	€	€	€	€
Interim	0.0000	31.4115	31.4115	29.5805
Final	1.1085	31.1607	32.2692	36.2946

Sterling Class 'A' Income shares

Ordinary distributions for the year to 31 January	Net revenue 2017	Group 2 Equalisation 2017	Group 1 & 2 Distribution 2017	2016
	p	p	p	p
Interim	0.0000	2.4198	2.4198	1.9902
Final	0.4452	2.6928	3.1380	2.6404

Sterling Class 'A' Accumulation shares

Ordinary distributions for the year to 31 January	Net revenue 2017	Group 2 Equalisation 2017	Group 1 & 2 Distribution 2017	2016
	p	p	p	p
Interim	0.0000	3.1383	3.1383	2.4848
Final	0.0000	2.6597	2.6597	3.3217

Sterling Class 'I' Income shares

Ordinary distributions for the year to 31 January	Net revenue 2017	Group 2 Equalisation 2017	Group 1 & 2 Distribution 2017	2016
	p	p	p	p
Interim	1.7992	24.6892	26.4884	21.6242
Final	3.7511	30.6504	34.4015	28.7352

Sterling Class 'I' Accumulation shares

Ordinary distributions for the year to 31 January	Net revenue 2017	Group 2 Equalisation 2017	Group 1 & 2 Distribution 2017	2016
	p	p	p	p
Interim	3.2819	26.7186	30.0005	23.5864
Final	1.6416	30.0727	31.7143	31.5583

Sterling Class 'R' Income shares

Ordinary distributions for the year to 31 January	Net revenue 2017	Group 2 Equalisation 2017	Group 1 & 2 Distribution 2017	2016
	p	p	p	p
Interim	0.7211	1.9021	2.6232	2.1470
Final	0.6419	2.7629	3.4048	2.8513

Sterling Class 'R' Accumulation shares

Ordinary distributions for the year to 31 January	Net revenue 2017	Group 2 Equalisation 2017	Group 1 & 2 Distribution 2017	2016
	p	p	p	p
Interim	2.3214	0.6472	2.9686	2.3323
Final	2.9289	0.0000	2.9289	3.1240

US dollar Class 'A' Income shares

Ordinary distributions for the year to 31 January	Net revenue 2017	Group 2 Equalisation 2017	Group 1 & 2 Distribution 2017	2016
	€	€	€	€
Interim	15.7627	1.0946	16.8573	16.4812
Final	20.8789	0.0000	20.8789	20.0066

US dollar Class 'A' Accumulation shares

Ordinary distributions for the year to 31 January	Net revenue 2017	Group 2 Equalisation 2017	Group 1 & 2 Distribution 2017	2016
	€	€	€	€
Interim	0.0000	17.8707	17.8707	16.8582
Final	14.4987	0.0000	14.4987	20.5776

US dollar Class 'C' Income shares

Ordinary distributions for the year to 31 January	Net revenue 2017	Group 2 Equalisation 2017	Group 1 & 2 Distribution 2017	2016
	€	€	€	€
Interim	17.0787	0.0000	17.0787	16.5868
Final	21.1780	0.0000	21.1780	20.1760

US dollar Class 'C' Accumulation shares

Ordinary distributions for the year to 31 January	Net revenue 2017	Group 2 Equalisation 2017	Group 1 & 2 Distribution 2017	2016
	€	€	€	€
Interim	18.0955	0.0000	18.0955	16.9154
Final	18.2140	0.0000	18.2140	20.7060

M&G Investment Funds (7)

Other regulatory disclosures

Remuneration

In line with the requirements of the Undertakings for Collective Investment in Transferable Securities (UCITS) V, the Manager is subject to a remuneration policy which is consistent with the principles outlined in SYSC19E of the FCA Handbook (UCITS Remuneration Code).

The remuneration policies are designed to ensure that any relevant conflicts of interest can be managed appropriately at all times and that the remuneration of its staff is in line with the risk policies and objectives of the UCITS it manages. Further details of the remuneration policy applicable at an M&G Limited level can be found here: <http://www.mandg.com/en/corporate/about-mg/our-people/>.

Implementation of the UCITS Remuneration Code remains ongoing and will apply in full for the first time for M&G's 2017 performance year. Quantitative remuneration disclosures will be made following completion of the 2017 performance year (the relevant data/information to make these disclosures will only be available at this time).

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.

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.

Glossary

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.

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.

Glossary

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.

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.

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.

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.

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.

Glossary

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.

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