



M&G Investment Funds (1)

Annual Long Report and audited Financial Statements
for the year ended 31 August 2019

Contents

M&G Investment Funds (1)	
Authorised Corporate Director's Report	Page 1
Directors' statement	Page 3
Depository's Responsibilities and Report	Page 4
Independent Auditor's Report	Page 5
Financial statements and notes	Page 7
Authorised Corporate Director's Reports, including the financial highlights and financial statements and notes for:	
M&G Asian Fund	Page 11
M&G European Index Tracker Fund	Page 27
M&G European Select Fund	Page 43
M&G Global Select Fund	Page 59
M&G Global Themes Fund	Page 77
M&G Japan Fund	Page 93
M&G Japan Smaller Companies Fund	Page 109
M&G North American Dividend Fund	Page 125
M&G North American Value Fund	Page 145
M&G Pan European Select Fund	Page 161
M&G Pan European Select Smaller Companies Fund	Page 177
Other regulatory disclosures	Page 192
Glossary	Page 193

M&G Investment Funds (1)

Authorised Corporate Director's Report

The Authorised Corporate Director (ACD) of M&G Investment Funds (1) presents its Annual Long Report and audited Financial Statements for the year ended 31 August 2019.

The audited financial statements of M&G Investment Funds (1) 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 (1) is an umbrella Open-Ended Investment Company (OEIC) and contains 11 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 6 June 2001 and was launched on 1 November 2001, following the conversion of a series of authorised unit trusts.

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 August 2019, 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 Asian Fund

Alastair Bruce

At the start of the review period Matthew Vaight was the fund manager.

M&G European Index Tracker Fund

Nigel Booth

M&G European Select Fund

Richard Halle

At the start of the review period Phil Cliff was the fund manager.

M&G Global Select Fund

John William Olsen

M&G Global Themes Fund

Alex Araujo

At the start of the review period Jamie Horvat was the fund manager.

M&G Japan Fund

Johan Du Preez

During the review period, the fund's objective and policy changed. On 4 September 2019, Shane Kelly replaced Johan Du Preez as interim fund manager. From midday on 20 September 2019 Carl Vine replaced Shane Kelly as fund manager.

M&G Japan Smaller Companies Fund

Johan Du Preez

During the review period, the fund's objective and policy changed. On 4 September 2019, Shane Kelly replaced Johan Du Preez as interim fund manager. From midday on 20 September 2019 Carl Vine replaced Shane Kelly as fund manager.

M&G North American Dividend Fund

John Weavers

M&G North American Value Fund

Daniel White

M&G Pan European Select Fund

John William Olsen

M&G Pan European Select Smaller Companies Fund

Michael Oliveros

ACD

M&G Securities Limited,
10 Fenchurch Avenue, London EC3M 5AG, 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

M Ammon, G N Cotton*, C Dobson (non executive director),
N M Donnelly, P R Jelfs, M McGrade (non executive director),
L J Mumford

* Resigned 27 September 2019.

Investment manager

M&G Investment Management Limited,
10 Fenchurch Avenue, London EC3M 5AG, UK
Telephone: +44 (0)20 7626 4588
(Authorised and regulated by the Financial Conduct Authority)

Registrar

DST Financial Services Europe Ltd,
DST House, St. Nicholas Lane, Basildon, Essex SS15 5FS, UK
(Authorised and regulated by the Financial Conduct Authority)

Depositary

NatWest Trustee & Depositary Services Limited, Drummond House,
1 Redheughs Avenue, Edinburgh EH12 9RH, UK
(Authorised and regulated by the Financial Conduct Authority)

Independent auditor

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

M&G Investment Funds (1)

Authorised Corporate Director's Report

Important information

Following the extraordinary resolutions at shareholder meetings held on 4 October 2018, shareholders approved the mergers of the non-sterling share classes of several funds into equivalent sub-funds in M&G (Lux) Investment Funds 1 as follows:

Non-sterling share classes of the M&G Asian Fund merged into the M&G (Lux) Asian Fund on 26 October 2018.

Non-sterling share classes of the M&G Japan Fund merged into the M&G (Lux) Japan Fund on 26 October 2018.

Non-sterling share classes of the M&G Japan Smaller Companies Fund merged into the M&G (Lux) Japan Smaller Companies Fund on 26 October 2018.

Non-sterling share classes of the M&G Global Select Fund merged into the M&G (Lux) Global Select Fund on 9 November 2018.

Non-sterling share classes of the M&G North American Dividend Fund merged into the M&G (Lux) North American Dividend Fund on 9 November 2018.

Non-sterling share classes of the M&G North American Value Fund merged into the M&G (Lux) North American Value Fund on 9 November 2018.

Non-sterling share classes of the M&G Pan European Select Fund merged into the M&G (Lux) Pan European Select Fund on 9 November 2018.

For further details of the mergers, please refer to www.mandg.com/brexitmergerdocumentation.

The investment objectives and policies of M&G Asian Fund, M&G European Select Fund, M&G Japan Fund and M&G North American Value Fund were changed on 1 March 2019.

On 8 April 2019 M&G European Select Fund, M&G Global Themes Fund, M&G Japan Fund, M&G North American Dividend Fund and M&G North American Value Fund launched Sterling Class 'PP' Accumulation shares.

The objective and policy of M&G Japan Smaller Companies Fund changed on 24 April 2019.

As per the shareholder letter issued 17 June 2019, we have made changes to the way we charge for M&G funds based in the UK, starting on Thursday 1 August 2019. The annual charge should be simpler to understand and be easier to compare to other fund charges. We have combined all the charges that make up the current Ongoing Charge Figure (OCF) into a single annual charge. Only exceptional items such as unforeseen legal and tax expenses, also known as extraordinary expenses, will be excluded from the annual charge. To find out the new annual charge and the OCF on the KIID for the share class(es) you are invested in, visit our website www.mandg.co.uk.

On 5 August 2019 M&G European Select Fund, M&G Global Themes Fund, M&G Japan Fund, M&G North American Dividend Fund and M&G North American Value Fund launched Sterling Class 'PP' Income shares.

Investor information

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

Customer services and administration for UK clients:

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

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

Telephone: 0800 390 390 (UK only)

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

Customer services and administration for non-UK clients:

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

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

Telephone: +352 2605 9944

Email: csmmandg@rbc.com

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

Austrian paying and information agent:

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

Belgian financial agent:

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

Danish representative agent:

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

French centralising agent:

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

German information agent:

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

M&G Investment Funds (1)

Authorised Corporate Director's Report

Investor information

Greek paying agents and distributors:

Alpha Bank A.E.,
40 Stadiou Street, 10252 Athens, Greece
Eurobank Ergasias S.A.,
8 Othonos Street, 10557 Athens, Greece
Piraeus Bank S.A
4 Amerikis Street, 10564 Athens, Greece

Irish facilities agent:

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

Italian paying agents:

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

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

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

BNP PARIBAS Securities Services,
Piazza Lina Bo Bardi 3, 20124 Milano, Italy

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

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

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

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

Luxembourg paying and information agent:

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

Portuguese distributor:

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

Spanish representative:

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

Swedish paying agent:

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

Swiss paying agent and representative:

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

Authorised Corporate Director's Responsibilities

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

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

Directors' statement

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

M&G Securities Limited
15 October 2019

M&G Investment Funds (1)

Depositary's Responsibilities and Report

Statement of the Depositary's Responsibilities and Report of the Depositary to the Shareholders of M&G Investment Funds (1) ('the Company') for the period ended 31 August 2019

The Depositary 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 (SI2001/1228) (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 Depositary must in the context of its role act honestly, fairly, professionally, independently and in the interests of the Company and its investors.

The Depositary 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 Depositary must ensure that:

- the Company's cashflows are properly monitored 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 Depositary 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 Depositary of the Company, it is our opinion, based on the information available to us and the explanations provided, that in all material respects the Company, acting through the 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 October 2019

NatWest Trustee and
Depositary Services Limited

M&G Investment Funds (1)

Independent Auditor's Report

Independent Auditor's Report to the shareholders of M&G Investment Funds (1)

Opinion

We have audited the financial statements of M&G Investment Funds (1) ICVC ("the Company") for the year ended 31 August 2019 which comprise the Statement of Total Return and Statement of Change in Net Assets Attributable to Shareholders together with the Balance Sheet for each of the Company's sub-funds, the accounting policies of the Company, the related notes for each sub-fund and the Distribution Tables, including the summary of significant accounting policies. 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 FRS 102 'The Financial Reporting Standard applicable to the UK and Republic of Ireland'.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Company comprising each of its sub-funds as at 31 August 2019 and of the net revenue and the net capital gains / (losses) on the scheme property of the Company comprising each of its sub-funds for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the ACD's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the ACD has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The ACD is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions 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 ACD's report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- 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.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matter in relation to which the rules of the Collective Investment Schemes sourcebook of the Financial Conduct Authority require us to report to you if, in our opinion:

- we have not received all the information and explanations which, to the best of our knowledge and belief, are necessary for the purposes of our audit.

Responsibilities of the Authorised Corporate Director (ACD)

As explained more fully in the ACDs' responsibilities statement set out on page 3, the ACD is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the ACD determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the ACD is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the ACD either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

M&G Investment Funds (1)

Independent Auditor's Report

Independent Auditor's Report to the shareholders of M&G Investment Funds (1)

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Company's shareholders, 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 shareholders 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Edinburgh
15 October 2019

Ernst & Young LLP
Statutory Auditor

1. The maintenance and integrity of the M&G website is the responsibility of the ACD; 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.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

M&G Investment Funds (1)

Financial statements and notes

The financial statements for M&G Investment Funds (1) 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 (1) have been prepared in compliance with UK Financial Reporting Standard 102 (FRS 102) and in accordance with the Statement of Recommended Practice (SORP) for Authorised Funds issued by the Investment Association in May 2014 and as amended June 2017.

2 Summary of significant accounting policies

a) Basis of preparation

The financial statements of M&G Investment Funds (1) 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

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 30 August 2019 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 30 August 2019, 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 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).

- The value of any enhancement to a stock dividend is treated as capital.

- Ordinary equity dividends, including ordinary stock dividends are treated as revenue.

- Special dividends, share buy backs or additional share issues may be treated as revenue or capital depending on the facts of each particular case.

- 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.

M&G Investment Funds (1)

Financial statements and notes

Notes to the financial statements

2 Summary of significant accounting policies (continued)

f) Treatment of income and expenses (continued)

- 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.

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

h) Allocation of returns to share classes

The annual charge / 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, 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.

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.

M&G Investment Funds (1)

Financial statements and notes

Notes to the financial statements

3 Risk management policies (continued)

Commitment approach (continued)

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 review (back-testing). Market risk factors that are analysed include LIBOR / swap rates, government yield curves, equity prices, exchange rates, 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 Asian Fund	Commitment
M&G European Index Tracker Fund	Commitment
M&G European Select Fund	Commitment
M&G Global Select Fund	Commitment
M&G Global Themes Fund	Commitment
M&G Japan Fund	Commitment
M&G Japan Smaller Companies Fund	Commitment
M&G North American Dividend Fund	Commitment
M&G North American Value Fund	Commitment
M&G Pan European Select Fund	Commitment
M&G Pan European Select Smaller Companies 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.

Funds investing in derivatives are exposed to counterparty risk. This is the risk that the other party to the transaction fails to fulfil their obligations, either by failing to pay or failing to deliver securities. To minimise this risk, carefully selected, financially strong and well-established counterparties are selected following a thorough due diligence review and collateral is posted daily (in the form of cash or high-quality government bonds). Derivative positions are valued on a mark-to-market basis (revalued to reflect prevailing market prices) daily and collateral moves from one counterparty to the other to reflect movements in the unrealised profit or loss. As a result, the maximum loss to the fund would be limited to that day's price movements in affected derivatives contracts.

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 (1)

Financial statements and notes

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M&G Asian Fund

Authorised Corporate Director's Report

Investment objective and policy up to 28 February 2019

The Fund's sole objective is long term capital growth. It invests wholly or mainly in a range of Asian (including Australasian) securities. When not wholly invested as above, the fund may also invest in global securities with the exception of Japanese securities.

Investment approach up to 28 February 2019

The M&G Asian 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 underappreciated 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.

Investment objective from 1 March 2019

The fund aims to provide a higher total return (the combination of capital growth and income), net of the ongoing charge figure, than that of the MSCI AC Asia Pacific ex Japan Index over any five-year period.

Investment policy from 1 March 2019

At least 80% of the fund is invested directly in equity securities and equity-related securities of companies across any sectors and market capitalisations that are incorporated, domiciled, or do most of their business in the Asia Pacific region (excluding Japan).

The fund may also invest in other transferable securities directly and via collective investment schemes (including funds managed by M&G).

The fund may also hold cash and near cash for liquidity purposes.

Derivatives may be used for efficient portfolio management and hedging.

Investment approach from 1 March 2019

The fund employs a disciplined approach to investment which concentrates on the analysis and selection of individual companies.

The investment approach identifies shares of Asia Pacific ex Japan companies which, in the fund manager's opinion at the time of investment, are undervalued.

When analysing a company, the fund manager focuses on three key factors: return on capital, valuations and corporate governance.

The fund manager believes that company-specific factors, in particular their profitability (which is measured in terms of return on capital), drive share prices over the long term.

Benchmark

Benchmark: MSCI AC Asia Pacific ex Japan Index.

The fund is actively managed. The benchmark is a target which the fund seeks to outperform. The index has been chosen as the fund's target benchmark as it best reflects the scope of the fund's investment policy. The target benchmark is used solely to measure the fund's performance and does not constrain the fund's portfolio construction.

M&G Asian Fund

Authorised Corporate Director's Report

Risk profile

The fund invests in shares of companies throughout Asia (excluding Japan), or companies that conduct the majority of their business activities in these countries. It is, therefore, subject to the price volatility of the Asian stockmarket and the performance of individual issuers. The fund may also be influenced by developments in the broader global stockmarket and is subject to fluctuations in currency exchange rates.

Asia (ex Japan) is a region that is regarded as having emerging economies. Hence, the fund's focus on Asia may result in greater volatility 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. Diversification across countries, industries and market capitalisation is therefore 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.

Investment review

As at 2 September 2019, for the year ended 31 August 2019

Performance against objective

Between 3 September 2018 (the start of the review period) and 2 September 2019, the sterling share classes of the M&G Asian Fund produced a positive total return (the combination of income and growth of capital). However, fund returns were behind the benchmark, the MSCI AC Asia Pacific ex Japan Index. Over the 12 months, the index rose 2.4% in sterling terms.

Between 3 September 2018 and 26 October 2018, the fund's euro and US dollar share classes delivered negative returns, but were ahead of the MSCI AC Asia Pacific ex Japan Index (-10.8% and -12.7% in euros and US dollars, respectively).* On 26 October 2018, the fund's non-sterling share classes merged into the M&G (Lux) Asian Fund, a Luxembourg-authorized SICAV that launched on that date.

Over a longer timeframe of five years, the fund's sterling share classes produced positive returns but underperformed the benchmark which returned 9.1% p.a. The fund therefore did not meet the current objective over its specified timeframe of five years.

The fund's euro share classes produced positive returns over the period from 2 September 2014 until 26 October 2018 whereas the fund's US dollar share classes delivered negative returns.

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

Investment performance

Asian stockmarkets rose in the period under review, although there was considerable turbulence along the way. Steep declines at the end of 2018 were followed by a powerful rebound in the first few months of 2019. Further falls followed in May and August.

Developments in the protracted trade war between the US and China were a major driver of the fluctuations in company share prices (equities). Concerns about escalating trade tensions and the introduction of new tariffs sparked share price falls, while optimism about a potential deal between the world's two largest economies fuelled equity market gains.

As the period progressed, signs that the year-long trade dispute was having a negative impact on the global economy led to an increase in risk aversion. China's economy continued to slow, while growth in Singapore and South Korea, which depend heavily on global trade, also weakened. Against this background, assets such as government bonds and gold, which are considered to be relatively safe in times of uncertainty, performed well.

The actions of central banks also influenced investor sentiment during the period. In particular, investors welcomed the US Federal Reserve's (Fed) policy shift towards lower interest rates. Having raised rates four times in 2018, the Fed changed course in July and cut interest rates for the first time since the financial crisis of 2008/09 to support the US economy.

M&G Asian Fund

Authorised Corporate Director's Report

Investment review

Investment performance (continued)

Policymakers in a number of Asian economies also lowered borrowing costs in an effort to boost economic growth. These included India, Indonesia, South Korea, Thailand and the Philippines.

Over the 12 months, the smaller southeast Asian markets of Indonesia, Thailand and the Philippines were among the best performers. Given their robust domestic economies, these countries were popular with investors as they are considered to be relatively insulated from the trade tensions.

In contrast, South Korea was one of the worst-performing markets over the period. As an exporter, South Korea has been hurt by the US-China trade war, while a trade dispute with Japan is also putting pressure on the economy. India's stockmarket lagged as worries about the country's economic outlook outweighed optimism about the election victory of Prime Minister Narendra Modi. Share prices in Pakistan also fell sharply.

At the sector level, increased risk aversion led investors to favour 'defensive' stocks such as consumer staples and utilities, which are considered to be resilient in challenging economic conditions.

In contrast, energy stocks struggled amid concerns that a slowdown in global economic growth would hurt demand for commodities. Healthcare and communication services, which includes media and telecoms stocks, also underperformed.

Against this background, the fund's returns lagged the benchmark, with robust gains from some of our Chinese and Taiwanese holdings outweighed by weakness among communication services and consumer discretionary stocks.

In terms of individual stocks, our holding in Global Brands, a Hong Kong-based clothing business, was a notable detractor as the company's shares declined on weak results. However, we remain optimistic about Global Brands' potential. The company is implementing a restructuring programme to improve operational performance and reduce costs, which could result in better financial performance over time.

In China, Baidu, the country's leading internet search firm, detracted as the company's shares declined after Baidu reported its first quarterly loss since becoming a publicly listed company in 2005. Although Baidu has experienced a slowdown in revenue from its core search business, we believe the company's content-streaming business has attractive growth prospects.

Chinese online travel company Ctrip.com also cost some performance, amid worries about the economic impact of the trade war. In our view, Ctrip is well placed to profit from the growth of the travel market in China while recent investment in an Indian travel company offers access to a huge new market.

Elsewhere, Hong Kong-based conglomerate CK Hutchison, which operates retail, ports and telecoms companies, and South Korean financial group Hana Financial were notable detractors. CK Hutchison's shares were hit by the anti-government protests in Hong Kong, while concerns about the outlook for South Korea's economy weighed on Hana's shares.

On the other hand, Chinese sportswear retailer Li Ning made a significant contribution to fund performance. The company has been undergoing a turnaround strategy recently, making operational improvements, including closing down or reforming unprofitable stores, enhancing its product range and increasing e-commerce activities. This year, as the company's profits have increased, market participants have become enthusiastic about Li Ning's prospects and the share price has rallied.

Our holding in plastic pipe and building materials company China Lesso also added value. Lesso's shares climbed on good results and optimism about the company's potential to benefit from new infrastructure projects and any improvement in the property sector.

Stock selection in technology was positive with Taiwanese holdings Chicony Electronics, a manufacturer of electronic components, and Delta Electronics, a provider of power and thermal management solutions, notable contributors.

Chicony is diversifying its business from PC keyboards towards new high-growth areas such as camera modules and mobile keyboards and the stock advanced on encouraging results.

Ophir Energy, a UK-listed oil & gas explorer, was another contributor as the share price rose after Ophir received a takeover bid. Our holding in Chinese oil company CNOOC also added value.

Investment activities

During the period, we sold a relatively large number of holdings as we sought to focus the portfolio on higher conviction stocks that we believe have the most attractive prospects. For instance, we sold our stake in South Korean car maker Hyundai Motor as we lost confidence in the management team to improve performance and corporate governance.

Asaleo Care, an Australian manufacturer of personal care products, Chinese financial group China Construction Bank and Singapore-listed conglomerates Jardine Matheson and Sembcorp Industries were among several stocks that left the portfolio because we saw better opportunities elsewhere.

In China, we sold our stakes in sportswear retailer Li Ning and solar glass company Xinyi Solar on valuation grounds following impressive share price gains. Oil & gas explorer Ophir Energy left the portfolio after the company was acquired.

The proceeds from these sales were reinvested in several new holdings including Metro Pacific, a conglomerate from the Philippines which is focused on infrastructure activities, such as energy, water and toll roads. In our view, the stock is trading at a depressed valuation and we should see an improvement in profits once a period of substantial capital investment comes to an end.

Silicon Motion, a leading developer of controllers for NAND memory used in smartphones and PCs, also joined the portfolio. The stock had declined on concerns about slowing smartphone sales, but we considered the share price decline to be excessive. We also started positions in FAR, an Australian oil & gas explorer with assets in Africa, and Global Brands, a Hong Kong-based clothing company.

During the period, we also invested in a number of companies from Pakistan, including financial groups Habib Bank and United Bank, Maple Leaf Cement Factory, a building materials firm, and pharmaceutical company Searle. In our view, worries about Pakistan's economic situation have weighed on their share prices lately and we believe the stocks are trading at attractive valuations.

M&G Asian Fund

Authorised Corporate Director's Report

Investment review

Outlook

We remain optimistic about the prospects for Asian companies. However, we recognise that investor sentiment towards the region is frequently influenced by macroeconomic developments. The major risk today is arguably the protracted tariff war between the US and China and the impact this may have on global trade and economic growth.

With fears of a global economic slowdown rising, the current outlook appears challenging. But, as long-term investors, we are able to take the long view and look beyond sentiment-driven stockmarket turbulence. We believe we can find opportunities when shares prices move in response to macroeconomic fears, but the impact at a 'micro' or corporate level is minimal.

Recent stockmarket volatility has thrown up myriad opportunities, in our view: from a valuation perspective, the market is arguably as polarised as it has ever been. The recent preference for higher quality growth stocks has created a wide valuation spread between the most expensive and the cheapest stocks in the market. On a risk/reward basis, value stocks are an appealing prospect currently, in our opinion.

While the trade war and recession fears continue to influence sentiment, we believe there are currently opportunities for patient, bottom-up investors to identify Asian companies whose valuations have been marked down for reasons unrelated to their underlying performance. In this uncertain environment, we will continue to apply our disciplined stockpicking approach to find stocks that we believe are underappreciated by the market.

Alastair Bruce

Fund manager

An employee of M&G Limited which is an associate of M&G Securities Limited. At the start of the review period Matthew Vaight was the fund manager.

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 August Holding	2019 \$'000	2019 %	2018 %
EQUITIES	197,020	100.00	99.08
United Kingdom	0	0.00	0.55
Australia	14,634	7.43	6.27
439,442 Downer EDI	2,273	1.15	
92,063,610 FAR	3,840	1.95	
258,128 Iluka Resources	1,242	0.63	
1,585,602 Mesoblast	1,531	0.78	
682,489 QBE Insurance	5,748	2.92	
China	58,733	29.81	30.14
11,394,000 AMVIG	2,702	1.37	
47,475 Baidu ADR	4,975	2.53	
11,837,000 China Lesso	11,335	5.75	
5,394,000 China Petroleum & Chemical	3,157	1.60	
3,272,000 China Railway Signal & Communication	1,957	0.99	
2,416,000 CNOOC	3,598	1.83	
217,514 Ctrip.com International ADR	6,928	3.52	
5,864,000 Far East Horizon	5,234	2.66	
9,541,000 Greatview Aseptic Packaging	5,171	2.62	
359,725 HollySys Automation Technologies	5,597	2.84	
2,910,000 Lenovo	1,911	0.97	
2,568,860 PICC Property & Casualty	2,935	1.49	
409,300 Vtech	3,233	1.64	
Hong Kong	29,041	14.74	13.30
465,200 AIA	4,517	2.29	
1,265,850 CK Hutchison	11,016	5.59	
11,268,000 Fufeng	5,359	2.72	
42,076,000 Global Brands	2,629	1.34	
5,118,006 PCCW	2,774	1.41	
365,299 Standard Chartered	2,746	1.39	
India	6,677	3.39	2.88
487,852 ICICI Bank	2,809	1.43	
2,266,615 NTPC	3,868	1.96	
Indonesia	4,375	2.22	1.48
8,590,300 Bank Mandiri	4,375	2.22	
Philippines	17,627	8.95	4.72
14,040,000 First Pacific	5,747	2.92	
405,219 GT Capital	7,068	3.59	
50,714,200 Metro Pacific Investments	4,812	2.44	
Pakistan	3,850	1.95	0.00
1,579,749 Habib Bank	1,109	0.56	
3,927,729 Maple Leaf Cement Factory	433	0.22	
1,260,905 Searle	1,063	0.54	
1,507,765 United Bank	1,245	0.63	
Singapore	9,382	4.76	7.33
426,509 DBS	7,515	3.81	
577,767 Ezion Warrants 24/04/2020	0	0.00	
10,728,468 Ezion Warrants 16/04/2023 ^[a]	0	0.00	
5,571,800 Japfa	1,867	0.95	

M&G Asian Fund

Authorised Corporate Director's Report

Investments

Portfolio statement (continued)			
as at 31 August	2019	2019	2018
Holding	\$'000	%	%
South Korea	28,156	14.29	17.09
145,704 Hana Financial	3,910	1.98	
334,926 Samsung Electronics	12,153	6.17	
12,519 Samsung Fire & Marine Insurance	2,367	1.20	
236,049 Samsung Heavy Industries	1,508	0.77	
182,429 Shinhan Financial	6,122	3.11	
108,053 Wonik IPS	2,096	1.06	
Taiwan	24,545	12.46	15.32
438,000 Catcher Technology	3,068	1.56	
1,502,075 Chicony Electronics	4,218	2.14	
627,220 Delta Electronics	2,915	1.48	
180,000 eMemory Technology	2,083	1.06	
109,856 Silicon Motion Technology ADR	3,525	1.79	
786,178 Taiwan Semiconductor Manufacturing	6,470	3.28	
2,858,000 TECO Electric & Machinery	2,266	1.15	
Portfolio of investments	197,020	100.00	99.08
CASH EQUIVALENTS	3,656	1.86	1.68
Eire 'AAA' rated money market funds ^[b]	3,656	1.86	1.68
3,656,000 Northern Trust Global Fund - US dollar	3,656	1.86	
Total portfolio (notes 2c & 2d on page 7)	200,676	101.86	100.76
Net other assets / (liabilities)	(3,661)	(1.86)	(0.76)
Net assets attributable to shareholders	197,015	100.00	100.00

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

[a] Suspended.

[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 August 2019

	\$'000
Largest purchases	
CK Hutchison	8,225
Ctrip.com International ADR	6,400
Metro Pacific Investments	6,310
Silicon Motion Technology ADR	4,435
Global Brands	3,928
GT Capital	3,583
FAR	3,541
HollySys Automation Technologies	3,373
Baidu ADR	3,171
Ophir Energy	3,145
Other purchases	51,437
Total purchases	97,548
Largest sales	
CNOOC	10,391
Li-Ning	7,801
China Construction Bank	7,535
Samsung Electronics	6,995
AIA	5,282
Ophir Energy	5,163
Cathay Financial	4,825
Delta Electronics	4,784
Hyundai Motor	4,707
Xinyi Solar	4,245
Other sales	93,000
Total sales	154,728

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

M&G Asian 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.

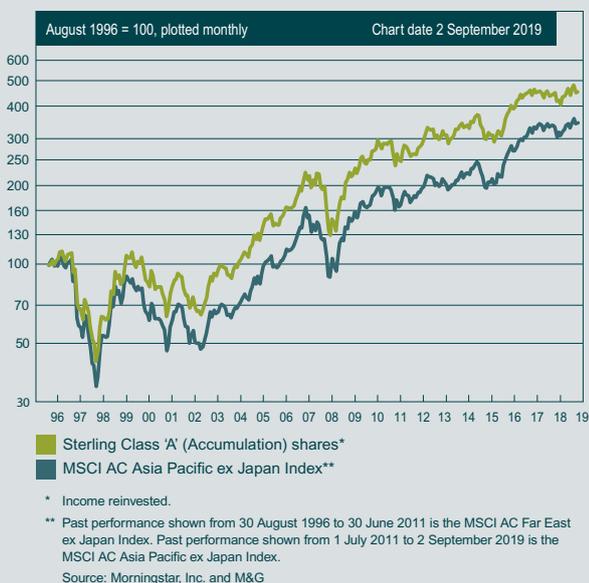
The following chart and tables reflect the key financial information of a representative share class, Sterling Class 'A' (Accumulation) shares. As different share classes have different attributes, for example charging structures and minimum investments, please be aware that their performance may be different. For more information on the different share classes in this fund please refer to the Prospectus for M&G Investment Funds (1), 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 August	2019 \$'000	2018 \$'000	2017 \$'000
Fund net asset value (NAV)	197,015	409,725	699,384

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.



When the fund's objective changed, the comparable index of the fund also changed, and to make a fair comparison the chart above shows performance since the fund's change of objective.

To give an indication of the performance of the fund, the following table shows the compound rate of return, per annum, over the period to 26 October 2018 for non-sterling share classes and 2 September 2019 for sterling share classes. Calculated on a price to price basis with income reinvested.

Long-term performance by share class				
	From 03.09.18 % ^[a]	From 02.09.16 % p.a.	From 02.09.14 % p.a.	Since launch % p.a.
Euro^[b]				
Class 'A'	-6.7	+2.7	+1.4	+7.9 ^[c]
Class 'C'	-6.6	+3.4	+2.2	+8.7 ^[c]
Sterling^[d]				
Class 'A'	+1.5	+7.1	+5.6	+8.8 ^[e]
Class 'I'	+2.2	+7.9	+6.4	+8.8 ^[f]
Class 'R'	+2.0	+7.7	+6.1	+8.5 ^[f]
Class 'X'	+1.5	+7.1	+5.6	+14.2 ^[g]
US dollar^[b]				
Class 'A'	-8.9	+3.4	-2.1	+9.2 ^[h]
Class 'C'	-8.8	+4.1	-1.3	+10.1 ^[h]

[a] Absolute basis.

[b] Price to price with net income reinvested.

[c] 28 November 2001, the launch date of the share class.

[d] Price to price with income reinvested.

[e] 14 September 1973, the end of the initial offer period of the predecessor unit trust.

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

[g] 1 October 2002, the launch date of the share class.

[h] 19 December 2008, the launch date of the share class.

M&G Asian Fund

Financial highlights

Fund performance

Operating charges and portfolio transaction costs

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

Operating charges

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

- **Annual charge:** Charge paid to M&G covering the annual cost of M&G managing and administering the fund and the costs of third parties providing services to the fund. From 1 August 2019, this charge rolls all costs that make up the operating charges into one annual charge.

For every £1 billion of a fund's net asset value, a discount of 0.02% will be applied to that fund's annual charge (up to a maximum of 0.12%).

- **Extraordinary legal and tax expenses:** Costs that specifically relate to legal or tax claims that are both exceptional and unforeseeable. Such expenses are uncommon, and would not be expected in most years. Although they result in a short-term cost to the fund, generally they can deliver longer term benefits for investors.
- **Investment management:** Charge paid to M&G for investment management of the fund. From 1 August 2019 this charge forms part of the annual charge.
- **Administration:** Charge paid for administration services in addition to investment management – any surplus from this charge will be retained by M&G. From 1 August 2019 this charge is rolled into the annual charge.
- **Oversight and other independent services:** Charges paid to providers independent of M&G for services which include depositary, custody and audit. From 1 August 2019 these charges will be paid by M&G and rolled into the annual charge.
- **Ongoing charges from underlying funds:** Ongoing charges on holdings in underlying funds that are not rebated. From 1 August 2019 charges from underlying funds (excluding Investment Trusts Companies and Real Estate Investment Trusts) will be rebated.

The operating charges paid by each share class of the fund are shown in the following performance tables. These 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.

Once the annual charge has been operational for twelve months, operating charges will be in line with the ongoing charges shown in the Key Investor Information Document, other than where there have been extraordinary legal or tax expenses, or 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. Any estimate will be disclosed under the specific share class performance table.

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

Portfolio transaction costs

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

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

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

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

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

Portfolio transaction costs

for the year to 31 August	2019	2018	2017	Average ^[a]
Direct portfolio transaction costs ^[b]	%	%	%	%
Broker commission	0.05	0.04	0.05	0.05
Taxes	0.09	0.11	0.07	0.09
Costs before dilution adjustments	0.14	0.15	0.12	0.14
Dilution adjustments ^[c]	(0.04)	(0.11)	(0.10)	(0.09)
Total direct portfolio transaction costs	0.10	0.04	0.02	0.05
as at 31 August	2019	2018	2017	Average ^[a]
Indirect portfolio transaction costs	%	%	%	%
Average portfolio dealing spread	0.28	0.26	0.22	0.25

^[a] Average of first three columns.

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

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

M&G Asian 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.

The non-sterling share classes were merged into the M&G (Lux) Asian Fund on 26 October 2018. The current period historic yields for the non-sterling share classes were calculated at the merger date.

Historic yields for the sterling share classes for the current year are calculated as at 13 September 2019.

Euro Class 'A' Accumulation share performance

The share class was launched on 28 November 2001.

for the year to 31 August Change in NAV per share	2019 Euro ¢	2018 Euro ¢	2017 Euro ¢
Opening NAV	3,898.78	3,907.05	3,449.85
Return before operating charges and after direct portfolio transaction costs	(228.36)	60.75	523.14
Operating charges	(10.13)	(69.02)	(65.94)
Return after operating charges	(238.49)	(8.27)	457.20
Distributions	(4.09)	(48.68)	(29.75)
Retained distributions	4.09	48.68	29.75
Return to shareholder as a result of share class closure	(3,660.29)	n/a	n/a
Closing NAV	0.00	3,898.78	3,907.05
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	1.69	6.18	4.71
Dilution adjustments ^[a]	(0.51)	(4.61)	(3.87)
Total direct portfolio transaction costs	1.18	1.57	0.84
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.15	0.04	0.02
Operating charges ^[c]	1.72	1.72	1.73
Return after operating charges	-6.12	-0.21	+13.25
Historic yield	1.35	1.25	0.76
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	0	61,291	144,382
Closing NAV percentage of total fund NAV (%)	0.00	14.96	20.64
Number of shares	0	1,347,259	3,116,526
Highest share price (Euro ¢)	3,996.77	4,191.48	4,097.96
Lowest share price (Euro ¢)	3,616.44	3,787.29	3,394.56

Euro Class 'C' Accumulation share performance

The share class was launched on 28 November 2001.

for the year to 31 August Change in NAV per share	2019 Euro ¢	2018 Euro ¢	2017 Euro ¢
Opening NAV	4,369.14	4,345.72	3,808.43
Return before operating charges and after direct portfolio transaction costs	(256.12)	66.68	579.39
Operating charges	(6.40)	(43.26)	(42.10)
Return after operating charges	(262.52)	23.42	537.29
Distributions	(9.64)	(88.66)	(62.52)
Retained distributions	9.64	88.66	62.52
Return to shareholder as a result of share class closure	(4,106.62)	n/a	n/a
Closing NAV	0.00	4,369.14	4,345.72
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	1.90	6.87	5.31
Dilution adjustments ^[a]	(0.58)	(5.12)	(4.36)
Total direct portfolio transaction costs	1.32	1.75	0.95
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.15	0.04	0.02
Operating charges ^[c]	0.97	0.97	0.98
Return after operating charges	-6.01	+0.54	+14.11
Historic yield	2.19	2.04	1.44
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	0	68,091	207,138
Closing NAV percentage of total fund NAV (%)	0.00	16.62	29.62
Number of shares	0	1,335,613	4,019,799
Highest share price (Euro ¢)	4,481.54	4,668.58	4,547.60
Lowest share price (Euro ¢)	4,056.16	4,239.33	3,748.66

Sterling Class 'A' Income share performance

The share class was launched on 14 September 1973.

for the year to 31 August Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	1,384.50	1,467.64	1,221.09
Return before operating charges and after direct portfolio transaction costs	46.69	(15.90)	304.39
Operating charges	(23.84)	(24.80)	(23.94)
Return after operating charges	22.85	(40.70)	280.45
Distributions	(42.47)	(42.44)	(33.90)
Closing NAV	1,364.88	1,384.50	1,467.64
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	2.62	2.22	1.71
Dilution adjustments ^[a]	(0.74)	(1.66)	(1.40)
Total direct portfolio transaction costs	1.88	0.56	0.31
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.10	0.04	0.02
Operating charges ^[c]	1.73	1.72	1.73
Return after operating charges	+1.65	-2.77	+22.97
Historic yield	2.93	3.06	2.32
Effect on yield of charges offset against capital	1.63	1.65	1.65
Other information			
Closing NAV (\$'000)	120,535	147,696	184,111
Closing NAV percentage of total fund NAV (%)	61.18	36.05	26.33
Number of shares	7,251,747	8,202,557	9,742,682
Highest share price (UK p)	1,504.84	1,511.84	1,519.22
Lowest share price (UK p)	1,254.15	1,365.59	1,202.92

M&G Asian Fund

Financial highlights

Specific share class performance

Sterling Class 'A' Accumulation share performance

The share class was launched on 14 September 1973.

for the year to 31 August Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	2,288.15	2,353.57	1,913.98
Return before operating charges and after direct portfolio transaction costs	76.69	(25.64)	476.78
Operating charges	(38.97)	(39.78)	(37.19)
Return after operating charges	37.72	(65.42)	439.59
Distributions	(31.05)	(28.57)	(17.92)
Retained distributions	31.05	28.57	17.92
Closing NAV	2,325.87	2,288.15	2,353.57

Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	4.27	3.56	2.66
Dilution adjustments ^[a]	(1.21)	(2.66)	(2.19)
Total direct portfolio transaction costs	3.06	0.90	0.47

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.10	0.04	0.02
Operating charges ^[c]	1.73	1.72	1.73
Return after operating charges	+1.65	-2.78	+22.97
Historic yield	1.16	1.25	0.77
Effect on yield of charges offset against capital	0.00	0.00	0.00

Other information

Closing NAV (\$'000)	16,902	57,067	67,603
Closing NAV percentage of total fund NAV (%)	8.58	13.93	9.67
Number of shares	596,743	1,917,667	2,230,785
Highest share price (UK p)	2,486.98	2,424.29	2,381.27
Lowest share price (UK p)	2,072.68	2,189.76	1,885.52

Sterling Class 'I' Income share performance

The share class was launched on 3 August 2012.

for the year to 31 August Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	1,586.60	1,669.18	1,378.34
Return before operating charges and after direct portfolio transaction costs	53.87	(18.09)	344.72
Operating charges	(15.90)	(15.97)	(15.43)
Return after operating charges	37.97	(34.06)	329.29
Distributions	(48.90)	(48.52)	(38.45)
Closing NAV	1,575.67	1,586.60	1,669.18

Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	3.01	2.54	1.94
Dilution adjustments ^[a]	(0.85)	(1.89)	(1.60)
Total direct portfolio transaction costs	2.16	0.65	0.34

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.10	0.04	0.02
Operating charges ^[c]	1.00	0.97	0.98
Return after operating charges	+2.39	-2.04	+23.89
Historic yield	2.90	3.05	2.31
Effect on yield of charges offset against capital	0.90	0.90	0.90

Other information

Closing NAV (\$'000)	13,161	14,401	15,177
Closing NAV percentage of total fund NAV (%)	6.68	3.50	2.17
Number of shares	685,863	697,908	706,150
Highest share price (UK p)	1,736.34	1,721.72	1,727.52
Lowest share price (UK p)	1,438.43	1,562.97	1,358.16

Sterling Class 'I' Accumulation share performance

The share class was launched on 3 August 2012.

for the year to 31 August Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	1,764.31	1,801.20	1,453.84
Return before operating charges and after direct portfolio transaction costs	59.87	(19.69)	363.68
Operating charges	(17.68)	(17.20)	(16.32)
Return after operating charges	42.19	(36.89)	347.36
Distributions	(37.59)	(35.80)	(25.91)
Retained distributions	37.59	35.80	25.91
Closing NAV	1,806.50	1,764.31	1,801.20

Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	3.35	2.73	2.06
Dilution adjustments ^[a]	(0.95)	(2.04)	(1.69)
Total direct portfolio transaction costs	2.40	0.69	0.37

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.10	0.04	0.02
Operating charges ^[c]	1.00	0.97	0.98
Return after operating charges	+2.39	-2.05	+23.89
Historic yield	1.87	2.03	1.44
Effect on yield of charges offset against capital	0.00	0.00	0.00

Other information

Closing NAV (\$'000)	27,963	29,073	32,674
Closing NAV percentage of total fund NAV (%)	14.19	7.10	4.67
Number of shares	1,271,080	1,267,044	1,408,817
Highest share price (UK p)	1,930.78	1,857.75	1,822.17
Lowest share price (UK p)	1,599.52	1,686.47	1,432.58

Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012.

for the year to 31 August Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	157.68	166.30	137.68
Return before operating charges and after direct portfolio transaction costs	5.34	(1.79)	34.38
Operating charges	(1.97)	(2.00)	(1.93)
Return after operating charges	3.37	(3.79)	32.45
Distributions	(4.85)	(4.83)	(3.83)
Closing NAV	156.20	157.68	166.30

Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.30	0.25	0.19
Dilution adjustments ^[a]	(0.08)	(0.19)	(0.16)
Total direct portfolio transaction costs	0.22	0.06	0.03

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.10	0.04	0.02
Operating charges ^[c]	1.25	1.22	1.23
Return after operating charges	+2.14	-2.28	+23.57
Historic yield	2.91	3.06	2.31
Effect on yield of charges offset against capital	1.15	1.15	1.15

Other information

Closing NAV (\$'000)	909	848	312
Closing NAV percentage of total fund NAV (%)	0.46	0.21	0.04
Number of shares	477,710	413,646	145,633
Highest share price (UK p)	172.17	171.47	172.13
Lowest share price (UK p)	142.92	155.40	135.65

M&G Asian 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 August Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	173.83	177.91	143.96
Return before operating charges and after direct portfolio transaction costs	5.89	(1.94)	35.95
Operating charges	(2.17)	(2.14)	(2.00)
Return after operating charges	3.72	(4.08)	33.95
Distributions	(3.24)	(3.08)	(2.16)
Retained distributions	3.24	3.08	2.16
Closing NAV	177.55	173.83	177.91

Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.33	0.27	0.20
Dilution adjustments ^[a]	(0.09)	(0.20)	(0.17)
Total direct portfolio transaction costs	0.24	0.07	0.03

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.10	0.04	0.02
Operating charges ^[c]	1.25	1.22	1.23
Return after operating charges	+2.14	-2.29	+23.58
Historic yield	1.63	1.77	1.22
Effect on yield of charges offset against capital	0.00	0.00	0.00

Other information

Closing NAV (\$'000)	8,183	7,888	261
Closing NAV percentage of total fund NAV (%)	4.15	1.92	0.04
Number of shares	3,784,734	3,489,146	113,830
Highest share price (UK p)	189.81	183.42	179.99
Lowest share price (UK p)	157.56	166.23	141.84

Sterling Class 'X' Income share performance

The share class was launched on 1 October 2002.

for the year to 31 August Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	1,382.63	1,465.67	1,219.45
Return before operating charges and after direct portfolio transaction costs	46.68	(15.89)	303.93
Operating charges	(23.86)	(24.76)	(23.86)
Return after operating charges	22.82	(40.65)	280.07
Distributions	(42.42)	(42.39)	(33.85)
Closing NAV	1,363.03	1,382.63	1,465.67

Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	2.61	2.22	1.71
Dilution adjustments ^[a]	(0.74)	(1.65)	(1.40)
Total direct portfolio transaction costs	1.87	0.57	0.31

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.10	0.04	0.02
Operating charges ^[c]	1.74	1.72	1.73
Return after operating charges	+1.65	-2.77	+22.97
Historic yield	2.93	3.06	2.32
Effect on yield of charges offset against capital	1.63	1.65	1.65

Other information

Closing NAV (\$'000)	6,653	8,185	12,753
Closing NAV percentage of total fund NAV (%)	3.38	2.00	1.82
Number of shares	400,812	455,159	675,786
Highest share price (UK p)	1,502.80	1,509.80	1,517.17
Lowest share price (UK p)	1,252.46	1,363.74	1,201.30

Sterling Class 'X' Accumulation share performance

The share class was launched on 1 October 2002.

for the year to 31 August Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	2,266.72	2,331.55	1,896.08
Return before operating charges and after direct portfolio transaction costs	76.50	(25.41)	472.61
Operating charges	(39.11)	(39.42)	(37.14)
Return after operating charges	37.39	(64.83)	435.47
Distributions	(30.76)	(28.30)	(17.76)
Retained distributions	30.76	28.30	17.76
Closing NAV	2,304.11	2,266.72	2,331.55

Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	4.28	3.53	2.65
Dilution adjustments ^[a]	(1.21)	(2.63)	(2.18)
Total direct portfolio transaction costs	3.07	0.90	0.47

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.10	0.04	0.02
Operating charges ^[c]	1.74	1.72	1.73
Return after operating charges	+1.65	-2.78	+22.97
Historic yield	1.16	1.25	0.77
Effect on yield of charges offset against capital	0.00	0.00	0.00

Other information

Closing NAV (\$'000)	2,709	3,326	4,413
Closing NAV percentage of total fund NAV (%)	1.38	0.81	0.63
Number of shares	96,556	112,822	146,994
Highest share price (UK p)	2,463.70	2,401.60	2,358.99
Lowest share price (UK p)	2,053.28	2,169.26	1,867.87

US dollar Class 'A' Accumulation share performance

The share class was launched on 19 December 2008.

for the year to 31 August Change in NAV per share	2019 US ¢	2018 US ¢	2017 US ¢
Opening NAV	2,631.10	2,679.39	2,223.02
Return before operating charges and after direct portfolio transaction costs	(222.23)	(0.98)	497.65
Operating charges	(6.78)	(47.31)	(41.28)
Return after operating charges	(229.01)	(48.29)	456.37
Distributions	(2.68)	(32.85)	(20.41)
Retained distributions	2.68	32.85	20.41
Return to shareholder as a result of share class closure	(2,402.09)	n/a	n/a
Closing NAV	0.00	2,631.10	2,679.39

Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	1.13	4.23	2.95
Dilution adjustments ^[a]	(0.34)	(3.16)	(2.42)
Total direct portfolio transaction costs	0.79	1.07	0.53

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.15	0.04	0.02
Operating charges	1.71	1.72	1.73
Return after operating charges	-8.70	-1.80	+20.53
Historic yield	1.37	1.27	0.76
Effect on yield of charges offset against capital	0.00	0.00	0.00

Other information

Closing NAV (\$'000)	0	10,024	12,576
Closing NAV percentage of total fund NAV (%)	0.00	2.45	1.80
Number of shares	0	380,985	469,365
Highest share price (US ¢)	2,677.12	2,968.03	2,741.03
Lowest share price (US ¢)	2,390.85	2,534.84	2,154.76

M&G Asian Fund

Financial highlights

Specific share class performance

US dollar Class 'C' Accumulation share performance

The share class was launched on 19 December 2008.

for the year to 31 August	2019	2018	2017
Change in NAV per share	US ¢	US ¢	US ¢
Opening NAV	2,828.30	2,858.71	2,354.12
Return before operating charges and after direct portfolio transaction costs	(239.05)	(1.73)	529.54
Operating charges	(4.14)	(28.68)	(24.95)
Return after operating charges	(243.19)	(30.41)	504.59
Distributions	(6.07)	(57.39)	(41.13)
Retained distributions	6.07	57.39	41.13
Return to shareholder as a result of share class closure	(2,585.11)	n/a	n/a
Closing NAV	0.00	2,828.30	2,858.71
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	1.21	4.53	3.15
Dilution adjustments ^[a]	(0.37)	(3.38)	(2.59)
Total direct portfolio transaction costs	0.84	1.15	0.56
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.15	0.04	0.02
Operating charges ^[c]	0.98	0.97	0.98
Return after operating charges	-8.60	-1.06	+21.43
Historic yield	2.22	2.06	1.44
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	0	1,835	17,984
Closing NAV percentage of total fund NAV (%)	0.00	0.45	2.57
Number of shares	0	64,874	629,106
Highest share price (US ¢)	2,879.42	3,176.49	2,922.74
Lowest share price (US ¢)	2,573.01	2,724.00	2,285.66

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

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

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

M&G Asian Fund

Financial statements and notes

Financial statements

Statement of total return

for the year to 31 August	Note	2019		2018	
		\$'000	\$'000	\$'000	\$'000
Income					
Net capital gains / (losses)	3		(29,620)		(8,791)
Revenue	5	8,078		17,186	
Expenses	6	(3,782)		(8,501)	
Net revenue / (expense) before taxation					
		4,296		8,685	
Taxation	7	(550)		(1,244)	
Net revenue / (expense) after taxation					
			3,746		7,441
Total return before distributions					
			(25,874)		(1,350)
Distributions	8		(5,801)		(10,540)
Change in net assets attributable to shareholders from investment activities					
			(31,675)		(11,890)

Statement of change in net assets attributable to shareholders

for the year to 31 August	2019		2018	
	\$'000	\$'000	\$'000	\$'000
Opening net assets attributable to shareholders				
		409,725		699,384
Amounts received on issue of shares	10,023		76,927	
Amounts paid on cancellation of shares	(70,554)		(359,639)	
Transfer to M&G (Lux) Asian Fund	(121,968)		0	
		(182,499)		(282,712)
Dilution adjustments				
		262		1,150
Change in net assets attributable to shareholders from investment activities (see above)				
		(31,675)		(11,890)
Retained distributions on Accumulation shares				
		1,201		3,793
Unclaimed distributions				
		1		0
Closing net assets attributable to shareholders				
		197,015		409,725

Balance sheet

as at 31 August	Note	2019 \$'000	2018 \$'000
Assets			
Fixed assets			
Investments		197,020	405,941
Current assets			
Debtors	9	332	4,807
Cash and bank balances	10	799	2,404
Cash equivalents		3,656	6,886
Total assets			
		201,807	420,038
Liabilities			
Creditors			
Bank overdrafts		(25)	(2,262)
Distribution payable		(4,395)	(5,245)
Other creditors	11	(372)	(2,806)
Total liabilities			
		(4,792)	(10,313)
Net assets attributable to shareholders			
		197,015	409,725

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 7 and 8.

The fund's functional and presentational currency is US dollars as this better reflects the currency of its primary economic environment.

2 Distribution policy

In determining the amount available for distribution to Income shares, the annual charge, annual management charge and administration charge are 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 August	2019 \$'000	2018 \$'000
Non-derivative securities	(29,366)	(7,762)
Currency gains / (losses)	(231)	(996)
Transaction charges	(23)	(33)
Net capital gains / (losses)	(29,620)	(8,791)

M&G Asian 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 17.

for the year to 31 August	2019 \$'000	% of transaction	2018 \$'000	% of transaction
a) Purchases				
Equities				
Equities before transaction costs	97,397		109,819	
Commissions	79	0.08	75	0.07
Taxes	72	0.07	75	0.07
Total purchases after transaction costs	97,548		109,969	
b) Sales				
Equities				
Equities before transaction costs	154,171		367,842	
Commissions	(98)	0.06	(196)	0.05
Taxes	(236)	0.15	(557)	0.15
Equities after transaction costs	153,837		367,089	
Other transaction types				
Corporate actions	891		12,215	
Total sales after transaction costs	154,728		379,304	
c) Direct portfolio transaction costs				
	2019 \$'000	% of average NAV	2018 \$'000	% of average NAV
Commissions paid				
Equities	177	0.05	271	0.04
Taxes paid				
Equities	308	0.09	632	0.11
Total direct portfolio transaction costs [a]	485	0.14	903	0.15
d) Indirect portfolio transaction costs				
Portfolio dealing spread [b]		0.28		0.26

[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 August	2019 \$'000	2018 \$'000
Bank interest	2	1
Dividends from equity investments: non-taxable	7,496	17,075
Dividends from equity investments: taxable	102	(134)
Interest distributions	58	173
Stock dividends	420	71
Total revenue	8,078	17,186

6 Expenses

for the year to 31 August	2019 \$'000	2018 \$'000
Payable to the ACD or associate		
Annual charge	222	0
Annual management charge [a]	3,004	7,229
Administration charge [a]	341	880
	3,567	8,109
Payable to the Depository or associate		
Depository's charge (including VAT) [a]	19	41
Other expenses		
Audit fee (including VAT) [a] [b]	10	12
Dividend charges	1	0
Interest payable	2	16
Legal fees	4	0
Safe custody charge [a]	117	321
Tax fees (including VAT)	62	2
	196	351
Total expenses	3,782	8,501

[a] The segregated charges shown above for annual management, administration, depository, audit and safe custody are those paid by the fund up to and including 31 July 2019. As of 1 August 2019 these charges have been replaced by the single annual charge.

[b] Audit fees for the financial year ending 2019 were \$10,000.

7 Taxation

for the year to 31 August	2019 \$'000	2018 \$'000
a) Analysis of charge in the year		
Corporation tax	0	0
Withholding tax	511	1,223
Capital gains tax (India)	39	21
Deferred tax (note 7c)	0	0
Total taxation	550	1,244
b) Factors affecting taxation charge for the year		
Net revenue / (expense) before taxation	4,296	8,685
Corporation tax at 20%	859	1,737
Effects of:		
Dividends from equity investments: non-taxable	(1,499)	(3,415)
Stock dividends not taxable	(84)	(15)
Current year expenses not utilised	724	1,693
Withholding tax	511	1,223
Capital gains tax (India)	39	21
Total tax charge (note 7a)	550	1,244
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 \$20,900,000 (2018: \$20,176,000) 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.

M&G Asian Fund

Financial statements and notes

Notes to the financial statements

8 Distributions

for the year to 31 August	2019		2018	
	Inc ^[a] \$'000	Acc ^[b] \$'000	Inc ^[a] \$'000	Acc ^[b] \$'000
Dividend distributions				
Final	4,395	1,201	5,245	3,793
Total net distributions		5,596		9,038
Income deducted on cancellation of shares		249		1,652
Income received on issue of shares		(44)		(150)
Distributions		5,801		10,540
Net revenue / (expense) per statement of total return		3,746		7,441
Expenses offset against capital		2,436		3,149
Stock dividends not distributed		(420)		(71)
Capital gains tax offset against capital		39		21
Distributions		5,801		10,540

[a] Distributions payable on Income shares.

[b] Retained distributions on Accumulation shares.

9 Debtors

as at 31 August	2019 \$'000	2018 \$'000
Amounts receivable on issues of shares	29	38
Currency deals outstanding	0	862
Distributions receivable	6	14
Dividends receivable	297	1,048
Sales awaiting settlement	0	2,845
Total debtors	332	4,807

10 Cash and bank balances

as at 31 August	2019 \$'000	2018 \$'000
Cash held as bank balances	799	2,404
Total cash and bank balances	799	2,404

11 Other creditors

as at 31 August	2019 \$'000	2018 \$'000
ACD's annual management charge payable	0	263
Administration charge payable	0	31
Amounts payable on cancellation of shares	189	213
Annual charge payable	132	0
Currency deals outstanding	0	862
Expenses payable	51	63
Purchases awaiting settlement	0	1,374
Total other creditors	372	2,806

12 Contingent assets, liabilities and outstanding commitments

There were no contingent assets, liabilities or outstanding commitments at the balance sheet date (2018: 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	Movements		Closing
	01.09.18	Issued	Cancelled	31.08.19
Euro				
Class 'A' Accumulation	1,347,259	6,553	(1,353,812)	0
Class 'C' Accumulation	1,335,613	12,727	(1,348,340)	0
Sterling				
Class 'A' Income	8,202,557	55,879	(1,006,689)	7,251,747
Class 'A' Accumulation	1,917,667	16,644	(1,337,568)	596,743
Class 'I' Income	697,908	48,390	(60,435)	685,863
Class 'I' Accumulation	1,267,044	130,259	(126,223)	1,271,080
Class 'R' Income	413,646	126,966	(62,902)	477,710
Class 'R' Accumulation	3,489,146	570,040	(274,452)	3,784,734
Class 'X' Income	455,159	8,800	(63,147)	400,812
Class 'X' Accumulation	112,822	1,369	(17,635)	96,556
US dollar				
Class 'A' Accumulation	380,985	69,597	(450,582)	0
Class 'C' Accumulation	64,874	545	(65,419)	0

14 Charging structure

The table below sets out the charging structure for each class of share in existence as at the balance sheet date. The charging structure is the same for both Income and Accumulation shares of each class.

Share class	Entry charge %	Exit charge %	Annual charge ^[a] %
Sterling			
Class 'A'	n/a	n/a	1.45
Class 'I'	n/a	n/a	0.95
Class 'R'	n/a	n/a	1.20
Class 'X'	n/a	n/a	1.45

[a] The amounts shown are the maximum annual charge. M&G will apply a discount of 0.02% for every £1 billion of a fund's net asset value. This is assessed quarterly and implemented on a forward basis no later than 13 business days after quarter end.

M&G Asian Fund

Financial statements and notes

Notes to the financial statements

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 annual charge, ACD's annual management charge and administration charge are disclosed in note 6. Amounts due at the year end from the annual 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 41.67% (2018: 41.32%) of the fund's shares.

16 Events after the balance sheet date

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

17 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: Unadjusted quoted price in an active market for an identical instrument

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 technique using observable market data

This includes instruments such as over-the-counter (OTC) derivatives, debt securities, convertible bonds, mortgage-backed securities, asset-backed securities and open-ended funds which have been valued using models with observable market data inputs.

Level 3: Valuation technique using unobservable inputs

This refers to instruments which have been valued using models with unobservable data inputs. This includes single broker-priced instruments, suspended/unquoted securities, private equity, unlisted closed-ended funds and open-ended funds with restrictions on redemption rights. However no such financial instruments were held.

as at 31 August	Assets	Liabilities	Assets	Liabilities
Basis of valuation	2019	2019	2018	2018
	\$'000	\$'000	\$'000	\$'000
Level 1	197,020	0	405,941	0
Level 2	0	0	0	0
Level 3	0	0	0	0
	197,020	0	405,941	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

The general risk management policies for the fund are set out in note 3 to the financial statements on pages 8 and 9.

19 Market risk sensitivity

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 \$9,851,000 (2018: \$20,297,000). A five per cent decrease would have an equal and opposite effect.

20 Currency risk sensitivity and exposure

A five per cent increase in the value of the fund's currency exposure would have the effect of increasing the return and net assets by \$9,851,000 (2018: \$20,486,000). A five per cent decrease would have an equal and opposite effect.

as at 31 August	2019	2018
	\$'000	\$'000
Currency exposure in respect of the fund		
Australian dollar	14,749	26,006
Hong Kong dollar	76,080	161,020
Indian rupee	6,762	12,806
Indonesian rupiah	4,375	6,081
Pakistani rupee	3,850	0
Philippine peso	11,904	7,613
Singapore dollar	9,399	26,014
Sterling	(69)	(3,197)
South Korean won	28,156	70,007
Taiwan dollar	21,658	66,581
US dollar	20,151	36,794
Total	197,015	409,725

21 Interest rate risk sensitivity and exposure

As the majority of the fund's financial assets are non-interest bearing, the risk is not considered significant and is therefore not disclosed.

22 Credit risk

Credit risk is not considered significant for the fund and is therefore not disclosed.

M&G Asian Fund

Financial statements and notes

Notes to the financial statements

23 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 ^[a]	01.09.18	31.08.19	02.09.19	31.10.19

[a] a result of the merger of M&G Asian Fund into M&G (Lux) Asian Fund on 26 October 2018 ('the effective date'), any income available for distribution to non-sterling share classes from the start of the period on 1 September 2018 to the effective date of the merger was distributed to shareholders on 20 December 2018.

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 income 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 income and equalisation. Equalisation is the average amount of income 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 income and equalisation components.

Euro Class 'A' Accumulation shares				
Ordinary distributions for the year to 31 August	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
Final	0.0000	4.0903	4.0903	48.6821

Euro Class 'C' Accumulation shares				
Ordinary distributions for the year to 31 August	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
Final	0.0000	9.6412	9.6412	88.6629

Sterling Class 'A' Income shares				
Ordinary distributions for the year to 31 August	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
Final	32.2662	10.2082	42.4744	42.4445

Sterling Class 'A' Accumulation shares				
Ordinary distributions for the year to 31 August	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
Final	28.7807	2.2675	31.0482	28.5709

Sterling Class 'T' Income shares				
Ordinary distributions for the year to 31 August	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
Final	34.1275	14.7680	48.8955	48.5154

Sterling Class 'T' Accumulation shares				
Ordinary distributions for the year to 31 August	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
Final	29.6970	7.8921	37.5891	35.8029

Sterling Class 'R' Income shares				
Ordinary distributions for the year to 31 August	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
Final	3.4345	1.4176	4.8521	4.8257

Sterling Class 'R' Accumulation shares				
Ordinary distributions for the year to 31 August	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
Final	2.2321	1.0099	3.2420	3.0764

Sterling Class 'X' Income shares				
Ordinary distributions for the year to 31 August	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
Final	36.6537	5.7633	42.4170	42.3872

Sterling Class 'X' Accumulation shares				
Ordinary distributions for the year to 31 August	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
Final	25.4882	5.2694	30.7576	28.3035

US dollar Class 'A' Accumulation shares				
Ordinary distributions for the year to 31 August	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
Final	0.0000	2.6848	2.6848	32.8532

US dollar Class 'C' Accumulation shares				
Ordinary distributions for the year to 31 August	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
Final	0.0000	6.0674	6.0674	57.3946

M&G European Index Tracker Fund

Authorised Corporate Director's Report

Investment objective and policy

The fund is designed to track the FTSE World Europe ex UK Index.

Investment approach

The M&G European Index Tracker Fund is a European ex UK fund that tracks the performance of the FTSE World Europe ex UK Index* using a technique called stratified sampling.

The fund will normally hold the largest 100 stocks in the index as well as a selection of the remaining smaller stocks to ensure that the fund's capitalisation and industry weights are in line with the index weightings.

* FTSE® International. FTSE is a joint trademark of the London Stock Exchange Limited and the Financial Times Limited and is used by FTSE International Limited under licence. The FTSE World Europe ex UK Index is calculated by FTSE International Limited. FTSE International Limited does not sponsor, endorse or promote these products. All copyright in the index values and constituent lists rests with FTSE International Limited. M&G Securities Limited has obtained full licence from FTSE International Limited to use such copyright in the creation of this product.

Benchmark

Benchmark: FTSE World Europe ex UK Index.

The fund is passively managed. The index is a constraining benchmark for the fund. The fund aims to track the return of the index. The fund's portfolio holdings are therefore unlikely to significantly deviate from the index's constituent parts.

Risk profile

The fund is designed to track the performance of the FTSE World Europe ex UK Index, which represents a broad spread of European company shares. Its performance, therefore, reflects the price volatility of the European stockmarket and the performance of individual companies.

The fund will typically hold around 350 stocks, including the largest 100 stocks in the index, as well as a selection of the remaining smaller stocks to ensure that the fund's market capitalisation and industry weights are in line with the index. 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 2 September 2019, for the year ended 31 August 2019

Performance against objective

The M&G European Index Tracker Fund is designed to track the FTSE World Europe ex UK Index. Between 3 September 2018 (the start of the review period) and 2 September 2019, the fund's Sterling Class 'A' shares returned 3.6%, while the Euro Class 'A' (Accumulation) shares returned 2.8%. The difference in returns between the share classes reflects currency movements over the period. Meanwhile, the FTSE World Europe ex UK Index returned 4.8% and 4.0% in sterling and euro terms, respectively.*

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

Investment performance

The fund is managed to closely match the performance of the FTSE World Europe ex UK Index and minimise deviations in return performance (the 'tracking error') compared to the index.

There are several factors that can result in the fund underperforming or outperforming the index over specific periods.

Fund charges – the fees we charge for managing the fund, as well as the costs incurred when we buy and sell underlying investments, will mean the fund's return after charges is below that of the index (which does not reflect the costs of investing).

Tracking error – this refers to the difference in performance, positive or negative, due to the fund not fully replicating the composition of the index.

Price swings – this is a dilution adjustment within the share price, which aims to protect existing shareholders from a dilution in performance resulting from deals placed to buy or sell shares. This pricing method has the effect of moving the single price up or down from the mid-price.

Timing – this reflects the fact that the fund is priced at midday while the index is priced at close of business day.

As the fund tracks the index, its overall performance can largely be explained by market developments over the period under review.

Like most global markets, the European stockmarket was volatile for much of the 12-month period under review. October 2018 saw many major stockmarkets decline due to a sharper-than-expected increase in borrowing costs. Concerns that monetary policy tightening by the US Federal Reserve (Fed) may dampen the US economy and international trade tensions also weighed on sentiment towards the end of the year.

Investors' risk appetite improved significantly at the start of 2019 after the Fed indicated a slower approach to interest rate hikes, due to the global economic slowdown, lower oil prices and muted domestic inflation.

However, heightened trade tensions between the US and China led to stockmarket weakness in May 2019. In June, investors were encouraged as a weaker US jobs report increased expectations of a cut in US interest rates, which duly occurred at the end of July. Subsequently, an escalation in the US/China trade talks led to

M&G European Index Tracker Fund

Authorised Corporate Director's Report

Investment review

Investment performance (continued)

increased risk aversion amid concerns about slowing growth in the global economy and reduced demand for European goods.

More specifically for the European stockmarket, Italy's controversial budget for 2019 caused unease in the autumn of 2018. Political uncertainty in Italy also weighed on sentiment in August 2019 when nationalist League leader Matteo Salvini withdrew support for the populist coalition and Prime Minister Giuseppe Conte resigned. Shortly after the end of the period under review, in an unusual pairing, the centre-left Democratic Party and the populist Five Star Movement agreed to form a coalition government, with Mr Conte continuing as prime minister. Meanwhile, in Germany, mainstream parties held on in some regional elections, although the far right Alternative for Germany party made advances.

In terms of the eurozone economy, the pace of expansion eased in the second quarter of 2019. According to official estimates, quarter-on-quarter growth in the region was 0.2%, compared with 0.4% in the first three months of the year. Germany's economy shrank by 0.1% in the second quarter, compared with the previous three-month period, due to weaker exports against a backdrop of a global slowdown. An export-led economy, Germany has seen its manufacturing sector hurt by global trade tensions, slower Chinese growth, tougher emissions standards in its automotive industry and Brexit-related uncertainty. However, shortly after the end of the review period, the news that German exports in July were stronger than had been expected has provided some optimism. In other markets, Spain and France recorded growth of 0.5% and 0.3% in the second quarter, compared with 0.7% and 0.3%, respectively, in the preceding three months. Italy expanded by 0.1% in the first quarter and was flat in the second.

Eurozone inflation remains below the European Central Bank's (ECB) target level of 2.0%, standing at 1.0% in July 2019, compared with 2.2% a year earlier. More positively, unemployment levels continue to decline, standing at 7.5% in July 2019, down from 8.1% in July 2018. The Czech Republic and Germany have the lowest levels, at 2.1% and 3.0%, respectively. The highest rates were recorded by Greece and Spain (17.2% in May 2019, and 13.9%). Meanwhile, the rate of youth unemployment continues to improve, standing at 15.6% in July 2019, compared with 16.7% in July 2018.

Weaker economic data led to heightened expectations that the European Central Bank (ECB) would announce further monetary easing measures, which duly transpired after the end of the period under review.

Turning to sector performance, the strongest returns came from certain 'defensive' stocks, which tend not to respond much to swings in economic cycles. Specific examples included utilities, beverages, food producers and telecommunications. Meanwhile, 'cyclical' stocks are more sensitive to economic cycles and tended to be weak over the period, with industrial metals & mining, banks and autos & components recording the largest declines.

Investment activities

In terms of transactions over the period, we sold our holdings in German mechanical engineering business Man and Dutch digital security firm Gemalto, which were bought by German automotive manufacturing company Volkswagen and French aerospace firm Thales, respectively.

Various companies were added to or left the index and certain changes to the portfolio reflect these moves. For example, entrants to the index and therefore the portfolio included Norway's Leroy Seafood Group, Belgian-Dutch pharmaceutical research company Galapagos and Italian biotechnology firm DiaSorin.

Other entrants to the portfolio included Aroundtown, a German real estate firm, Germany's Rational, which manufactures cooking appliances for large and commercial kitchens, Swedish automobile company Saab and Swiss cocoa producer Barry Callebout.

Meanwhile, we sold some holdings in connection with their departure from the index, including French Netherlands-based telecoms and mass media firm Altice, Austria's AMS, which produces advanced sensor solutions, and German consumer electronics firm Ceconomy.

Elsewhere, we decreased our holding in French oil & gas company Total to reflect a reduction in the stock's weighting in the index.

A number of transactions related to cashflow management. Specific examples include Danish pharmaceutical firm Novo Nordisk, Norway's media group Schibsted, Spanish transport infrastructure company Ferrovial and Swiss food and beverage firm Nestle.

Outlook

Prospects for the eurozone have been clouded by slower economic growth, both in the eurozone and the wider global economy, as well as international trade tensions. Economic activity in the eurozone is lacklustre, while inflation remains below the ECB's target level.

Against this backdrop, shortly after the end of the period under review, the ECB announced a string of measures designed to support the region's economy. The steps include cutting a key interest rate and restarting a bond purchase scheme just nine months after a similar arrangement was halted. The ECB will buy €20 billion of debt every month, starting on 1 November 2019. The bank also plans to keep main interest rates at current levels, or lower, until inflation is sufficiently close to, but below, its 2% target level.

Meanwhile, investor sentiment is still troubled by considerable uncertainty regarding the UK's plans to leave the European Union, although some degree of clarity about the way forward should hopefully emerge in the coming weeks and months.

Nigel Booth

Fund manager

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

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

M&G European Index Tracker Fund

Authorised Corporate Director's Report

Investments

Portfolio statement

as at 31 August Holding	2019 €'000	2019 %	2018 %
EQUITIES	89,992	99.88	97.98
Austria	409	0.45	0.51
1,450 Andritz	46	0.05	
4,185 Erste Group Bank	123	0.14	
2,214 OMV	103	0.11	
1,956 Raiffeisen International Bank	39	0.04	
4,152 Telekom Austria	29	0.03	
1,114 Vienna Insurance	25	0.03	
2,113 Voestalpine	44	0.05	
Belgium	2,077	2.31	2.22
514 Ackermans & van Haaren	68	0.07	
3,141 Ageas	153	0.17	
11,871 Anheuser-Busch InBev	1,026	1.14	
1,365 Bruxelles Lambert	116	0.13	
500 Galapagos	77	0.09	
4,237 KBC	223	0.25	
2,246 Proximus	60	0.07	
1,008 Solvay	92	0.10	
757 Telenet	34	0.04	
2,051 UCB	139	0.15	
3,078 Umicore	89	0.10	
Czech Republic	98	0.11	0.11
1,745 CEZ	35	0.04	
1,318 Komerční banka	42	0.05	
7,000 Moneta Money Bank	21	0.02	
Denmark	3,468	3.85	3.61
2,000 Ambu	31	0.03	
166 AP Moller-Maersk	160	0.18	
1,474 Carlsberg	198	0.22	
1,642 Chr. Hansen	125	0.14	
2,558 Coloplast	275	0.31	
10,339 Danske Bank	124	0.14	
1,500 Demant	42	0.05	
332 Drilling Co of 1972	17	0.02	
2,845 DSV	256	0.28	
954 Genmab	178	0.20	
1,500 GN Store Nord	57	0.06	
2,892 ISS	67	0.07	
1,339 JYSKE Bank	34	0.04	
25,997 Novo-Nordisk	1,229	1.36	
3,120 Novozymes	122	0.14	
2,265 Orsted	198	0.22	
1,874 Pandora	75	0.08	
2,333 Tryg	63	0.07	
3,248 Vestas Wind Systems	217	0.24	
Finland	2,323	2.58	2.38
2,585 Elisa	118	0.13	
6,514 Fortum	130	0.15	
1,013 Huhtamaki	35	0.04	
1,292 Kesko	74	0.08	
6,033 Kone	318	0.35	
1,797 Metso	61	0.07	
6,750 Neste	196	0.22	
81,609 Nokia	368	0.41	
1,479 Nokian Renkaat	37	0.04	
50,751 Nordea Bank	228	0.32	
1,554 Orion Corporation	53	0.06	
7,378 Sampo	267	0.30	
8,332 Stora Enso	84	0.09	
8,346 UPM-Kymmene	202	0.22	
8,213 Wartsila	92	0.10	

Portfolio statement (continued)

as at 31 August Holding	2019 €'000	2019 %	2018 %
France	21,027	23.34	22.55
3,142 Accor	123	0.14	
443 Aéroports de Paris	70	0.08	
35 Air Liquide	4	0.00	
6,379 Air Liquide (prime de fidélité 2012)	806	0.89	
8,391 Airbus	1,057	1.17	
2,409 Alstom	93	0.10	
800 Amundi	47	0.05	
1,006 Arkema	80	0.09	
1,477 AtoS	102	0.11	
29,098 AXA	613	0.68	
686 BioMérieux	51	0.06	
16,516 BNP Paribas	682	0.76	
14,298 Bolloré	55	0.06	
3,551 Bouygues	124	0.14	
4,650 Bureau Veritas	102	0.11	
2,396 Capgemini	262	0.29	
9,006 Carrefour	141	0.16	
1,028 Casino Guichard Perrachon	39	0.04	
2,656 CNP Assurances	44	0.05	
820 Covivio REIT	79	0.09	
18,184 Crédit Agricole	190	0.21	
9,161 Danone	750	0.83	
52 Dassault Aviation	67	0.07	
2,128 Dassault Systemes	275	0.31	
4,254 Edenred	189	0.21	
4,428 EDF	49	0.05	
3,522 EDF (prime de fidélité 2017)	39	0.04	
1,245 Eiffage	119	0.13	
3,000 Elis	49	0.05	
4,056 ENGIE	56	0.06	
22,798 ENGIE (prime de fidélité Regd.)	316	0.35	
4,314 EssilorLuxottica	580	0.64	
627 Eurazeo	38	0.04	
220 Eurofins Scientific	91	0.10	
3,283 Eutelsat Communications	52	0.06	
1,404 Faurecia	57	0.06	
940 Gecina REIT	134	0.15	
7,126 Getlink	91	0.10	
485 Hermes International	302	0.34	
352 Iliad	33	0.04	
835 Imerys	31	0.03	
960 Ingenico	86	0.10	
587 Ipsen	56	0.06	
1,159 Kering	514	0.57	
3,192 Klepierre REIT	88	0.10	
3,124 LafargeHolcim	136	0.15	
2,137 Lagardère	42	0.05	
4,280 Legrand	275	0.31	
231 L'Oréal	58	0.06	
3,416 L'Oréal (prime de fidélité 2012)	857	0.95	
3,764 LVMH	1,373	1.52	
2,649 Michelin	256	0.28	
13,227 Natixis	47	0.05	
29,501 Orange	408	0.45	
873 Orpea	101	0.11	
3,304 Pernod Ricard	573	0.64	
6,692 Peugeot	136	0.15	
1,180 Plastic Omnium	26	0.03	
3,662 Publicis	160	0.18	
2,777 Renault	145	0.16	
5,263 Rexel	50	0.06	
1,610 Rubis	84	0.09	
4,823 Safran	637	0.71	

M&G European Index Tracker Fund

Authorised Corporate Director's Report

Investments

Portfolio statement (continued)			
as at 31 August Holding	2019 €'000	2019 %	2018 %
France (continued)			
7,597 Saint-Gobain	249	0.28	
16,486 Sanofi	1,294	1.44	
8,087 Schneider Electric	618	0.69	
1,961 SCOR	71	0.08	
461 SEB	65	0.07	
5,836 SES FDR	86	0.10	
577 Société BIC	34	0.04	
10,589 Société Générale	246	0.27	
1,500 Sodexo (prime de fidélité regd)	155	0.17	
9,763 STMicroelectronics	158	0.18	
3,139 Suez	44	0.05	
6,956 TechnipFMC	158	0.18	
839 Teleperformance	167	0.19	
1,607 Thales	168	0.19	
38,372 Total	1,746	1.94	
1,264 Ubisoft	93	0.10	
3,748 Valeo	94	0.10	
7,794 Veolia Environnement	169	0.19	
7,250 Vinci	723	0.80	
15,083 Vivendi	384	0.43	
621 Wendel	79	0.09	
575 Worldline	36	0.04	
Germany	16,563	18.38	20.06
3,113 adidas	840	0.93	
6,525 Allianz	1,312	1.46	
8,244 Aroundtown	63	0.07	
849 Axel Springer	53	0.06	
14,106 BASF	852	0.95	
14,602 Bayer	988	1.10	
5,259 Bayerische Motoren Werke	320	0.36	
159 Bayerische Motoren Werke Preference Shares	8	0.01	
1,209 Beiersdorf	138	0.15	
2,685 Brenntag	117	0.13	
17,101 Commerzbank	89	0.10	
1,758 Continental	194	0.22	
2,443 Covestro	100	0.11	
13,833 Daimler	594	0.66	
1,950 Delivery Hero	90	0.10	
28,489 Deutsche Bank	188	0.21	
3,082 Deutsche Börse	418	0.46	
4,178 Deutsche Lufthansa	59	0.07	
15,007 Deutsche Post	450	0.50	
50,655 Deutsche Telekom	771	0.86	
5,512 Deutsche Wohnen	183	0.20	
32,143 E.ON	272	0.30	
2,417 Evonik Industries	56	0.06	
665 Fraport	51	0.06	
6,771 Fresenius	300	0.33	
3,355 Fresenius Medical Care	205	0.23	
374 Fuchs Petrolub	12	0.01	
1,397 Fuchs Petrolub Preference Shares	44	0.05	
2,659 GEA	65	0.07	
937 Hannover Rueck	137	0.15	
2,460 HeidelbergCement	156	0.17	
4,150 Henkel Preference Shares	381	0.42	
228 Hochtief	23	0.03	
934 HUGO BOSS	48	0.05	
17,539 Infineon Technologies	276	0.31	
1,977 Innogy	74	0.08	

Portfolio statement (continued)

as at 31 August Holding	2019 €'000	2019 %	2018 %
Germany (continued)			
3,971 K&S	57	0.06	
991 Kion	44	0.05	
500 Knorr-Bremse	42	0.04	
1,244 LANXESS	68	0.08	
1,019 LEG Immobilien	109	0.12	
2,006 Merck	195	0.21	
4,029 Metro	57	0.06	
801 MTU Aero Engines	201	0.22	
2,343 Munich Re	511	0.57	
1,709 OSRAM Licht	63	0.07	
2,594 Porsche Automobil Preference Shares	149	0.17	
3,925 ProSiebenSat.1 Media	47	0.05	
1,070 Puma	75	0.08	
3,915 QIAGEN	123	0.14	
70 Rational	44	0.05	
500 Rheinmetall	54	0.06	
570 RTL	24	0.03	
8,119 RWE	211	0.23	
14,749 SAP	1,613	1.79	
300 Sartorius Preference Shares	54	0.06	
1,500 Scout24	80	0.09	
11,855 Siemens	1,078	1.19	
1,800 Siemens Healthineers	65	0.07	
1,729 Südzucker	26	0.03	
2,022 Symrise	171	0.19	
11,445 Telefónica Deutschland	27	0.03	
7,236 ThyssenKrupp	81	0.09	
3,272 Uniper	90	0.10	
2,146 United Internet	64	0.07	
1,250 Volkswagen	187	0.21	
2,148 Volkswagen Preference Shares	317	0.35	
7,775 Vonovia	352	0.39	
1,780 Wirecard	260	0.29	
2,167 Zalando	97	0.11	
Greece	218	0.24	0.24
26,395 Alpha Bank	42	0.05	
3,141 FF ^[a]	0	0.00	
2,568 Hellenic Petroleum	24	0.03	
4,617 Hellenic Telecommunications	56	0.06	
1,807 Jumbo	31	0.03	
12,171 National Bank of Greece	31	0.03	
3,526 OPAP	34	0.04	
Hungary	235	0.26	0.24
5,015 MOL Hungarian Oil & Gas	44	0.05	
3,963 OTP Bank	144	0.16	
3,103 Richter Gedeon	47	0.05	
Ireland	459	0.51	0.60
12,064 AIB	28	0.03	
16,629 Bank of Ireland	58	0.06	
3,306 Glanbia	32	0.04	
16,490 Irish Bank Resolution ^[a]	0	0.00	
2,317 Kerry	250	0.28	
2,161 Kingspan	91	0.10	
Italy	4,868	5.40	5.13
20,193 Assicurazioni Generali	333	0.37	
8,615 Atlantia	195	0.22	
7,715 Banca Mediolanum	51	0.06	
26,896 Banco BPM	50	0.06	
1,563 Buzzi Unicem	30	0.03	
13,834 CNH Industrial	129	0.14	
10,963 Davide Campari Milano	94	0.10	
400 DiaSorin	44	0.05	

M&G European Index Tracker Fund

Authorised Corporate Director's Report

Investments

Portfolio statement (continued)			
as at 31 August Holding	2019 €'000	2019 %	2018 %
Italy (continued)			
122,027 Enel	813	0.90	
38,432 Eni	527	0.58	
1,958 EXOR	121	0.13	
1,967 Ferrari	284	0.32	
16,260 Fiat Chrysler Automobiles	193	0.21	
8,187 FincoBank	78	0.09	
12,000 Hera	44	0.05	
234,111 Intesa Sanpaolo	472	0.52	
6,526 Italgas	39	0.04	
8,596 Leonardo	96	0.11	
8,891 Mediaset	25	0.03	
7,809 Mediobanca	70	0.08	
2,934 Moncler	101	0.11	
7,706 Pirelli	37	0.04	
3,982 Prysmian	80	0.09	
1,519 Recordati	61	0.07	
12,040 Saipem	53	0.06	
27,101 Snam	127	0.14	
145,178 Telecom Italia	71	0.08	
119,508 Telecom Italia (Savings shares)	56	0.06	
8,165 Tenaris	82	0.09	
22,884 Terna	133	0.15	
15,009 UBI Banca	36	0.04	
33,649 UniCredit	343	0.38	
Netherlands	6,836	7.59	7.56
1,400 Aalberts	48	0.05	
6,736 ABN AMRO Bank	110	0.12	
130 Adyen	86	0.10	
30,026 Aegon	104	0.12	
3,606 Akzo Nobel	292	0.32	
9,191 ArcelorMittal	121	0.13	
6,283 ASML	1,267	1.41	
2,516 ASR Nederland	80	0.09	
1,973 Boskalis Westminster	36	0.04	
2,863 DSM	324	0.36	
4,331 Heineken	422	0.47	
1,281 Heineken Holding	116	0.13	
58,997 ING	516	0.57	
18,740 Koninklijke Ahold Delhaize	401	0.45	
50,352 KPN	145	0.16	
5,970 NN	182	0.20	
14,769 Philips	633	0.70	
2,068 Randstad	88	0.10	
2,010 Unibail-Rodamco-Westfield REIT	240	0.26	
22,956 Unilever	1,295	1.44	
1,161 Vopak	50	0.06	
4,269 Wolters Kluwer	280	0.31	
Norway	1,349	1.50	1.50
1,051 Adevinta 'A' Shares	12	0.01	
2,013 Adevinta 'B' Shares	22	0.02	
17,074 DnB	250	0.28	
15,955 Equinor	248	0.28	
3,895 Gjensidige Forsikring	68	0.08	
6,000 Leroy Seafood	36	0.04	
6,327 Mowi	140	0.16	
16,352 Norsk Hydro	47	0.05	
14,141 Orkla	118	0.13	
1,051 Schibsted 'A'	28	0.03	
2,013 Schibsted 'B'	52	0.06	

Portfolio statement (continued)

as at 31 August Holding	2019 €'000	2019 %	2018 %
Norway (continued)			
10,831 Telenor	202	0.22	
3,213 Yara International	126	0.14	
Poland	603	0.67	0.96
2,120 Bank Pekao	47	0.05	
1,496 CD Projekt	88	0.10	
2,335 KGHM Polska Miedz	42	0.04	
22 LPP	37	0.04	
369 mBank	27	0.03	
12,048 PGE Polska Grupa Energetyczna	21	0.02	
35,447 PGNiG	38	0.04	
4,617 PKN Orlen	96	0.11	
12,046 PKO Bank Polski	106	0.12	
8,031 PZU	68	0.08	
480 Santander Bank Polska	33	0.04	
Portugal	320	0.36	0.38
41,873 EDP - Energias de Portugal	144	0.16	
9,316 Galp Energia	121	0.14	
3,706 Jerónimo Martins	55	0.06	
Spain	5,626	6.24	6.36
455 Acciona	45	0.05	
4,058 Acerinox	30	0.03	
4,223 ACS Actividades	147	0.16	
982 Aena	162	0.18	
6,526 Amadeus IT	440	0.49	
93,808 Banco de Sabadell	73	0.08	
240,758 Banco Santander	839	0.93	
21,278 Bankia	35	0.04	
10,644 Bankinter	57	0.06	
99,967 BBVA	434	0.48	
55,332 CaixaBank	115	0.13	
3,369 Cellnex Telecom	123	0.14	
4,071 Enagas	81	0.09	
5,921 Endesa	139	0.15	
7,303 Ferrovial	190	0.21	
7,053 Grifols	203	0.23	
394 Grifols Preference Shares	8	0.01	
94,694 Iberdrola	891	0.99	
15,901 Inditex	445	0.49	
17,345 Mapfre	41	0.05	
6,335 Merlin Properties REIT	77	0.09	
4,656 Naturgy Energy	111	0.12	
7,697 Red Electrica	139	0.15	
19,631 Repsol	262	0.29	
4,367 Siemens Gamesa Renewable Energy	54	0.06	
71,673 Telefónica	450	0.50	
5,557 Zardoya Otis	35	0.04	
Sweden	4,914	5.45	5.74
4,929 Alfa Laval	82	0.09	
14,151 Assa Abloy	267	0.30	
14,376 Atlas Copco	389	0.43	
4,222 Boliden	83	0.09	
5,000 Castellum	97	0.11	
4,032 Electrolux	82	0.09	
5,000 Elekta	58	0.06	
15,092 Epiroc	142	0.16	
45,833 Ericsson	325	0.36	
9,401 Essity	266	0.30	
1,760 Fastighets AB Balder	60	0.07	
13,773 Hennes & Mauritz	240	0.27	
3,693 Hexagon	148	0.16	
6,957 Husqvarna	49	0.05	
1,261 ICA	57	0.06	
5,807 Industrivarden	113	0.13	

M&G European Index Tracker Fund

Authorised Corporate Director's Report

Investments

Portfolio statement (continued)			
as at 31 August Holding	2019 €'000	2019 %	2018 %
Sweden (continued)			
3,572 Investment AB Latour	43	0.05	
8,280 Investor	351	0.39	
4,206 Kinnevik	103	0.11	
3,465 Lundin Petroleum	94	0.10	
4,000 Nibe Industrier	45	0.05	
1,500 Saab	38	0.04	
16,983 Sandvik	221	0.25	
4,722 Securitas	64	0.07	
21,045 Skandinaviska Enskilda Banken	164	0.18	
6,480 Skanska	110	0.12	
5,877 SKF	86	0.10	
8,611 Svenska Cellulosa	66	0.07	
21,799 Svenska Handelsbanken	173	0.19	
15,437 Swedbank	179	0.20	
2,849 Swedish Match	101	0.11	
2,900 Swedish Orphan Biovitrum	43	0.05	
4,969 Tele2	64	0.07	
43,715 Telia	173	0.19	
4,929 Trelleborg	61	0.07	
21,975 Volvo	277	0.31	
Switzerland	18,102	20.09	17.37
28,558 ABB	493	0.55	
2,589 Adecco	124	0.14	
6,719 Alcon	371	0.41	
676 Baloise	105	0.12	
63 Banque Cantonale Vaudoise	44	0.05	
25 Barry Callebaut	46	0.05	
2,660 Clariant	44	0.05	
39,083 Credit Suisse	416	0.46	
646 Dufry	48	0.05	
101 EMS-Chemie	54	0.06	
286 Flughafen Zurich	47	0.05	
565 Geberit	235	0.26	
60 Georg Fischer	45	0.05	
142 Givaudan	348	0.39	
630 Helvetia	74	0.08	
3,014 Julius Baer	108	0.12	
851 Kuehne & Nagel	113	0.12	
4,559 LafargeHolcim	198	0.22	
3 Lindt & Sprüngli	222	0.25	
2,628 Logitech	96	0.11	
1,115 Lonza	358	0.40	
45,416 Nestlé	4,632	5.14	
33,599 Novartis	2,756	3.06	
865 Pargesa	57	0.06	
257 Partners	189	0.21	
738 PSP Swiss Property	89	0.10	
7,705 Richemont	544	0.60	
10,931 Roche	2,709	3.01	
946 Schindler	194	0.21	
83 SGS	185	0.20	
1,988 Sika	259	0.29	
849 Sonova	179	0.20	
179 Straumann	127	0.14	
384 Sulzer	33	0.04	
568 Swatch	140	0.15	
523 Swiss Life	225	0.25	
1,282 Swiss Prime Site	116	0.13	
4,770 Swiss Re	420	0.47	

Portfolio statement (continued)

as at 31 August Holding	2019 €'000	2019 %	2018 %
Switzerland (continued)			
359 Swisscom	163	0.18	
980 Temenos	149	0.17	
53,715 UBS	516	0.57	
696 Vifor Pharma	100	0.11	
2,262 Zurich Insurance	731	0.81	
Turkey	497	0.55	0.39
26,709 Akbank	29	0.03	
7,086 Anadolu Efes Biracilik Ve Malt Sanayi	28	0.03	
8,110 BIM Birllesik Magazalar	59	0.07	
13,970 Emlak Konut REIT	3	0.00	
11,298 ENKA	10	0.01	
25,696 Ereğli Demir Celik Fabrikalari	25	0.03	
2,369 Ford Otomotiv Sanayi	22	0.03	
24,329 Hacı Ömer Sabancı	33	0.04	
18,764 Koç	51	0.06	
6,105 Tofaş Türk Otomobil Fabrikası	17	0.02	
2,754 Tüpraş	54	0.06	
2,099 Turk Hava Yollari	4	0.00	
19,783 Turkcell Iletisim Hizmetleri	40	0.04	
34,312 Türkiye Garanti Bankası	47	0.05	
19,423 Türkiye Halk Bankası	17	0.02	
31,496 Türkiye İş Bankası	27	0.03	
26,528 Türkiye Şişe ve Cam Fabrikalari	18	0.02	
18,551 Türkiye Vakıflar Bankası	13	0.01	
United States	0	0.00	0.07
EQUITY DERIVATIVES			
Equity futures contracts	15	0.02	(0.04)
22 Euro Stoxx 50 Index Sep 2019	15	0.02	
Portfolio of investments	90,007	99.90	97.94
CASH EQUIVALENTS			
'AAA' rated money market funds ^[b]	596	0.66	2.16
540,000 Northern Trust Global Fund - Sterling	596	0.66	
Total portfolio (notes 2c & 2d on page 7)	90,603	100.56	100.10
Net other assets / (liabilities)	(503)	(0.56)	(0.10)
Net assets attributable to shareholders	90,100	100.00	100.00

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

^[a] Delisted.

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

M&G European Index Tracker Fund

Authorised Corporate Director's Report

Investments

Top ten portfolio transactions

for the year to 31 August 2019

Largest purchases	€'000
Adyen	89
Castellum	85
GN Store Nord	64
Aroundtown	64
Scout24	62
Elekta	60
Swedish Orphan Biovitrum	60
Galapagos	51
Total	50
Ambu	49
Other purchases	666
Total purchases	1,300
Largest sales	€'000
Linde	705
Nestlé	542
Roche	303
RELX	282
Novartis	258
Total	228
Sanofi	183
Novo-Nordisk	181
Allianz	179
BASF	156
Other sales	8,526
Total sales	11,543

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

M&G European Index Tracker 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 reflect the key financial information of a representative share class, Sterling Class 'A' (Accumulation) shares. As different share classes have different attributes, for example charging structures and minimum investments, please be aware that their performance may be different. For more information on the different share classes in this fund please refer to the Prospectus for M&G Investment Funds (1), which is available free of charge either from our website at www.mandg.co.uk/prospectuses or by calling M&G Customer Relations.

Index tracking

The tracking difference between the fund's investment return and that of the FTSE World Europe ex UK Index for the 12 month period ending 31 August 2019 was -0.09% (31 August 2018: -0.22%). The investment returns are calculated gross of fees using end of day pricing in order to be comparable with the index.

The historic tracking error of the investment return of the fund relative to the FTSE World Europe ex UK Index for the period ending 31 August 2019 was 0.18% (31 August 2018: 0.17%), which falls within the predicted tracking error range of 0.00% to 0.50%. Historic tracking error is a measure of the monthly volatility of the investment returns relative to the index over a 36 month period.

The differences are due to the fund not fully replicating the FTSE World Europe ex UK Index.

Fund level performance

Fund net asset value			
as at 31 August	2019	2018	2017
	€'000	€'000	€'000
Fund net asset value (NAV)	90,100	102,314	171,552

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.



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 03.09.18 % [a]	Three years 02.09.16 % p.a.	Five years 02.09.14 % p.a.	Since launch % p.a.
Euro [b]				
Class 'A'	+2.8	+7.0	+5.5	+4.3 [c]
Sterling [d]				
Class 'A'	+3.6	+9.6	+8.4	+5.0 [e]

[a] Absolute basis.

[b] Price to price with net income reinvested.

[c] 28 November 2001, the launch date of the share class.

[d] Price to price with income reinvested.

[e] 31 January 2000, the end of the initial offer period of the predecessor unit trust.

M&G European Index Tracker Fund

Financial highlights

Fund performance

Operating charges and portfolio transaction costs

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

Operating charges

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

- **Annual charge:** Charge paid to M&G covering the annual cost of M&G managing and administering the fund and the costs of third parties providing services to the fund. From 1 August 2019, this charge rolls all costs that make up the operating charges into one annual charge.

For every £1 billion of a fund's net asset value, a discount of 0.02% will be applied to that fund's annual charge (up to a maximum of 0.12%).

- **Extraordinary legal and tax expenses:** Costs that specifically relate to legal or tax claims that are both exceptional and unforeseeable. Such expenses are uncommon, and would not be expected in most years. Although they result in a short-term cost to the fund, generally they can deliver longer term benefits for investors.
- **Investment management:** Charge paid to M&G for investment management of the fund. From 1 August 2019 this charge forms part of the annual charge.
- **Administration:** Charge paid for administration services in addition to investment management – any surplus from this charge will be retained by M&G. From 1 August 2019 this charge is rolled into the annual charge.
- **Oversight and other independent services:** Charges paid to providers independent of M&G for services which include depositary, custody and audit. From 1 August 2019 these charges will be paid by M&G and rolled into the annual charge.
- **Ongoing charges from underlying funds:** Ongoing charges on holdings in underlying funds that are not rebated. From 1 August 2019 charges from underlying funds (excluding Investment Trusts Companies and Real Estate Investment Trusts) will be rebated.

The operating charges paid by each share class of the fund are shown in the following performance tables. These 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.

Once the annual charge has been operational for twelve months, operating charges will be in line with the ongoing charges shown in the Key Investor Information Document, other than where there have been extraordinary legal or tax expenses, or 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. Any estimate will be disclosed under the specific share class performance table.

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

Portfolio transaction costs

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

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

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

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

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

Portfolio transaction costs				
for the year to 31 August	2019	2018	2017	Average ^[a]
Direct portfolio transaction costs ^[b]	%	%	%	%
Broker commission	0.00	0.01	0.02	0.01
Taxes	0.00	0.01	0.04	0.02
Costs before dilution adjustments	0.00	0.02	0.06	0.03
Dilution adjustments ^[c]	0.00	(0.02)	(0.06)	(0.03)
Total direct portfolio transaction costs	0.00	0.00	0.00	0.00
as at 31 August	2019	2018	2017	Average ^[a]
Indirect portfolio transaction costs	%	%	%	%
Average portfolio dealing spread	0.04	0.05	0.05	0.05

^[a] Average of first three columns.

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

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

M&G European Index Tracker 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.

Historic yields for the current year are calculated as at 13 September 2019.

Euro Class 'A' Accumulation share performance

The share class was launched on 28 November 2001.

for the year to 31 August Change in NAV per share	2019 Euro ¢	2018 Euro ¢	2017 Euro ¢
Opening NAV	2,048.64	1,988.51	1,735.75
Return before operating charges and after direct portfolio transaction costs	77.49	74.51	266.79
Operating charges	(13.92)	(14.38)	(14.03)
Return after operating charges	63.57	60.13	252.76
Distributions	(47.91)	(45.40)	(40.03)
Retained distributions	47.91	45.40	40.03
Closing NAV	2,112.21	2,048.64	1,988.51
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.09	0.47	1.13
Dilution adjustments ^[a]	(0.09)	(0.47)	(1.13)
Total direct portfolio transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges ^[c]	0.69	0.70	0.72
Return after operating charges	+3.10	+3.02	+14.56
Historic yield	2.08	2.22	2.00
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€'000)	3,880	15,220	85,930
Closing NAV percentage of total fund NAV (%)	4.31	14.88	50.09
Number of shares	183,710	742,930	4,321,333
Highest share price (Euro ¢)	2,182.13	2,147.55	2,083.57
Lowest share price (Euro ¢)	1,804.22	1,946.58	1,679.68

Sterling Class 'A' Income share performance

The share class was launched on 31 January 2000.

for the year to 31 August Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	84.44	86.23	71.20
Return before operating charges and after direct portfolio transaction costs	3.76	1.30	17.94
Operating charges	(0.55)	(0.61)	(0.57)
Return after operating charges	3.21	0.69	17.37
Distributions	(2.53)	(2.48)	(2.34)
Closing NAV	85.12	84.44	86.23
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.02	0.05
Dilution adjustments ^[a]	0.00	(0.02)	(0.05)
Total direct portfolio transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges ^[c]	0.67	0.71	0.71
Return after operating charges	+3.80	+0.80	+24.40
Historic yield	2.79	2.95	2.70
Effect on yield of charges offset against capital	0.64	0.65	0.65
Other information			
Closing NAV (€'000)	34,903	36,196	42,265
Closing NAV percentage of total fund NAV (%)	38.74	35.38	24.64
Number of shares	37,177,047	38,461,709	45,135,726
Highest share price (UK p)	89.99	89.43	89.63
Lowest share price (UK p)	74.46	80.23	69.44

Sterling Class 'A' Accumulation share performance

The share class was launched on 31 January 2000.

for the year to 31 August Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	125.03	123.90	99.60
Return before operating charges and after direct portfolio transaction costs	5.36	2.01	25.09
Operating charges	(0.81)	(0.88)	(0.79)
Return after operating charges	4.55	1.13	24.30
Distributions	(2.95)	(2.76)	(2.50)
Retained distributions	2.95	2.76	2.50
Closing NAV	129.58	125.03	123.90
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.01	0.03	0.07
Dilution adjustments ^[a]	(0.01)	(0.03)	(0.07)
Total direct portfolio transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges ^[c]	0.67	0.71	0.71
Return after operating charges	+3.64	+0.91	+24.40
Historic yield	2.03	2.21	2.01
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€'000)	51,317	50,898	43,357
Closing NAV percentage of total fund NAV (%)	56.95	49.74	25.27
Number of shares	35,904,969	36,521,977	32,226,481
Highest share price (UK p)	133.03	128.46	125.38
Lowest share price (UK p)	110.08	115.24	97.13

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

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

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

M&G European Index Tracker Fund

Financial statements and notes

Financial statements

Statement of total return

for the year to 31 August	Note	2019		2018	
		€'000	€'000	€'000	€'000
Income					
Net capital gains / (losses)	3		12		1,209
Revenue	5	2,993		3,956	
Expenses	6	(598)		(1,007)	
Net revenue / (expense) before taxation		2,395		2,949	
Taxation	7	(301)		(281)	
Net revenue / (expense) after taxation			2,094		2,668
Total return before distributions			2,106		3,877
Distributions	8		(2,316)		(2,928)
Change in net assets attributable to shareholders from investment activities			(210)		949

Statement of change in net assets attributable to shareholders

for the year to 31 August	2019		2018	
	€'000	€'000	€'000	€'000
Opening net assets attributable to shareholders		102,314		171,552
Amounts received on issue of shares	2,450		34,381	
Amounts paid on cancellation of shares	(15,725)		(106,139)	
		(13,275)		(71,758)
Dilution adjustments		13		112
Change in net assets attributable to shareholders from investment activities (see above)		(210)		949
Retained distributions on Accumulation shares		1,258		1,459
Closing net assets attributable to shareholders		90,100		102,314

Balance sheet

as at 31 August	Note	2019 €'000	2018 €'000
Assets			
Fixed assets			
Investments		90,007	100,257
Current assets			
Debtors	9	866	836
Cash and bank balances	10	258	568
Cash equivalents		596	2,207
Total assets		91,727	103,868
Liabilities			
Investment liabilities		0	(46)
Creditors			
Bank overdrafts		0	(16)
Overdrawn positions at futures clearing houses and collateral manager		(10)	0
Distribution payable		(1,038)	(1,065)
Other creditors	11	(579)	(427)
Total liabilities		(1,627)	(1,554)
Net assets attributable to shareholders		90,100	102,314

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 7 and 8.

The fund's functional and presentational currency is euros as this better reflects the currency of its primary economic environment.

2 Distribution policy

In determining the amount available for distribution to Income shares, the annual charge, annual management charge and administration charge are 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 August	2019 €'000	2018 €'000
Non-derivative securities	(18)	1,361
Derivative contracts	20	(84)
Currency gains / (losses)	9	(34)
Transaction charges	1	(34)
Net capital gains / (losses)	12	1,209

M&G European Index Tracker 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 35.

for the year to 31 August	2019 €'000	% of transaction	2018 €'000	% of transaction
a) Purchases				
Equities				
Equities before transaction costs	1,216		15,291	
Commissions	0	0.00	4	0.03
Taxes	0	0.00	11	0.07
Equities after transaction costs	1,216		15,306	
Other transaction types				
Corporate actions	84		123	
Total purchases after transaction costs	1,300		15,429	

b) Sales				
Equities				
Equities before transaction costs	11,404		84,794	
Commissions	(3)	0.02	(18)	0.02
Equities after transaction costs	11,401		84,776	
Other transaction types				
Corporate actions	142		442	
Total sales after transaction costs	11,543		85,218	

c) Direct portfolio transaction costs	2019 €'000	% of average NAV	2018 €'000	% of average NAV
Commissions paid				
Equities	3	0.00	22	0.01
Derivatives	0	0.00	1	0.00
Total commissions paid	3	0.00	23	0.01
Taxes paid				
Equities	0	0.00	11	0.01
Total direct portfolio transaction costs [a]	3	0.00	34	0.02

d) Indirect portfolio transaction costs	%	%
Portfolio dealing spread [b]	0.04	0.05

[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 August	2019 €'000	2018 €'000
Derivative revenue	(2)	(1)
Dividends from equity investments: non-taxable	2,820	3,808
Dividends from equity investments: taxable	31	(34)
Interest distributions	5	2
Stock dividends	139	181
Total revenue	2,993	3,956

6 Expenses

for the year to 31 August	2019 €'000	2018 €'000
Payable to the ACD or associate		
Annual charge	37	0
Annual management charge [a]	406	727
Administration charge [a]	122	218
	565	945
Payable to the Depository or associate		
Depository's charge (including VAT) [a]	7	13
Other expenses		
Audit fee (including VAT) [a] [b]	9	11
Interest payable	1	12
Safe custody charge [a]	15	26
Tax fees (including VAT)	1	0
	26	49
Total expenses	598	1,007

[a] The segregated charges shown above for annual management, administration, depository, audit and safe custody are those paid by the fund up to and including 31 July 2019. As of 1 August 2019 these charges have been replaced by the single annual charge.

[b] Audit fees for the financial year ending 2019 were €9,000.

7 Taxation

for the year to 31 August	2019 €'000	2018 €'000
a) Analysis of charge in the year		
Corporation tax	0	0
Withholding tax	301	281
Deferred tax (note 7c)	0	0
Total taxation	301	281

b) Factors affecting taxation charge for the year		
Net revenue / (expense) before taxation	2,395	2,949
Corporation tax at 20%	479	590
Effects of:		
Dividends from equity investments: non-taxable	(564)	(762)
Stock dividends not taxable	(28)	(36)
Current year expenses not utilised	114	209
Withholding tax	301	281
Overseas tax expensed	(1)	(1)
Total tax charge (note 7a)	301	281

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 €1,184,000 (2018: €1,070,000) arising as a result of having excess management expenses. We do not expect this asset to be utilised in the foreseeable future.

M&G European Index Tracker Fund

Financial statements and notes

Notes to the financial statements

8 Distributions

for the year to 31 August	2019		2018	
	Inc ^[a] €'000	Acc ^[b] €'000	Inc ^[a] €'000	Acc ^[b] €'000
Dividend distributions				
Final	1,038	1,258	1,065	1,459
Total net distributions		2,296		2,524
Income deducted on cancellation of shares		35		549
Income received on issue of shares		(15)		(145)
Distributions		2,316		2,928
Net revenue / (expense) per statement of total return		2,094		2,668
Expenses offset against capital		222		260
Distributions		2,316		2,928

9 Debtors

as at 31 August	2019 €'000	2018 €'000
Amounts receivable on issues of shares	41	0
Distributions receivable	0	1
Dividends receivable	39	26
Withholding tax recoverable	786	809
Total debtors	866	836

10 Cash and bank balances

as at 31 August	2019 €'000	2018 €'000
Amounts held at futures clearing houses and collateral manager	63	210
Cash held as bank balances	195	358
Total cash and bank balances	258	568

11 Other creditors

as at 31 August	2019 €'000	2018 €'000
ACD's annual management charge payable	0	25
Administration charge payable	0	8
Amounts payable on cancellation of shares	157	0
Annual charge payable	23	0
Corporation tax payable	379	372
Expenses payable	15	22
Purchases awaiting settlement	5	0
Total other creditors	579	427

12 Contingent assets, liabilities and outstanding commitments

There were no contingent liabilities or outstanding commitments at the balance sheet date (2018: same).

The fund has recognised a contingent asset of €708,000 as a result of the European Court of Justice rulings in November 2012 and Supreme Court judgements in July 2018 in relation to Prudential Assurance Co Ltd v Commissioners for HMRC. The fund may recover further amounts of UK corporation tax suffered and accounted for on overseas dividends receivable before July 2009 (overseas dividends received post 2009 are not taxable). Full recovery of this asset is not certain as there is currently no HMRC guidance on how a fund may seek to recover taxes. An estimated accrual is included within the daily price of the fund's shares.

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 01.09.18	Movements		Closing 31.08.19
		Issued	Cancelled	
Euro				
Class 'A' Accumulation	742,930	15,626	(574,846)	183,710
Sterling				
Class 'A' Income	38,461,709	1,098,222	(2,382,884)	37,177,047
Class 'A' Accumulation	36,521,977	850,622	(1,467,630)	35,904,969

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 charge ^[a] %
Euro			
Class 'A'	n/a	n/a	0.65
Sterling			
Class 'A'	n/a	n/a	0.50

^[a] The amounts shown are the maximum annual charge. M&G will apply a discount of 0.02% for every £1 billion of a fund's net asset value. This is assessed quarterly and implemented on a forward basis no later than 13 business days after quarter end.

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 annual charge, ACD's annual management charge and administration charge are disclosed in note 6. Amounts due at the year end from the annual 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 1.02% (2018: 0.94%) 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 European Index Tracker Fund

Financial statements and notes

Notes to the financial statements

17 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: Unadjusted quoted price in an active market for an identical instrument

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 technique using observable market data

This includes instruments such as over-the-counter (OTC) derivatives, debt securities, convertible bonds, mortgage-backed securities, asset-backed securities and open-ended funds which have been valued using models with observable market data inputs.

Level 3: Valuation technique using unobservable inputs

This refers to instruments which have been valued using models with unobservable data inputs. This includes single broker-priced instruments, suspended/unquoted securities, private equity, unlisted closed-ended funds and open-ended funds with restrictions on redemption rights.

as at 31 August Basis of valuation	Assets		Liabilities	
	2019 €'000	2018 €'000	2019 €'000	2018 €'000
Level 1	90,007	0	100,242	(46)
Level 2	0	0	0	0
Level 3	0	0	15	0
	90,007	0	100,257	(46)

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

The general risk management policies for the fund are set out in note 3 to the financial statements on pages 8 and 9.

19 Market risk sensitivity

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 €4,500,000 (2018: €5,011,000). A five per cent decrease would have an equal and opposite effect.

20 Currency risk sensitivity and exposure

A five per cent increase in the value of the fund's currency exposure would have the effect of increasing the return and net assets by €4,505,000 (2018: €5,116,000). A five per cent decrease would have an equal and opposite effect.

as at 31 August	2019 €'000	2018 €'000
Currency exposure in respect of the fund		
Czech koruna	99	111
Danish krone	3,516	3,747
Euro	59,474	69,675
Hungarian forint	235	242
Norwegian krone	1,361	1,552
Polish zloty	621	983
Sterling	482	1,458
Swedish krona	5,203	5,870
Swiss franc	18,611	18,195
Turkish lira	497	404
US dollar	1	77
Total	90,100	102,314

21 Interest rate risk sensitivity and exposure

As the majority of the fund's financial assets are non-interest bearing, the risk is not considered significant and is therefore not disclosed.

22 Credit risk

Credit risk is not considered significant for the fund and is therefore not disclosed.

The table below shows the exposure to counterparties. Collateral is posted daily, in the form of cash or high-quality government bonds, to minimise this exposure.

As at 31 August 2019 there was no exposure to counterparties.

as at 31 August 2018	Futures €'000
Bank of America Merrill Lynch	(46)
Total	(46)

M&G European Index Tracker Fund

Financial statements and notes

Notes to the financial statements

23 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	01.09.18	31.08.19	02.09.19	31.10.19

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 income 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 income and equalisation. Equalisation is the average amount of income 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 income and equalisation components.

Euro Class 'A' Accumulation shares				
Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2	
	Income 2019	Equalisation 2019	2019	Distribution 2018
Final	€ 25.2526	€ 22.6581	€ 47.9107	€ 45.3988

Sterling Class 'A' Income shares				
Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2	
	Income 2019	Equalisation 2019	2019	Distribution 2018
Final	p 1.7556	p 0.7763	p 2.5319	p 2.4838

Sterling Class 'A' Accumulation shares				
Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2	
	Income 2019	Equalisation 2019	2019	Distribution 2018
Final	p 1.8238	p 1.1311	p 2.9549	p 2.7559

M&G European Index Tracker Fund

Financial statements and notes

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M&G European Select Fund

Authorised Corporate Director's Report

Investment objective and policy up to 28 February 2019

The fund's prime objective is long term capital growth. It invests wholly or predominantly in a diversified portfolio of securities of European (excluding United Kingdom) issuers. When not wholly invested as above, it may also invest in companies which are listed or registered outside Europe but trade within it. Income is of secondary importance when investments are selected. The fund may at any time be concentrated in a limited number of securities.

Investment approach up to 28 February 2019

The M&G European Select Fund invests in the shares of European (ex UK) companies with sustainable competitive advantages, which have the opportunity to reinvest their capital at high rates of return. Central to the fund manager's approach is the capital allocation strategy of the businesses in which he invests. In light of this, the manager focuses on companies that recognise the importance of growing dividends, which in turn instils capital discipline and ensures that the highest returning growth projects are prioritised.

The fund manager believes that, as a result of his focus on capital discipline and dividends, the dividend growth of the fund's holdings is likely to be higher than that of a broad index of European (ex UK) equities over the long term. He expects this premium dividend growth to drive the fund's long-term capital growth, as well as growth in the fund's income distributions. The fund will usually hold between 25 and 35 stocks, with a long-term investment view of three years or more.

Investment objective from 1 March 2019

The fund aims to provide a higher total return (the combination of capital growth and income), net of the ongoing charge figure, than that of the FTSE World Europe ex UK Index over any five-year period.

Investment policy from 1 March 2019

At least 80% of the fund is invested directly in equity securities and equity-related securities of companies across any sectors and market capitalisations that are incorporated, domiciled, listed or do most of their business in Europe (excluding the United Kingdom).

The fund usually holds a concentrated portfolio of fewer than 50 companies.

The fund may also invest in other transferable securities directly and via collective investment schemes (including funds managed by M&G).

The fund may also hold cash and near cash for liquidity purposes.

Derivatives may be used for efficient portfolio management and hedging.

Investment approach from 1 March 2019

The fund employs a disciplined approach to investment which concentrates on the analysis and selection of individual companies.

The investment approach seeks to identify European ex UK companies that have sustainable competitive advantages leading to high return on invested capital. Each company's strategy around capital allocation is central to the investment process.

The fund manager focuses on companies which recognise the importance of dividends, which in turn instils capital discipline and ensures that the highest returning growth projects are prioritised.

Rising cashflow, and over time, rising dividends, for the fund's holdings are expected to drive the long-term total return of the fund.

Benchmark

Benchmark: FTSE World Europe ex UK Index.

The fund is actively managed. The benchmark is a target which the fund seeks to outperform. The index has been chosen as the fund's target benchmark as it best reflects the scope of the fund's investment policy. The target benchmark is used solely to measure the fund's performance and does not constrain the fund's portfolio construction.

M&G European Select Fund

Authorised Corporate Director's Report

Risk profile

The fund invests in the shares of companies listed in Europe and is, therefore, subject to the price volatility of the European stockmarket and the performance of individual companies. The fund may also be subject to fluctuations in currency exchange rates.

The fund's focus is on European (ex UK) companies with sustainable competitive advantages, which have the opportunity to reinvest their capital at high rates of return, and some of these stocks could potentially experience a degree of illiquidity in times of market distress. The fund is a concentrated portfolio, but 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 countries, 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 2 September 2019, for the year ended 31 August 2019

Performance against objective

Between 3 September 2018 (the start of the review period) and 2 September 2019, the M&G European Select Fund delivered negative total returns (the combination of income and growth of capital) across all of its share classes.* All share classes finished behind the benchmark, the FTSE World Europe ex UK Index. Over the 12 months, returns from the index were 4.8% and 4.0% in sterling and euros, respectively.

Over a longer timeframe of five years, the fund has generated a positive total return across all its share classes but underperformed its benchmark which returned 9.4% p.a. and 6.5% p.a. in sterling and euros respectively. The fund therefore did not meet the current objective over its specified timeframe of five years.

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

Investment performance

Stockmarkets rose in the period under review, although there was considerable turbulence along the way. Developments in the trade war between the US and China had a large influence on market movements.

Over the 12 months, investor sentiment veered between optimism about a potential deal between the world's two largest economies and concerns about escalating trade tensions and the introduction of new tariffs.

Signs that the year-long trade dispute was having a negative impact on the global economy led to an increase in risk aversion. Economic activity in Germany, a large manufacturing and exporting nation, weakened, while Singapore and South Korea, which depend heavily on global trade, slowed. Against this background, assets such as government bonds and gold, which are considered to be relatively safe in times of uncertainty, performed well.

The actions of central banks also influenced investor sentiment during the period. In particular, investors welcomed the US Federal Reserve's (Fed) policy shift towards lower interest rates. In July, the Fed cut interest rates for the first time since the financial crisis of 2008/09 to support the US economy.

Central banks around the world followed suit and at the end of the period, expectations were high that the European Central Bank would introduce a stimulus package to boost the lacklustre eurozone economy.

Besides the trade war, investors had to contend with prolonged uncertainty about the UK's departure from the European Union (EU) as well as a political crisis in Italy. Despite a myriad of concerns, share prices of European companies rose over the 12 months.

In terms of sector performance within European stockmarkets, some of the more defensive sectors (that is, sectors with relatively predictable and stable earnings regardless of the state of the overall economy) outperformed the wider market, including consumer goods, healthcare and utilities.

By contrast, basic materials and oil & gas stocks lagged as investors worried that weaker economic growth would dampen demand for commodities. Financials underperformed too. Banks were particularly weak, hurt by concerns that lower interest rates would have a negative impact on their profitability.

The fund's sector positioning, overall, dragged on returns for the period, particularly the below-index positions in utilities and telecoms, two of the best-performing areas. It was, however, stock selection that was the major driver of the fund's underperformance, especially within the financials, healthcare and technology sectors.

At a stock level, the fund's largest detractor was Ams, a sensor technology firm based in Austria. The company supplies Apple with components and the stock fell sharply in 2018 on concerns about softer demand for Apple's smartphones. Investors were disappointed by a significant drop in quarterly profits and the company's decision not to pay a dividend for 2018. The stock recouped some of these losses in 2019, but we could not maintain conviction in the investment case and therefore closed the position.

M&G European Select Fund

Authorised Corporate Director's Report

Investment review

Investment performance (continued)

In financials, our holdings in Irish lenders AIB and Bank of Ireland and Austrian bank Erste Group represented a significant drag on performance. European banks generally struggled during the period amid worries about the region's troubled economic situation as well as the prospect of a prolonged environment of low interest rates.

For AIB and Bank of Ireland, the possibility that the UK would leave the EU abruptly and without a deal also weighed on their share prices as that could have a damaging effect on the Irish economy.

Erste's shares declined as a failed legal battle in Romania weighed on its quarterly profits. However, the lender announced plans to increase its dividend payout this year.

SMCP, the fast-growing French aspirational luxury brand, was another detractor. The company's shares declined amid concerns about the impact of the 'yellow vests' protests in France and the anti-government demonstrations in Hong Kong, which affected the overall luxury market.

Other detractors included international drilling company Borr Drilling, whose share price was hit by weakness in the oil price, and German healthcare company Fresenius Medical Care. Fresenius provides dialysis services and has been hurt by a slowdown in North America, its largest market.

On a positive note, our holdings in pharmaceutical firms Roche and Novartis were among the fund's top contributors as they benefited from risk aversion and investors' search for revenue streams with defensive characteristics. In addition, Roche's share price was supported by a strong drugs pipeline which led the company to upgrade its guidance twice for 2019.

In Germany, pharmaceuticals and chemicals firm Bayer, which joined the portfolio during the period, made a positive contribution. The company's shares have been weak following litigation in the US related to its weed killer Roundup. However, towards the end of the period, they started to recover on hopes the legal cases would be settled.

German entertainment and ticketing firm CTS Eventim was another contributor. The company's shares gained as revenues accelerated in 2019 after a slow start to the year and CTS Eventim announced a strategic ticketing partnership with France's FNAC Darty.

Our shares in German sportswear company Adidas also performed well, driven by impressive online sales.

Elsewhere, RELX, a UK-based global information and analytics publishing company, added value. Despite a slowdown in academic publishing, RELX performed well, helped by its transformation into a digital publisher.

Investment activities

During the period under review, several new holdings were added to the fund as the portfolio was reshaped following the appointment of a new fund manager on 5 July 2019. The purchases reflected where we see the most attractive opportunities in the European market and came from a wide range of different industries and regions.

French energy firm Total was a significant new holding. In our view, Total has made considerable operational improvements in the past couple of years as it responded to weaker oil prices. These include cost reductions and good capital discipline.

Dutch supermarket chain Ahold Delhaize, which has a leading position in Benelux as well as large operations in the US, also joined the portfolio. In our opinion, the company has shown the capability to deal with discount supermarkets, and investors' fears about the potential threat from Amazon are excessive.

We also started a position in Swedish security services firm Securitas. The company is undergoing a transformation as it shifts from traditional guarding towards more technological services.

Other new holdings included German firms Bayer, a chemicals business, car maker Volkswagen and airline Deutsche Lufthansa, which we believe are attractively valued. These purchases resulted in the portfolio becoming considerably less concentrated.

In contrast, our stake in Irish building materials supplier CRH was sold for two reasons: uncertainty over the evolution of the US housing sector; and concerns over management's disjointed strategy, evidenced by a series of divestures and acquisitions that we felt had no clear objective.

We also closed the positions in Ams, SMCP and RELX, among others. The holding in CTS Eventim was significantly reduced, with a view to closing the position subsequent to the end of the review period.

Outlook

Uncertainty about trade tensions and the region's macroeconomic outlook have dominated sentiment and contributed to increased risk aversion in recent months. In this environment, investors have generally favoured higher quality businesses offering stable earnings. There appeared to be little consideration for the valuations of investments as investors seemed to be prepared to pay very high prices for stocks that are deemed to be 'safer'. On the other hand, cheaper, out-of-favour stocks were generally overlooked.

As a result of this trend the market has become increasingly polarised, in our view. The gap between the most expensive stocks and the cheapest is almost as wide as it has ever been. We believe this extreme valuation spread is unsustainable and represents an attractive opportunity for patient long-term investors who are prepared to look for investment ideas among cheaper, out-of-favour stocks.

It might feel uncomfortable to buy cheap stocks that have been overlooked, but we believe there are presently some excellent opportunities to find stocks that have the potential to be very rewarding long-term investments.

The challenge is having the confidence to be contrarian while avoiding stocks that will experience difficulties in the near term. While we cannot predict when investors will start to pay greater attention to valuations, we see plenty of opportunities and believe the portfolio contains many promising stocks where investors are underestimating their prospects.

Richard Halle

Fund manager

An employee of M&G Limited which is an associate of M&G Securities Limited. At the start of the review period Phil Cliff was the fund manager.

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 European Select Fund

Authorised Corporate Director's Report

Investments

Portfolio statement

as at 31 August Holding	2019 €'000	2019 %	2018 ^[a] %
EQUITIES	138,836	95.92	100.40
Technology hardware & equipment	4,100	2.83	8.00
20,333 ASML	4,100	2.83	
Medical equipment & services	3,133	2.16	3.69
51,320 Fresenius Medical Care	3,133	2.16	
Pharmaceuticals & biotechnology	27,830	19.22	15.02
66,377 Bayer	4,493	3.10	
30,400 Ipsen	2,885	1.99	
88,323 Novartis	7,246	5.00	
37,067 Roche	9,185	6.35	
59,321 UCB	4,021	2.78	
Banks	13,872	9.59	8.24
583,572 AIB	1,347	0.93	
761,262 Bank of Ireland	2,679	1.85	
720,673 Bankia	1,194	0.83	
138,061 Erste Group Bank	4,066	2.81	
87,088 KBC	4,586	3.17	
Investment banking & brokerage services	0	0.00	1.48
Non-life insurance	6,391	4.42	6.05
1,178,702 Mapfre	2,810	1.94	
8,975 Munich Re	1,958	1.36	
310,263 Storebrand	1,623	1.12	
Automobiles & parts	5,406	3.74	3.03
83,658 Nokian Renkaat	2,100	1.45	
22,367 Volkswagen Preference Shares	3,306	2.29	
Leisure goods	0	0.00	2.06
Personal goods	5,168	3.57	9.11
91,623 Unilever	5,168	3.57	
Media	3,083	2.13	7.89
15,995 CTS Eventim	800	0.55	
89,619 Vivendi	2,283	1.58	
Retailers	739	0.51	0.00
157,412 CECONOMY	739	0.51	
Travel & leisure	4,267	2.95	0.00
202,032 Deutsche Lufthansa	2,839	1.96	
156,420 Ryanair	1,428	0.99	
Food producers	10,271	7.10	4.02
85,105 Nestlé	8,680	6.00	
190,795 Orkla	1,591	1.10	
Personal care, drug & grocery stores	6,406	4.43	0.00
30,940 Kesko	1,783	1.23	
216,011 Koninklijke Ahold Delhaize	4,623	3.20	
Construction & materials	3,087	2.13	5.98
161,054 Buzzi Unicem	3,087	2.13	
Aerospace & defence	2,430	1.68	0.00
22,513 Rheinmetall	2,430	1.68	
Electronic & electrical equipment	2,055	1.42	4.19
31,968 Legrand	2,055	1.42	
General industrials	5,549	3.83	4.70
61,049 Siemens	5,549	3.83	
Industrial engineering	2,379	1.64	1.57
61,530 Alstom	2,379	1.64	
Industrial support services	7,571	5.23	3.38
55,423 Bilfinger	1,349	0.93	
56,833 Randstad	2,423	1.67	
279,113 Securitas	3,799	2.63	

Portfolio statement (continued)

as at 31 August Holding	2019 €'000	2019 %	2018 ^[a] %
Industrial transportation	897	0.62	3.95
9,970 DSV	897	0.62	
Industrial materials	3,381	2.34	0.00
139,773 UPM-Kymmene	3,381	2.34	
Industrial metals & mining	2,423	1.67	0.00
112,578 APERAM	2,423	1.67	
Chemicals	4,680	3.23	3.17
49,989 BASF	3,019	2.08	
42,516 Yara International	1,661	1.15	
Non-renewable energy	11,663	8.06	4.87
159,380 Eni	2,186	1.51	
602,392 PGS	644	0.44	
128,941 Repsol	1,719	1.19	
156,360 Total	7,114	4.92	
Gas, water & multi-utilities	2,055	1.42	0.00
243,237 E.ON	2,055	1.42	
Portfolio of investments	138,836	95.92	100.40
CASH EQUIVALENTS	5,371	3.71	0.00
'AAA' rated money market funds ^[b]	5,371	3.71	0.00
5,489,521 Northern Trust Global Fund - Euro	5,371	3.71	
Total portfolio (notes 2c & 2d on page 7)	144,207	99.63	100.40
Net other assets / (liabilities)	529	0.37	(0.40)
Net assets attributable to shareholders	144,736	100.00	100.00

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

^[a] The portfolio has been reclassified to more appropriately reflect how the fund is managed. 2018 comparatives have been restated to reflect this.

^[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 August 2019

Largest purchases	€'000
Total	7,572
UPM-Kymmene	5,434
Ipsen	4,910
Koninklijke Ahold Delhaize	4,387
Securitas	4,191
Nestlé	4,095
Bayer	3,970
Bank of Ireland	3,595
Volkswagen Preference Shares	3,438
Mapfre	3,186
Other purchases	79,408
Total purchases	124,186
Largest sales	€'000
RELX	7,304
LANXESS	7,032
Bureau Veritas	5,763
Galp Energia	5,615
DSV	5,340
CTS Eventim	5,338
Sampo	4,838
Hannover Rueck	4,690
Thule	4,545
Kingspan	4,374
Other sales	62,495
Total sales	117,334

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

M&G European Select 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 reflect the key financial information of a representative share class, Sterling Class 'A' (Accumulation) shares. As different share classes have different attributes, for example charging structures and minimum investments, please be aware that their performance may be different. For more information on the different share classes in this fund please refer to the Prospectus for M&G Investment Funds (1), 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 August	2019 €'000	2018 €'000	2017 €'000
Fund net asset value (NAV)	144,736	144,483	155,193

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.



Ten-year performance

Please note that comparative data is not available from fund launch. Therefore a ten-year comparable performance chart is shown below.



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.

	One year	Three years	Five years	Since launch
	03.09.18 % [a]	02.09.16 % p.a.	02.09.14 % p.a.	% p.a.
Euro [b]				
Class 'A'	-8.1	+3.5	+4.3	+2.7 [c]
Class 'C'	-7.4	+4.3	+5.1	+3.5 [c]
Sterling [d]				
Class 'A'	-7.3	+6.1	+7.2	+9.2 [e]
Class 'I'	-6.6	+6.9	+8.0	+10.3 [f]
Class 'PP'	n/a	n/a	n/a	+2.1 [g]
Class 'R'	-6.9	+6.7	+7.7	+10.0 [f]
Class 'X'	-7.3	+6.1	+7.2	+10.2 [h]

[a] Absolute basis.

[b] Price to price with net income reinvested.

[c] 26 November 2001, the launch date of the share class.

[d] Price to price with income reinvested.

[e] 24 July 1972, the end of the initial offer period of the predecessor unit trust.

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

[g] 8 April 2019, the launch date of the share class. Not annualised.

[h] 1 October 2002, the launch date of the share class.

M&G European Select Fund

Financial highlights

Fund performance

Operating charges and portfolio transaction costs

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

Operating charges

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

- **Annual charge:** Charge paid to M&G covering the annual cost of M&G managing and administering the fund and the costs of third parties providing services to the fund. From 1 August 2019, this charge rolls all costs that make up the operating charges into one annual charge.

For every £1 billion of a fund's net asset value, a discount of 0.02% will be applied to that fund's annual charge (up to a maximum of 0.12%).

- **Extraordinary legal and tax expenses:** Costs that specifically relate to legal or tax claims that are both exceptional and unforeseeable. Such expenses are uncommon, and would not be expected in most years. Although they result in a short-term cost to the fund, generally they can deliver longer term benefits for investors.
- **Investment management:** Charge paid to M&G for investment management of the fund. From 1 August 2019 this charge forms part of the annual charge.
- **Administration:** Charge paid for administration services in addition to investment management – any surplus from this charge will be retained by M&G. From 1 August 2019 this charge is rolled into the annual charge.
- **Oversight and other independent services:** Charges paid to providers independent of M&G for services which include depositary, custody and audit. From 1 August 2019 these charges will be paid by M&G and rolled into the annual charge.
- **Ongoing charges from underlying funds:** Ongoing charges on holdings in underlying funds that are not rebated. From 1 August 2019 charges from underlying funds (excluding Investment Trusts Companies and Real Estate Investment Trusts) will be rebated.

The operating charges paid by each share class of the fund are shown in the following performance tables. These 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.

Once the annual charge has been operational for twelve months, operating charges will be in line with the ongoing charges shown in the Key Investor Information Document, other than where there have been extraordinary legal or tax expenses, or 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. Any estimate will be disclosed under the specific share class performance table.

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

Portfolio transaction costs

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

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

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

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

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

Portfolio transaction costs				
for the year to 31 August	2019	2018	2017	Average ^[a]
Direct portfolio transaction costs ^[b]	%	%	%	%
Broker commission	0.07	0.04	0.11	0.07
Taxes	0.10	0.07	0.07	0.08
Costs before dilution adjustments	0.17	0.11	0.18	0.15
Dilution adjustments ^[c]	(0.03)	(0.02)	(0.06)	(0.04)
Total direct portfolio transaction costs	0.14	0.09	0.12	0.11
as at 31 August	2019	2018	2017	Average ^[a]
Indirect portfolio transaction costs	%	%	%	%
Average portfolio dealing spread	0.05	0.07	0.07	0.06

^[a] Average of first three columns.

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

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

M&G European Select 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.

Historic yields for the current year are calculated as at 13 September 2019.

Euro Class 'A' Accumulation share performance

The share class was launched on 26 November 2001.

for the year to 31 August Change in NAV per share	2019 Euro ¢	2018 Euro ¢	2017 Euro ¢
Opening NAV	1,742.73	1,624.92	1,451.20
Return before operating charges and after direct portfolio transaction costs	(115.56)	146.55	199.50
Operating charges	(26.79)	(28.74)	(25.78)
Return after operating charges	(142.35)	117.81	173.72
Distributions	(13.09)	(9.26)	(6.24)
Retained distributions	13.09	9.26	6.24
Closing NAV	1,600.38	1,742.73	1,624.92
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	2.76	1.82	2.73
Dilution adjustments ^[a]	(0.42)	(0.28)	(0.89)
Total direct portfolio transaction costs	2.34	1.54	1.84
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.14	0.09	0.12
Operating charges ^[c]	1.68	1.68	1.68
Return after operating charges	-8.17	+7.25	+11.97
Historic yield	0.56	0.54	0.38
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€'000)	813	1,190	1,943
Closing NAV percentage of total fund NAV (%)	0.56	0.82	1.25
Number of shares	50,822	68,262	119,597
Highest share price (Euro ¢)	1,744.16	1,763.12	1,681.04
Lowest share price (Euro ¢)	1,412.82	1,619.86	1,368.75

Euro Class 'C' Accumulation share performance

The share class was launched on 26 November 2001.

for the year to 31 August Change in NAV per share	2019 Euro ¢	2018 Euro ¢	2017 Euro ¢
Opening NAV	1,982.17	1,834.43	1,626.03
Return before operating charges and after direct portfolio transaction costs	(131.23)	165.61	225.83
Operating charges	(16.76)	(17.87)	(17.43)
Return after operating charges	(147.99)	147.74	208.40
Distributions	(28.89)	(25.03)	(20.05)
Retained distributions	28.89	25.03	20.05
Closing NAV	1,834.18	1,982.17	1,834.43
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	3.13	2.04	3.34
Dilution adjustments ^[a]	(0.48)	(0.31)	(1.09)
Total direct portfolio transaction costs	2.65	1.73	2.25
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.14	0.09	0.12
Operating charges ^[c]	0.92	0.93	0.93
Return after operating charges	-7.47	+8.05	+12.82
Historic yield	1.31	1.28	1.09
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€'000)	32	188	8,802
Closing NAV percentage of total fund NAV (%)	0.02	0.13	5.67
Number of shares	1,768	9,468	479,795
Highest share price (Euro ¢)	1,983.92	1,997.86	1,894.28
Lowest share price (Euro ¢)	1,610.83	1,836.17	1,535.65

Sterling Class 'A' Income share performance

The share class was launched on 27 June 1977.

for the year to 31 August Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	2,066.36	2,020.73	1,695.12
Return before operating charges and after direct portfolio transaction costs	(117.30)	125.25	395.81
Operating charges	(30.66)	(34.26)	(30.09)
Return after operating charges	(147.96)	90.99	365.72
Distributions	(47.26)	(45.36)	(40.11)
Closing NAV	1,871.14	2,066.36	2,020.73
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	3.22	2.17	3.19
Dilution adjustments ^[a]	(0.49)	(0.33)	(1.04)
Total direct portfolio transaction costs	2.73	1.84	2.15
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.14	0.09	0.12
Operating charges ^[c]	1.64	1.68	1.68
Return after operating charges	-7.16	+4.50	+21.57
Historic yield	2.31	2.22	1.97
Effect on yield of charges offset against capital	1.61	1.65	1.65
Other information			
Closing NAV (€'000)	44,085	52,434	56,331
Closing NAV percentage of total fund NAV (%)	30.46	36.29	36.30
Number of shares	2,136,153	2,276,657	2,567,161
Highest share price (UK p)	2,077.93	2,140.81	2,070.96
Lowest share price (UK p)	1,683.86	1,914.24	1,616.13

M&G European Select Fund

Financial highlights

Specific share class performance

Sterling Class 'A' Accumulation share performance

The share class was launched on 24 July 1972.

for the year to 31 August Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	3,230.95	3,092.21	2,543.44
Return before operating charges and after direct portfolio transaction costs	(183.52)	191.16	595.07
Operating charges	(47.94)	(52.42)	(46.30)
Return after operating charges	(231.46)	138.74	548.77
Distributions	(25.61)	(17.16)	(11.89)
Retained distributions	25.61	17.16	11.89
Closing NAV	2,999.49	3,230.95	3,092.21

Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	5.04	3.32	4.90
Dilution adjustments ^[a]	(0.77)	(0.51)	(1.60)
Total direct portfolio transaction costs	4.27	2.81	3.30

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.14	0.09	0.12
Operating charges ^[c]	1.64	1.68	1.68
Return after operating charges	-7.16	+4.49	+21.58
Historic yield	0.54	0.54	0.38
Effect on yield of charges offset against capital	0.00	0.00	0.00

Other information

Closing NAV (€'000)	55,524	66,456	71,380
Closing NAV percentage of total fund NAV (%)	38.37	46.00	45.99
Number of shares	1,678,347	1,845,398	2,125,792
Highest share price (UK p)	3,248.92	3,275.47	3,107.40
Lowest share price (UK p)	2,632.78	2,928.82	2,424.93

Sterling Class 'I' Income share performance

The share class was launched on 3 August 2012.

for the year to 31 August Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	1,901.74	1,845.74	1,536.67
Return before operating charges and after direct portfolio transaction costs	(107.55)	115.00	361.18
Operating charges	(15.72)	(17.39)	(15.58)
Return after operating charges	(123.27)	97.61	345.60
Distributions	(43.68)	(41.61)	(36.53)
Closing NAV	1,734.79	1,901.74	1,845.74

Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	2.98	1.99	2.98
Dilution adjustments ^[a]	(0.46)	(0.30)	(0.97)
Total direct portfolio transaction costs	2.52	1.69	2.01

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.14	0.09	0.12
Operating charges ^[c]	0.91	0.93	0.93
Return after operating charges	-6.48	+5.29	+22.49
Historic yield	2.28	2.21	1.97
Effect on yield of charges offset against capital	0.88	0.90	0.90

Other information

Closing NAV (€'000)	7,346	8,470	7,599
Closing NAV percentage of total fund NAV (%)	5.08	5.86	4.90
Number of shares	383,921	399,585	379,140
Highest share price (UK p)	1,912.51	1,970.02	1,891.28
Lowest share price (UK p)	1,553.49	1,756.25	1,467.88

Sterling Class 'I' Accumulation share performance

The share class was launched on 3 August 2012.

for the year to 31 August Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	2,130.10	2,023.40	1,651.90
Return before operating charges and after direct portfolio transaction costs	(120.87)	125.79	388.18
Operating charges	(17.27)	(19.09)	(16.68)
Return after operating charges	(138.14)	106.70	371.50
Distributions	(31.42)	(26.90)	(22.09)
Retained distributions	31.42	26.90	22.09
Closing NAV	1,991.96	2,130.10	2,023.40

Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	3.34	2.19	3.19
Dilution adjustments ^[a]	(0.51)	(0.33)	(1.04)
Total direct portfolio transaction costs	2.83	1.86	2.15

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.14	0.09	0.12
Operating charges ^[c]	0.89	0.93	0.93
Return after operating charges	-6.49	+5.27	+22.49
Historic yield	1.29	1.28	1.08
Effect on yield of charges offset against capital	0.00	0.00	0.00

Other information

Closing NAV (€'000)	30,382	8,804	6,024
Closing NAV percentage of total fund NAV (%)	20.99	6.09	3.88
Number of shares	1,382,888	370,839	274,161
Highest share price (UK p)	2,142.08	2,159.32	2,033.09
Lowest share price (UK p)	1,739.96	1,925.02	1,577.94

Sterling Class 'PP' Income share performance

The share class was launched on 5 August 2019.

for the year to 31 August Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	100.00	n/a	n/a
Return before operating charges and after direct portfolio transaction costs	0.24	n/a	n/a
Operating charges	(0.04)	n/a	n/a
Return after operating charges	0.20	n/a	n/a
Distributions	(2.41)	n/a	n/a
Closing NAV	97.79	n/a	n/a

Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.01	n/a	n/a
Dilution adjustments ^[a]	0.00	n/a	n/a
Total direct portfolio transaction costs	0.01	n/a	n/a

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.14	n/a	n/a
Operating charges ^[c]	0.55	n/a	n/a
Return after operating charges	+0.20	n/a	n/a
Historic yield	2.34	n/a	n/a
Effect on yield of charges offset against capital	0.55	n/a	n/a

Other information

Closing NAV (€'000)	22	n/a	n/a
Closing NAV percentage of total fund NAV (%)	0.02	n/a	n/a
Number of shares	20,000	n/a	n/a
Highest share price (UK p)	101.27	n/a	n/a
Lowest share price (UK p)	97.39	n/a	n/a

M&G European Select Fund

Financial highlights

Specific share class performance

Sterling Class 'PP' Accumulation share performance

The share class was launched on 8 April 2019.

for the year to 31 August Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	100.00	n/a	n/a
Return before operating charges and after direct portfolio transaction costs	1.97	n/a	n/a
Operating charges	(0.30)	n/a	n/a
Return after operating charges	1.67	n/a	n/a
Distributions	(1.67)	n/a	n/a
Retained distributions	1.67	n/a	n/a
Closing NAV	101.67	n/a	n/a
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.07	n/a	n/a
Dilution adjustments ^[a]	(0.01)	n/a	n/a
Total direct portfolio transaction costs	0.06	n/a	n/a
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.14	n/a	n/a
Operating charges ^[c]	0.61	n/a	n/a
Return after operating charges	+1.67	n/a	n/a
Historic yield	1.14	n/a	n/a
Effect on yield of charges offset against capital	0.00	n/a	n/a
Other information			
Closing NAV (€'000)	56	n/a	n/a
Closing NAV percentage of total fund NAV (%)	0.04	n/a	n/a
Number of shares	49,636	n/a	n/a
Highest share price (UK p)	106.85	n/a	n/a
Lowest share price (UK p)	97.39	n/a	n/a

Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012.

for the year to 31 August Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	189.35	184.24	153.77
Return before operating charges and after direct portfolio transaction costs	(10.72)	11.47	36.09
Operating charges	(1.99)	(2.21)	(1.97)
Return after operating charges	(12.71)	9.26	34.12
Distributions	(4.34)	(4.15)	(3.65)
Closing NAV	172.30	189.35	184.24
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.30	0.20	0.30
Dilution adjustments ^[a]	(0.05)	(0.03)	(0.10)
Total direct portfolio transaction costs	0.25	0.17	0.20
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.14	0.09	0.12
Operating charges ^[c]	1.16	1.18	1.18
Return after operating charges	-6.71	+5.03	+22.19
Historic yield	2.29	2.22	1.97
Effect on yield of charges offset against capital	1.13	1.15	1.15
Other information			
Closing NAV (€'000)	657	703	183
Closing NAV percentage of total fund NAV (%)	0.45	0.49	0.12
Number of shares	345,993	332,919	91,288
Highest share price (UK p)	190.42	196.16	188.80
Lowest share price (UK p)	154.55	175.05	146.80

Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012.

for the year to 31 August Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	209.87	199.87	163.58
Return before operating charges and after direct portfolio transaction costs	(11.88)	12.41	38.39
Operating charges	(2.21)	(2.41)	(2.10)
Return after operating charges	(14.09)	10.00	36.29
Distributions	(2.60)	(2.14)	(1.71)
Retained distributions	2.60	2.14	1.71
Closing NAV	195.78	209.87	199.87
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.33	0.22	0.32
Dilution adjustments ^[a]	(0.05)	(0.03)	(0.10)
Total direct portfolio transaction costs	0.28	0.19	0.22
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.14	0.09	0.12
Operating charges ^[c]	1.16	1.18	1.18
Return after operating charges	-6.71	+5.00	+22.18
Historic yield	1.04	1.03	0.85
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€'000)	3,969	3,873	65
Closing NAV percentage of total fund NAV (%)	2.74	2.68	0.04
Number of shares	1,838,251	1,655,817	29,944
Highest share price (UK p)	211.06	212.76	200.83
Lowest share price (UK p)	171.30	189.86	156.15

Sterling Class 'X' Income share performance

The share class was launched on 1 October 2002.

for the year to 31 August Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	2,046.03	2,000.83	1,678.43
Return before operating charges and after direct portfolio transaction costs	(116.11)	124.00	392.67
Operating charges	(30.40)	(33.89)	(30.55)
Return after operating charges	(146.51)	90.11	362.12
Distributions	(46.80)	(44.91)	(39.72)
Closing NAV	1,852.72	2,046.03	2,000.83
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	3.19	2.15	3.24
Dilution adjustments ^[a]	(0.49)	(0.33)	(1.06)
Total direct portfolio transaction costs	2.70	1.82	2.18
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.14	0.09	0.12
Operating charges ^[c]	1.64	1.68	1.68
Return after operating charges	-7.16	+4.50	+21.57
Historic yield	2.31	2.22	1.97
Effect on yield of charges offset against capital	1.62	1.65	1.65
Other information			
Closing NAV (€'000)	1,149	1,457	1,981
Closing NAV percentage of total fund NAV (%)	0.79	1.01	1.28
Number of shares	56,223	63,905	91,178
Highest share price (UK p)	2,057.47	2,119.74	2,050.58
Lowest share price (UK p)	1,667.28	1,895.40	1,600.21

M&G European Select Fund

Financial highlights

Specific share class performance

Sterling Class 'X' Accumulation share performance

The share class was launched on 1 October 2002.

for the year to 31 August	2019	2018	2017
Change in NAV per share	UK p	UK p	UK p
Opening NAV	3,196.92	3,059.63	2,516.67
Return before operating charges and after direct portfolio transaction costs	(181.58)	189.16	588.73
Operating charges	(47.43)	(51.87)	(45.77)
Return after operating charges	(229.01)	137.29	542.96
Distributions	(25.34)	(16.98)	(11.77)
Retained distributions	25.34	16.98	11.77
Closing NAV	2,967.91	3,196.92	3,059.63
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	4.98	3.29	4.85
Dilution adjustments ^[a]	(0.76)	(0.50)	(1.58)
Total direct portfolio transaction costs	4.22	2.79	3.27
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.14	0.09	0.12
Operating charges ^[c]	1.64	1.68	1.68
Return after operating charges	-7.16	+4.49	+21.57
Historic yield	0.54	0.54	0.38
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€'000)	701	908	885
Closing NAV percentage of total fund NAV (%)	0.48	0.63	0.57
Number of shares	21,416	25,479	26,649
Highest share price (UK p)	3,214.71	3,240.98	3,074.66
Lowest share price (UK p)	2,605.06	2,897.97	2,399.39

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

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

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

M&G European Select Fund

Financial statements and notes

Financial statements

Statement of total return

for the year to 31 August	Note	2019		2018	
		€'000	€'000	€'000	€'000
Income					
Net capital gains / (losses)	3		(13,215)		10,129
Revenue	5	3,968		4,027	
Expenses	6	(2,073)		(2,495)	
Net revenue / (expense) before taxation		1,895		1,532	
Taxation	7	(431)		(320)	
Net revenue / (expense) after taxation			1,464		1,212
Total return before distributions			(11,751)		11,341
Distributions	8		(2,184)		(2,127)
Change in net assets attributable to shareholders from investment activities			(13,935)		9,214

Statement of change in net assets attributable to shareholders

for the year to 31 August		2019		2018	
		€'000	€'000	€'000	€'000
Opening net assets attributable to shareholders			144,483		155,193
Amounts received on issue of shares		26,510		16,089	
Amounts paid on cancellation of shares		(13,394)		(36,569)	
			13,116		(20,480)
Dilution adjustments			51		38
Change in net assets attributable to shareholders from investment activities (see above)			(13,935)		9,214
Retained distributions on Accumulation shares			1,020		517
Unclaimed distributions			1		1
Closing net assets attributable to shareholders			144,736		144,483

Balance sheet

as at 31 August	Note	2019	2018
		€'000	€'000
Assets			
Fixed assets			
Investments		138,836	145,063
Current assets			
Debtors	9	2,432	2,366
Cash and bank balances	10	1,242	2
Cash equivalents		5,371	0
Total assets		147,881	147,431
Liabilities			
Creditors			
Bank overdrafts		(170)	(1,037)
Distribution payable		(1,345)	(1,384)
Other creditors	11	(1,630)	(527)
Total liabilities		(3,145)	(2,948)
Net assets attributable to shareholders		144,736	144,483

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 7 and 8.

The fund's functional and presentational currency is euros as this better reflects the currency of its primary economic environment.

2 Distribution policy

In determining the amount available for distribution to Income shares, the annual charge, annual management charge and administration charge are 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 August	2019	2018
	€'000	€'000
Non-derivative securities	(13,163)	10,147
Currency gains / (losses)	(50)	(16)
Transaction charges	(2)	(2)
Net capital gains / (losses)	(13,215)	10,129

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 48.

for the year to 31 August	2019	% of	2018	% of
	€'000	transaction	€'000	transaction
a) Purchases				
Equities				
Equities before transaction costs	123,997		64,100	
Commissions	49	0.04	26	0.04
Taxes	140	0.11	112	0.17
Total purchases after transaction costs	124,186		64,238	
b) Sales				
Equities				
Equities before transaction costs	117,380		81,579	
Commissions	(46)	0.04	(32)	0.04
Total sales after transaction costs	117,334		81,547	
c) Direct portfolio transaction costs	2019	% of	2018	% of
	€'000	average NAV	€'000	average NAV
Commissions paid				
Equities	95	0.07	58	0.04
Taxes paid				
Equities	140	0.10	112	0.07
Total direct portfolio transaction costs [a]	235	0.17	170	0.11
d) Indirect portfolio transaction costs		%		%
Portfolio dealing spread [b]		0.05		0.07

[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 Select Fund

Financial statements and notes

Notes to the financial statements

5 Revenue

	2019	2018
for the year to 31 August	€'000	€'000
Bank interest	1	0
Dividends from equity investments: non-taxable	3,617	3,848
Dividends from equity investments: taxable	215	63
Stock dividends	135	116
Total revenue	3,968	4,027

6 Expenses

	2019	2018
for the year to 31 August	€'000	€'000
Payable to the ACD or associate		
Annual charge	127	0
Annual management charge ^[a]	1,692	2,182
Administration charge ^[a]	187	240
	2,006	2,422
Payable to the Depository or associate		
Depository's charge (including VAT) ^[a]	11	14
Other expenses		
Audit fee (including VAT) ^[a] ^[b]	9	11
Interest payable	32	28
Safe custody charge ^[a]	15	20
	56	59
Total expenses	2,073	2,495

^[a] The segregated charges shown above for annual management, administration, depository, audit and safe custody are those paid by the fund up to and including 31 July 2019. As of 1 August 2019 these charges have been replaced by the single annual charge.

^[b] Audit fees for the financial year ending 2019 were €9,000.

7 Taxation

	2019	2018
for the year to 31 August	€'000	€'000
a) Analysis of charge in the year		
Corporation tax	0	0
Withholding tax	431	320
Deferred tax (note 7c)	0	0
Total taxation	431	320
b) Factors affecting taxation charge for the year		
Net revenue / (expense) before taxation	1,895	1,532
Corporation tax at 20%	379	306
Effects of:		
Dividends from equity investments: non-taxable	(723)	(770)
Stock dividends not taxable	(27)	(23)
Overseas tax expensed	(6)	(3)
Current year expenses not utilised	377	490
Withholding tax	431	320
Total tax charge (note 7a)	431	320
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 €6,234,000 (2018: €5,857,000) 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 August	2019		2018	
	Inc ^[a]	Acc ^[b]	Inc ^[a]	Acc ^[b]
Dividend distributions	€'000	€'000	€'000	€'000
Final	1,345	1,020	1,384	517
Total net distributions		2,365		1,901
Income deducted on cancellation of shares		82		230
Income received on issue of shares		(263)		(4)
Distributions		2,184		2,127
Net revenue / (expense) per statement of total return		1,464		1,212
Expenses offset against capital		855		1,031
Stock dividends not distributed		(135)		(116)
Distributions		2,184		2,127

^[a] Distributions payable on Income shares.

^[b] Retained distributions on Accumulation shares.

9 Debtors

	2019	2018
as at 31 August	€'000	€'000
Amounts receivable on issues of shares	0	38
Currency deals outstanding	1,138	0
Dividends receivable	80	72
Sales awaiting settlement	0	797
Withholding tax recoverable	1,214	1,459
Total debtors	2,432	2,366

10 Cash and bank balances

	2019	2018
as at 31 August	€'000	€'000
Cash held as bank balances	1,242	2
Total cash and bank balances	1,242	2

11 Other creditors

	2019	2018
as at 31 August	€'000	€'000
ACD's annual management charge payable	0	100
Administration charge payable	0	11
Amounts payable on cancellation of shares	151	243
Annual charge payable	74	0
Corporation tax payable	162	159
Currency deals outstanding	1,134	0
Expenses payable	15	14
Purchases awaiting settlement	94	0
Total other creditors	1,630	527

12 Contingent assets, liabilities and outstanding commitments

There were no contingent liabilities or outstanding commitments at the balance sheet date (2018: same).

The fund has recognised a contingent asset of €162,000 as a result of the European Court of Justice rulings in November 2012 and Supreme Court judgements in July 2018 in relation to Prudential Assurance Co Ltd v Commissioners for HMRC. The fund may recover further amounts of UK corporation tax suffered and accounted for on overseas dividends receivable before July 2009 (overseas dividends received post 2009 are not taxable). Full recovery of this asset is not certain as there is currently no HMRC guidance on how a fund may seek to recover taxes. An estimated accrual is included within the daily price of the fund's shares.

M&G European Select 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 01.09.18	Movements		Closing 31.08.19
		Issued	Cancelled	
Euro				
Class 'A' Accumulation	68,262	7,200	(24,640)	50,822
Class 'C' Accumulation	9,468	0	(7,700)	1,768
Sterling				
Class 'A' Income	2,276,657	61,746	(202,250)	2,136,153
Class 'A' Accumulation	1,845,398	25,606	(192,657)	1,678,347
Class 'I' Income	399,585	11,339	(27,003)	383,921
Class 'I' Accumulation	370,839	1,052,481	(40,432)	1,382,888
Class 'PP' Income	0	20,000	0	20,000
Class 'PP' Accumulation	0	49,636	0	49,636
Class 'R' Income	332,919	56,256	(43,182)	345,993
Class 'R' Accumulation	1,655,817	369,310	(186,876)	1,838,251
Class 'X' Income	63,905	741	(8,423)	56,223
Class 'X' Accumulation	25,479	0	(4,063)	21,416

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 charge ^[a] %
Euro			
Class 'A'	5.25	n/a	1.65
Class 'C'	3.25	n/a	0.70
Sterling			
Class 'A'	n/a	n/a	1.20
Class 'I'	n/a	n/a	0.70
Class 'PP'	n/a	n/a	0.55
Class 'R'	n/a	n/a	0.95
Class 'X'	n/a	n/a	1.20

[a] The amounts shown are the maximum annual charge. M&G will apply a discount of 0.02% for every £1 billion of a fund's net asset value. This is assessed quarterly and implemented on a forward basis no later than 13 business days after quarter end.

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 annual charge, ACD's annual management charge and administration charge are disclosed in note 6. Amounts due at the year end from the annual 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 36.47% (2018: 29.40%) of the fund's shares.

16 Events after the balance sheet date

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

17 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: Unadjusted quoted price in an active market for an identical instrument

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 technique using observable market data

This includes instruments such as over-the-counter (OTC) derivatives, debt securities, convertible bonds, mortgage-backed securities, asset-backed securities and open-ended funds which have been valued using models with observable market data inputs.

Level 3: Valuation technique using unobservable inputs

This refers to instruments which have been valued using models with unobservable data inputs. This includes single broker-priced instruments, suspended/unquoted securities, private equity, unlisted closed-ended funds and open-ended funds with restrictions on redemption rights. However no such financial instruments were held.

as at 31 August	Assets 2019	Liabilities 2019	Assets 2018	Liabilities 2018
Basis of valuation	€'000	€'000	€'000	€'000
Level 1	138,836	0	145,063	0
Level 2	0	0	0	0
Level 3	0	0	0	0
	138,836	0	145,063	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

The general risk management policies for the fund are set out in note 3 to the financial statements on pages 8 and 9.

19 Market risk sensitivity

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 €6,942,000 (2018: €7,253,000). A five per cent decrease would have an equal and opposite effect.

M&G European Select Fund

Financial statements and notes

Notes to the financial statements

20 Currency risk sensitivity and exposure

A five per cent increase in the value of the fund's currency exposure would have the effect of increasing the return and net assets by €7,237,000 (2018: €7,224,000). A five per cent decrease would have an equal and opposite effect.

as at 31 August	2019 €'000	2018 €'000
Currency exposure in respect of the fund		
Danish krone	1,004	5,812
Euro	109,808	108,075
Norwegian krone	5,546	2,648
Sterling	(1,481)	(1,601)
Swedish krona	3,799	2,977
Swiss franc	26,060	26,572
Total	144,736	144,483

21 Interest rate risk sensitivity and exposure

As the majority of the fund's financial assets are non-interest bearing, the risk is not considered significant and is therefore not disclosed.

22 Credit risk

Credit risk is not considered significant for the fund and is therefore not disclosed.

23 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	01.09.18	31.08.19	02.09.19	31.10.19

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 income 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 income and equalisation. Equalisation is the average amount of income 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 income and equalisation components.

Euro Class 'A' Accumulation shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income 2019	Equalisation 2019	2019	2018
	¢	¢	¢	¢
Final	13.0876	0.0000	13.0876	9.2589

Euro Class 'C' Accumulation shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income 2019	Equalisation 2019	2019	2018
	¢	¢	¢	¢
Final	28.8938	0.0000	28.8938	25.0305

Sterling Class 'A' Income shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income 2019	Equalisation 2019	2019	2018
	p	p	p	p
Final	41.9952	5.2660	47.2612	45.3552

Sterling Class 'A' Accumulation shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income 2019	Equalisation 2019	2019	2018
	p	p	p	p
Final	25.6122	0.0000	25.6122	17.1574

Sterling Class 'I' Income shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income 2019	Equalisation 2019	2019	2018
	p	p	p	p
Final	37.8626	5.8177	43.6803	41.6149

Sterling Class 'I' Accumulation shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income 2019	Equalisation 2019	2019	2018
	p	p	p	p
Final	10.1280	21.2958	31.4238	26.9001

Sterling Class 'PP' Income shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income 2019	Equalisation 2019	2019	2018
	p	p	p	p
Final	2.4069	0.0000	2.4069	n/a

Sterling Class 'PP' Accumulation shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income 2019	Equalisation 2019	2019	2018
	p	p	p	p
Final	0.5822	1.0844	1.6666	n/a

M&G European Select Fund

Financial statements and notes

Notes to the financial statements

23 Dividend distribution tables (continued)

Sterling Class 'R' Income shares				
Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2	
	Income 2019	Equalisation 2019	2019	Distribution 2018
	p	p	p	p
Final	3.3816	0.9616	4.3432	4.1475

Sterling Class 'R' Accumulation shares				
Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2	
	Income 2019	Equalisation 2019	2019	Distribution 2018
	p	p	p	p
Final	2.0019	0.6024	2.6043	2.1399

Sterling Class 'X' Income shares				
Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2	
	Income 2019	Equalisation 2019	2019	Distribution 2018
	p	p	p	p
Final	44.5281	2.2675	46.7956	44.9086

Sterling Class 'X' Accumulation shares				
Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2	
	Income 2019	Equalisation 2019	2019	Distribution 2018
	p	p	p	p
Final	23.0708	2.2727	25.3435	16.9773

M&G European Select Fund

Financial statements and notes

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M&G Global Select Fund

Authorised Corporate Director's Report

Investment objective

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

Investment policy

At least 80% of the fund is invested in companies globally across a wide range of geographies, sectors and market capitalisations. The fund has a concentrated portfolio and usually holds fewer than 40 stocks.

The fund is based on an investment process that uses fundamental analysis to identify competitively advantaged companies with sustainable business models.

Sustainability considerations play an important role in determining the investment universe and assessing business models. Companies that are assessed to be in breach of the United Nations Global Compact principles on human rights, labour, environment and anti-corruption are excluded from the investment universe. Industries such as tobacco and controversial weapons are also excluded.

The fund may also invest in other transferable securities, directly or via collective investment schemes, and may hold cash for liquidity purposes. Collective investment schemes may include funds managed by M&G.

Derivatives may be used for efficient portfolio management.

Investment approach

The fund is a focused core global equity fund, making long-term investments in companies with sustainable business models and competitively advantageous characteristics to protect their profitability. Importantly, the fund manager invests in these businesses where short-term issues have provided a clear valuation opportunity.

Sustainability considerations are fully integrated into the investment process.

The fund manager believes that this approach offers a powerful combination, providing the long-term compounded value of quality businesses, as well as the potential boost to a company's share price when a short-term issue has been resolved.

Benchmark

Benchmark: MSCI World Index.

The fund is actively managed. The benchmark is a comparator against which the fund's performance can be measured. The index has been chosen as the fund's comparator benchmark as it best reflects the scope of the fund's investment policy. The comparator benchmark does not constrain the fund's portfolio construction.

Risk profile

The fund invests globally in the shares of listed companies and is, therefore, subject to the price volatility of the global stockmarket and the performance of individual companies. The fund may also be subject to fluctuations in currency exchange rates.

The fund's focus is on quality businesses where an element of change is helping to drive their value, and these stocks could potentially experience a degree of illiquidity in times of market distress. The fund is a concentrated portfolio of between 30 and 40 holdings, but is mainly invested in the shares of large and medium-sized companies, which are normally traded with relative ease. Diversification across countries, industries and market capitalisation is 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 2 September 2019, for the year ended 31 August 2019

Performance against objective

Between 3 September 2018 (the start of the review period) and 2 September 2019, the sterling share classes of the M&G Global Select Fund delivered positive total returns (the combination of income and growth of capital). The fund's sterling returns outperformed its benchmark, the MSCI World Index, which rose by 7.7% for the period in sterling terms.

Between 3 September 2018 and 9 November 2018, the fund's euro and US dollar share classes declined, but less so than the MSCI World Index (which returned -2.4% and -4.7% in euros and US dollars, respectively).* On 9 November 2018, the fund's non-sterling share classes merged into the M&G (Lux) Global Select Fund, a Luxembourg-authorized SICAV that launched on that date.

Over five years and since launch, the fund has delivered positive total returns, and has remained invested in a diversified portfolio of company shares from anywhere in the world, thus meeting its investment objective.

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

M&G Global Select Fund

Authorised Corporate Director's Report

Investment review

Investment performance

Stockmarkets in developed countries delivered positive returns for the period under review, but it was far from smooth sailing. The end of 2018 witnessed levels of market turbulence not seen since the previous February's market rout, with bouts of extreme pessimism interspersed with apparent market euphoria as we moved through 2019. For the former, there were several driving forces that hit sentiment over the period, one of the most destabilising of which was the ongoing 'trade war' between the US and China. Concerns about on-again / off-again trade negotiations drove waves of risk aversion, for fear of the overall effects wide-ranging import tariffs could have on global growth. Other sources of disillusionment included an apparent slowdown in China and signs of weakness in the US economy, political difficulties in Europe, exacerbated by the looming presence of Brexit casting an ever-lengthening shadow, geopolitical concerns in the Middle East, and weakness in the oil price amid potential declining demand in the face of reduced economic activity.

It was, however, similar themes that also encouraged those waves of euphoria. Any hint of a breakthrough in trade talks drove markets upwards, while fresh, positive economic data and good company earnings numbers, as well as the potential for central bank stimulus and interest rate adjustments, also re-enlivened investors. As we moved through the end of the period under review, though, the mood again turned sour, as recessionary concerns in both Europe and the US and new trade war rhetoric led to a resurgence in market turbulence. While this took some of the shine off returns for the period under review, markets still ended the period in positive territory.

Among the larger index constituents, performance was largely driven by the US, while Japan, the UK and most of Europe underperformed the wider index. Germany, in particular, delivered some of the weakest performance for the period, considering its prevalence as an exporter in an atmosphere of ongoing trade dispute.

In this environment, given the aforementioned extended periods of risk aversion, some of the more defensive sectors (that is, those that have relatively predictable and stable earnings regardless of the state of the overall economy) including utilities and consumer staples outperformed, as risk-averse investors tend to favour this part of the market in periods of uncertainty. Real estate and information technology also outpaced the wider market, while the financial, materials and industrial sectors all underperformed. The worst performing sector for the period was energy, given ongoing weakness in the oil price.

For the fund, outperformance was driven by stock selection, most clearly in the materials and information technology sectors, while selection within financials and consumer staples was also supportive. Conversely, stockpicking within the healthcare, energy and consumer discretionary sectors weighed on relative returns.

At an individual stock level, the largest contributor for the period under review was US metal packaging specialist Ball Corp, which maintained a strong run of performance. This was on the back of ongoing operational success, fuelled by a growing aerospace backlog, increasing global demand for environmentally favoured metal packaging and beneficial cost-cutting initiatives. The company has also been working through a programme of share buybacks, further encouraging investors.

Another company within the materials sector, German industrial gases producer Linde, boosted returns as well. At the end of 2018, Linde completed its long-in-the-making merger with US rival Praxair, and in May the merged entity published combined results for the first time. These were positive, with a number of efficiency gains resulting from the merger, and investors were pleased.

Within information technology, supply chain systems IT specialist Manhattan Associates and tech giant Microsoft, both US companies, also delivered strong performance. Manhattan Associates produced solid results that beat expectations, with licensing and services revenue, as well as cloud subscriptions, all exceeding targets. Microsoft, meanwhile, became the third publicly listed US business to achieve a market value of more than US\$1.0 trillion after publishing bumper results that beat sales and earnings expectations. The company has been strengthening its cloud and service offerings, meaning it is now much less reliant on the sale of PCs, and hence Windows, to drive revenues.

Other supportive holdings included global food and beverage company Nestlé, which benefited from investors seeking 'safety' in difficult market conditions, and Japanese insurer Tokio Marine, which has delivered ongoing operational success.

On the downside, the fund's largest detractor was US oilrig equipment maker National Oilwell Varco, its share price declining along with many other companies in the energy sector in light of weakness in the oil price.

Other detractors included Israeli pharmaceutical company Teva and US-listed luxury jeweller Tiffany. Teva Pharmaceuticals was named in a US states-filed antitrust case, in which the states involved said a number of generic pharmaceutical companies had been involved in collusion and price fixing. While Teva denies the allegations, its share price fell sharply as a result, with sentiment further hit on news that the company had reached a settlement with the state of Oklahoma over its alleged role in helping to fuel the opioid epidemic.

For Tiffany, while the company is likely to benefit from its self-help initiatives, including brand enhancement and omnichannel development, investors anticipated that currency headwinds and increased investment costs would weigh on the company's performance, and its shares subsequently declined. This was on the back of other difficulties, including a weak retail environment in the US generally, and a slump in demand from Chinese holidaymakers in its core US and Hong Kong markets.

Investment activities

We run a concentrated portfolio of between 30 and 40 holdings, maintaining a watchlist of around 300 quality, sustainable companies that we would like to own when the timing and price are right. We monitor our watchlist closely, waiting patiently for short-term behavioural episodes to create buying opportunities.

During the review period, four such opportunities presented themselves. The first was Chinese internet company Tencent, which provides messaging services and entertainment platforms, including gaming and social network services. The company is the top player in a huge, protected (through regulation) and technologically underpenetrated domestic market, allowing for massive organic growth both within China and as a funding mechanism to expand abroad. The company's share price had weakened after reporting a slowdown in mobile gaming revenue resulting from regulatory issues around the licensing and monetisation of games, as well as a timing issue with game releases. This provided us with an attractive entry point.

M&G Global Select Fund

Authorised Corporate Director's Report

Investment review

Investment activities (continued)

We also invested in another game-focused business, US video game company Electronic Arts (EA). EA is one of the world's top game makers, dominating the sports games market with franchises including FIFA and Madden NFL. The company's games are a staple for both casual and hardcore gamers alike, providing an annual recurring revenue stream. We think this is a highly competitive, quality company, benefiting from a product mix shift into more profitable 'live' services, as well as a shift from physical to digital gaming. The company's shares declined considerably over the second half of 2018 after it lowered its guidance on live services expectations and had some disappointing sales figures.

We bought shares in US payments company Visa, a business that we think offers superior growth and compounding ability compared to other 'stable growth' areas of the market. We also believe that risks related to the economic cycle should be low for the company, given Visa's performance during the last downturn, its exceptional pricing power and a net cash balance sheet.

Finally, we invested in Swiss freight-forwarding specialist Kuehne & Nagel. KN is one of the largest freight-forwarding companies in the world, ranked the number one and number two operator in sea and air freight respectively. The company also operates contract logistics services and overland transport, providing end-to-end transport solutions for clients. KN's share price was hurt by ongoing trade war uncertainty, as well as investment into its 'eTouch' automated execution platform, from which it expects to deliver meaningful results from 2021 (the market is impatient, though).

Conversely, we closed five positions during the period under review, starting with US waste service provider Stericycle. Our original investment case for the business included consideration of Stericycle's long history of effective mergers and acquisitions and solid pricing power. However, we felt the company's pricing power had diminished, particularly amid the consolidation of hospitals in the US. It also purchased Shred-it back in 2015 – a business that proved difficult to integrate – while borrowing to do so. We engaged with the company on a number of occasions, but ultimately lost faith in the investment case.

We also lost faith in the investment cases for two other companies, UK-listed addiction cessation drug maker Indivior and US retail operator L Brands. The sale of our final shares in Indivior preceded news that the US Department of Justice had charged the company with illegally marketing its opioid addiction treatments, causing its share price to fall by more than 70%.

In terms of our other complete sales, last year Georgian lender Bank of Georgia spun off its investment arm to form Georgia Capital, with both companies subsequently held in the portfolio. In January we closed the position in Bank of Georgia, while maintaining our holding in Georgia Capital. We also closed the position in Tencent Music, a residual holding we acquired after the company was spun off from Tencent; as above, Tencent is still held in the fund.

Outlook

We think that valuations in some parts of the market are currently looking attractive, particularly in Europe, but in the long term we have slightly lower expectations for company shares in general over the next 10 years. This is because we are getting closer to the end of the current economic cycle, with companies on high earnings being somewhat overvalued in some parts of the market. After the setback at the end of 2018, and with sustained earnings growth, we believe 10-year stockmarket returns will likely be closer to normal, and hopefully with a more consistent return of market turbulence. It is these conditions that can benefit long-term, fundamental stockpickers.

We believe that the balanced exposure of the fund between our 'stable growth' and 'opportunities' buckets, with a good blend of sectors that behave differently depending on market conditions, should be beneficial at this late stage in the cycle. Because of this, we would expect the fund to be resilient should the economic slowdown persist, or possibly intensify.

In terms of the fund's holdings, we remain confident in the quality of the stocks within the current portfolio. As long-term investors, our focus is on the ability of our holdings to generate long-term value for the fund and for our investors, and we continue to be optimistic about their prospects.

John William Olsen
Fund manager

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

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

M&G Global Select Fund

Authorised Corporate Director's Report

Investments

Portfolio statement

as at 31 August Holding	2019 \$'000	2019 %	2018 ^[a] %
EQUITIES	684,513	98.11	99.75
Energy equipment & services	7,909	1.13	2.45
393,494 National Oilwell Varco	7,909	1.13	
Chemicals	19,969	2.86	3.71
105,886 Linde	19,969	2.86	
Containers & packaging	33,600	4.82	4.49
417,697 Ball	33,600	4.82	
Building products	22,799	3.27	2.66
535,065 Johnson Controls International	22,799	3.27	
Electrical equipment	22,975	3.29	2.94
272,428 Schneider Electric	22,975	3.29	
Machinery	16,235	2.33	2.42
356,805 Graco	16,235	2.33	
Commercial services & supplies	15,384	2.20	4.40
605,381 ISS	15,384	2.20	
Marine	14,583	2.09	0.00
99,734 Kuehne & Nagel	14,583	2.09	
Specialty retail	55,298	7.93	10.05
211,009 Tiffany	18,046	2.59	
1,555,937 WH Smith	37,252	5.34	
Food products	23,295	3.34	3.14
206,861 Nestlé	23,295	3.34	
Household products	15,541	2.23	2.25
199,152 Reckitt Benckiser	15,541	2.23	
Personal products	24,164	3.46	2.96
388,028 Unilever	24,164	3.46	
Health care equipment & supplies	35,464	5.08	6.85
139,090 Becton Dickinson	35,464	5.08	
Health care providers & services	38,024	5.45	6.95
164,900 UnitedHealth	38,024	5.45	
Pharmaceuticals	33,971	4.87	7.80
584,908 Novo-Nordisk	30,529	4.38	
493,883 Teva Pharmaceuticals ADR	3,442	0.49	
Banks	22,736	3.26	5.07
1,214,864 ING	11,746	1.68	
74,617 M&T Bank	10,990	1.58	
Consumer finance	45,139	6.47	6.39
197,680 American Express	23,870	3.42	
265,868 Discover Financial Services	21,269	3.05	
Capital markets	19,970	2.86	3.80
326,886 Bank of New York Mellon	13,638	1.95	
522,615 Georgia Capital	6,332	0.91	
Insurance	26,597	3.81	3.80
517,300 Tokio Marine	26,597	3.81	
IT services	24,459	3.51	0.00
135,050 Visa	24,459	3.51	
Software	104,325	14.95	12.66
102,795 Ansys	21,496	3.08	
427,476 Manhattan Associates	35,707	5.12	
341,194 Microsoft	47,122	6.75	
Entertainment	13,025	1.87	0.00
140,055 Electronic Arts	13,025	1.87	

Portfolio statement (continued)

as at 31 August Holding	2019 \$'000	2019 %	2018 ^[a] %
Interactive media & services	49,051	7.03	4.96
27,314 Alphabet	32,619	4.67	
397,000 Tencent	16,432	2.36	
Portfolio of investments	684,513	98.11	99.75
CASH EQUIVALENTS	16,044	2.30	0.50
'AAA' rated money market funds ^[b]	16,044	2.30	0.50
16,044,000 Northern Trust Global Fund - US dollar	16,044	2.30	
Total portfolio (notes 2c & 2d on page 7)	700,557	100.41	100.25
Net other assets / (liabilities)	(2,838)	(0.41)	(0.25)
Net assets attributable to shareholders	697,719	100.00	100.00

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

^[a] The portfolio has been reclassified to more appropriately reflect how the fund is managed. 2018 comparatives have been restated to reflect this.

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

Top portfolio transactions

for the year to 31 August 2019

Purchases	\$'000
Visa	20,273
Tencent	16,259
Kuehne & Nagel	14,508
Electronic Arts	13,673
ISS	2,229
WH Smith	1,135
Tencent Music Spon ADR	1
Total purchases	68,078
Largest sales	\$'000
Ball	32,084
Becton Dickinson	23,402
Linde	19,612
Microsoft	18,619
UnitedHealth	17,313
Novo-Nordisk	15,807
L Brands	11,594
Stericycle	11,277
Nestlé	11,015
Discover Financial Services	9,887
Other sales	96,733
Total sales	267,343

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

M&G Global Select 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 reflect the key financial information of a representative share class, Sterling Class 'A' (Accumulation) shares. As different share classes have different attributes, for example charging structures and minimum investments, please be aware that their performance may be different. For more information on the different share classes in this fund please refer to the Prospectus for M&G Investment Funds (1), 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 August	2019 \$'000	2018 \$'000	2017 \$'000
Fund net asset value (NAV)	697,719	971,265	1,025,973

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.



Ten-year performance

Please note that comparative data is not available from fund launch. Therefore a ten-year comparable performance chart is shown below.



To give an indication of the performance of the fund, the following table shows the compound rate of return, per annum, over the period to 9 November 2018 for non-sterling share classes and 2 September 2019 for sterling share classes. Calculated on a price to price basis with income reinvested.

	Long-term performance by share class			
	From 03.09.18 % [a]	From 02.09.16 % p.a.	From 02.09.14 % p.a.	Since launch % p.a.
Euro [b]				
Class 'A'	-0.8	+8.7	+9.1	+6.2 [c]
Class 'B'	-0.9	+8.2	n/a	+9.3 [d]
Class 'C'	-0.7	+9.8	+10.2	+7.2 [c]
Sterling [e]				
Class 'A'	+8.8	+12.3	+12.6	+10.6 [f]
Class 'I'	+9.6	+13.1	+13.5	+13.3 [g]
Class 'R'	+9.3	+12.8	+13.2	+13.1 [g]
Class 'X'	+8.8	+12.3	+12.6	+16.2 [h]
US dollar [b]				
Class 'A'	-3.1	+9.5	+5.4	+9.1 [i]
Class 'C'	-2.8	+10.6	+6.4	+10.1 [i]

[a] Absolute basis.

[b] Price to price with net income reinvested.

[c] 28 November 2001, the launch date of the share class.

[d] 18 March 2016, the launch date of the share class.

[e] Price to price with income reinvested.

[f] 19 December 1967, the end of the initial offer period of the predecessor unit trust.

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

[h] 1 October 2002, the launch date of the share class.

[i] 19 December 2008, the launch date of the share class.

M&G Global Select Fund

Financial highlights

Fund performance

Operating charges and portfolio transaction costs

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

Operating charges

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

- **Annual charge:** Charge paid to M&G covering the annual cost of M&G managing and administering the fund and the costs of third parties providing services to the fund. From 1 August 2019, this charge rolls all costs that make up the operating charges into one annual charge.

For every £1 billion of a fund's net asset value, a discount of 0.02% will be applied to that fund's annual charge (up to a maximum of 0.12%).

- **Extraordinary legal and tax expenses:** Costs that specifically relate to legal or tax claims that are both exceptional and unforeseeable. Such expenses are uncommon, and would not be expected in most years. Although they result in a short-term cost to the fund, generally they can deliver longer term benefits for investors.
- **Investment management:** Charge paid to M&G for investment management of the fund. From 1 August 2019 this charge forms part of the annual charge.
- **Administration:** Charge paid for administration services in addition to investment management – any surplus from this charge will be retained by M&G. From 1 August 2019 this charge is rolled into the annual charge.
- **Oversight and other independent services:** Charges paid to providers independent of M&G for services which include depositary, custody and audit. From 1 August 2019 these charges will be paid by M&G and rolled into the annual charge.
- **Ongoing charges from underlying funds:** Ongoing charges on holdings in underlying funds that are not rebated. From 1 August 2019 charges from underlying funds (excluding Investment Trusts Companies and Real Estate Investment Trusts) will be rebated.

The operating charges paid by each share class of the fund are shown in the following performance tables. These 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.

Once the annual charge has been operational for twelve months, operating charges will be in line with the ongoing charges shown in the Key Investor Information Document, other than where there have been extraordinary legal or tax expenses, or 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. Any estimate will be disclosed under the specific share class performance table.

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

Portfolio transaction costs

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

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

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

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

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

Portfolio transaction costs				
for the year to 31 August	2019	2018	2017	Average ^[a]
Direct portfolio transaction costs ^[b]	%	%	%	%
Broker commission	0.02	0.01	0.03	0.02
Taxes	0.00	0.02	0.02	0.01
Costs before dilution adjustments	0.02	0.03	0.05	0.03
Dilution adjustments ^[c]	(0.01)	(0.01)	(0.02)	(0.01)
Total direct portfolio transaction costs	0.01	0.02	0.03	0.02
as at 31 August	2019	2018	2017	Average ^[a]
Indirect portfolio transaction costs	%	%	%	%
Average portfolio dealing spread	0.04	0.03	0.03	0.03

^[a] Average of first three columns.

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

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

M&G Global Select 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.

The non-sterling share classes were merged into the M&G (Lux) Global Select Fund on 9 November 2018. The current period historic yields for the non-sterling share classes were calculated at the merger date.

Historic yields for the sterling share classes for the current year are calculated as at 13 September 2019.

Euro Class 'A' Income share performance

The share class was launched on 8 August 2014.

for the year to 31 August Change in NAV per share	2019 Euro ¢	2018 Euro ¢	2017 Euro ¢
Opening NAV	2,703.01	2,390.67	2,317.94
Return before operating charges and after direct portfolio transaction costs	(8.16)	402.99	162.54
Operating charges	(9.67)	(49.15)	(47.38)
Return after operating charges	(17.83)	353.84	115.16
Distributions	(6.09)	(41.50)	(42.43)
Return to shareholder as a result of share class closure	(2,679.09)	n/a	n/a
Closing NAV	0.00	2,703.01	2,390.67
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.13	0.68	1.29
Dilution adjustments ^[a]	(0.07)	(0.37)	(0.60)
Total direct portfolio transaction costs	0.06	0.31	0.69
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.02	0.03
Operating charges ^[c]	1.91	1.91	1.91
Return after operating charges	-0.66	+14.80	+4.97
Historic yield	1.56	1.57	1.79
Effect on yield of charges offset against capital	1.90	1.90	1.90
Other information			
Closing NAV (\$'000)	0	227	278
Closing NAV percentage of total fund NAV (%)	0.00	0.02	0.03
Number of shares	0	7,200	9,821
Highest share price (Euro ¢)	2,714.41	2,753.45	2,619.88
Lowest share price (Euro ¢)	2,485.55	2,346.73	2,210.40

Euro Class 'A' Accumulation share performance

The share class was launched on 28 November 2001.

for the year to 31 August Change in NAV per share	2019 Euro ¢	2018 Euro ¢	2017 Euro ¢
Opening NAV	2,811.06	2,448.35	2,332.46
Return before operating charges and after direct portfolio transaction costs	(8.96)	413.08	163.44
Operating charges	(10.09)	(50.37)	(47.55)
Return after operating charges	(19.05)	362.71	115.89
Distributions	0.00	0.00	0.00
Retained distributions	0.00	0.00	0.00
Return to shareholder as a result of share class closure	(2,792.01)	n/a	n/a
Closing NAV	0.00	2,811.06	2,448.35
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.13	0.70	1.30
Dilution adjustments ^[a]	(0.07)	(0.38)	(0.60)
Total direct portfolio transaction costs	0.06	0.32	0.70
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.02	0.03
Operating charges ^[c]	1.91	1.91	1.91
Return after operating charges	-0.68	+14.81	+4.97
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)	0	59,499	72,904
Closing NAV percentage of total fund NAV (%)	0.00	6.13	7.11
Number of shares	0	1,813,957	2,511,233
Highest share price (Euro ¢)	2,824.05	2,820.13	2,636.30
Lowest share price (Euro ¢)	2,585.94	2,403.56	2,224.25

Euro Class 'B' Accumulation share performance

The share class was launched on 18 March 2016.

for the year to 31 August Change in NAV per share	2019 Euro ¢	2018 Euro ¢	2017 Euro ¢
Opening NAV	1,274.83	1,115.93	1,068.43
Return before operating charges and after direct portfolio transaction costs	(3.72)	187.86	75.58
Operating charges	(5.74)	(28.96)	(28.08)
Return after operating charges	(9.46)	158.90	47.50
Distributions	0.00	0.00	0.00
Retained distributions	0.00	0.00	0.00
Return to shareholder as a result of share class closure	(1,265.37)	n/a	n/a
Closing NAV	0.00	1,274.83	1,115.93
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.06	0.32	0.61
Dilution adjustments ^[a]	(0.03)	(0.17)	(0.28)
Total direct portfolio transaction costs	0.03	0.15	0.33
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.02	0.03
Operating charges ^[c]	2.41	2.41	2.41
Return after operating charges	-0.74	+14.24	+4.45
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)	0	279	153
Closing NAV percentage of total fund NAV (%)	0.00	0.04	0.02
Number of shares	0	18,728	11,556
Highest share price (Euro ¢)	1,280.20	1,279.15	1,203.96
Lowest share price (Euro ¢)	1,171.89	1,095.40	1,017.96

M&G Global Select Fund

Financial highlights

Specific share class performance

Euro Class 'C' Income share performance

The share class was launched on 8 August 2014.

for the year to 31 August Change in NAV per share	2019 Euro ¢	2018 Euro ¢	2017 Euro ¢
Opening NAV	3,041.38	2,663.06	2,556.18
Return before operating charges and after direct portfolio transaction costs	(9.07)	451.19	178.68
Operating charges	(5.16)	(26.19)	(24.62)
Return after operating charges	(14.23)	425.00	154.06
Distributions	(6.84)	(46.68)	(47.18)
Return to shareholder as a result of share class closure	(3,020.31)	n/a	n/a
Closing NAV	0.00	3,041.38	2,663.06
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.14	0.77	1.42
Dilution adjustments ^[a]	(0.08)	(0.41)	(0.66)
Total direct portfolio transaction costs	0.06	0.36	0.76
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.02	0.03
Operating charges ^[c]	0.91	0.91	0.91
Return after operating charges	-0.47	+15.96	+6.03
Historic yield	1.55	1.56	1.78
Effect on yield of charges offset against capital	0.90	0.90	0.90
Other information			
Closing NAV (\$'000)	0	47	24
Closing NAV percentage of total fund NAV (%)	0.00	0.00	0.00
Number of shares	0	1,318	745
Highest share price (Euro ¢)	3,056.92	3,098.05	2,912.52
Lowest share price (Euro ¢)	2,800.95	2,614.69	2,441.92

Euro Class 'C' Accumulation share performance

The share class was launched on 28 November 2001.

for the year to 31 August Change in NAV per share	2019 Euro ¢	2018 Euro ¢	2017 Euro ¢
Opening NAV	3,254.99	2,806.91	2,647.46
Return before operating charges and after direct portfolio transaction costs	(10.37)	475.79	185.65
Operating charges	(5.56)	(27.71)	(26.20)
Return after operating charges	(15.93)	448.08	159.45
Distributions	(1.71)	(21.12)	(25.07)
Retained distributions	1.71	21.12	25.07
Return to shareholder as a result of share class closure	(3,239.06)	n/a	n/a
Closing NAV	0.00	3,254.99	2,806.91
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.16	0.80	1.50
Dilution adjustments ^[a]	(0.08)	(0.43)	(0.70)
Total direct portfolio transaction costs	0.08	0.37	0.80
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.02	0.03
Operating charges ^[c]	0.91	0.91	0.91
Return after operating charges	-0.49	+15.96	+6.02
Historic yield	0.66	0.68	0.90
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	0	53,645	50,594
Closing NAV percentage of total fund NAV (%)	0.00	5.52	4.93
Number of shares	0	1,412,428	1,520,123
Highest share price (Euro ¢)	3,273.01	3,265.52	3,016.43
Lowest share price (Euro ¢)	2,998.96	2,756.17	2,529.14

Sterling Class 'A' Income share performance

The share class was launched on 19 December 1967.

for the year to 31 August Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	417.51	378.07	336.76
Return before operating charges and after direct portfolio transaction costs	42.28	52.34	54.13
Operating charges	(6.33)	(6.50)	(6.12)
Return after operating charges	35.95	45.84	48.01
Distributions	(7.74)	(6.40)	(6.70)
Closing NAV	445.72	417.51	378.07
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.09	0.10	0.19
Dilution adjustments ^[a]	(0.07)	(0.06)	(0.09)
Total direct portfolio transaction costs	0.02	0.04	0.10
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.02	0.03
Operating charges ^[c]	1.65	1.66	1.66
Return after operating charges	+8.61	+12.12	+14.26
Historic yield	1.40	1.56	1.79
Effect on yield of charges offset against capital	1.63	1.65	1.65
Other information			
Closing NAV (\$'000)	264,576	446,672	486,113
Closing NAV percentage of total fund NAV (%)	37.92	45.99	47.38
Number of shares	48,742,517	82,262,177	99,859,434
Highest share price (UK p)	466.80	428.55	395.79
Lowest share price (UK p)	359.45	358.74	326.49

M&G Global Select Fund

Financial highlights

Specific share class performance

Sterling Class 'A' Accumulation share performance

The share class was launched on 19 December 1967.

for the year to 31 August Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	839.00	748.20	654.86
Return before operating charges and after direct portfolio transaction costs	85.74	103.61	105.22
Operating charges	(13.47)	(12.81)	(11.88)
Return after operating charges	72.27	90.80	93.34
Distributions	(1.45)	0.00	(1.43)
Retained distributions	1.45	0.00	1.43
Closing NAV	911.27	839.00	748.20

Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.17	0.20	0.37
Dilution adjustments ^[a]	(0.15)	(0.11)	(0.17)
Total direct portfolio transaction costs	0.02	0.09	0.20

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.02	0.03
Operating charges ^[c]	1.64	1.66	1.66
Return after operating charges	+8.61	+12.14	+14.25
Historic yield	0.00	0.00	0.19
Effect on yield of charges offset against capital	0.00	0.00	0.00

Other information

Closing NAV (\$'000)	147,531	115,527	159,000
Closing NAV percentage of total fund NAV (%)	21.14	11.89	15.50
Number of shares	13,293,991	10,587,533	16,504,330
Highest share price (UK p)	938.08	848.18	769.64
Lowest share price (UK p)	722.35	710.03	634.88

Sterling Class 'I' Income share performance

The share class was launched on 3 August 2012.

for the year to 31 August Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	2,024.71	1,819.69	1,608.70
Return before operating charges and after direct portfolio transaction costs	207.12	253.26	259.24
Operating charges	(16.69)	(17.29)	(16.10)
Return after operating charges	190.43	235.97	243.14
Distributions	(37.67)	(30.95)	(32.15)
Closing NAV	2,177.47	2,024.71	1,819.69

Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.42	0.50	0.92
Dilution adjustments ^[a]	(0.36)	(0.27)	(0.43)
Total direct portfolio transaction costs	0.06	0.23	0.49

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.02	0.03
Operating charges ^[c]	0.92	0.91	0.91
Return after operating charges	+9.41	+12.97	+15.11
Historic yield	1.38	1.55	1.78
Effect on yield of charges offset against capital	0.90	0.90	0.90

Other information

Closing NAV (\$'000)	27,426	27,970	24,463
Closing NAV percentage of total fund NAV (%)	3.93	2.88	2.39
Number of shares	1,034,286	1,062,204	1,044,084
Highest share price (UK p)	2,279.31	2,078.07	1,902.09
Lowest share price (UK p)	1,747.30	1,734.35	1,560.00

Sterling Class 'I' Accumulation share performance

The share class was launched on 3 August 2012.

for the year to 31 August Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	2,202.35	1,949.35	1,693.41
Return before operating charges and after direct portfolio transaction costs	227.04	271.50	272.91
Operating charges	(19.90)	(18.50)	(16.97)
Return after operating charges	207.14	253.00	255.94
Distributions	(20.44)	(14.29)	(17.41)
Retained distributions	20.44	14.29	17.41
Closing NAV	2,409.49	2,202.35	1,949.35

Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.46	0.54	0.97
Dilution adjustments ^[a]	(0.40)	(0.29)	(0.45)
Total direct portfolio transaction costs	0.06	0.25	0.52

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.02	0.03
Operating charges ^[c]	0.92	0.91	0.91
Return after operating charges	+9.41	+12.98	+15.11
Historic yield	0.58	0.68	0.90
Effect on yield of charges offset against capital	0.00	0.00	0.00

Other information

Closing NAV (\$'000)	229,078	101,913	92,385
Closing NAV percentage of total fund NAV (%)	32.83	10.49	9.00
Number of shares	7,806,934	3,558,078	3,680,718
Highest share price (UK p)	2,479.30	2,226.36	2,002.25
Lowest share price (UK p)	1,900.61	1,858.10	1,642.16

Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012.

for the year to 31 August Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	201.45	181.51	160.86
Return before operating charges and after direct portfolio transaction costs	20.48	25.24	25.91
Operating charges	(2.09)	(2.22)	(2.05)
Return after operating charges	18.39	23.02	23.86
Distributions	(3.74)	(3.08)	(3.21)
Closing NAV	216.10	201.45	181.51

Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.04	0.05	0.09
Dilution adjustments ^[a]	(0.04)	(0.03)	(0.04)
Total direct portfolio transaction costs	0.00	0.02	0.05

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.02	0.03
Operating charges ^[c]	1.17	1.16	1.16
Return after operating charges	+9.13	+12.68	+14.83
Historic yield	1.39	1.55	1.78
Effect on yield of charges offset against capital	1.15	1.15	1.15

Other information

Closing NAV (\$'000)	2,853	2,236	425
Closing NAV percentage of total fund NAV (%)	0.41	0.23	0.04
Number of shares	1,084,153	853,347	181,866
Highest share price (UK p)	226.26	206.77	189.83
Lowest share price (UK p)	173.71	172.74	155.99

M&G Global Select 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 August Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	216.88	192.44	167.59
Return before operating charges and after direct portfolio transaction costs	22.30	26.80	26.98
Operating charges	(2.49)	(2.36)	(2.13)
Return after operating charges	19.81	24.44	24.85
Distributions	(1.45)	(0.89)	(1.27)
Retained distributions	1.45	0.89	1.27
Closing NAV	236.69	216.88	192.44

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

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.02	0.03
Operating charges ^[c]	1.17	1.16	1.16
Return after operating charges	+9.13	+12.70	+14.83
Historic yield	0.37	0.44	0.67
Effect on yield of charges offset against capital	0.00	0.00	0.00

Other information

Closing NAV (\$'000)	13,239	10,932	200
Closing NAV percentage of total fund NAV (%)	1.90	1.13	0.02
Number of shares	4,592,924	3,875,753	80,949
Highest share price (UK p)	243.60	219.24	197.76
Lowest share price (UK p)	187.02	183.16	162.51

Sterling Class 'X' Income share performance

The share class was launched on 1 October 2002.

for the year to 31 August Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	417.48	378.04	336.74
Return before operating charges and after direct portfolio transaction costs	42.21	52.33	54.11
Operating charges	(6.26)	(6.49)	(6.11)
Return after operating charges	35.95	45.84	48.00
Distributions	(7.74)	(6.40)	(6.70)
Closing NAV	445.69	417.48	378.04

Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.09	0.10	0.19
Dilution adjustments ^[a]	(0.07)	(0.06)	(0.09)
Total direct portfolio transaction costs	0.02	0.04	0.10

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.02	0.03
Operating charges ^[c]	1.64	1.66	1.66
Return after operating charges	+8.61	+12.13	+14.25
Historic yield	1.40	1.56	1.79
Effect on yield of charges offset against capital	1.63	1.65	1.65

Other information

Closing NAV (\$'000)	7,673	8,555	11,020
Closing NAV percentage of total fund NAV (%)	1.10	0.88	1.07
Number of shares	1,413,602	1,575,647	2,263,895
Highest share price (UK p)	466.77	428.52	395.77
Lowest share price (UK p)	359.43	358.72	326.47

Sterling Class 'X' Accumulation share performance

The share class was launched on 1 October 2002.

for the year to 31 August Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	831.96	741.92	649.36
Return before operating charges and after direct portfolio transaction costs	85.06	102.79	104.35
Operating charges	(13.40)	(12.75)	(11.79)
Return after operating charges	71.66	90.04	92.56
Distributions	(1.44)	0.00	(1.41)
Retained distributions	1.44	0.00	1.41
Closing NAV	903.62	831.96	741.92

Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.17	0.20	0.37
Dilution adjustments ^[a]	(0.15)	(0.11)	(0.17)
Total direct portfolio transaction costs	0.02	0.09	0.20

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.02	0.03
Operating charges ^[c]	1.64	1.66	1.66
Return after operating charges	+8.61	+12.14	+14.25
Historic yield	0.00	0.00	0.19
Effect on yield of charges offset against capital	0.00	0.00	0.00

Other information

Closing NAV (\$'000)	5,343	6,284	7,156
Closing NAV percentage of total fund NAV (%)	0.77	0.65	0.70
Number of shares	485,528	580,758	749,083
Highest share price (UK p)	930.20	841.06	763.18
Lowest share price (UK p)	716.28	704.06	629.55

US dollar Class 'A' Income share performance

The share class was launched on 8 August 2014.

for the year to 31 August Change in NAV per share	2019 US ¢	2018 US ¢	2017 US ¢
Opening NAV	2,343.72	2,106.48	1,919.15
Return before operating charges and after direct portfolio transaction costs	(70.08)	316.81	263.32
Operating charges	(8.65)	(43.58)	(38.60)
Return after operating charges	(78.73)	273.23	224.72
Distributions	(4.75)	(35.99)	(37.39)
Return to shareholder as a result of share class closure	(2,260.24)	n/a	n/a
Closing NAV	0.00	2,343.72	2,106.48

Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.12	0.60	1.05
Dilution adjustments ^[a]	(0.06)	(0.33)	(0.49)
Total direct portfolio transaction costs	0.06	0.27	0.56

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.02	0.03
Operating charges	1.91	1.91	1.91
Return after operating charges	-3.36	+12.97	+11.71
Historic yield	1.59	1.58	1.78
Effect on yield of charges offset against capital	1.90	1.90	1.90

Other information

Closing NAV (\$'000)	0	389	350
Closing NAV percentage of total fund NAV (%)	0.00	0.04	0.03
Number of shares	0	16,595	16,595
Highest share price (US ¢)	2,370.76	2,468.09	2,192.35
Lowest share price (US ¢)	2,106.38	2,092.72	1,823.71

M&G Global Select Fund

Financial highlights

Specific share class performance

US dollar Class 'A' Accumulation share performance

The share class was launched on 19 December 2008.

for the year to 31 August Change in NAV per share	2019 US ¢	2018 US ¢	2017 US ¢
Opening NAV	2,442.88	2,162.22	1,935.59
Return before operating charges and after direct portfolio transaction costs	(72.90)	325.40	265.59
Operating charges	(8.66)	(44.74)	(38.96)
Return after operating charges	(81.56)	280.66	226.63
Distributions	0.00	0.00	0.00
Retained distributions	0.00	0.00	0.00
Return to shareholder as a result of share class closure	(2,361.32)	n/a	n/a
Closing NAV	0.00	2,442.88	2,162.22
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.12	0.62	1.06
Dilution adjustments ^[a]	(0.06)	(0.33)	(0.49)
Total direct portfolio transaction costs	0.06	0.29	0.57
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.02	0.03
Operating charges ^[c]	1.91	1.91	1.91
Return after operating charges	-3.34	+12.98	+11.71
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)	0	2,228	1,969
Closing NAV percentage of total fund NAV (%)	0.00	0.23	0.19
Number of shares	0	91,185	91,041
Highest share price (US ¢)	2,472.18	2,533.62	2,211.12
Lowest share price (US ¢)	2,196.48	2,148.29	1,839.33

US dollar Class 'C' Income share performance

The share class was launched on 8 August 2014.

for the year to 31 August Change in NAV per share	2019 US ¢	2018 US ¢	2017 US ¢
Opening NAV	2,514.27	2,237.41	2,017.65
Return before operating charges and after direct portfolio transaction costs	(75.16)	337.86	278.21
Operating charges	(4.22)	(22.34)	(18.73)
Return after operating charges	(79.38)	315.52	259.48
Distributions	(5.50)	(38.66)	(39.72)
Return to shareholder as a result of share class closure	(2,429.39)	n/a	n/a
Closing NAV	0.00	2,514.27	2,237.41
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.12	0.65	0.98
Dilution adjustments ^[a]	(0.06)	(0.35)	(0.46)
Total direct portfolio transaction costs	0.06	0.30	0.52
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.02	0.03
Operating charges ^[c]	0.91	0.91	0.88
Return after operating charges	-3.16	+14.10	+12.86
Historic yield	1.59	1.58	1.78
Effect on yield of charges offset against capital	0.90	0.90	0.90
Other information			
Closing NAV (\$'000)	0	32	6
Closing NAV percentage of total fund NAV (%)	0.00	0.00	0.00
Number of shares	0	1,259	259
Highest share price (US ¢)	2,544.78	2,632.47	2,325.87
Lowest share price (US ¢)	2,263.10	2,223.17	1,920.72

US dollar Class 'C' Accumulation share performance

The share class was launched on 19 December 2008.

for the year to 31 August Change in NAV per share	2019 US ¢	2018 US ¢	2017 US ¢
Opening NAV	2,682.22	2,350.45	2,083.13
Return before operating charges and after direct portfolio transaction costs	(78.42)	355.11	288.49
Operating charges	(4.52)	(23.34)	(21.17)
Return after operating charges	(82.94)	331.77	267.32
Distributions	(1.48)	(17.40)	(20.99)
Retained distributions	1.48	17.40	20.99
Return to shareholder as a result of share class closure	(2,599.28)	n/a	n/a
Closing NAV	0.00	2,682.22	2,350.45
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.13	0.68	1.21
Dilution adjustments ^[a]	(0.07)	(0.37)	(0.56)
Total direct portfolio transaction costs	0.06	0.31	0.65
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.02	0.03
Operating charges	0.91	0.91	0.91
Return after operating charges	-3.09	+14.12	+12.83
Historic yield	0.67	0.69	0.90
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	0	134,830	118,933
Closing NAV percentage of total fund NAV (%)	0.00	13.88	11.59
Number of shares	0	5,026,806	5,060,031
Highest share price (US ¢)	2,715.95	2,765.58	2,400.91
Lowest share price (US ¢)	2,415.33	2,335.69	1,983.09

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

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

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

M&G Global Select Fund

Financial statements and notes

Financial statements

Statement of total return

for the year to 31 August	Note	2019		2018	
		\$'000	\$'000	\$'000	\$'000
Income					
Net capital gains / (losses)	3		(1,132)		126,759
Revenue	5	14,479		20,310	
Expenses	6	(10,154)		(14,882)	
Net revenue / (expense) before taxation		4,325		5,428	
Taxation	7	(1,396)		(3,868)	
Net revenue / (expense) after taxation			2,929		1,560
Total return before distributions			1,797		128,319
Distributions	8		(8,640)		(10,144)
Change in net assets attributable to shareholders from investment activities			(6,843)		118,175

Statement of change in net assets attributable to shareholders

for the year to 31 August	2019		2018	
	\$'000	\$'000	\$'000	\$'000
Opening net assets attributable to shareholders		971,265		1,025,973
Amounts received on issue of shares	186,516		73,762	
Amounts paid on cancellation of shares	(370,623)		(248,781)	
Transferred to M&G (Lux) Global Select Fund	(85,056)		0	
		(269,163)		(175,019)
Dilution adjustments		170		193
Change in net assets attributable to shareholders from investment activities (see above)		(6,843)		118,175
Retained distributions on Accumulation shares		2,285		1,929
Unclaimed distributions		5		14
Closing net assets attributable to shareholders		697,719		971,265

Balance sheet

as at 31 August	Note	2019 \$'000	2018 \$'000
Assets			
Fixed assets			
Investments		684,513	968,907
Current assets			
Debtors	9	2,933	22,530
Cash and bank balances	10	4,192	965
Cash equivalents		16,044	4,828
Total assets		707,682	997,230
Liabilities			
Creditors			
Bank overdrafts		0	(2,116)
Distribution payable		(5,249)	(7,454)
Other creditors	11	(4,714)	(16,395)
Total liabilities		(9,963)	(25,965)
Net assets attributable to shareholders		697,719	971,265

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 7 and 8.

The fund's functional and presentational currency is US dollars as this better reflects the currency of its primary economic environment.

2 Distribution policy

In determining the amount available for distribution to Income shares, the annual charge, annual management charge and administration charge are 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.

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 August	2019 \$'000	2018 \$'000
Non-derivative securities	(561)	127,182
Currency gains / (losses)	(571)	(418)
Management charge rebates	1	0
Transaction charges	(1)	(5)
Net capital gains / (losses)	(1,132)	126,759

M&G Global Select 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 64.

for the year to 31 August	2019 \$'000	% of transaction	2018 \$'000	% of transaction
a) Purchases				
Equities				
Equities before transaction costs	68,022		86,460	
Commissions	33	0.05	37	0.04
Taxes	23	0.03	143	0.17
Total purchases after transaction costs	68,078		86,640	

b) Sales				
Equities				
Equities before transaction costs	267,444		234,657	
Commissions	(98)	0.04	(90)	0.04
Taxes	(3)	0.00	(2)	0.00
Total sales after transaction costs	267,343		234,565	

c) Direct portfolio transaction costs	2019 \$'000	% of average NAV	2018 \$'000	% of average NAV
Commissions paid				
Equities	131	0.02	127	0.01
Taxes paid				
Equities	26	0.00	145	0.02
Total direct portfolio transaction costs [a]	157	0.02	272	0.03

d) Indirect portfolio transaction costs	%	%
Portfolio dealing spread [b]	0.04	0.03

[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 August	2019 \$'000	2018 \$'000
Bank interest	4	2
Distributions from collective investment schemes: taxable	133	0
Dividends from equity investments: non-taxable	13,838	19,797
Dividends from equity investments: taxable	286	96
Interest distributions	217	209
Management charge rebates	1	0
Stock dividends	0	206
Total revenue	14,479	20,310

6 Expenses

for the year to 31 August	2019 \$'000	2018 \$'000
Payable to the ACD or associate		
Annual charge	704	0
Annual management charge [a]	8,323	13,205
Administration charge [a]	1,014	1,540
	10,041	14,745
Payable to the Depository or associate		
Depository's charge (including VAT) [a]	46	63
Other expenses		
Audit fee (including VAT) [a] [b]	10	12
Interest payable	4	4
Legal fees	3	0
Safe custody charge [a]	34	49
Tax fees (including VAT)	16	9
	67	74
Total expenses	10,154	14,882

[a] The segregated charges shown above for annual management, administration, depository, audit and safe custody are those paid by the fund up to and including 31 July 2019. As of 1 August 2019 these charges have been replaced by the single annual charge.

[b] Audit fees for the financial year ending 2019 were \$10,000.

7 Taxation

for the year to 31 August	2019 \$'000	2018 \$'000
a) Analysis of charge in the year		
Corporation tax	0	0
Withholding tax	1,396	3,868
Deferred tax (note 7c)	0	0
Total taxation	1,396	3,868
b) Factors affecting taxation charge for the year		
Net revenue / (expense) before taxation	4,325	5,428
Corporation tax at 20%	865	1,086
Effects of:		
Dividends from equity investments: non-taxable	(2,768)	(3,960)
Stock dividends not taxable	0	(41)
Current year expenses not utilised	1,903	2,918
Withholding tax	1,396	3,868
Withholding tax expensed	0	(3)
Total tax charge (note 7a)	1,396	3,868
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 \$31,864,000 (2018: \$29,962,000) 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.

M&G Global Select Fund

Financial statements and notes

Notes to the financial statements

8 Distributions

for the year to 31 August	2019		2018	
	Inc ^[a] \$'000	Acc ^[b] \$'000	Inc ^[a] \$'000	Acc ^[b] \$'000
Dividend distributions				
Final	5,249	2,285	7,454	1,929
Total net distributions		7,534		9,383
Income deducted on cancellation of shares		1,415		842
Income received on issue of shares		(309)		(81)
Distributions		8,640		10,144
Net revenue / (expense) per statement of total return		2,929		1,560
Expenses offset against capital		5,639		8,513
Stock dividends not distributed		0		(206)
Income deficit transferred to capital		72		277
Distributions		8,640		10,144

[a] Distributions payable on Income shares.

[b] Retained distributions on Accumulation shares.

9 Debtors

as at 31 August	2019 \$'000	2018 \$'000
Amounts receivable on issues of shares	12	205
Distributions receivable	24	5
Dividends receivable	689	909
Annual charge rebates due	1	0
Sales awaiting settlement	0	18,590
Withholding tax recoverable	2,207	2,821
Total debtors	2,933	22,530

10 Cash and bank balances

as at 31 August	2019 \$'000	2018 \$'000
Cash held as bank balances	4,192	965
Total cash and bank balances	4,192	965

11 Other creditors

as at 31 August	2019 \$'000	2018 \$'000
ACD's annual management charge payable	0	615
Administration charge payable	0	73
Amounts payable on cancellation of shares	93	15,233
Annual charge	419	0
Corporation tax payable	423	451
Expenses payable	22	23
Payable to M&G (Lux) Global Select Fund	194	0
Purchases awaiting settlement	3,563	0
Total other creditors	4,714	16,395

12 Contingent assets, liabilities and outstanding commitments

There were no contingent liabilities or outstanding commitments at the balance sheet date (2018: same).

The fund has recognised a contingent asset of \$423,000 as a result of the European Court of Justice rulings in November 2012 and Supreme Court judgements in July 2018 in relation to Prudential Assurance Co Ltd v Commissioners for HMRC. The fund may recover further amounts of UK corporation tax suffered and accounted for on overseas dividends receivable before July 2009 (overseas dividends received post 2009 are not taxable). Full recovery of this asset is not certain as there is currently no HMRC guidance on how a fund may seek to recover taxes. An estimated accrual is included within the daily price of the fund's shares.

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 01.09.18	Movements		Closing 31.08.19
		Issued	Cancelled	
Euro				
Class 'A' Income	7,200	2,063	(9,263)	0
Class 'A' Accumulation	1,813,957	18,918	(1,832,875)	0
Class 'B' Accumulation	18,728	5,829	(24,557)	0
Class 'C' Income	1,318	0	(1,318)	0
Class 'C' Accumulation	1,412,428	13,824	(1,426,252)	0
Sterling				
Class 'A' Income	82,262,177	1,404,679	(34,924,339)	48,742,517
Class 'A' Accumulation	10,587,533	3,694,639	(988,181)	13,293,991
Class 'I' Income	1,062,204	62,747	(90,665)	1,034,286
Class 'I' Accumulation	3,558,078	5,029,085	(780,229)	7,806,934
Class 'R' Income	853,347	300,586	(69,780)	1,084,153
Class 'R' Accumulation	3,875,753	945,096	(227,925)	4,592,924
Class 'X' Income	1,575,647	12,382	(174,427)	1,413,602
Class 'X' Accumulation	580,758	6,615	(101,845)	485,528
US dollar				
Class 'A' Income	16,595	0	(16,595)	0
Class 'A' Accumulation	91,185	244	(91,429)	0
Class 'C' Income	1,259	0	(1,259)	0
Class 'C' Accumulation	5,026,806	0	(5,026,806)	0

M&G Global Select 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 in existence as at the balance sheet date. The charging structure is the same for both Income and Accumulation shares of each class.

Share class	Entry charge %	Exit charge %	Annual charge ^[a] %
Sterling			
Class 'A'	n/a	n/a	1.40
Class 'I'	n/a	n/a	0.90
Class 'R'	n/a	n/a	1.15
Class 'X'	n/a	n/a	1.40

^[a] The amounts shown are the maximum annual charge. M&G will apply a discount of 0.02% for every £1 billion of a fund's net asset value. This is assessed quarterly and implemented on a forward basis no later than 13 business days after quarter end.

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 annual charge, ACD's annual management charge and administration charge are disclosed in note 6. Amounts due at the year end from the annual 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 38.71% (2018: 42.59%) of the fund's shares.

16 Events after the balance sheet date

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

17 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: Unadjusted quoted price in an active market for an identical instrument

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 technique using observable market data

This includes instruments such as over-the-counter (OTC) derivatives, debt securities, convertible bonds, mortgage-backed securities, asset-backed securities and open-ended funds which have been valued using models with observable market data inputs.

Level 3: Valuation technique using unobservable inputs

This refers to instruments which have been valued using models with unobservable data inputs. This includes single broker-priced instruments, suspended/unquoted securities, private equity, unlisted closed-ended funds and open-ended funds with restrictions on redemption rights. However no such financial instruments were held.

as at 31 August	Assets 2019	Liabilities 2019	Assets 2018	Liabilities 2018
Basis of valuation	\$'000	\$'000	\$'000	\$'000
Level 1	684,513	0	968,907	0
Level 2	0	0	0	0
Level 3	0	0	0	0
	684,513	0	968,907	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

The general risk management policies for the fund are set out in note 3 to the financial statements on pages 8 and 9.

19 Market risk sensitivity

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 \$34,226,000 (2018: \$48,445,000). A five per cent decrease would have an equal and opposite effect.

20 Currency risk sensitivity and exposure

A five per cent increase in the value of the fund's currency exposure would have the effect of increasing the return and net assets by \$34,886,000 (2018: \$48,563,000). A five per cent decrease would have an equal and opposite effect.

as at 31 August	2019	2018
	\$'000	\$'000
Currency exposure in respect of the fund		
Danish krone	47,191	79,736
Euro	79,503	102,570
Hong Kong dollar	16,432	0
Japanese yen	26,597	36,954
Sterling	53,808	99,514
Swiss franc	39,061	31,699
US dollar	435,127	620,792
Total	697,719	971,265

21 Interest rate risk sensitivity and exposure

As the majority of the fund's financial assets are non-interest bearing, the risk is not considered significant and is therefore not disclosed.

M&G Global Select Fund

Financial statements and notes

Notes to the financial statements

22 Credit risk

Credit risk is not considered significant for the fund and is therefore not disclosed.

23 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 ^[a]	01.09.18	31.08.19	02.09.19	30.09.19

[a] As a result of the merger of M&G Global Select Fund into M&G (Lux) Global Select Fund on 9 November 2018 ('the effective date'), any income available for distribution to non-sterling share classes from the start of the period on 1 September 2018 to the effective date of the merger was distributed to shareholders on 31 December 2018.

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 income 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 income and equalisation. Equalisation is the average amount of income 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 income and equalisation components.

Euro Class 'A' Income shares				
Ordinary distributions for the year to 31 August	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2019	2019	2019	2018
Final	1.9110	4.1770	6.0880	41.4986

Euro Class 'A' Accumulation shares				
Ordinary distributions for the year to 31 August	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2019	2019	2019	2018
Final	0.0000	0.0000	0.0000	0.0000

Euro Class 'B' Accumulation shares				
Ordinary distributions for the year to 31 August	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2019	2019	2019	2018
Final	0.0000	0.0000	0.0000	0.0000

Euro Class 'C' Income shares				
Ordinary distributions for the year to 31 August	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2019	2019	2019	2018
Final	6.8431	0.0000	6.8431	46.6780

Euro Class 'C' Accumulation shares				
Ordinary distributions for the year to 31 August	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2019	2019	2019	2018
Final	0.1448	1.5617	1.7065	21.1154

Sterling Class 'A' Income shares				
Ordinary distributions for the year to 31 August	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2019	2019	2019	2018
Final	3.3092	4.4265	7.7357	6.4031

Sterling Class 'A' Accumulation shares				
Ordinary distributions for the year to 31 August	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2019	2019	2019	2018
Final	1.0092	0.4401	1.4493	0.0000

Sterling Class 'I' Income shares				
Ordinary distributions for the year to 31 August	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2019	2019	2019	2018
Final	19.9882	17.6774	37.6656	30.9515

Sterling Class 'I' Accumulation shares				
Ordinary distributions for the year to 31 August	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2019	2019	2019	2018
Final	18.2204	2.2178	20.4382	14.2863

Sterling Class 'R' Income shares				
Ordinary distributions for the year to 31 August	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2019	2019	2019	2018
Final	1.2407	2.5021	3.7428	3.0825

Sterling Class 'R' Accumulation shares				
Ordinary distributions for the year to 31 August	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2019	2019	2019	2018
Final	0.9277	0.5219	1.4496	0.8912

M&G Global Select Fund

Financial statements and notes

Notes to the financial statements

23 Dividend distribution tables (continued)

Sterling Class 'X' Income shares				
Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2	
	Income 2019	Equalisation 2019	2019	Distribution 2018
	p	p	p	p
Final	6.7193	1.0162	7.7355	6.4028

Sterling Class 'X' Accumulation shares				
Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2	
	Income 2019	Equalisation 2019	2019	Distribution 2018
	p	p	p	p
Final	0.3986	1.0385	1.4371	0.0000

US dollar Class 'A' Income shares				
Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2	
	Income 2019	Equalisation 2019	2019	Distribution 2018
	¢	¢	¢	¢
Final	4.7496	0.0000	4.7496	35.9859

US dollar Class 'A' Accumulation shares				
Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2	
	Income 2019	Equalisation 2019	2019	Distribution 2018
	¢	¢	¢	¢
Final	0.0000	0.0000	0.0000	0.0000

US dollar Class 'C' Income shares				
Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2	
	Income 2019	Equalisation 2019	2019	Distribution 2018
	¢	¢	¢	¢
Final	5.5019	0.0000	5.5019	38.6642

US dollar Class 'C' Accumulation shares				
Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2	
	Income 2019	Equalisation 2019	2019	Distribution 2018
	¢	¢	¢	¢
Final	1.4781	0.0000	1.4781	17.3995

M&G Global Select Fund

Financial statements and notes

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M&G Global Themes Fund

Authorised Corporate Director's Report

Investment objective

The fund aims to provide a higher total return (the combination of capital growth and income) than that of the MSCI ACWI Index over any five-year period.

Investment policy

The fund will invest at least 80% of its net asset value in the equity securities of companies across any sectors and market capitalisations that are domiciled in any country, including emerging markets.

The fund may also invest in collective investment schemes, other transferable securities and may hold cash for liquidity purposes.

Derivatives may be used for efficient portfolio management.

Investment approach

The investment process of the fund combines top-down and bottom-up analysis. The fund manager aims to identify themes arising from long-term structural shifts, changes or trends. Stocks that can benefit from these themes are then selected on the basis of their quality, growth and valuation.

Themes are identified through the analysis of global macroeconomics, demographics, government policies and spending, and technological innovation, among other considerations.

The bottom-up stock selection process is designed to identify well-run companies which can benefit from those themes and which are trading on attractive valuations with good, sustainable growth prospects.

The fund is invested across the market-cap spectrum and is geographically diversified.

Benchmark

Benchmark: MSCI ACWI Index.

The fund is actively managed. The benchmark is a target which the fund seeks to outperform. The index has been chosen as the fund's target benchmark as it best reflects the scope of the fund's investment policy. The target benchmark is used solely to measure the fund's performance and does not constrain the fund's portfolio construction.

Risk profile

The fund invests globally in the shares of listed companies and is, therefore, subject to the price volatility of the global stockmarket and the performance of individual companies. The fund may also be subject to fluctuations in currency exchange rates.

Given its direct and indirect exposure to emerging markets, the fund 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.

However, the fund is mainly invested in the shares of large and medium-sized companies, which are normally traded with relative ease. Moreover, the fund is diversified across countries, industries and market capitalisation, which is 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 2 September 2019, for the year ended 31 August 2019

Performance against objective

Between 3 September 2018 (the start of the review period) and 2 September 2019, the fund delivered a positive total return (the combination of income and growth of capital) for all its share classes and outperformed the benchmark MSCI ACWI Index which returned 7.2% in sterling, 6.4% in euros and 0.4% in US dollars. Consequently, over this review period, the fund met its objective, introduced on 17 November 2017, of providing a higher total return than that of the MSCI ACWI Index.*

Over a longer timeframe of five years, the fund has generated a positive total return across all its share classes but underperformed its benchmark, which was the FTSE Global Basics Composite Index (comprising all sub-sectors of the FTSE World Index except media, IT, telecommunications, financials and healthcare) until 16 November 2017 and the MSCI ACWI Index thereafter. The benchmark returned 12.9% over five years. The fund therefore did not meet the current objective over its specified timeframe of five years.

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

M&G Global Themes Fund

Authorised Corporate Director's Report

Investment review

Investment performance

Stockmarkets around the world rose in the past 12 months, led by the US where the major indices – the S&P 500, Dow Jones Industrial Average and NASDAQ – reached all-time highs in July. The journey was far from smooth. The earlier part of the review period saw the markets tumble as fears of an economic slowdown prompted sharp share-price declines in October and December. The markets recovered strongly in 2019, despite stuttering in May and August, and ended the review period with positive returns.

Defensive stocks led the markets higher as investors sought the comfort of safety, while cyclicals were out of favour. (Defensive stocks are companies that tend to have stable earnings and are less affected by peaks and troughs in the economy; cyclicals are companies which tend to be more sensitive to economic activity.) Utilities, real estate and consumer staples were the best-performing sectors, followed by technology which continued to deliver impressive growth. At the other end of the spectrum, energy fell as the oil price drifted lower. Materials and financials also struggled to keep up with the rising market.

Against this backdrop, the fund generated a positive return and outperformed the MSCI ACWI Index. Stock selection was the key driver of excess return, with strong contributions from materials and utilities, as well as financials and real estate. Regional allocation benefited from a relatively small exposure to Japan, and sector allocation added value helped by a large weighting in consumer staples at the beginning of the review period.

Franco-Nevada in the materials sector made the biggest contribution during the year. Shares of the royalty company, which owns rights to cashflows from mineral landholdings, jumped more than 50% in Canadian dollars as the gold price rose. Air Products & Chemicals also outperformed in materials. The world's leading producer of industrial gases has been boosted by strong operational progress since we initiated the holding in January.

Motorola Solutions and Microsoft were beneficiaries of robust fundamentals in the technology sector, while Yum! Brands, the restaurant company which owns KFC, Pizza Hut and Taco Bell, beat expectations in consumer discretionary.

London Stock Exchange (LSE) was the leading performer in financials. The company announced plans to acquire Refinitiv in a transformational deal which will create the global leader in financial exchanges with enhanced capabilities in data and analytics.

Ørsted was the standout performer in utilities. The Danish company is the world leader in offshore wind power and benefits from its dominance in the fastest growing segment of renewable energy.

Equinix (data centres) and Crown Castle International (communication towers) added value in real estate. The companies are classified as real estate investment trusts (REITs), but their business models are different to conventional property companies. Both Equinix and Crown Castle are exposed to a powerful long-term growth trend, namely the proliferation of data in our increasingly digital society.

Turning to the detractors, three German companies featured prominently among the laggards. Henkel underperformed in consumer staples after the owner of household brands such as Persil and Loctite cut its guidance for the year. Siemens came under pressure in

industrials after the company reported difficult trading conditions. Infineon Technologies struggled as semiconductor stocks bore the brunt of tariff concerns. South Korea's Samsung Electronics suffered from the same headwind.

Schlumberger and Suncor declined in a weak energy sector. Both stocks were sold during the review period. Genus (consumer staples), DP World (industrials) and Amadeus IT (technology) were among the other underperforming legacy positions. These stocks have also exited the portfolio.

Investment activities

There were 41 new purchases and 42 complete sales during the review period, a level of turnover exaggerated by the appointment of a new fund manager on 10 January 2019. The fund's transition is all but completed, and we expect portfolio turnover henceforth to be consistent with our long-term investment horizon of three to five years.

Prior to the fund manager change, four stocks were added to the portfolio: IPG Photonics and TravelSky Technology (both technology) as well as Epiroc (industrials) and Danone (consumer staples). There were 14 sales during this period, seven of which were from the materials sector (Symrise, Bonterra Resources, IAMGOLD, Randgold Resources, Roxgold, SEMAFO and Osisko Gold Royalties), three from consumer discretionary (BYD, Honda Motor and Porsche), and two from industrials (Nidec and GEA). National Oilwell Varco and Xperi were also sold from energy and technology respectively.

Under the new manager's tenure, the fund is focused on four themes – demographics, environment, infrastructure and innovation – with each theme split into two sub-themes. Companies that are not beneficiaries of these themes were earmarked for sale and 26 stocks have exited the portfolio. The disposals included six from the materials sector (Trevalli Mining, Agnico Eagle Mines, Compass Minerals, Avery Dennison, Newmont Mining and Polymetal International), as well as five each from consumer staples (Japan Tobacco, Danone, PZ Cussons, Genus and Nomad Foods) and technology (Amadeus IT, Scout24, IPG Photonics, Alphabet and TravelSky). There were four more disposals from industrials (Raytheon, Parker Hannifin, Booz Allen Hamilton and DP World) and three each from energy (Suncor, Schlumberger and Royal Dutch Shell) and healthcare (MD Medical, Ansell and ResMed).

The fund's repositioning saw 37 new stocks being added, 11 of which belong to the 'demographics' theme (Comcast, Walt Disney, PepsiCo, Visa and Shimano under the sub-theme of 'The 21st century urbanite', and Celgene, CVS Health, Manulife Financial, London Stock Exchange, Garmin and Unite Group under 'Living longer, healthier and smarter') and 10 are categorised as 'environment' (Ørsted, Enel, NextEra Energy, Atmos Energy, Naturgy Energy, Air Products, Cheniere Energy and Kunlun Energy under 'The road to zero carbon' and American Water Works and Republic Services under 'Water, waste and recycling'). 'Infrastructure' has another nine new stocks (Edison International, National Grid, ONEOK, TC Energy, PrairieSky Royalty and CSX under the sub-theme of 'Providing for life's essentials' and Ferrovia, Vinci and Transurban under 'The multi-trillion-dollar shortfall'), while 'Innovation' has seven (Crown Castle, American Tower, Equinix, CoreSite and Tencent under 'Cloud and connectivity' and Toyota Motor and Infineon under 'The changing face of transport').

Atmos Energy (environment) and National Grid (infrastructure) have since been sold as a source of cash for better ideas.

Following these transactions, the number of holdings fell to 61 and is expected to range between 40 and 60 over time.

M&G Global Themes Fund

Authorised Corporate Director's Report

Investment review

Investment activities (continued)

The fund's exposure to the US increased at the expense of Europe as the new manager made a conscious decision to redress the imbalance in regional positioning. We felt uncomfortable with the significant underweight position in the US, the largest country in the MSCI ACWI Index, especially as the growth characteristics of the US market provide a wide array of thematic opportunities.

Sector weightings saw some major changes, starting with consumer staples. The sector is home to a variety of exciting opportunities, but we found the historic exposure of almost 20% difficult to justify given the long-term growth prospects of the underlying holdings. The overweight stance in materials was reduced. The proceeds were recycled into new areas including utilities which are beneficiaries of structural themes, as well as growth companies classified as REITs. These new holdings have also served to reduce the volatility of the portfolio.

Outlook

Fears of a full-blown trade war and slowing economic growth have dominated investors' minds, but the market's concern about the immediate landscape is at odds with the progress being made by companies in the real world. Our underlying holdings continue to deliver growth, maintain their good financial health, and in many cases raise their expectations for the year ahead. The market's skittishness seems misplaced in this context.

The market's preoccupation with short-term events, however, can present excellent buying opportunities for long-term investors. Our conviction in the beneficiaries of long-term trends remains undeterred and we remain committed to our mantra: themes grounded in reality. We are focused on companies capable of generating profitable growth from their thematic tailwinds and make a conscious effort to avoid fleeting fads and speculative manias. Blue sky concepts are only rewarding for shareholders if they turn a profit. Persistent loss makers are usually cast aside and forgotten in the annals of history.

We are encouraged by the new ideas we have found which combine the attractions of structural growth with the discipline of valuation. In a market where investors have been willing to pay increasingly high multiples for premium growth, we are seeing valuation extremes which are unsustainable over the long term in our view. The momentum-driven gains in some areas of US large-cap technology are the clearest illustrations of this phenomenon. That said, we are excited by the growth opportunities available without the burden of excessive valuations, which will ultimately sow the seeds for performance in the years ahead.

Alex Araujo Fund manager

An employee of M&G Limited which is an associate of M&G Securities Limited. At the start of the review period Jamie Horvat was the fund manager.

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 August	2019	2019	2018 [a]
Holding	\$'000	%	%
EQUITIES	2,661,734	99.37	98.81
United Kingdom	164,819	6.15	10.04
316,433 AstraZeneca	28,343	1.06	
635,786 London Stock Exchange	54,198	2.02	
846,952 Unilever	53,809	2.01	
2,228,541 UNITE REIT	28,469	1.06	
Austria	31,401	1.17	1.66
965,686 Erste Group Bank	31,401	1.17	
Belgium	29,515	1.10	1.21
507,618 KBC	29,515	1.10	
Denmark	42,777	1.60	0.00
443,045 Ørsted	42,777	1.60	
France	55,589	2.08	0.00
504,970 Vinci	55,589	2.08	
Germany	169,877	6.34	11.74
385,156 Henkel Preference Shares	39,082	1.46	
2,825,180 Infineon Technologies	49,069	1.83	
134,897 Linde	25,440	0.95	
560,858 Siemens	56,286	2.10	
Ireland	26,758	1.00	3.15
225,016 Kerry	26,758	1.00	
Italy	28,192	1.05	0.00
3,830,916 Enel	28,192	1.05	
Netherlands	27,637	1.03	3.84
272,125 NXP Semiconductors	27,637	1.03	
Spain	76,542	2.86	1.81
1,951,373 Ferrovial	55,955	2.09	
781,765 Naturgy Energy	20,587	0.77	
Sweden	27,109	1.01	0.00
2,608,655 Epiroc	27,109	1.01	
Switzerland	101,144	3.78	3.69
605,353 Garmin	48,967	1.83	
190,712 Roche	52,177	1.95	
United States	1,148,846	42.89	39.61
235,553 Air Products & Chemicals	52,856	1.97	
122,153 American Tower REIT	28,145	1.05	
219,531 American Water Works	27,856	1.04	
211,899 Becton Dickinson	54,028	2.02	
488,336 Bunge	25,687	0.96	
290,405 Celgene	28,195	1.05	
662,186 Cheniere Energy	37,910	1.41	
1,225,445 Comcast	54,116	2.02	
356,612 CoreSite Realty REIT	41,149	1.54	
303,633 Crown Castle International REIT	44,309	1.65	
763,562 CSX	50,785	1.90	
990,651 CVS Health	59,578	2.22	
367,094 Edison International	26,508	0.99	
51,365 Equinix REIT	28,637	1.07	
855,144 First Republic Bank	76,877	2.87	
152,409 Honeywell International	24,936	0.93	
367,146 Johnson & Johnson	47,068	1.76	
577,465 Microsoft	79,754	2.98	
309,371 Motorola Solutions	56,027	2.09	
127,300 NextEra Energy	28,149	1.05	
861,234 ONEOK	60,967	2.28	
399,807 PepsiCo	54,378	2.03	
607,250 Republic Services	54,282	2.03	

M&G Global Themes Fund

Authorised Corporate Director's Report

Investments

Portfolio statement (continued)			
as at 31 August Holding	2019 \$'000	2019 %	2018 ^[a] %
United States (continued)			
149,939 Visa	27,155	1.01	
387,082 Walt Disney	53,348	1.99	
222,997 Yum! Brands	26,146	0.98	
Canada			
	256,739	9.59	4.67
688,489 Franco Nevada	66,950	2.50	
3,175,412 Manulife Financial	52,458	1.96	
6,466,077 PrairieSky Royalty	82,246	3.07	
1,085,425 TC Energy	55,085	2.06	
Japan			
	161,482	6.03	3.98
566,000 Shimano	81,184	3.03	
1,227,600 Toyota Motor	80,298	3.00	
Australia			
	82,838	3.09	2.82
326,423 Erinbarr (formerly Australian Zircon) ^[b]	0	0.00	
40,858,114 Starpharma	30,099	1.12	
5,247,204 Transurban	52,739	1.97	
Hong Kong			
	108,710	4.06	3.29
7,681,568 AIA	74,587	2.78	
380,190 Hutchison China MediTech ADR	8,224	0.31	
11,422,000 Kunlun Energy	9,947	0.37	
385,400 Tencent	15,952	0.60	
Singapore			
	47,766	1.78	2.66
2,711,033 DBS	47,766	1.78	
South Korea			
	73,993	2.76	2.65
2,039,233 Samsung Electronics	73,993	2.76	
United Arab Emirates			
	0	0.00	1.99
Portfolio of investments	2,661,734	99.37	98.81
CASH EQUIVALENTS			
'AAA' rated money market funds ^[c]	0	0.00	0.00
Total portfolio (notes 2c & 2d on page 7)	2,661,734	99.37	98.81
Net other assets / (liabilities)	16,987	0.63	1.19
Net assets attributable to shareholders	2,678,721	100.00	100.00

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

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

^[b] Unlisted/unquoted.

^[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 August 2019

	\$'000
Largest purchases	
Danone	103,261
PrairieSky Royalty	89,002
Shimano	86,827
Toyota Motor	82,579
Infineon Technologies	60,957
ONEOK	58,501
Comcast	57,584
Edison International	56,650
Manulife Financial	55,490
NextEra Energy	54,338
Other purchases	1,398,950
Total purchases	2,104,139
Largest sales	
	\$'000
Microsoft	135,430
Alphabet	126,939
Danone	97,483
Yum! Brands	76,916
Royal Dutch Shell 'A'	76,478
Raytheon	70,721
Roche	68,540
Honda Motor	67,459
Kerry	67,069
Porsche Preference Shares	63,155
Other sales	1,715,264
Total sales	2,565,454

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

M&G Global Themes 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 reflect the key financial information of a representative share class, Sterling Class 'A' (Accumulation) shares. As different share classes have different attributes, for example charging structures and minimum investments, please be aware that their performance may be different. For more information on the different share classes in this fund please refer to the Prospectus for M&G Investment Funds (1), 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 August	2019 \$'000	2018 \$'000	2017 \$'000
Fund net asset value (NAV)	2,678,721	3,077,684	2,680,467

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.



* Income reinvested

** Past performance shown from 17 November 2000 to 16 November 2017 is the FTSE Global Basics Composite Index (comprising all subsectors of the FTSE World Index except media, IT, telecommunications, financials and healthcare). Past performance shown from 17 November 2017 to 2 September 2019 is the MSCI ACWI Index.

Source: Morningstar, Inc. and M&G

When the fund's objective changed, the comparable index of the fund also changed, and to make a fair comparison the chart above shows performance since the fund's change of objective.

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 03.09.18 % [a]	Three years 02.09.16 % p.a.	Five years 02.09.14 % p.a.	Since launch % p.a.
Euro [b]				
Class 'A'	+10.7	+8.1	+7.1	+7.5 [c]
Class 'C'	+11.9	+9.2	+8.2	+8.5 [c]
Sterling [d]				
Class 'A'	+11.9	+11.1	+10.4	+7.9 [e]
Class 'I'	+12.7	+11.9	+11.2	+9.5 [f]
Class 'PP'	n/a	n/a	n/a	+13.0 [g]
Class 'R'	+12.4	+11.6	+10.9	+9.2 [f]
Class 'X'	+11.9	+11.1	+10.4	+14.3 [h]
US dollar [b]				
Class 'A'	+4.6	+7.4	+3.4	+2.8 [i]
Class 'C'	+5.6	+8.5	+4.4	+3.8 [i]

[a] Absolute basis.

[b] Price to price with net income reinvested.

[c] 28 November 2001, the launch date of the share class.

[d] Price to price with income reinvested.

[e] 28 February 1973, the end of the initial offer period of the predecessor unit trust.

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

[g] 8 April 2019, the launch date of the share class. Not annualised.

[h] 1 October 2002, the launch date of the share class.

[i] 9 March 2007, the launch date of the share class.

M&G Global Themes Fund

Financial highlights

Fund performance

Operating charges and portfolio transaction costs

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

Operating charges

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

- **Annual charge:** Charge paid to M&G covering the annual cost of M&G managing and administering the fund and the costs of third parties providing services to the fund. From 1 August 2019, this charge rolls all costs that make up the operating charges into one annual charge.

For every £1 billion of a fund's net asset value, a discount of 0.02% will be applied to that fund's annual charge (up to a maximum of 0.12%).

- **Extraordinary legal and tax expenses:** Costs that specifically relate to legal or tax claims that are both exceptional and unforeseeable. Such expenses are uncommon, and would not be expected in most years. Although they result in a short-term cost to the fund, generally they can deliver longer term benefits for investors.
- **Investment management:** Charge paid to M&G for investment management of the fund. From 1 August 2019 this charge forms part of the annual charge.
- **Administration:** Charge paid for administration services in addition to investment management – any surplus from this charge will be retained by M&G. From 1 August 2019 this charge is rolled into the annual charge.
- **Oversight and other independent services:** Charges paid to providers independent of M&G for services which include depositary, custody and audit. From 1 August 2019 these charges will be paid by M&G and rolled into the annual charge.
- **Ongoing charges from underlying funds:** Ongoing charges on holdings in underlying funds that are not rebated. From 1 August 2019 charges from underlying funds (excluding Investment Trusts Companies and Real Estate Investment Trusts) will be rebated.

The operating charges paid by each share class of the fund are shown in the following performance tables. These 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.

Once the annual charge has been operational for twelve months, operating charges will be in line with the ongoing charges shown in the Key Investor Information Document, other than where there have been extraordinary legal or tax expenses, or 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. Any estimate will be disclosed under the specific share class performance table.

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

Portfolio transaction costs

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

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

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

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

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

Portfolio transaction costs				
for the year to 31 August	2019	2018	2017	Average ^[a]
Direct portfolio transaction costs ^[b]	%	%	%	%
Broker commission	0.07	0.04	0.02	0.04
Taxes	0.04	0.02	0.01	0.03
Costs before dilution adjustments	0.11	0.06	0.03	0.07
Dilution adjustments ^[c]	(0.01)	(0.01)	(0.01)	(0.01)
Total direct portfolio transaction costs	0.10	0.05	0.02	0.06
as at 31 August	2019	2018	2017	Average ^[a]
Indirect portfolio transaction costs	%	%	%	%
Average portfolio dealing spread	0.25	0.17	0.27	0.23

^[a] Average of first three columns.

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

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

M&G Global Themes 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.

Historic yields for the current year are calculated as at 13 September 2019.

Euro Class 'A' Income share performance

The share class was launched on 12 July 2013.

for the year to 31 August Change in NAV per share	2019 Euro ¢	2018 Euro ¢	2017 Euro ¢
Opening NAV	3,119.11	2,922.01	2,824.63
Return before operating charges and after direct portfolio transaction costs	360.58	314.66	209.47
Operating charges	(59.62)	(59.73)	(57.25)
Return after operating charges	300.96	254.93	152.22
Distributions	(64.95)	(57.83)	(54.84)
Closing NAV	3,355.12	3,119.11	2,922.01

Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	3.46	1.89	0.99
Dilution adjustments ^[a]	(0.40)	(0.27)	(0.26)
Total direct portfolio transaction costs	3.06	1.62	0.73

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.10	0.05	0.02
Operating charges ^[c]	1.92	1.92	1.92
Return after operating charges	+9.65	+8.72	+5.39
Historic yield	1.69	1.86	1.85
Effect on yield of charges offset against capital	1.90	1.90	1.90

Other information

Closing NAV (\$'000)	5,258	5,968	4,990
Closing NAV percentage of total fund NAV (%)	0.20	0.19	0.19
Number of shares	141,928	163,979	144,009
Highest share price (Euro ¢)	3,432.94	3,268.60	3,145.52
Lowest share price (Euro ¢)	2,729.51	2,928.48	2,720.14

Euro Class 'A' Accumulation share performance

The share class was launched on 28 November 2001.

for the year to 31 August Change in NAV per share	2019 Euro ¢	2018 Euro ¢	2017 Euro ¢
Opening NAV	3,265.29	3,003.89	2,850.14
Return before operating charges and after direct portfolio transaction costs	377.68	322.62	211.27
Operating charges	(62.40)	(61.22)	(57.52)
Return after operating charges	315.28	261.40	153.75
Distributions	(4.46)	0.00	(2.55)
Retained distributions	4.46	0.00	2.55
Closing NAV	3,580.57	3,265.29	3,003.89

Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	3.62	1.93	0.99
Dilution adjustments ^[a]	(0.42)	(0.28)	(0.26)
Total direct portfolio transaction costs	3.20	1.65	0.73

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.10	0.05	0.02
Operating charges ^[c]	1.92	1.92	1.92
Return after operating charges	+9.66	+8.70	+5.39
Historic yield	0.00	0.00	0.09
Effect on yield of charges offset against capital	0.00	0.00	0.00

Other information

Closing NAV (\$'000)	1,711,878	2,027,137	1,816,848
Closing NAV percentage of total fund NAV (%)	63.90	65.88	67.78
Number of shares	43,300,407	53,204,357	51,008,408
Highest share price (Euro ¢)	3,594.06	3,359.41	3,173.93
Lowest share price (Euro ¢)	2,857.61	3,009.84	2,744.71

Euro Class 'C' Income share performance

The share class was launched on 8 August 2014.

for the year to 31 August Change in NAV per share	2019 Euro ¢	2018 Euro ¢	2017 Euro ¢
Opening NAV	3,566.16	3,307.75	3,165.27
Return before operating charges and after direct portfolio transaction costs	416.12	357.05	235.29
Operating charges	(32.82)	(32.55)	(30.97)
Return after operating charges	383.30	324.50	204.32
Distributions	(74.67)	(66.09)	(61.84)
Closing NAV	3,874.79	3,566.16	3,307.75

Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	3.98	2.15	1.11
Dilution adjustments ^[a]	(0.46)	(0.31)	(0.29)
Total direct portfolio transaction costs	3.52	1.84	0.82

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.10	0.05	0.02
Operating charges ^[c]	0.92	0.92	0.92
Return after operating charges	+10.75	+9.81	+6.46
Historic yield	1.67	1.86	1.84
Effect on yield of charges offset against capital	0.90	0.90	0.90

Other information

Closing NAV (\$'000)	1,386	1,485	1,290
Closing NAV percentage of total fund NAV (%)	0.05	0.05	0.05
Number of shares	32,405	35,695	32,892
Highest share price (Euro ¢)	3,960.40	3,713.16	3,546.63
Lowest share price (Euro ¢)	3,130.84	3,317.13	3,054.11

M&G Global Themes Fund

Financial highlights

Specific share class performance

Euro Class 'C' Accumulation share performance

The share class was launched on 28 November 2001.

for the year to 31 August Change in NAV per share	2019 Euro ¢	2018 Euro ¢	2017 Euro ¢
Opening NAV	3,834.19	3,492.19	3,280.53
Return before operating charges and after direct portfolio transaction costs	447.19	376.32	243.52
Operating charges	(35.10)	(34.32)	(31.86)
Return after operating charges	412.09	342.00	211.66
Distributions	(44.93)	(35.11)	(35.10)
Retained distributions	44.93	35.11	35.10
Closing NAV	4,246.28	3,834.19	3,492.19

Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	4.25	2.26	1.15
Dilution adjustments ^[a]	(0.50)	(0.32)	(0.30)
Total direct portfolio transaction costs	3.75	1.94	0.85

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.10	0.05	0.02
Operating charges ^[c]	0.92	0.92	0.92
Return after operating charges	+10.75	+9.79	+6.45
Historic yield	0.81	0.92	0.99
Effect on yield of charges offset against capital	0.00	0.00	0.00

Other information

Closing NAV (\$'000)	13,397	16,151	14,125
Closing NAV percentage of total fund NAV (%)	0.50	0.52	0.53
Number of shares	285,735	361,002	341,119
Highest share price (Euro ¢)	4,258.34	3,919.55	3,675.70
Lowest share price (Euro ¢)	3,366.37	3,501.73	3,165.26

Sterling Class 'A' Income share performance

The share class was launched on 28 February 1973.

for the year to 31 August Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	911.11	873.84	776.01
Return before operating charges and after direct portfolio transaction costs	115.97	68.93	128.12
Operating charges	(14.78)	(14.79)	(13.91)
Return after operating charges	101.19	54.14	114.21
Distributions	(19.20)	(16.87)	(16.38)
Closing NAV	993.10	911.11	873.84

Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	1.00	0.54	0.28
Dilution adjustments ^[a]	(0.12)	(0.08)	(0.07)
Total direct portfolio transaction costs	0.88	0.46	0.21

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.10	0.05	0.02
Operating charges ^[c]	1.65	1.67	1.67
Return after operating charges	+11.11	+6.20	+14.72
Historic yield	1.64	1.85	1.85
Effect on yield of charges offset against capital	1.63	1.65	1.65

Other information

Closing NAV (\$'000)	144,504	156,489	93,968
Closing NAV percentage of total fund NAV (%)	5.39	5.08	3.51
Number of shares	11,948,404	13,206,458	8,351,587
Highest share price (UK p)	1,018.69	944.06	894.27
Lowest share price (UK p)	802.05	833.29	755.91

Sterling Class 'A' Accumulation share performance

The share class was launched on 28 February 1973.

for the year to 31 August Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	1,442.51	1,358.67	1,184.36
Return before operating charges and after direct portfolio transaction costs	183.71	106.95	195.57
Operating charges	(23.40)	(23.11)	(21.26)
Return after operating charges	160.31	83.84	174.31
Distributions	(6.07)	(2.45)	(4.29)
Retained distributions	6.07	2.45	4.29
Closing NAV	1,602.82	1,442.51	1,358.67

Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	1.58	0.84	0.42
Dilution adjustments ^[a]	(0.18)	(0.12)	(0.11)
Total direct portfolio transaction costs	1.40	0.72	0.31

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.10	0.05	0.02
Operating charges ^[c]	1.65	1.67	1.67
Return after operating charges	+11.11	+6.17	+14.72
Historic yield	0.15	0.17	0.31
Effect on yield of charges offset against capital	0.00	0.00	0.00

Other information

Closing NAV (\$'000)	295,883	322,760	271,142
Closing NAV percentage of total fund NAV (%)	11.05	10.50	10.12
Number of shares	15,158,538	17,204,174	15,498,977
Highest share price (UK p)	1,612.96	1,467.51	1,364.86
Lowest share price (UK p)	1,269.93	1,295.40	1,153.67

Sterling Class 'I' Income share performance

The share class was launched on 3 August 2012.

for the year to 31 August Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	1,536.70	1,462.82	1,289.26
Return before operating charges and after direct portfolio transaction costs	197.07	115.98	213.70
Operating charges	(13.93)	(13.74)	(12.81)
Return after operating charges	183.14	102.24	200.89
Distributions	(32.52)	(28.36)	(27.33)
Closing NAV	1,687.32	1,536.70	1,462.82

Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	1.69	0.91	0.46
Dilution adjustments ^[a]	(0.20)	(0.13)	(0.12)
Total direct portfolio transaction costs	1.49	0.78	0.34

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.10	0.05	0.02
Operating charges ^[c]	0.92	0.92	0.92
Return after operating charges	+11.92	+6.99	+15.58
Historic yield	1.62	1.84	1.84
Effect on yield of charges offset against capital	0.90	0.90	0.90

Other information

Closing NAV (\$'000)	60,204	68,915	49,792
Closing NAV percentage of total fund NAV (%)	2.25	2.24	1.86
Number of shares	2,929,887	3,448,246	2,643,572
Highest share price (UK p)	1,729.96	1,591.42	1,496.94
Lowest share price (UK p)	1,356.06	1,401.16	1,256.20

M&G Global Themes Fund

Financial highlights

Specific share class performance

Sterling Class 'I' Accumulation share performance

The share class was launched on 3 August 2012.

for the year to 31 August Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	1,679.67	1,570.26	1,358.59
Return before operating charges and after direct portfolio transaction costs	215.52	124.19	225.15
Operating charges	(15.23)	(14.78)	(13.48)
Return after operating charges	200.29	109.41	211.67
Distributions	(19.85)	(15.38)	(15.79)
Retained distributions	19.85	15.38	15.79
Closing NAV	1,879.96	1,679.67	1,570.26
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	1.85	0.97	0.48
Dilution adjustments ^[a]	(0.22)	(0.14)	(0.13)
Total direct portfolio transaction costs	1.63	0.83	0.35
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.10	0.05	0.02
Operating charges ^[c]	0.92	0.92	0.92
Return after operating charges	+11.92	+6.97	+15.58
Historic yield	0.79	0.91	0.99
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	267,712	283,442	258,543
Closing NAV percentage of total fund NAV (%)	9.99	9.21	9.64
Number of shares	11,693,471	12,975,200	12,787,325
Highest share price (UK p)	1,891.03	1,707.96	1,577.42
Lowest share price (UK p)	1,482.31	1,503.81	1,323.72

Sterling Class 'PP' Income share performance

The share class was launched on 5 August 2019.

for the year to 31 August Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	100.00	n/a	n/a
Return before operating charges and after direct portfolio transaction costs	2.10	n/a	n/a
Operating charges	(0.05)	n/a	n/a
Return after operating charges	2.05	n/a	n/a
Distributions	(1.90)	n/a	n/a
Closing NAV	100.15	n/a	n/a
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.01	n/a	n/a
Dilution adjustments ^[a]	0.00	n/a	n/a
Total direct portfolio transaction costs	0.01	n/a	n/a
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.10	n/a	n/a
Operating charges ^[c]	0.66	n/a	n/a
Return after operating charges	+2.05	n/a	n/a
Historic yield	1.69	n/a	n/a
Effect on yield of charges offset against capital	0.70	n/a	n/a
Other information			
Closing NAV (\$'000)	169	n/a	n/a
Closing NAV percentage of total fund NAV (%)	0.01	n/a	n/a
Number of shares	138,924	n/a	n/a
Highest share price (UK p)	102.60	n/a	n/a
Lowest share price (UK p)	99.24	n/a	n/a

Sterling Class 'PP' Accumulation share performance

The share class was launched on 8 April 2019.

for the year to 31 August Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	100.00	n/a	n/a
Return before operating charges and after direct portfolio transaction costs	12.02	n/a	n/a
Operating charges	(0.30)	n/a	n/a
Return after operating charges	11.72	n/a	n/a
Distributions	(1.27)	n/a	n/a
Retained distributions	1.27	n/a	n/a
Closing NAV	111.72	n/a	n/a
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.05	n/a	n/a
Dilution adjustments ^[a]	(0.01)	n/a	n/a
Total direct portfolio transaction costs	0.04	n/a	n/a
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.10	n/a	n/a
Operating charges ^[c]	0.67	n/a	n/a
Return after operating charges	+11.72	n/a	n/a
Historic yield	0.60	n/a	n/a
Effect on yield of charges offset against capital	0.00	n/a	n/a
Other information			
Closing NAV (\$'000)	188	n/a	n/a
Closing NAV percentage of total fund NAV (%)	0.01	n/a	n/a
Number of shares	138,014	n/a	n/a
Highest share price (UK p)	112.36	n/a	n/a
Lowest share price (UK p)	99.20	n/a	n/a

Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012.

for the year to 31 August Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	153.00	146.02	129.01
Return before operating charges and after direct portfolio transaction costs	19.58	11.55	21.36
Operating charges	(1.77)	(1.74)	(1.62)
Return after operating charges	17.81	9.81	19.74
Distributions	(3.23)	(2.83)	(2.73)
Closing NAV	167.58	153.00	146.02
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.17	0.09	0.05
Dilution adjustments ^[a]	(0.02)	(0.01)	(0.01)
Total direct portfolio transaction costs	0.15	0.08	0.04
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.10	0.05	0.02
Operating charges ^[c]	1.17	1.17	1.17
Return after operating charges	+11.64	+6.72	+15.30
Historic yield	1.63	1.84	1.84
Effect on yield of charges offset against capital	1.15	1.15	1.15
Other information			
Closing NAV (\$'000)	4,206	3,913	654
Closing NAV percentage of total fund NAV (%)	0.16	0.13	0.02
Number of shares	2,061,137	1,966,484	348,053
Highest share price (UK p)	171.86	158.48	149.42
Lowest share price (UK p)	134.91	139.65	125.69

M&G Global Themes 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 August Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	165.47	155.07	134.50
Return before operating charges and after direct portfolio transaction costs	21.17	12.26	22.27
Operating charges	(1.91)	(1.86)	(1.70)
Return after operating charges	19.26	10.40	20.57
Distributions	(1.52)	(1.11)	(1.20)
Retained distributions	1.52	1.11	1.20
Closing NAV	184.73	165.47	155.07
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.18	0.10	0.05
Dilution adjustments ^[a]	(0.02)	(0.01)	(0.01)
Total direct portfolio transaction costs	0.16	0.09	0.04
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.10	0.05	0.02
Operating charges ^[c]	1.17	1.17	1.17
Return after operating charges	+11.64	+6.71	+15.29
Historic yield	0.58	0.67	0.77
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	19,127	16,709	222
Closing NAV percentage of total fund NAV (%)	0.71	0.54	0.01
Number of shares	8,502,016	7,764,839	110,924
Highest share price (UK p)	185.87	168.28	155.78
Lowest share price (UK p)	145.90	148.29	131.04

Sterling Class 'X' Income share performance

The share class was launched on 1 October 2002.

for the year to 31 August Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	914.07	876.72	778.58
Return before operating charges and after direct portfolio transaction costs	116.36	69.20	128.55
Operating charges	(14.83)	(14.92)	(13.98)
Return after operating charges	101.53	54.28	114.57
Distributions	(19.26)	(16.93)	(16.43)
Closing NAV	996.34	914.07	876.72
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	1.00	0.54	0.28
Dilution adjustments ^[a]	(0.12)	(0.08)	(0.07)
Total direct portfolio transaction costs	0.88	0.46	0.21
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.10	0.05	0.02
Operating charges ^[c]	1.65	1.67	1.67
Return after operating charges	+11.11	+6.19	+14.72
Historic yield	1.64	1.85	1.85
Effect on yield of charges offset against capital	1.63	1.65	1.65
Other information			
Closing NAV (\$'000)	44,642	47,744	49,153
Closing NAV percentage of total fund NAV (%)	1.67	1.55	1.83
Number of shares	3,679,292	4,016,128	4,354,184
Highest share price (UK p)	1,022.01	947.14	897.24
Lowest share price (UK p)	804.66	836.06	758.41

Sterling Class 'X' Accumulation share performance

The share class was launched on 1 October 2002.

for the year to 31 August Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	1,428.35	1,345.33	1,172.74
Return before operating charges and after direct portfolio transaction costs	181.92	105.91	193.63
Operating charges	(23.17)	(22.89)	(21.04)
Return after operating charges	158.75	83.02	172.59
Distributions	(6.01)	(2.41)	(4.25)
Retained distributions	6.01	2.41	4.25
Closing NAV	1,587.10	1,428.35	1,345.33
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	1.56	0.83	0.42
Dilution adjustments ^[a]	(0.18)	(0.12)	(0.11)
Total direct portfolio transaction costs	1.38	0.71	0.31
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.10	0.05	0.02
Operating charges ^[c]	1.65	1.67	1.67
Return after operating charges	+11.11	+6.17	+14.72
Historic yield	0.15	0.17	0.31
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	89,535	102,920	94,910
Closing NAV percentage of total fund NAV (%)	3.34	3.34	3.54
Number of shares	4,632,482	5,540,367	5,479,002
Highest share price (UK p)	1,597.12	1,453.10	1,351.47
Lowest share price (UK p)	1,257.47	1,282.70	1,142.35

US dollar Class 'A' Income share performance

The share class was launched on 8 August 2014.

for the year to 31 August Change in NAV per share	2019 US ¢	2018 US ¢	2017 US ¢
Opening NAV	1,294.54	1,232.44	1,119.41
Return before operating charges and after direct portfolio transaction costs	72.60	111.54	158.81
Operating charges	(23.95)	(25.43)	(22.64)
Return after operating charges	48.65	86.11	136.17
Distributions	(25.52)	(24.01)	(23.14)
Closing NAV	1,317.67	1,294.54	1,232.44
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	1.39	0.80	0.39
Dilution adjustments ^[a]	(0.16)	(0.11)	(0.10)
Total direct portfolio transaction costs	1.23	0.69	0.29
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.10	0.05	0.02
Operating charges ^[c]	1.92	1.92	1.92
Return after operating charges	+3.76	+6.99	+12.16
Historic yield	1.77	1.88	1.84
Effect on yield of charges offset against capital	1.90	1.90	1.90
Other information			
Closing NAV (\$'000)	56	89	108
Closing NAV percentage of total fund NAV (%)	0.00	0.00	0.00
Number of shares	4,215	6,874	8,774
Highest share price (US ¢)	1,366.55	1,426.87	1,265.15
Lowest share price (US ¢)	1,105.71	1,242.08	1,065.61

M&G Global Themes Fund

Financial highlights

Specific share class performance

US dollar Class 'A' Accumulation share performance

The share class was launched on 9 March 2007.

for the year to 31 August Change in NAV per share	2019 US ¢	2018 US ¢	2017 US ¢
Opening NAV	1,351.12	1,263.06	1,126.12
Return before operating charges and after direct portfolio transaction costs	75.95	113.98	158.94
Operating charges	(25.09)	(25.92)	(22.00)
Return after operating charges	50.86	88.06	136.94
Distributions	(1.75)	0.00	(1.07)
Retained distributions	1.75	0.00	1.07
Closing NAV	1,401.98	1,351.12	1,263.06
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	1.46	0.82	0.38
Dilution adjustments ^[a]	(0.17)	(0.12)	(0.10)
Total direct portfolio transaction costs	1.29	0.70	0.28
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.10	0.05	0.02
Operating charges ^[c]	1.92	1.92	1.92
Return after operating charges	+3.76	+6.97	+12.16
Historic yield	0.00	0.00	0.09
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	20,522	23,215	24,681
Closing NAV percentage of total fund NAV (%)	0.77	0.75	0.92
Number of shares	1,463,766	1,718,205	1,954,068
Highest share price (US ¢)	1,426.36	1,462.09	1,272.71
Lowest share price (US ¢)	1,154.11	1,272.76	1,071.99

US dollar Class 'C' Income share performance

The share class was launched on 8 August 2014.

for the year to 31 August Change in NAV per share	2019 US ¢	2018 US ¢	2017 US ¢
Opening NAV	1,405.70	1,324.82	1,191.41
Return before operating charges and after direct portfolio transaction costs	79.84	119.70	169.55
Operating charges	(12.27)	(12.80)	(11.26)
Return after operating charges	67.57	106.90	158.29
Distributions	(27.95)	(26.02)	(24.88)
Closing NAV	1,445.32	1,405.70	1,324.82
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	1.53	0.87	0.40
Dilution adjustments ^[a]	(0.18)	(0.12)	(0.10)
Total direct portfolio transaction costs	1.35	0.75	0.30
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.10	0.05	0.02
Operating charges ^[c]	0.90	0.90	0.91
Return after operating charges	+4.81	+8.07	+13.29
Historic yield	1.75	1.87	1.84
Effect on yield of charges offset against capital	0.90	0.90	0.90
Other information			
Closing NAV (\$'000)	6	6	5
Closing NAV percentage of total fund NAV (%)	0.00	0.00	0.00
Number of shares	401	401	401
Highest share price (US ¢)	1,496.45	1,540.18	1,359.12
Lowest share price (US ¢)	1,204.50	1,335.35	1,136.53

US dollar Class 'C' Accumulation share performance

The share class was launched on 9 March 2007.

for the year to 31 August Change in NAV per share	2019 US ¢	2018 US ¢	2017 US ¢
Opening NAV	1,511.73	1,394.18	1,235.00
Return before operating charges and after direct portfolio transaction costs	86.25	131.23	170.87
Operating charges	(13.61)	(13.68)	(11.69)
Return after operating charges	72.64	117.55	159.18
Distributions	(16.66)	(13.85)	(14.04)
Retained distributions	16.66	13.85	14.04
Closing NAV	1,584.37	1,511.73	1,394.18
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	1.64	0.90	0.42
Dilution adjustments ^[a]	(0.19)	(0.13)	(0.11)
Total direct portfolio transaction costs	1.45	0.77	0.31
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.10	0.05	0.02
Operating charges ^[c]	0.92	0.92	0.92
Return after operating charges	+4.81	+8.43	+12.89
Historic yield	0.85	0.93	0.99
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	48	741	36
Closing NAV percentage of total fund NAV (%)	0.00	0.02	0.00
Number of shares	3,051	48,995	2,544
Highest share price (US ¢)	1,609.39	1,626.31	1,408.97
Lowest share price (US ¢)	1,295.48	1,410.11	1,178.19

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

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

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

M&G Global Themes Fund

Financial statements and notes

Financial statements

Statement of total return

for the year to 31 August	Note	2019		2018	
		\$'000	\$'000	\$'000	\$'000
Income					
Net capital gains / (losses)	3		80,265		186,536
Revenue	5	61,950		59,712	
Expenses	6	(47,791)		(50,002)	
Net revenue / (expense) before taxation		14,159		9,710	
Taxation	7	(6,024)		(7,868)	
Net revenue / (expense) after taxation			8,135		1,842
Total return before distributions			88,400		188,378
Distributions	8		(11,932)		(6,975)
Change in net assets attributable to shareholders from investment activities			76,468		181,403

Statement of change in net assets attributable to shareholders

for the year to 31 August	2019		2018	
	\$'000	\$'000	\$'000	\$'000
Opening net assets attributable to shareholders		3,077,684		2,680,467
Amounts received on issue of shares	57,142		61,531	
Value of in specie transfers received	0		496,152	
Amounts paid on cancellation of shares	(539,896)		(345,917)	
		(482,754)		211,766
Dilution adjustments		563		465
Change in net assets attributable to shareholders from investment activities (see above)		76,468		181,403
Retained distributions on Accumulation shares		6,745		3,583
Unclaimed distributions		15		0
Closing net assets attributable to shareholders		2,678,721		3,077,684

Balance sheet

as at 31 August	Note	2019 \$'000	2018 \$'000
Assets			
Fixed assets			
Investments		2,661,734	3,040,955
Current assets			
Debtors	9	14,144	22,436
Cash and bank balances	10	17,433	26,017
Cash equivalents		0	17
Total assets		2,693,311	3,089,425
Liabilities			
Creditors			
Distribution payable		(5,031)	(5,266)
Other creditors	11	(9,559)	(6,475)
Total liabilities		(14,590)	(11,741)
Net assets attributable to shareholders		2,678,721	3,077,684

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 7 and 8.

The fund's functional and presentational currency is US dollars as this better reflects the currency of its primary economic environment.

2 Distribution policy

In determining the amount available for distribution to Income shares, the annual charge, annual management charge and administration charge are 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 August	2019 \$'000	2018 \$'000
Non-derivative securities	80,772	189,809
Capital gains on US REIT	21	412
Currency gains / (losses)	(505)	(3,676)
Transaction charges	(23)	(9)
Net capital gains / (losses)	80,265	186,536

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 82.

for the year to 31 August	2019 \$'000	% of transaction	2018 \$'000	% of transaction
a) Purchases				
Equities				
Equities before transaction costs	2,102,263		1,553,212	
Commissions	932	0.04	564	0.04
Taxes	944	0.04	445	0.03
Total purchases after transaction costs	2,104,139		1,554,221	
b) Sales				
Equities				
Equities before transaction costs	2,566,646		1,372,048	
Commissions	(1,109)	0.04	(655)	0.05
Taxes	(83)	0.00	(70)	0.01
Total sales after transaction costs	2,565,454		1,371,323	

M&G Global Themes Fund

Financial statements and notes

Notes to the financial statements

4 Portfolio transactions and associated costs (continued)

c) Direct portfolio transaction costs	2019 \$'000	% of average NAV	2018 \$'000	% of average NAV
Commissions paid				
Equities	2,041	0.07	1,219	0.04
Taxes paid				
Equities	1,027	0.04	515	0.02
Total direct portfolio transaction costs ^[a]	3,068	0.11	1,734	0.06
d) Indirect portfolio transaction costs		%		%
Portfolio dealing spread ^[b]		0.25		0.17

^[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 August	2019 \$'000	2018 \$'000
Bank interest	21	75
Dividends from equity investments: non-taxable	56,855	56,955
Dividends from equity investments: taxable	4,928	2,316
Interest distributions	146	366
Total revenue	61,950	59,712

6 Expenses

for the year to 31 August	2019 \$'000	2018 \$'000
Payable to the ACD or associate		
Annual charge	3,547	0
Annual management charge ^[a]	39,873	45,157
Administration charge ^[a]	3,809	4,293
	47,229	49,450
Payable to the Depositary or associate		
Depositary's charge (including VAT) ^[a]	104	118
Other expenses		
Audit fee (including VAT) ^[a] ^[b]	10	12
Interest payable	20	12
Legal fees	3	2
Safe custody charge ^[a]	337	421
Tax fees (including VAT)	88	(13)
	458	434
Total expenses	47,791	50,002

^[a] The segregated charges shown above for annual management, administration, depositary, audit and safe custody are those paid by the fund up to and including 31 July 2019. As of 1 August 2019 these charges have been replaced by the single annual charge.

^[b] Audit fees for the financial year ending 2019 were \$10,000.

7 Taxation

for the year to 31 August	2019 \$'000	2018 \$'000
a) Analysis of charge in the year		
Corporation tax	0	0
Withholding tax	6,024	7,868
Deferred tax (note 7c)	0	0
Total taxation	6,024	7,868
b) Factors affecting taxation charge for the year		
Net revenue / (expense) before taxation	14,159	9,710
Corporation tax at 20%	2,832	1,942
Effects of:		
Dividends from equity investments: non-taxable	(11,371)	(11,391)
Current year expenses not utilised	8,607	9,383
Withholding tax	6,020	7,868
Withholding tax expensed	(67)	(16)
Capital gains tax (US)	3	82
Total tax charge (note 7a)	6,024	7,868
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 \$177,741,000 (2018: \$169,134,000) 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 August	2019		2018	
	Inc ^[a] \$'000	Acc ^[b] \$'000	Inc ^[a] \$'000	Acc ^[b] \$'000
Dividend distributions				
Final	5,031	6,745	5,266	3,583
Total net distributions		11,776		8,849
Income deducted on cancellation of shares		308		193
Income received on issue of shares		(152)		(2,067)
Distributions		11,932		6,975
Net revenue / (expense) per statement of total return		8,135		1,842
Expenses offset against capital		3,794		3,325
Capital gains tax offset against capital		3		117
Income deficit transferred to capital		0		1,691
Distributions		11,932		6,975

^[a] Distributions payable on Income shares.

^[b] Retained distributions on Accumulation shares.

9 Debtors

as at 31 August	2019 \$'000	2018 \$'000
Amounts receivable from M&G Global Leaders Fund	511	1,586
Amounts receivable on issues of shares	1,213	322
Currency deals outstanding	1,714	607
Distributions receivable	0	16
Dividends receivable	3,747	7,985
Sales awaiting settlement	4,488	8,578
Withholding tax recoverable	2,471	3,342
Total debtors	14,144	22,436

10 Cash and bank balances

as at 31 August	2019 \$'000	2018 \$'000
Cash held as bank balances	17,433	26,017
Total cash and bank balances	17,433	26,017

M&G Global Themes Fund

Financial statements and notes

Notes to the financial statements

11 Other creditors

as at 31 August	2019 \$'000	2018 \$'000
ACD's annual management charge payable	0	2,364
Administration charge payable	0	225
Amounts payable on cancellation of shares	2,583	3,195
Annual charge payable	2,126	0
Currency deals outstanding	1,709	608
Expenses payable	105	83
Purchases awaiting settlement	3,036	0
Total other creditors	9,559	6,475

12 Contingent assets, liabilities and outstanding commitments

There were no contingent assets, liabilities or outstanding commitments at the balance sheet date (2018: 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 01.09.18	Movements		Closing 31.08.19
		Issued	Cancelled	
Euro				
Class 'A' Income	163,979	21,395	(43,446)	141,928
Class 'A' Accumulation	53,204,357	731,732	(10,635,682)	43,300,407
Class 'C' Income	35,695	650	(3,940)	32,405
Class 'C' Accumulation	361,002	111,546	(186,813)	285,735
Sterling				
Class 'A' Income	13,206,458	342,278	(1,600,332)	11,948,404
Class 'A' Accumulation	17,204,174	64,760	(2,110,396)	15,158,538
Class 'I' Income	3,448,246	118,913	(637,272)	2,929,887
Class 'I' Accumulation	12,975,200	396,086	(1,677,815)	11,693,471
Class 'PP' Income	0	159,000	(20,076)	138,924
Class 'PP' Accumulation	0	160,000	(21,986)	138,014
Class 'R' Income	1,966,484	332,765	(238,112)	2,061,137
Class 'R' Accumulation	7,764,839	1,333,066	(595,889)	8,502,016
Class 'X' Income	4,016,128	88,716	(425,552)	3,679,292
Class 'X' Accumulation	5,540,367	48,455	(956,340)	4,632,482
US dollar				
Class 'A' Income	6,874	2,705	(5,364)	4,215
Class 'A' Accumulation	1,718,205	129,685	(384,124)	1,463,766
Class 'C' Income	401	0	0	401
Class 'C' Accumulation	48,995	38,845	(84,789)	3,051

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 charge ^[a] %
Euro			
Class 'A'	5.25	n/a	1.90
Class 'C'	3.25	n/a	0.90
Sterling			
Class 'A'	n/a	n/a	1.40
Class 'I'	n/a	n/a	0.90
Class 'PP'	n/a	n/a	0.70
Class 'R'	n/a	n/a	1.15
Class 'X'	n/a	n/a	1.40
US dollar			
Class 'A'	5.25	n/a	1.90
Class 'C'	3.25	n/a	0.90

[a] The amounts shown are the maximum annual charge. M&G will apply a discount of 0.02% for every £1 billion of a fund's net asset value. This is assessed quarterly and implemented on a forward basis no later than 13 business days after quarter end.

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 annual charge, ACD's annual management charge and administration charge are disclosed in note 6. Amounts due at the year end from the annual 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 4.77% (2018: 6.00%) 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 Themes Fund

Financial statements and notes

Notes to the financial statements

17 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: Unadjusted quoted price in an active market for an identical instrument

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 technique using observable market data

This includes instruments such as over-the-counter (OTC) derivatives, debt securities, convertible bonds, mortgage-backed securities, asset-backed securities and open-ended funds which have been valued using models with observable market data inputs.

Level 3: Valuation technique using unobservable inputs

This refers to instruments which have been valued using models with unobservable data inputs. This includes single broker-priced instruments, suspended/unquoted securities, private equity, unlisted closed-ended funds and open-ended funds with restrictions on redemption rights. However no such financial instruments were held.

as at 31 August Basis of valuation	Assets		Liabilities	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Level 1	2,661,734	0	3,040,955	0
Level 2	0	0	0	0
Level 3	0	0	0	0
	2,661,734	0	3,040,955	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

The general risk management policies for the fund are set out in note 3 to the financial statements on pages 8 and 9.

19 Market risk sensitivity

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 \$133,087,000 (2018: \$152,048,000). A five per cent decrease would have an equal and opposite effect.

20 Currency risk sensitivity and exposure

A five per cent increase in the value of the fund's currency exposure would have the effect of increasing the return and net assets by \$133,936,000 (2018: \$153,884,000). A five per cent decrease would have an equal and opposite effect.

as at 31 August	2019 \$'000	2018 \$'000
Currency exposure in respect of the fund		
Australian dollar	83,125	86,842
Canadian dollar	152,753	143,702
Danish krone	43,463	0
Euro	422,341	687,022
Hong Kong dollar	100,690	65,811
Japanese yen	162,665	123,645
Singapore dollar	47,934	90,363
Sterling	165,244	323,681
South Korean won	73,993	81,618
Swedish krona	27,248	0
Swiss franc	53,001	113,998
US dollar	1,346,264	1,361,002
Total	2,678,721	3,077,684

21 Interest rate risk sensitivity and exposure

As the majority of the fund's financial assets are non-interest bearing, the risk is not considered significant and is therefore not disclosed.

22 Credit risk

Credit risk is not considered significant for the fund and is therefore not disclosed.

23 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	01.09.18	31.08.19	02.09.19	31.10.19

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 income 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 income and equalisation. Equalisation is the average amount of income 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 income and equalisation components.

Euro Class 'A' Income shares				
Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income 2019	Equalisation 2019	2019	2018
	€	€	€	€
Final	42.6360	22.3121	64.9481	57.8302

M&G Global Themes Fund

Financial statements and notes

Notes to the financial statements

23 Dividend distribution tables (continued)

Euro Class 'A' Accumulation shares

Ordinary distributions for the year to 31 August	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	Group 1 & 2 Distribution 2018
	€	€	€	€
Final	4.4602	0.0000	4.4602	0.0000

Euro Class 'C' Income shares

Ordinary distributions for the year to 31 August	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	Group 1 & 2 Distribution 2018
	€	€	€	€
Final	74.6698	0.0000	74.6698	66.0863

Euro Class 'C' Accumulation shares

Ordinary distributions for the year to 31 August	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	Group 1 & 2 Distribution 2018
	€	€	€	€
Final	4.6890	40.2367	44.9257	35.1059

Sterling Class 'A' Income shares

Ordinary distributions for the year to 31 August	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	Group 1 & 2 Distribution 2018
	p	p	p	p
Final	15.8282	3.3693	19.1975	16.8714

Sterling Class 'A' Accumulation shares

Ordinary distributions for the year to 31 August	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	Group 1 & 2 Distribution 2018
	p	p	p	p
Final	5.2929	0.7739	6.0668	2.4469

Sterling Class 'I' Income shares

Ordinary distributions for the year to 31 August	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	Group 1 & 2 Distribution 2018
	p	p	p	p
Final	20.4280	12.0883	32.5163	28.3620

Sterling Class 'I' Accumulation shares

Ordinary distributions for the year to 31 August	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	Group 1 & 2 Distribution 2018
	p	p	p	p
Final	9.9771	9.8727	19.8498	15.3783

Sterling Class 'PP' Income shares

Ordinary distributions for the year to 31 August	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	Group 1 & 2 Distribution 2018
	p	p	p	p
Final	0.0350	1.8696	1.9046	n/a

Sterling Class 'PP' Accumulation shares

Ordinary distributions for the year to 31 August	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	Group 1 & 2 Distribution 2018
	p	p	p	p
Final	0.6241	0.6423	1.2664	n/a

Sterling Class 'R' Income shares

Ordinary distributions for the year to 31 August	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	Group 1 & 2 Distribution 2018
	p	p	p	p
Final	1.7409	1.4922	3.2331	2.8270

Sterling Class 'R' Accumulation shares

Ordinary distributions for the year to 31 August	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	Group 1 & 2 Distribution 2018
	p	p	p	p
Final	0.7205	0.8018	1.5223	1.1060

Sterling Class 'X' Income shares

Ordinary distributions for the year to 31 August	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	Group 1 & 2 Distribution 2018
	p	p	p	p
Final	16.5869	2.6736	19.2605	16.9275

Sterling Class 'X' Accumulation shares

Ordinary distributions for the year to 31 August	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	Group 1 & 2 Distribution 2018
	p	p	p	p
Final	5.4410	0.5667	6.0077	2.4144

US dollar Class 'A' Income shares

Ordinary distributions for the year to 31 August	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	Group 1 & 2 Distribution 2018
	€	€	€	€
Final	14.7157	10.8009	25.5166	24.0063

US dollar Class 'A' Accumulation shares

Ordinary distributions for the year to 31 August	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	Group 1 & 2 Distribution 2018
	€	€	€	€
Final	1.7510	0.0000	1.7510	0.0000

US dollar Class 'C' Income shares

Ordinary distributions for the year to 31 August	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	Group 1 & 2 Distribution 2018
	€	€	€	€
Final	27.9491	0.0000	27.9491	26.0155

US dollar Class 'C' Accumulation shares

Ordinary distributions for the year to 31 August	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	Group 1 & 2 Distribution 2018
	€	€	€	€
Final	13.7852	2.8733	16.6585	13.8526

M&G Japan Fund

Authorised Corporate Director's Report

Investment objective and policy up to 28 February 2019

The fund invests in a wide range of securities of Japanese issuers, covering most aspects of the economy. Its sole objective is long term capital growth. Income is not a consideration when investments are selected.

Investment approach up to 28 February 2019

The M&G Japan Fund screens a wide investment universe to form a concentrated portfolio of Japanese companies that are trading on low valuations relative to their history and the market. The fund aims to achieve sound capital growth over the long term.

The fund manager applies disciplined and rigorous fundamental analysis during the selection process to ensure a high level of conviction around the valuation for each of the companies held in the fund. The portfolio maintains diversification by typically holding between 30 and 50 stocks.

The fund holds shares in companies that have attractive valuations relative to the earnings they are likely to generate over the medium to long term. These companies are quite often out of favour with the market for one reason or another. The fund's investment strategy therefore tends to be contrarian in nature.

The fund manager sees investing as a price-sensitive process that takes advantage of the mis-pricing of a company's shares by the market. Whilst recognising that markets are generally efficient, the fund manager believes that market mis-pricings can and often do occur because human characteristics (such as fear and greed) may prevent investors from always assessing investments rationally.

As a result, market prices do not always reflect fundamental values since they may over-shoot and under-shoot. For example, shares in companies become mis-priced when investors are willing to pay a high price for the 'comfort' of strong near-term earnings momentum and to be associated with success, whilst they will sell 'unfashionable' securities regardless of inherent attractiveness, such as healthy balance sheets and the likely level of longer term earnings.

Such behavioural biases are evident in Japan's equity markets today and can be systemically exploited. The fund manager aims to take advantage of these biases by adopting a disciplined, long-term investment approach.

Investment objective from 1 March 2019

The fund aims to provide a higher total return (the combination of capital growth and income), net of the ongoing charge figure, than that of the MSCI Japan Index over any five-year period.

Investment policy from 1 March 2019

At least 80% of the fund is invested directly in equity securities and equity related securities of companies across any sectors and market capitalisations that are incorporated, domiciled, or do most of their business in Japan.

The fund usually holds a concentrated portfolio of fewer than 50 companies.

The fund may also invest in other transferable securities directly and via collective investment schemes (including funds managed by M&G).

The fund may also hold cash and near cash for liquidity purposes.

Derivatives may be used for efficient portfolio management and hedging.

Investment approach from 1 March 2019

The fund employs a disciplined approach to investment which concentrates on the analysis and selection of individual companies.

The investment approach aims to exploit price volatility.

The fund manager believes that stockmarket mispricing can often occur because psychological factors (i.e. behavioural biases) prevent investors from always assessing investments rationally. As a result, market prices do not always reflect the fundamental value of companies. The fund seeks to profit from such behavioural biases.

The investment approach filters the fund's investment universe down to a focused list of companies whose shares trade on low valuations relative to their history and the market. These companies are then subject to rigorous fundamental analysis to attain an understanding of a company's sustainable earnings. This fundamental analysis leads to a high level of conviction for each of the companies held in the fund.

The fund manager expects stock selection to be the main driver of performance.

Benchmark

Benchmark: MSCI Japan Index.

The fund is actively managed. The benchmark is a target which the fund seeks to outperform. The index has been chosen as the fund's target benchmark as it best reflects the scope of the fund's investment policy. The target benchmark is used solely to measure the Fund's performance and does not constrain the fund's portfolio construction.

M&G Japan Fund

Authorised Corporate Director's Report

Risk profile

The fund invests in the shares of companies listed in Japan and is, therefore, subject to the price volatility of the Japanese stockmarket and the performance of individual companies. The fund may also be subject to fluctuations in currency exchange rates.

The fund's focus is on companies that are deemed to be undervalued, and 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 2 September 2019, for the year ended 31 August 2019

Performance against objective

Between 3 September 2018 (the start of the review period) and 2 September 2019, the M&G Japan Fund's sterling share classes delivered a negative total return (the combination of income and growth of capital) and underperformed the benchmark, the MSCI Japan Index, which returned 1.7% in sterling.

Between 3 September 2018 and 26 October 2018, the fund's euro and US dollar share classes delivered negative returns but were ahead of the MSCI Japan Index (-4.3% and -6.4% in euros and US dollars, respectively)*. On 26 October 2018, the fund's non-sterling share classes merged into the M&G (Lux) Japan Fund, a Luxembourg-authorized SICAV which launched on that date.

Over a longer timeframe of five years, the fund's sterling share classes have generated a positive total return but underperformed the benchmark, which returned 11.6%.

Over five years up to the merger date, the fund's euro share classes generated a positive total return and outperformed the benchmark, which returned 9.1% in the period. The fund's US dollar share classes were launched on 9 October 2015 and therefore did not have a five-year track record.

During the review period, the fund's objective and policy changed. On 4 September 2019, Shane Kelly replaced Johan Du Preez as interim fund manager. From midday on 20 September 2019 Carl Vine replaced Shane Kelly as fund manager. At the same time Dave Perrett became deputy fund manager.

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

Investment performance

The Japanese stockmarket made a solid start to the 12-month period under review; however, in common with stockmarkets globally, Japanese company shares (equities) suffered from sharp falls in the final quarter of 2018. The stockmarket began 2019 in an upbeat fashion, but for the 12-month period as a whole, the MSCI Japan Index recorded a negative return in local currency terms.

Throughout the review period, investor sentiment was swayed by the deteriorating geopolitical climate and the potential impact of a trade war between the US and China and its implications for global growth. This caused some non-Japanese investors to reduce their allocation to Japan. Investors' time horizons have shrunk dramatically and, as a result, short-term newsflow causes a disproportionate amount of volatility, in our view.

We are also witnessing an extremely narrow market (one where only a few names are in favour). Investors have piled into themes such as technology software and consumer staples stocks without much regard for the longer term profitability of these companies.

During times of increased investor nervousness, the Japanese yen benefited from its status as a safe haven currency. However, a stronger Japanese currency reduces the value (in yen terms) of the overseas revenues and profits of Japanese companies, and this created a headwind for equities.

M&G Japan Fund

Authorised Corporate Director's Report

Investment review

Investment performance (continued)

Defensive sectors such as healthcare, communication services and utilities outperformed the market, whereas cyclicals, including financials, materials and energy lagged. (Defensive stocks are companies that tend to have stable earnings and are less affected by peaks and troughs in the economy; cyclicals are companies which tend to be more sensitive to economic activity.) This has provided us with opportunities to invest in some quality businesses that are now attractively valued, but the fund's above-index weighting in cyclicals and the weak performance of selected stocks meant that the fund trailed the MSCI Japan Index over the review period.

The largest detractor was real estate developer Leoplace21, whose shares have sold off heavily in the past year after news that it installed defective partition walls in some of its properties. Management had reassured investors about the cost of remedying the situation, but ultimately it came to light that the magnitude of the partition wall fault issue was higher than previously reported. Consequently, we no longer had confidence in the company and closed the position.

Automobile stocks significantly underperformed the stockmarket over the 12-month period and the fund's holding in Mazda Motor detracted. In the short term, Mazda's profitability will suffer if trade tariffs on car manufacturers exporting into the US are implemented, but the firm is preparing to manufacture locally, if the tariffs become a reality. Electronics company Panasonic, was another stock that got caught up in negative sentiment surrounding global trade and detracted from fund performance.

Mitsui Engineering & Shipbuilding's share price fell sharply after the company announced significant and costly problems with one of its construction contracts. We believe the management of Mitsui Engineering & Shipbuilding has taken on excessive risk in its projects in South East Asia and we no longer have confidence that management will execute its restructuring plans, given the potential liabilities from these projects. Therefore, we have closed the position.

Elsewhere, the fund's holding in Nikon detracted, following news that one of its customers had announced a delay in building a factory, which is expected to lead to a drop in orders. However, the announcement is not completely unexpected, given where we are in the technology cycle. Furthermore, there is no indication that the plan to build a factory has been permanently shelved. Given Nikon's unique products and market positioning, we believe the company is still an attractive investment.

On a positive note, technology company NEC reported better-than-expected earnings and sales and was the fund's top contributor. This performance is reflecting changes the company has made in recent years and the stock's valuation has improved as a result.

Another of the fund's top contributors was NTT Urban Development. During the review period, NTT Corp (the parent company of NTT Urban) announced a tender offer for the shares of NTT Urban. Accordingly, the latter's shares rose sharply. This event was one of the possible outcomes we envisaged when we originally invested in NTT Urban. We have since closed the position in NTT Urban.

Holdings in Mitsubishi Heavy Industries and Bridgestone also added value. Mitsubishi Heavy Industries is a multinational engineering, electrical equipment and electronics company. Investors reacted positively to news that the restructuring of the company's power

business had been completed. When we first invested in Mitsubishi, we believed investors had become too aggressive in their assumptions about a decline in revenues. In our view, the company had the flexibility to offset the impact from lower sales through sensible reductions in fixed costs. As the restructuring of the power business demonstrates, this has indeed been the case.

Shares in Bridgestone outperformed, despite some investors' fears that the company would not be able to pass on higher raw material costs to its customers. We disagreed with this thesis, as most of Bridgestone's revenues come from the sale of specialty tyres, where the company has significant market share and pricing power.

At the start of 2019, Hitachi announced it had discontinued its nuclear project with the UK. We believe this is a positive for the firm, as it allows Hitachi to focus on its social infrastructure and IT services businesses. Hitachi recently reported better-than-expected results and its share price has recovered sharply.

Investment activities

Investment activity during the review period focused on the recycling of cash out of holdings where we believed share prices better reflected fundamentals. We also added to holdings where an 'episode' was still apparent. We define 'episode' as an occasion when investors allow emotions to drive their investment decisions, so that a company's share price moves away from its underlying value over the short term.

We initiated new positions in Ajinomoto and Shimamura. Ajinomoto is one of Japan's major packaged food producers. The company's shares have been under pressure because of market concerns over weakness in its overseas businesses. However, we anticipate a positive outcome from the restructuring of its production base. At the current share price, we see this as a good opportunity to gain exposure to a quality business that diversifies our portfolio.

Domestic apparel retailer Shimamura is currently out of favour with the market due to temporary weakness in its profitability. However, we believe investors are displaying the tell-tale signs of excessive pessimism.

We also initiated positions in Japanese drugs company Takeda Pharmaceuticals as well as crane and construction machinery manufacturer Tadano. We previously held shares in Takeda, but sold the position when the company announced the acquisition of Shire, as we believed it would destroy value. The stock price has fallen significantly since we sold and we now feel Takeda is attractively priced, based on its medium-term earnings potential. We believe Tadano has a unique product offering, and as the company has a strong balance sheet, it should be able to weather the cyclical nature of the sector.

More recently, we began positions in Dai-ichi Life and Yahoo Japan. The decision to invest in life insurer Dai-ichi Life was driven by our desire to diversify the fund's exposure in financials, given our expectation that interest rates will remain low for some time. We believe the shares in internet company Yahoo Japan have been sold off excessively, on the assumption of a prolonged slowdown in global growth. In our view, Yahoo should benefit materially if economic activity proves to be stronger than expected.

On the other hand, we took profits and closed the position in steel manufacturer JFE and exited the holding in Fuji Media, a terrestrial television broadcaster. Fuji's earnings are heavily dependent on advertising revenue, which is under pressure as companies shift their advertising effort from traditional to digital media.

M&G Japan Fund

Authorised Corporate Director's Report

Investment review

Investment activities (continued)

We also sold out of DeNA as we felt management has lost the momentum in its strategy to reinvigorate the business. Even though we still feel there could be some long-term growth, the range of possible outcomes now does not justify its place in a concentrated portfolio.

Another stock to leave the portfolio was Seiko, a manufacturer of watches and electronic devices. We began taking profits in this name as the market started to recognise the positive changes Seiko's management have made. We finally decided to close the position once we saw limited upside for the shares.

Outlook

2019 continues to be a turbulent year for the Japanese stockmarket, with shares bearing the brunt of US-China trade war concerns and worries over prospects for global growth. While the 'risk-off' environment has been a headwind for the Japanese equity market, corporate Japan continues to perform well.

In terms of the market environment, investors have been aggressively buying 'growth' stocks, to the point where valuations are very stretched, in our view. This has not been helped by the Bank of Japan indiscriminately buying large swathes of the market as part of its efforts to boost economic activity.

On the other hand, we can also see certain sectors and stocks being actively ignored by the market, because they do not fit in with the growth 'story'. We have seen some stocks consistently beating expectations, but their share prices have not moved much. These are healthy businesses with good balance sheets and prospects for continuing profitability. We are contrarian investors, so we are investing in these 'unloved' stocks – a process which requires patience. However, we are confident that this strategy will prove beneficial in due course.

Japanese equities remain attractively valued relative to other markets around the world, when measured on a real earnings yield basis (net profit as a percentage of market capitalisation and adjusted for inflation). Return on equity (net profit as a percentage of shareholders' equity) is back to levels seen in 2007 and profit margins are at an all-time high. Dividend payouts from companies have become more generous too. Furthermore, share buybacks are accelerating, from already high levels. It is also worth noting that out of all the major economies, Japan has one of the most stable political environments.

In the short run, we expect volatility, but the fund is well positioned to take advantage of the market given its diversified exposure to both global and domestic demand.

Johan du Preez
Fund manager

An employee of M&G Limited which is an associate of M&G Securities Limited. During the review period, the fund's objective and policy changed. On 4 September 2019, Shane Kelly replaced Johan Du Preez as interim fund manager. From midday on 20 September 2019 Carl Vine replaced Shane Kelly as fund manager.

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 August	2019	2019	2018 [a]
Holding	¥000	%	%
EQUITIES	39,585,086	100.54	100.53
Chemicals	3,104,771	7.89	7.32
512,200 DIC	1,436,209	3.65	
960,600 JSR	1,668,562	4.24	
Metals & mining	0	0.00	1.94
Building products	1,248,184	3.17	3.77
719,000 LIXIL	1,248,184	3.17	
Electrical equipment	1,488,982	3.78	0.00
1,161,000 Mitsubishi Electric	1,488,982	3.78	
Machinery	3,271,495	8.31	11.84
3,779,700 Hitachi Zosen	1,285,098	3.26	
203,000 Mitsubishi Heavy Industries	809,970	2.06	
163,300 Sumitomo Heavy Industries	498,065	1.27	
723,200 Tadano	678,362	1.72	
Marine	1,427,500	3.63	3.34
571,000 Mitsui O.S.K. Lines	1,427,500	3.63	
Auto components	1,380,111	3.51	3.19
340,600 Bridgestone	1,380,111	3.51	
Automobiles	3,315,241	8.42	8.60
814,000 Honda Motor	2,053,722	5.22	
1,414,100 Mazda Motor	1,261,519	3.20	
Household durables	2,529,051	6.42	6.63
759,400 Nikon	997,852	2.53	
1,868,000 Panasonic	1,531,199	3.89	
Textiles, apparel & luxury goods	39,859	0.10	3.90
79,400 Onward	39,859	0.10	
Internet & direct marketing retail	0	0.00	2.04
Specialty retail	1,734,345	4.41	1.67
126,500 Shimamura	1,047,420	2.66	
215,000 United Arrows	686,925	1.75	
Food & staples retailing	1,393,900	3.54	3.09
265,000 Lawson	1,393,900	3.54	
Food products	1,103,540	2.80	0.00
570,600 Ajinomoto	1,103,540	2.80	
Health care providers & services	1,485,599	3.77	3.07
634,600 Miraca	1,485,599	3.77	
Pharmaceuticals	1,379,919	3.50	0.00
384,700 Takeda Pharmaceutical	1,379,919	3.50	
Banks	4,652,995	11.82	12.56
3,821,500 Mitsubishi UFJ Financial	1,950,112	4.95	
499,400 Sumitomo Mitsui Financial	1,739,410	4.42	
277,658 Sumitomo Mitsui Trust	963,473	2.45	
Capital markets	1,714,654	4.36	3.74
4,006,200 Nomura	1,714,654	4.36	
Insurance	1,551,441	3.94	2.50
314,600 Dai-ichi Life	454,912	1.16	
1,061,500 T&D	1,096,529	2.78	
Technology hardware, storage & peripherals	1,972,587	5.01	9.08
157,000 NEC	713,565	1.81	
1,282,100 Ricoh	1,259,022	3.20	

M&G Japan Fund

Authorised Corporate Director's Report

Investments

Portfolio statement (continued)			
as at 31 August	2019	2019	2018 ^[a]
Holding	¥'000	%	%
Electronic equipment, instruments & components	1,767,800	4.49	3.99
487,400 Hitachi	1,767,800	4.49	
Media	1,509,540	3.83	1.54
417,000 Dentsu	1,509,540	3.83	
Interactive media & services	492,290	1.25	0.00
1,857,700 Yahoo Japan	492,290	1.25	
Real estate management & development	1,021,282	2.59	6.72
453,500 Nomura Real Estate	1,021,282	2.59	
EQUITY DERIVATIVES	(13,063)	(0.03)	0.00
Equity futures contracts	(13,063)	(0.03)	0.00
25 Topix Index Future September 2019	(13,063)	(0.03)	
Portfolio of investments (notes 2c & 2d on page 7)	39,572,023	100.51	100.53
Net other assets / (liabilities)	(199,223)	(0.51)	(0.53)
Net assets attributable to shareholders	39,372,800	100.00	100.00

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

[a] The portfolio has been reclassified to more appropriately reflect how the fund is managed. 2018 comparatives have been restated to reflect this.

Top ten portfolio transactions

for the year to 31 August 2019

Largest purchases	¥'000
Dentsu	1,814,002
Mitsubishi Electric	1,644,892
Takeda Pharmaceutical	1,487,792
Ajinomoto	1,394,289
Shimamura	1,171,103
Panasonic	1,001,892
Hitachi Zosen	903,081
Tadano	767,807
Leopalace21	670,023
Yahoo Japan	496,620
Other purchases	4,066,892
Total purchases	15,418,393
Largest sales	¥'000
NEC	2,433,894
Mitsui Engineering & Shipbuilding	1,584,553
Mitsubishi Heavy Industries	1,375,109
JFE	1,344,975
NTT Urban Development	1,315,084
Ricoh	978,138
DeNA	965,220
Leopalace21	923,747
Onward	871,526
Seiko	806,053
Other sales	6,231,108
Total sales	18,829,407

M&G Japan 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 reflect the key financial information of a representative share class, Sterling Class 'A' (Accumulation) shares. As different share classes have different attributes, for example charging structures and minimum investments, please be aware that their performance may be different. For more information on the different share classes in this fund please refer to the Prospectus for M&G Investment Funds (1), 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 August	2019 ¥'000	2018 ¥'000	2017 ¥'000
Fund net asset value (NAV)	39,372,800	69,230,521	74,245,713

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.



Ten-year performance

Please note that comparative data is not available from fund launch. Therefore a ten-year comparable performance chart is shown below.



To give an indication of the performance of the fund, the following table shows the compound rate of return, per annum, over the period to 26 October 2018 for non-sterling share classes and 2 September 2019 for sterling share classes. Calculated on a price to price basis with income reinvested.

Long-term performance by share class

	From 03.09.18 % ^[a]	From 02.09.16 % p.a.	From 02.09.14 % p.a.	Since launch % p.a.
Euro^[b]				
Class 'A'	-1.8	+7.4	+9.9	+3.4 ^[c]
Class 'C'	-1.7	+8.2	+10.8	+4.1 ^[c]
Sterling^[d]				
Class 'A'	-8.3	+5.1	+9.5	+7.0 ^[e]
Class 'I'	-7.6	+5.9	+10.3	+12.8 ^[f]
Class 'PP'	n/a	n/a	n/a	+1.1 ^[g]
Class 'R'	-7.9	+5.7	+10.0	+12.6 ^[f]
Class 'X'	-8.3	+5.2	+9.5	+7.3 ^[h]
US dollar^[b]				
Class 'A'	-4.1	+8.1	n/a	+6.0 ^[i]
Class 'C'	-4.0	+8.9	n/a	+6.8 ^[i]

^[a] Absolute basis.

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

^[c] 28 November 2001, the launch date of the share class.

^[d] Price to price with income reinvested.

^[e] 6 April 1971, the end of the initial offer period of the predecessor unit trust.

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

^[g] 8 April 2019, the launch date of the share class. Not annualised

^[h] 1 October 2002, the launch date of the share class.

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

M&G Japan Fund

Financial highlights

Fund performance

Operating charges and portfolio transaction costs

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

Operating charges

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

- **Annual charge:** Charge paid to M&G covering the annual cost of M&G managing and administering the fund and the costs of third parties providing services to the fund. From 1 August 2019, this charge rolls all costs that make up the operating charges into one annual charge.

For every £1 billion of a fund's net asset value, a discount of 0.02% will be applied to that fund's annual charge (up to a maximum of 0.12%).

- **Extraordinary legal and tax expenses:** Costs that specifically relate to legal or tax claims that are both exceptional and unforeseeable. Such expenses are uncommon, and would not be expected in most years. Although they result in a short-term cost to the fund, generally they can deliver longer term benefits for investors.
- **Investment management:** Charge paid to M&G for investment management of the fund. From 1 August 2019 this charge forms part of the annual charge.
- **Administration:** Charge paid for administration services in addition to investment management – any surplus from this charge will be retained by M&G. From 1 August 2019 this charge is rolled into the annual charge.
- **Oversight and other independent services:** Charges paid to providers independent of M&G for services which include depositary, custody and audit. From 1 August 2019 these charges will be paid by M&G and rolled into the annual charge.
- **Ongoing charges from underlying funds:** Ongoing charges on holdings in underlying funds that are not rebated. From 1 August 2019 charges from underlying funds (excluding Investment Trusts Companies and Real Estate Investment Trusts) will be rebated.

The operating charges paid by each share class of the fund are shown in the following performance tables. These 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.

Once the annual charge has been operational for twelve months, operating charges will be in line with the ongoing charges shown in the Key Investor Information Document, other than where there have been extraordinary legal or tax expenses, or 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. Any estimate will be disclosed under the specific share class performance table.

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

Portfolio transaction costs

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

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

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

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

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

Portfolio transaction costs				
for the year to 31 August	2019	2018	2017	Average ^[a]
Direct portfolio transaction costs ^[b]	%	%	%	%
Broker commission	0.03	0.05	0.03	0.03
Taxes	0.00	0.00	0.00	0.00
Costs before dilution adjustments	0.03	0.05	0.03	0.03
Dilution adjustments ^[c]	(0.01)	(0.03)	(0.03)	(0.02)
Total direct portfolio transaction costs	0.02	0.02	0.00	0.01
as at 31 August	2019	2018	2017	Average ^[a]
Indirect portfolio transaction costs	%	%	%	%
Average portfolio dealing spread	0.18	0.18	0.17	0.18

^[a] Average of first three columns.

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

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

M&G Japan 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.

The non-sterling share classes were merged into the M&G (Lux) Japan Fund on 26 October 2018. The current period historic yields for the non-sterling share classes were calculated at the merger date.

Historic yields for the sterling share classes for the current year are calculated as at 13 September 2019.

Euro Class 'A' Accumulation share performance

The share class was launched on 28 November 2001.

for the year to 31 August Change in NAV per share	2019 Euro ¢	2018 Euro ¢	2017 Euro ¢
Opening NAV	1,810.77	1,700.97	1,501.74
Return before operating charges and after direct portfolio transaction costs	(43.28)	140.74	228.00
Operating charges	(4.67)	(30.94)	(28.77)
Return after operating charges	(47.95)	109.80	199.23
Distributions	(11.92)	(6.76)	(6.34)
Retained distributions	11.92	6.76	6.34
Return to shareholder as a result of share class closure	(1,762.82)	n/a	n/a
Closing NAV	0.00	1,810.77	1,700.97
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.09	0.93	0.58
Dilution adjustments ^[a]	(0.04)	(0.55)	(0.58)
Total direct portfolio transaction costs	0.05	0.38	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.02	0.02	0.00
Operating charges ^[c]	1.67	1.67	1.67
Return after operating charges	-2.65	+6.46	+13.27
Historic yield	0.40	0.37	0.38
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (¥000)	0	6,055,974	5,539,879
Closing NAV percentage of total fund NAV (%)	0.00	8.75	7.46
Number of shares	0	2,587,636	2,483,667
Highest share price (Euro ¢)	1,898.86	2,024.90	1,886.66
Lowest share price (Euro ¢)	1,757.49	1,686.06	1,441.19

Euro Class 'C' Accumulation share performance

The share class was launched on 28 November 2001.

for the year to 31 August Change in NAV per share	2019 Euro ¢	2018 Euro ¢	2017 Euro ¢
Opening NAV	2,039.83	1,901.84	1,666.54
Return before operating charges and after direct portfolio transaction costs	(48.80)	157.21	252.96
Operating charges	(2.92)	(19.22)	(17.66)
Return after operating charges	(51.72)	137.99	235.30
Distributions	(15.86)	(23.37)	(20.23)
Retained distributions	15.86	23.37	20.23
Return to shareholder as a result of share class closure	(1,988.11)	n/a	n/a
Closing NAV	0.00	2,039.83	1,901.84
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.11	1.05	0.64
Dilution adjustments ^[a]	(0.04)	(0.62)	(0.64)
Total direct portfolio transaction costs	0.07	0.43	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.02	0.02	0.00
Operating charges ^[c]	0.91	0.92	0.92
Return after operating charges	-2.54	+7.26	+14.12
Historic yield	1.21	1.14	1.09
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (¥000)	0	7,446,312	15,840,973
Closing NAV percentage of total fund NAV (%)	0.00	10.76	21.34
Number of shares	0	2,824,418	6,351,835
Highest share price (Euro ¢)	2,140.73	2,270.20	2,101.22
Lowest share price (Euro ¢)	1,980.31	1,885.43	1,599.84

Sterling Class 'A' Income share performance

The share class was launched on 9 May 1977.

for the year to 31 August Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	59.26	58.35	48.37
Return before operating charges and after direct portfolio transaction costs	(4.56)	3.19	12.07
Operating charges	(0.91)	(1.02)	(0.96)
Return after operating charges	(5.47)	2.17	11.11
Distributions	(1.55)	(1.26)	(1.13)
Closing NAV	52.24	59.26	58.35
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.02	0.03	0.02
Dilution adjustments ^[a]	(0.01)	(0.02)	(0.02)
Total direct portfolio transaction costs	0.01	0.01	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.02	0.02	0.00
Operating charges ^[c]	1.66	1.67	1.67
Return after operating charges	-9.23	+3.72	+22.97
Historic yield	2.20	2.12	1.98
Effect on yield of charges offset against capital	1.64	1.65	1.65
Other information			
Closing NAV (¥000)	12,899,625	36,540,625	33,435,964
Closing NAV percentage of total fund NAV (%)	32.76	52.78	45.03
Number of shares	190,577,938	428,024,896	402,398,895
Highest share price (UK p)	61.36	66.93	61.23
Lowest share price (UK p)	50.62	56.17	46.49

M&G Japan Fund

Financial highlights

Specific share class performance

Sterling Class 'A' Accumulation share performance

The share class was launched on 6 April 1971.

for the year to 31 August Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	67.65	65.24	53.05
Return before operating charges and after direct portfolio transaction costs	(5.20)	3.50	13.23
Operating charges	(1.04)	(1.09)	(1.04)
Return after operating charges	(6.24)	2.41	12.19
Distributions	(0.66)	(0.25)	(0.24)
Retained distributions	0.66	0.25	0.24
Closing NAV	61.41	67.65	65.24

Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.03	0.03	0.02
Dilution adjustments ^[a]	(0.01)	(0.02)	(0.02)
Total direct portfolio transaction costs	0.02	0.01	0.00

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.02	0.02	0.00
Operating charges ^[c]	1.65	1.68	1.67
Return after operating charges	-9.22	+3.69	+22.98
Historic yield	0.37	0.37	0.38
Effect on yield of charges offset against capital	0.00	0.00	0.00

Other information

Closing NAV (¥000)	925,712	1,290,198	14,268,486
Closing NAV percentage of total fund NAV (%)	2.35	1.86	19.22
Number of shares	11,634,097	13,238,470	153,581,430
Highest share price (UK p)	70.07	74.82	67.16
Lowest share price (UK p)	57.80	62.80	50.99

Sterling Class 'I' Income share performance

The share class was launched on 3 August 2012.

for the year to 31 August Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	2,370.67	2,316.61	1,905.66
Return before operating charges and after direct portfolio transaction costs	(185.60)	126.68	476.51
Operating charges	(17.75)	(22.35)	(20.77)
Return after operating charges	(203.35)	104.33	455.74
Distributions	(62.08)	(50.27)	(44.79)
Closing NAV	2,105.24	2,370.67	2,316.61

Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.80	1.22	0.76
Dilution adjustments ^[a]	(0.23)	(0.72)	(0.76)
Total direct portfolio transaction costs	0.57	0.50	0.00

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.02	0.02	0.00
Operating charges ^[c]	0.93	0.92	0.92
Return after operating charges	-8.58	+4.50	+23.92
Historic yield	2.18	2.11	1.97
Effect on yield of charges offset against capital	0.90	0.90	0.90

Other information

Closing NAV (¥000)	13,271,529	441,753	438,115
Closing NAV percentage of total fund NAV (%)	33.71	0.64	0.59
Number of shares	4,865,680	129,354	132,812
Highest share price (UK p)	2,456.36	2,664.55	2,422.10
Lowest share price (UK p)	2,035.73	2,230.54	1,832.21

Sterling Class 'I' Accumulation share performance

The share class was launched on 3 August 2012.

for the year to 31 August Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	2,558.57	2,448.49	1,976.12
Return before operating charges and after direct portfolio transaction costs	(197.45)	133.67	494.13
Operating charges	(21.52)	(23.59)	(21.76)
Return after operating charges	(218.97)	110.08	472.37
Distributions	(43.79)	(29.31)	(26.05)
Retained distributions	43.79	29.31	26.05
Closing NAV	2,339.60	2,558.57	2,448.49

Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.95	1.29	0.79
Dilution adjustments ^[a]	(0.28)	(0.76)	(0.79)
Total direct portfolio transaction costs	0.67	0.53	0.00

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.02	0.02	0.00
Operating charges ^[c]	0.92	0.92	0.92
Return after operating charges	-8.56	+4.50	+23.90
Historic yield	1.14	1.14	1.09
Effect on yield of charges offset against capital	0.00	0.00	0.00

Other information

Closing NAV (¥000)	11,853,097	5,749,878	4,277,828
Closing NAV percentage of total fund NAV (%)	30.10	8.30	5.76
Number of shares	3,910,336	1,560,025	1,226,954
Highest share price (UK p)	2,651.62	2,816.03	2,511.43
Lowest share price (UK p)	2,197.55	2,357.39	1,899.79

Sterling Class 'PP' Income share performance

The share class was launched on 5 August 2019.

for the year to 31 August Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	100.00	n/a	n/a
Return before operating charges and after direct portfolio transaction costs	(0.74)	n/a	n/a
Operating charges	(0.05)	n/a	n/a
Return after operating charges	(0.79)	n/a	n/a
Distributions	(2.78)	n/a	n/a
Closing NAV	96.43	n/a	n/a

Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	n/a	n/a
Dilution adjustments ^[a]	0.00	n/a	n/a
Total direct portfolio transaction costs	0.00	n/a	n/a

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.02	n/a	n/a
Operating charges ^[c]	0.70	n/a	n/a
Return after operating charges	-0.79	n/a	n/a
Historic yield	2.30	n/a	n/a
Effect on yield of charges offset against capital	0.70	n/a	n/a

Other information

Closing NAV (¥000)	2,499	n/a	n/a
Closing NAV percentage of total fund NAV (%)	0.01	n/a	n/a
Number of shares	20,000	n/a	n/a
Highest share price (UK p)	100.68	n/a	n/a
Lowest share price (UK p)	97.17	n/a	n/a

M&G Japan Fund

Financial highlights

Specific share class performance

Sterling Class 'PP' Accumulation share performance

The share class was launched on 8 April 2019.

for the year to 31 August Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	100.00	n/a	n/a
Return before operating charges and after direct portfolio transaction costs	0.91	n/a	n/a
Operating charges	(0.29)	n/a	n/a
Return after operating charges	0.62	n/a	n/a
Distributions	(1.97)	n/a	n/a
Retained distributions	1.97	n/a	n/a
Closing NAV	100.62	n/a	n/a
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.02	n/a	n/a
Dilution adjustments ^[a]	0.00	n/a	n/a
Total direct portfolio transaction costs	0.02	n/a	n/a
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.02	n/a	n/a
Operating charges ^[c]	0.68	n/a	n/a
Return after operating charges	+0.62	n/a	n/a
Historic yield	0.95	n/a	n/a
Effect on yield of charges offset against capital	0.00	n/a	n/a
Other information			
Closing NAV (¥000)	13,688	n/a	n/a
Closing NAV percentage of total fund NAV (%)	0.03	n/a	n/a
Number of shares	105,000	n/a	n/a
Highest share price (UK p)	104.26	n/a	n/a
Lowest share price (UK p)	94.45	n/a	n/a

Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012.

for the year to 31 August Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	235.48	230.70	190.25
Return before operating charges and after direct portfolio transaction costs	(18.21)	12.59	47.51
Operating charges	(2.53)	(2.81)	(2.59)
Return after operating charges	(20.74)	9.78	44.92
Distributions	(6.16)	(5.00)	(4.47)
Closing NAV	208.58	235.48	230.70
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.09	0.12	0.07
Dilution adjustments ^[a]	(0.03)	(0.07)	(0.07)
Total direct portfolio transaction costs	0.06	0.05	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.02	0.02	0.00
Operating charges ^[c]	1.17	1.17	1.17
Return after operating charges	-8.81	+4.24	+23.61
Historic yield	2.19	2.11	1.98
Effect on yield of charges offset against capital	1.15	1.15	1.15
Other information			
Closing NAV (¥000)	30,720	30,336	6,758
Closing NAV percentage of total fund NAV (%)	0.08	0.04	0.01
Number of shares	113,675	89,428	20,573
Highest share price (UK p)	243.94	265.10	241.49
Lowest share price (UK p)	201.85	222.10	182.90

Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012.

for the year to 31 August Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	252.12	241.88	195.72
Return before operating charges and after direct portfolio transaction costs	(19.44)	13.22	48.51
Operating charges	(2.71)	(2.98)	(2.35)
Return after operating charges	(22.15)	10.24	46.16
Distributions	(3.68)	(2.24)	(2.02)
Retained distributions	3.68	2.24	2.02
Closing NAV	229.97	252.12	241.88
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.09	0.13	0.07
Dilution adjustments ^[a]	(0.03)	(0.08)	(0.07)
Total direct portfolio transaction costs	0.06	0.05	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.02	0.02	0.00
Operating charges ^[c]	1.17	1.17	1.18
Return after operating charges	-8.79	+4.23	+23.58
Historic yield	0.89	0.88	0.85
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (¥000)	195,644	207,493	12,153
Closing NAV percentage of total fund NAV (%)	0.50	0.30	0.02
Number of shares	656,618	571,291	35,283
Highest share price (UK p)	261.24	277.94	248.39
Lowest share price (UK p)	216.17	232.86	188.14

Sterling Class 'X' Income share performance

The share class was launched on 1 October 2002.

for the year to 31 August Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	58.42	57.53	47.68
Return before operating charges and after direct portfolio transaction costs	(4.50)	3.13	11.90
Operating charges	(0.89)	(1.00)	(0.93)
Return after operating charges	(5.39)	2.13	10.97
Distributions	(1.53)	(1.24)	(1.12)
Closing NAV	51.50	58.42	57.53
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.02	0.03	0.02
Dilution adjustments ^[a]	(0.01)	(0.02)	(0.02)
Total direct portfolio transaction costs	0.01	0.01	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.02	0.02	0.00
Operating charges ^[c]	1.65	1.67	1.67
Return after operating charges	-9.23	+3.70	+23.01
Historic yield	2.20	2.12	1.98
Effect on yield of charges offset against capital	1.63	1.65	1.65
Other information			
Closing NAV (¥000)	85,946	125,640	196,286
Closing NAV percentage of total fund NAV (%)	0.22	0.18	0.26
Number of shares	1,288,120	1,492,862	2,396,266
Highest share price (UK p)	60.49	65.99	60.37
Lowest share price (UK p)	49.90	55.37	45.83

M&G Japan Fund

Financial highlights

Specific share class performance

Sterling Class 'X' Accumulation share performance

The share class was launched on 1 October 2002.

for the year to 31 August Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	66.75	64.36	52.33
Return before operating charges and after direct portfolio transaction costs	(5.13)	3.51	13.05
Operating charges	(1.02)	(1.12)	(1.02)
Return after operating charges	(6.15)	2.39	12.03
Distributions	(0.65)	(0.25)	(0.24)
Retained distributions	0.65	0.25	0.24
Closing NAV	60.60	66.75	64.36
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.03	0.03	0.02
Dilution adjustments ^[a]	(0.01)	(0.02)	(0.02)
Total direct portfolio transaction costs	0.02	0.01	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.02	0.02	0.00
Operating charges ^[c]	1.65	1.67	1.67
Return after operating charges	-9.21	+3.71	+22.99
Historic yield	0.37	0.37	0.38
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (¥000)	94,340	163,612	182,166
Closing NAV percentage of total fund NAV (%)	0.24	0.24	0.25
Number of shares	1,201,666	1,701,486	1,987,713
Highest share price (UK p)	69.14	73.82	66.26
Lowest share price (UK p)	57.03	61.95	50.30

US dollar Class 'A' Accumulation share performance

The share class was launched on 9 October 2015.

for the year to 31 August Change in NAV per share	2019 US ¢	2018 US ¢	2017 US ¢
Opening NAV	1,262.51	1,205.10	999.74
Return before operating charges and after direct portfolio transaction costs	(64.14)	79.43	225.01
Operating charges	(3.23)	(22.02)	(19.65)
Return after operating charges	(67.37)	57.41	205.36
Distributions	(8.08)	(4.71)	(4.49)
Retained distributions	8.08	4.71	4.49
Return to shareholder as a result of share class closure	(1,195.14)	n/a	n/a
Closing NAV	0.00	1,262.51	1,205.10
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.07	0.66	0.39
Dilution adjustments ^[a]	(0.03)	(0.39)	(0.39)
Total direct portfolio transaction costs	0.04	0.27	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.02	0.02	0.00
Operating charges ^[c]	1.67	1.67	1.67
Return after operating charges	-5.34	+4.76	+20.54
Historic yield	0.40	0.38	0.38
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (¥000)	0	53,723	43,643
Closing NAV percentage of total fund NAV (%)	0.00	0.08	0.06
Number of shares	0	38,417	32,748
Highest share price (US ¢)	1,307.22	1,476.27	1,221.64
Lowest share price (US ¢)	1,193.46	1,194.56	968.00

US dollar Class 'C' Accumulation share performance

The share class was launched on 9 October 2015.

for the year to 31 August Change in NAV per share	2019 US ¢	2018 US ¢	2017 US ¢
Opening NAV	1,290.07	1,222.27	1,006.41
Return before operating charges and after direct portfolio transaction costs	(65.48)	80.26	226.55
Operating charges	(1.84)	(12.46)	(10.69)
Return after operating charges	(67.32)	67.80	215.86
Distributions	(9.75)	(14.78)	(13.00)
Retained distributions	9.75	14.78	13.00
Return to shareholder as a result of share class closure	(1,222.75)	n/a	n/a
Closing NAV	0.00	1,290.07	1,222.27
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.07	0.68	0.39
Dilution adjustments ^[a]	(0.03)	(0.40)	(0.39)
Total direct portfolio transaction costs	0.04	0.28	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.02	0.02	0.00
Operating charges ^[c]	0.92	0.92	0.92
Return after operating charges	-5.22	+5.55	+21.45
Historic yield	1.23	1.15	1.08
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (¥000)	0	11,124,977	3,462
Closing NAV percentage of total fund NAV (%)	0.00	16.07	0.00
Number of shares	0	7,785,439	2,561
Highest share price (US ¢)	1,336.55	1,501.96	1,238.37
Lowest share price (US ¢)	1,221.03	1,217.21	974.75

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

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

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

M&G Japan Fund

Financial statements and notes

Financial statements

Statement of total return

for the year to 31 August	Note	2019		2018	
		¥'000	¥'000	¥'000	¥'000
Income					
Net capital gains / (losses)	3		(10,502,022)		2,879,661
Revenue	5	1,498,947		1,860,034	
Expenses	6	(676,939)		(1,124,908)	
Net revenue / (expense) before taxation		822,008		735,126	
Taxation	7	(149,378)		(189,414)	
Net revenue / (expense) after taxation			672,630		545,712
Total return before distributions			(9,829,392)		3,425,373
Distributions	8		(1,161,896)		(1,214,804)
Change in net assets attributable to shareholders from investment activities			(10,991,288)		2,210,569

Statement of change in net assets attributable to shareholders

for the year to 31 August	2019		2018	
	¥'000	¥'000	¥'000	¥'000
Opening net assets attributable to shareholders		69,230,521		74,245,713
Amounts received on issue of shares	33,282,302		34,162,997	
Amounts paid on cancellation of shares	(35,593,401)		(41,756,246)	
Transfer to M&G (Lux) Japan Fund	(16,935,827)		0	
		(19,246,926)		(7,593,249)
Dilution adjustments		15,532		58,519
Change in net assets attributable to shareholders from investment activities (see above)		(10,991,288)		2,210,569
Retained distributions on Accumulation shares		364,854		308,724
Unclaimed distributions		107		245
Closing net assets attributable to shareholders		39,372,800		69,230,521

Balance sheet

as at 31 August	Note	2019 ¥'000	2018 ¥'000
Assets			
Fixed assets			
Investments		39,585,086	69,595,786
Current assets			
Debtors	9	113,390	119,162
Cash and bank balances	10	530,092	709,187
Total assets		40,228,568	70,424,135
Liabilities			
Investment liabilities		(13,063)	0
Creditors			
Distribution payable		(776,982)	(791,013)
Other creditors	11	(65,723)	(402,601)
Total liabilities		(855,768)	(1,193,614)
Net assets attributable to shareholders		39,372,800	69,230,521

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 7 and 8.

The fund's functional and presentational currency is Japanese Yen as this better reflects the currency of its primary economic environment.

2 Distribution policy

In determining the amount available for distribution to Income shares, the annual charge, annual management charge and administration charge are 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 August	2019 ¥'000	2018 ¥'000
Non-derivative securities	(10,436,156)	2,831,046
Derivative contracts	(62,767)	21,781
Currency gains / (losses)	(2,489)	28,246
Transaction charges	(610)	(1,412)
Net capital gains / (losses)	(10,502,022)	2,879,661

M&G Japan 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 99.

for the year to 31 August	2019 ¥'000	% of transaction	2018 ¥'000	% of transaction
a) Purchases				
Equities				
Equities before transaction costs	15,409,573		38,532,565	
Commissions	8,820	0.06	20,006	0.05
Total purchases after transaction costs	15,418,393		38,552,571	

b) Sales				
Equities				
Equities before transaction costs	17,616,842		44,526,601	
Commissions	(9,971)	0.06	(20,416)	0.05
Equities after transaction costs	17,606,871		44,506,185	
Other transaction types				
Corporate actions	1,222,536		0	
Total sales after transaction costs	18,829,407		44,506,185	

c) Direct portfolio transaction costs	2019 ¥'000	% of average NAV	2018 ¥'000	% of average NAV
Commissions paid				
Equities	18,791	0.03	40,422	0.05
Derivatives	111	0.00	159	0.00
Total commissions paid	18,902	0.03	40,581	0.05
Taxes paid				
Derivatives	386	0.00	0	0.00
Total direct portfolio transaction costs [a]	19,288	0.03	40,581	0.05

d) Indirect portfolio transaction costs	%	%
Portfolio dealing spread [b]	0.18	0.18

[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 August	2019 ¥'000	2018 ¥'000
Bank interest	49	91
Derivative revenue	(88)	(123)
Dividends from equity investments: non-taxable	1,498,013	1,894,138
Dividends from equity investments: taxable	973	(34,499)
Interest distributions	0	427
Total revenue	1,498,947	1,860,034

6 Expenses

for the year to 31 August	2019 ¥'000	2018 ¥'000
Payable to the ACD or associate		
Annual charge	35,844	0
Annual management charge [a]	562,384	983,952
Administration charge [a]	67,339	121,037
	665,567	1,104,989
Payable to the Depository or associate		
Depository's charge (including VAT) [a]	3,282	5,510
Other expenses		
Audit fee (including VAT) [a] [b]	1,118	1,378
Interest payable	2,841	4,998
Safe custody charge [a]	4,131	8,033
	8,090	14,409
Total expenses	676,939	1,124,908

[a] The segregated charges shown above for annual management, administration, depository, audit and safe custody are those paid by the fund up to and including 31 July 2019. As of 1 August 2019 these charges have been replaced by the single annual charge.

[b] Audit fees for the financial year ending 2019 were ¥1,118,000.

7 Taxation

for the year to 31 August	2019 ¥'000	2018 ¥'000
a) Analysis of charge in the year		
Corporation tax	0	0
Withholding tax	149,378	189,414
Deferred tax (note 7c)	0	0
Total taxation	149,378	189,414
b) Factors affecting taxation charge for the year		
Net revenue / (expense) before taxation	822,008	735,126
Corporation tax at 20%	164,402	147,025
Effects of:		
Dividends from equity investments: non-taxable	(299,603)	(378,827)
Current year expenses not utilised	135,201	231,802
Withholding tax	149,378	189,414
Total tax charge (note 7a)	149,378	189,414
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 ¥1,097,355,000 (2018: ¥962,154,000) arising as a result of having excess management expenses. We do not expect this asset to be utilised in the foreseeable future.

M&G Japan Fund

Financial statements and notes

Notes to the financial statements

8 Distributions

for the year to 31 August	2019		2018	
	Inc ^[a] ¥'000	Acc ^[b] ¥'000	Inc ^[a] ¥'000	Acc ^[b] ¥'000
Dividend distributions				
Final	776,982	364,854	791,013	308,724
Total net distributions		1,141,836		1,099,737
Income deducted on cancellation of shares		558,671		320,298
Income received on issue of shares		(538,611)		(205,231)
Distributions		1,161,896		1,214,804
Net revenue / (expense) per statement of total return		672,630		545,712
Expenses offset against capital		489,214		669,091
Undistributed income brought forward		58		59
Undistributed income carried forward		(6)		(58)
Distributions		1,161,896		1,214,804

[a] Distributions payable on Income shares.

[b] Retained distributions on Accumulation shares.

9 Debtors

as at 31 August	2019 ¥'000	2018 ¥'000
Amounts receivable on issues of shares	319	38,634
Currency deals outstanding	9,855	5,098
Dividends receivable	103,216	73,969
Sales awaiting settlement	0	1,461
Total debtors	113,390	119,162

10 Cash and bank balances

as at 31 August	2019 ¥'000	2018 ¥'000
Amounts held at futures clearing houses and collateral manager	28,562	0
Cash held as bank balances	501,530	709,187
Total cash and bank balances	530,092	709,187

11 Other creditors

as at 31 August	2019 ¥'000	2018 ¥'000
ACD's annual management charge payable	0	42,351
Administration charge payable	0	5,149
Amounts payable on cancellation of shares	23,818	211,095
Annual charge payable	21,206	0
Currency deals outstanding	9,866	5,146
Expenses payable	2,701	3,087
Purchases awaiting settlement	0	135,773
Payable to M&G (Lux) Japan fund	8,132	0
Total other creditors	65,723	402,601

12 Contingent assets, liabilities and outstanding commitments

There were no contingent assets, liabilities or outstanding commitments at the balance sheet date (2018: 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		Movements		Closing
	01.09.18	Issued	Cancelled	31.08.19	
Euro					
Class 'A' Accumulation	2,587,636	136	(2,587,772)		0
Class 'C' Accumulation	2,824,418	2,252,292	(5,076,710)		0
Sterling					
Class 'A' Income	428,024,896	20,729,360	(258,176,318)		190,577,938
Class 'A' Accumulation	13,238,470	6,272,867	(7,877,240)		11,634,097
Class 'I' Income	129,354	4,771,008	(34,682)		4,865,680
Class 'I' Accumulation	1,560,025	3,116,350	(766,039)		3,910,336
Class 'PP' Income	0	20,000	0		20,000
Class 'PP' Accumulation	0	115,000	(10,000)		105,000
Class 'R' Income	89,428	35,196	(10,949)		113,675
Class 'R' Accumulation	571,291	194,632	(109,305)		656,618
Class 'X' Income	1,492,862	93,720	(298,462)		1,288,120
Class 'X' Accumulation	1,701,486	164,083	(663,903)		1,201,666
US dollar					
Class 'A' Accumulation	38,417	0	(38,417)		0
Class 'C' Accumulation	7,785,439	23,110	(7,808,549)		0

14 Charging structure

The table below sets out the charging structure for each class of share in existence as at the balance sheet date. The charging structure is the same for both Income and Accumulation shares of each class.

Share class	Entry charge %	Exit charge %	Annual charge ^[a] %
Sterling			
Class 'A'	n/a	n/a	1.40
Class 'I'	n/a	n/a	0.90
Class 'PP'	n/a	n/a	0.70
Class 'R'	n/a	n/a	1.15
Class 'X'	n/a	n/a	1.40

[a] The amounts shown are the maximum annual charge. M&G will apply a discount of 0.02% for every £1 billion of a fund's net asset value. This is assessed quarterly and implemented on a forward basis no later than 13 business days after quarter end.

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 annual charge, ACD's annual management charge and administration charge are disclosed in note 6. Amounts due at the year end from the annual 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 92.15% (2018: 92.99%) of the fund's shares.

M&G Japan 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 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: Unadjusted quoted price in an active market for an identical instrument

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 technique using observable market data

This includes instruments such as over-the-counter (OTC) derivatives, debt securities, convertible bonds, mortgage-backed securities, asset-backed securities and open-ended funds which have been valued using models with observable market data inputs.

Level 3: Valuation technique using unobservable inputs

This refers to instruments which have been valued using models with unobservable data inputs. This includes single broker-priced instruments, suspended/unquoted securities, private equity, unlisted closed-ended funds and open-ended funds with restrictions on redemption rights. However no such financial instruments were held.

as at 31 August	Assets 2019	Liabilities 2019	Assets 2018	Liabilities 2018
Basis of valuation	¥'000	¥'000	¥'000	¥'000
Level 1	39,585,086	(13,063)	69,595,786	0
Level 2	0	0	0	0
Level 3	0	0	0	0
	39,585,086	(13,063)	69,595,786	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

The general risk management policies for the fund are set out in note 3 to the financial statements on pages 8 and 9.

19 Market risk sensitivity

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 ¥1,978,601,000 (2018: ¥3,479,789,000). A five per cent decrease would have an equal and opposite effect.

20 Currency risk sensitivity and exposure

Currency risk is not considered significant for the fund and is therefore not disclosed.

21 Interest rate risk sensitivity and exposure

As the majority of the fund's financial assets are non-interest bearing, the risk is not considered significant and is therefore not disclosed.

22 Credit risk

Credit risk is not considered significant for the fund and is therefore not disclosed.

The table below shows the exposure to counterparties. Collateral is posted daily, in the form of cash or high-quality government bonds, to minimise this exposure.

as at 31 August 2019	Futures ¥'000
Bank of America Merrill Lynch	(13,063)
Total	(13,063)

As at 31 August 2018 there was no exposure to counterparties.

23 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 [a]	01.09.18	31.08.19	02.09.19	31.10.19

[a] As a result of the merger of M&G Japan Fund into M&G (Lux) Japan Fund on 26 October 2018 ('the effective date'), any income available for distribution to non-sterling share classes from the start of the period on 1 September 2018 to the effective date of the merger was distributed to shareholders on 20 December 2018.

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 income 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 income and equalisation. Equalisation is the average amount of income 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 income and equalisation components.

Euro Class 'A' Accumulation shares				
Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income 2019	Equalisation 2019	2019	2018
Final	€ 3.0170	€ 8.9020	€ 11.9190	€ 6.7553

M&G Japan Fund

Financial statements and notes

Notes to the financial statements

23 Dividend distribution tables (continued)

Euro Class 'C' Accumulation shares

Ordinary distributions for the year to 31 August	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	Group 1 & 2 Distribution 2018
	€	€	€	€
Final	0.0000	15.8607	15.8607	23.3723

Sterling Class 'A' Income shares

Ordinary distributions for the year to 31 August	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	Group 1 & 2 Distribution 2018
	p	p	p	p
Final	0.6623	0.8851	1.5474	1.2623

Sterling Class 'A' Accumulation shares

Ordinary distributions for the year to 31 August	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	Group 1 & 2 Distribution 2018
	p	p	p	p
Final	0.3871	0.2705	0.6576	0.2523

Sterling Class 'I' Income shares

Ordinary distributions for the year to 31 August	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	Group 1 & 2 Distribution 2018
	p	p	p	p
Final	32.3423	29.7413	62.0836	50.2672

Sterling Class 'I' Accumulation shares

Ordinary distributions for the year to 31 August	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	Group 1 & 2 Distribution 2018
	p	p	p	p
Final	24.2238	19.5705	43.7943	29.3145

Sterling Class 'PP' Income shares

Ordinary distributions for the year to 31 August	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	Group 1 & 2 Distribution 2018
	p	p	p	p
Final	2.7833	0.0000	2.7833	n/a

Sterling Class 'PP' Accumulation shares

Ordinary distributions for the year to 31 August	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	Group 1 & 2 Distribution 2018
	p	p	p	p
Final	0.2915	1.6756	1.9671	n/a

Sterling Class 'R' Income shares

Ordinary distributions for the year to 31 August	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	Group 1 & 2 Distribution 2018
	p	p	p	p
Final	4.6032	1.5573	6.1605	5.0007

Sterling Class 'R' Accumulation shares

Ordinary distributions for the year to 31 August	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	Group 1 & 2 Distribution 2018
	p	p	p	p
Final	1.6213	2.0554	3.6767	2.2416

Sterling Class 'X' Income shares

Ordinary distributions for the year to 31 August	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	Group 1 & 2 Distribution 2018
	p	p	p	p
Final	0.8771	0.6483	1.5254	1.2444

Sterling Class 'X' Accumulation shares

Ordinary distributions for the year to 31 August	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	Group 1 & 2 Distribution 2018
	p	p	p	p
Final	0.2057	0.4431	0.6488	0.2490

US dollar Class 'A' Accumulation shares

Ordinary distributions for the year to 31 August	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	Group 1 & 2 Distribution 2018
	¢	¢	¢	¢
Final	8.0754	0.0000	8.0754	4.7093

US dollar Class 'C' Accumulation shares

Ordinary distributions for the year to 31 August	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	Group 1 & 2 Distribution 2018
	¢	¢	¢	¢
Final	0.0000	9.7546	9.7546	14.7812

M&G Japan Smaller Companies Fund

Authorised Corporate Director's Report

Investment objective and policy up to 23 April 2019

The fund invests wholly or predominantly in securities of smaller Japanese companies, the universe for which is the bottom third in terms of total market capitalisation of all publicly listed equity in Japan. When not wholly invested as above, the fund may also invest in medium sized and larger companies in order to enhance its liquidity. Its sole objective is long term capital growth.

Investment approach up to 23 April 2019

The M&G Japan Smaller Companies Fund invests in listed smaller Japanese companies to achieve sound capital growth over the long term.

The fund manager applies disciplined and rigorous fundamental analysis during the selection process to ensure a high level of conviction around the valuation for each of the companies held in the fund.

The fund holds shares in companies that have attractive valuations relative to the earnings they are likely to generate over the medium to long term. These companies are quite often out of favour with the market for one reason or another. The fund's investment approach therefore tends to be contrarian in nature.

The fund manager sees investing as a price-sensitive process that takes advantage of the mis-pricing of a company's shares by the market. Whilst recognising that markets are generally efficient, the fund manager believes that market mis-pricings can and often do occur because human characteristics (such as fear and greed) may prevent investors from always assessing investments rationally.

As a result, market prices do not always reflect fundamental values since they may over-shoot and under-shoot. For example, shares in companies become mis-priced when investors are willing to pay a high price for the 'comfort' of strong near-term earnings momentum and to be associated with success, whilst they will sell 'unfashionable' securities regardless of inherent attractiveness, such as healthy balance sheets and the likely level of longer term earnings.

Such behavioural biases are evident in Japan's equity markets today and can be systemically exploited. The fund manager aims to take advantage of these biases by adopting a disciplined, long-term investment approach.

Investment objective from 24 April 2019

The fund aims to provide a higher total return (the combination of capital growth and income), net of the ongoing charge figure, than that of the Russell/Nomura Mid-Small Cap Index over any five-year period.

Investment policy from 24 April 2019

At least 80% of the fund is invested in equity securities and equity-related securities of smaller companies that are incorporated, domiciled or do most of their business in Japan.

Smaller companies are defined as the bottom half in terms of total market capitalisation of all publicly listed companies in Japan.

The fund usually holds a concentrated portfolio of fewer than 50 companies.

The fund may also invest in other transferable securities directly or via collective investment schemes (including funds managed by M&G).

The fund may also hold cash and near cash for liquidity purposes.

Derivatives may be used for efficient portfolio management and hedging.

Investment approach from 24 April 2019

The fund employs a disciplined approach to investment which concentrates on the analysis and selection of individual companies.

The investment approach aims to take advantage of price volatility.

The fund manager believes that stockmarket mispricing can, and often, occur because psychological factors (i.e. behavioural biases) prevent investors from always assessing investments rationally. As a result, market prices do not always reflect the fundamental value of companies. The fund seeks to profit from such behavioural biases.

The investment approach filters the fund's investment universe down to a focused list of companies whose shares trade on low valuations relative to their history and the market. These companies are then subject to rigorous fundamental analysis to attain an understanding of a company's sustainable earnings. This fundamental analysis leads to a high level of conviction for each of the companies held in the fund.

The fund manager expects stock selection to be the main driver of performance.

Benchmark

Benchmark: Russell/Nomura Mid-Small Cap Index.

The fund is actively managed. The benchmark is a target which the fund seeks to outperform. The index has been chosen as the fund's target benchmark as it best reflects the scope of the fund's investment policy. The target benchmark is used solely to measure the fund's performance and does not constrain the fund's portfolio construction.

M&G Japan Smaller Companies Fund

Authorised Corporate Director's Report

Risk profile

The fund invests in the shares of smaller Japan-listed companies and is, therefore, subject to the price volatility of the Japanese stockmarket and the performance of individual companies. The fund may also be subject to fluctuations in currency exchange rates. The fund's focus is on smaller companies where the share price movement can be more unpredictable and the shares more difficult to buy and sell compared to those of larger companies. 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.

Investment review

As at 2 September 2019, for the year ended 31 August 2019

Performance against objective

Between 3 September 2018 (the start of the review period) and 2 September 2019, the M&G Japan Smaller Companies Fund's sterling share classes delivered a negative total return (the combination of income and growth of capital) and underperformed the benchmark, the Russell/Nomura Mid-Small Cap Index, which returned -3.0% in sterling.

Between 3 September 2018 and 26 October 2018, the fund's euro and US dollar share classes delivered negative returns but were ahead of the Russell/Nomura Mid-Small Cap Index (-5.4% and -7.5% in euros and US dollars, respectively)*. On 26 October 2018, the fund's non-sterling share classes merged into the M&G (Lux) Japan Smaller Companies Fund, a Luxembourg-authorized SICAV which launched on that date.

Over a longer timeframe of five years, the fund's sterling share classes have generated a positive total return but underperformed the benchmark, which returned 12.1%.

Over five years up to the merger date, the fund's euro share classes generated a positive total return and outperformed the benchmark, which returned 10.7% in the period. The fund's US dollar share classes were launched on 9 October 2015 and therefore did not have a five-year track record.

During the review period, the fund's objective and policy changed. On 4 September 2019, Shane Kelly replaced Johan Du Preez as interim fund manager. From midday on 20 September 2019 Carl Vine replaced Shane Kelly as fund manager. At the same time Dave Perrett became deputy fund manager.

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

Investment performance

The Japanese stockmarket made a solid start to the 12-month period under review; however, in common with stockmarkets globally, Japanese company shares (equities) suffered from sharp falls in the final quarter of 2018. The stockmarket began 2019 in an upbeat fashion, but for the 12-month period as whole, the Russell/Nomura Mid-Small Cap Index recorded a negative return in local currency terms.

Throughout the review period, investor sentiment was swayed by the deteriorating geopolitical climate and the potential impact of a trade war between the US and China and its implications for global growth. This caused some non-Japanese investors to reduce their allocation to Japan. Investors' time horizons have shrunk dramatically, and as a result, short-term newsflow causes a disproportionate amount of volatility, in our view.

We are also witnessing an extremely narrow market (one where only a few names are in favour). Investors have piled into themes such as technology software and consumer staples stocks without much regard for the longer term profitability of these companies.

M&G Japan Smaller Companies Fund

Authorised Corporate Director's Report

Investment review

Investment performance (continued)

During times of increased investor nervousness, the Japanese yen benefited from its status as a safe haven currency. However, a stronger Japanese currency reduces the value (in yen terms) of the overseas revenues and profits of Japanese companies, and this created a headwind for equities.

Defensive sectors such as healthcare, consumer staples and utilities outperformed the market, whereas cyclicals, including financials, materials, energy and industrials lagged. (Defensive stocks are companies that tend to have stable earnings and are less affected by peaks and troughs in the economy; cyclicals are companies which tend to be more sensitive to economic activity.) This has provided us with opportunities to invest in some quality businesses that are now attractively valued, but the fund's above-index weighting in cyclicals and the weak performance of selected stocks meant that the fund trailed the Russell/Nomura Mid-Small Cap Index over the review period.

The largest detractor was real estate developer Leoplace21, whose shares have sold off heavily in the past year after news that it installed defective partition walls in some of its properties. Management had reassured investors about the cost of remedying the situation, but ultimately it came to light that the magnitude of the partition wall fault issue was higher than previously reported. Consequently, we no longer had confidence in the company and closed the position.

Other holdings that held back returns included Cookpad and Tokyo Kiraboshi Financial Group. Cookpad is Japan's most popular online recipe-sharing firm. New management has shifted the company's business strategy, putting too much focus on projects that are not contributing to the company's profitability. As our original investment thesis no longer stands, we decided to close the position.

Regional bank Tokyo Kiraboshi sold off on the back of a decline in Japanese government bond yields during the review period. Also, investors have been disappointed by the slow progress management has made in achieving merger synergies. Tokyo Kiraboshi is the result of a three-way merger of regional banks in the Tokyo area.

Another financial company which detracted was Credit Saison, a credit services provider. The company reported disappointing quarterly results recently and continues to struggle in the low interest rate environment.

Automobile stocks significantly underperformed the stockmarket over the 12-month period and the fund's holding in Mazda Motor detracted. In the short term, Mazda's profitability will suffer if trade tariffs on car manufacturers exporting into the US are implemented, but the firm is preparing to manufacture locally, if the tariffs become a reality.

On a positive note, NTT Urban Development and Dowa Holdings added value. During the review period, NTT Corp (the parent company of NTT Urban) announced a tender offer for the shares of NTT Urban. Accordingly, the latter's shares rose sharply. This event was one of the possible outcomes we envisaged when we originally invested in NTT Urban. We have since closed the position in NTT Urban. Meanwhile, non-ferrous metal manufacturer Dowa's shares climbed on the back of solid quarterly results.

Other significant contributors included Hamakyorex, a trucking company with warehouses and related logistics services. The company's share price has benefited as the worry over a slowdown in global trade has subsided somewhat. Hamakyorex also announced healthy quarterly figures, which were well received by investors.

Holdings that added value on the back of better-than-expected financial results included OKI Electric, a manufacturer of ATMs and printers, and marketing firm Relia. In particular, OKI's restructuring of its business is beginning to bear fruit.

Investment activities

Investment activity during the review period focused on the recycling of cash out of holdings where we believed share prices better reflected fundamentals. We also added to holdings where an 'episode' was still apparent. We define 'episode' as an occasion when investors allow emotions to drive their investment decisions, so that a company's share price moves away from its underlying value over the short term.

We initiated several new positions, including Megmilk Snow Brand and Lawson. Megmilk is a dairy-product producer. Investors have been preoccupied with rising costs at the business, but in our view, they are largely ignoring its healthy line-up of products. Furthermore, Megmilk is one of the market leaders in Japan and has strong pricing power.

Lawson is one of the largest 24-hour convenience store chains. The company is restructuring its back-office operations, as well as investing in its stores, to improve profitability. The market is unhappy with the slow progress and we saw an opportunity to gain exposure to a solid business that is a household name and has a nationwide reach.

Other new holdings were Ebara and Cosel. Ebara is a stock we have previously held and whose share price has suffered since we took profits, due to concerns about global growth and declining demand for machinery equipment. However, we believe the share price fall has been overdone and we see upside from here, since Ebara is a profitable business that can weather the business cycle.

Cosel makes switch power supplies used in, amongst other applications, semiconductor equipment. Shares in the company were sold off on pessimism over global capex and a downturn in the semiconductor cycle. However, we believe the sell-off in Cosel's shares has been overdone. The company has a solid balance sheet, which we believe will support its core business during the semiconductor down cycle, as well as potentially rewarding its shareholders in general.

We also began a position in crane and construction machinery manufacturer Tadano. We believe Tadano has a unique product offering, and as the company has a strong balance sheet, it can weather the cyclical nature of the sector.

In addition to disposals previously mentioned (Leoplace21 and Cookpad), we sold out of DeNA as we felt management has lost the momentum in its strategy to reinvigorate the business. Even though we still feel there could be some long-term growth, the range of possible outcomes now does not justify its place in a concentrated portfolio.

M&G Japan Smaller Companies Fund

Authorised Corporate Director's Report

Investment review

Investment activities (continued)

We also closed positions in Mitsui Engineering & Shipbuilding and in Onward Holdings. We believe the management of Mitsui Engineering & Shipbuilding has taken on excessive risk in its projects in South East Asia and we no longer have confidence management will execute its restructuring plans, given the potential liabilities from these projects.

Onward is a multi-brand fashion conglomerate that owns brands such as Jil Sander; the company also has a logistics business. Sales have disappointed at the retailer, leading the company to make a large inventory writedown. We closed our position because we think the management has lost its focus in the restructuring programme.

Outlook

2019 continues to be a turbulent year for the Japanese stockmarket, with shares bearing the brunt of US-China trade war concerns and worries over prospects for global growth. While the 'risk-off' environment has been a headwind for the Japanese equity market, corporate Japan continues to perform well.

In terms of the market environment, investors have been aggressively buying 'growth' stocks, to the point where valuations are very stretched, in our view. This has not been helped by the Bank of Japan indiscriminately buying large swathes of the market as part of its efforts to boost economic activity.

On the other hand, we can also see certain sectors and stocks being actively ignored by the market, because they do not fit in with the growth 'story'. We have seen some stocks consistently beating expectations, but their share prices have not moved much. These are healthy businesses with good balance sheets and prospects for continuing profitability. We are contrarian investors, so we are investing in these 'unloved' stocks – a process which requires patience. However, we are confident that this strategy will prove beneficial in due course.

Japanese equities remain attractively valued relative to other markets around the world, when measured on a real earnings yield basis (net profit as a percentage of market capitalisation and adjusted for inflation). Return on equity (net profit as a percentage of shareholders' equity) is back to levels seen in 2007 and profit margins are at an all-time high. Dividend payouts from companies have become more generous too. Furthermore, share buybacks are accelerating, from already high levels. It is also worth noting that out of all the major economies, Japan has one of the most stable political environments.

In the short run, we expect volatility, but the fund is well positioned to take advantage of the market given its diversified exposure to both global and domestic demand.

Johan du Preez

Fund manager

An employee of M&G Limited which is an associate of M&G Securities Limited. During the review period, the fund's objective and policy changed. On 4 September 2019, Shane Kelly replaced Johan Du Preez as interim fund manager. From midday on 20 September 2019 Carl Vine replaced Shane Kelly as fund manager.

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 August	2019	2019	2018 ^[a]
Holding	¥000	%	%
EQUITIES	10,260,676	100.68	99.35
Technology hardware & equipment	875,167	8.58	8.95
73,600 Denki Kogyo	211,379	2.07	
288,100 OKI Electric Industry	428,981	4.21	
713,700 Wacom	234,807	2.30	
Medical equipment & services	444,556	4.36	3.03
189,900 Miraca	444,556	4.36	
Banks	409,873	4.02	3.12
716,100 Concordia Financial	260,660	2.56	
116,300 Tokyo Kiraboshi	149,213	1.46	
Finance & credit services	581,261	5.70	7.36
343,300 Credit Saison	405,437	3.98	
66,000 IBJ Leasing	175,824	1.72	
Real estate investment & services	0	0.00	2.85
Real estate investment trusts	0	0.00	3.62
Automobiles & parts	958,220	9.40	11.74
449,900 Mazda Motor	401,356	3.94	
44,300 Riken	160,809	1.58	
522,500 Sumitomo Riko	396,055	3.88	
Household goods & home construction	506,369	4.97	3.89
236,800 Iida	391,431	3.84	
300,100 Janome Sewing Machine	114,938	1.13	
Leisure goods	303,665	2.98	4.06
231,100 Nikon	303,665	2.98	
Personal goods	55,700	0.55	4.83
25,000 Seiko	55,700	0.55	
Media	271,621	2.67	1.81
202,400 Relia	271,621	2.67	
Retailers	645,962	6.34	9.85
279,600 Asahi	335,240	3.29	
15,400 Escrit	12,628	0.13	
93,300 United Arrows	298,094	2.92	
Food producers	323,698	3.18	0.00
132,500 Megmilk Snow Brand	323,698	3.18	
Personal care, drug & grocery stores	432,898	4.25	0.00
82,300 Lawson	432,898	4.25	
Construction & materials	863,549	8.47	4.78
178,600 LIXIL	310,049	3.04	
640,600 OSJB	146,057	1.43	
183,200 Sankyo Tateyama	210,130	2.06	
225,500 Sanyo Housing Nagoya	197,313	1.94	
Electronic & electrical equipment	275,030	2.70	0.00
271,500 Cosel	275,030	2.70	
Industrial engineering	1,111,652	10.91	9.54
197,700 CKD	209,167	2.05	
83,500 Ebara	210,503	2.07	
1,176,300 Hitachi Zosen	399,942	3.93	
26,800 Sumitomo Heavy Industries	81,740	0.80	
224,200 Tadano	210,300	2.06	
Industrial support services	545,068	5.35	5.15
58,400 Hamakyorex	213,452	2.10	
260,500 Yamatane	331,616	3.25	

M&G Japan Smaller Companies Fund

Authorised Corporate Director's Report

Investments

Portfolio statement (continued)			
as at 31 August	2019	2019	2018 ^[a]
Holding	¥'000	%	%
Industrial transportation	393,750	3.86	3.47
157,500 Mitsui O.S.K. Lines	393,750	3.86	
Industrial metals & mining	411,740	4.04	3.59
121,100 Dowa	411,740	4.04	
Chemicals	850,897	8.35	7.71
141,900 DIC	397,887	3.90	
260,800 JSR	453,010	4.45	
EQUITY DERIVATIVES	85	0.00	0.00
Equity futures contracts	85	0.00	0.00
1 Topix Index Future September 2019	85	0.00	
Portfolio of investments (notes 2c & 2d on page 7)	10,260,761	100.68	99.35
Net other assets / (liabilities)	(69,479)	(0.68)	0.65
Net assets attributable to shareholders	10,191,282	100.00	100.00

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

^[a] The portfolio has been reclassified to more appropriately reflect how the fund is managed. 2018 comparatives have been restated to reflect this.

Top ten portfolio transactions

for the year to 31 August 2019

Largest purchases	¥'000
Lawson	1,351,720
LIXIL	926,750
Onward	563,990
Miraca	433,759
Leopalace21	430,612
Hitachi Zosen	401,160
KYB	393,686
Megmilk Snow Brand	356,007
Cosel	322,749
Concordia Financial	308,197
Other purchases	3,876,631
Total purchases	9,365,261
Largest sales	¥'000
NTT Urban Development	922,852
Mitsui Engineering & Shipbuilding	740,171
Onward	605,701
Seiko	426,009
Sumitomo Heavy Industries	390,255
Leopalace21	387,613
DeNA	384,359
IBJ Leasing	349,320
Cookpad	344,715
Hamakyorex	343,358
Other sales	4,215,140
Total sales	9,109,493

M&G Japan Smaller Companies 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.

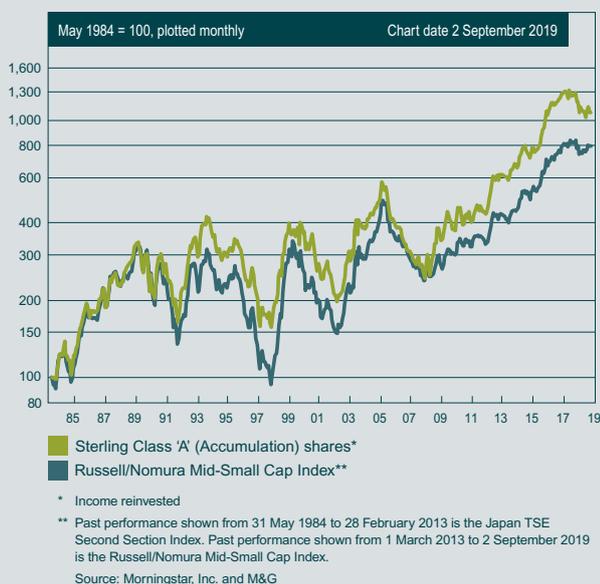
The following chart and tables reflect the key financial information of a representative share class, Sterling Class 'A' (Accumulation) shares. As different share classes have different attributes, for example charging structures and minimum investments, please be aware that their performance may be different. For more information on the different share classes in this fund please refer to the Prospectus for M&G Investment Funds (1), 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 August	2019 ¥'000	2018 ¥'000	2017 ¥'000
Fund net asset value (NAV)	10,191,282	34,438,426	36,437,340

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.



To give an indication of the performance of the fund, the following table shows the compound rate of return, per annum, over the period to 26 October 2018 for non-sterling share classes and 2 September 2019 for sterling share classes. Calculated on a price to price basis with income reinvested.

Long-term performance by share class

	From 03.09.18 % [a]	From 02.09.16 % p.a.	From 02.09.14 % p.a.	Since launch % p.a.
Euro [b]				
Class 'A'	-4.9	+8.3	+11.3	+6.6 [c]
Class 'C'	-4.8	+9.1	+12.1	+7.4 [c]
Sterling [d]				
Class 'A'	-13.8	+4.7	+9.9	+7.0 [e]
Class 'I'	-13.1	+5.5	+10.8	+14.1 [f]
Class 'R'	-13.3	+5.3	+10.5	+13.8 [f]
Class 'X'	-13.8	+4.7	+9.9	+9.7 [g]
US dollar [b]				
Class 'A'	-7.1	+9.0	n/a	+8.7 [h]
Class 'C'	-7.0	+9.8	n/a	+9.5 [h]

[a] Absolute basis.

[b] Price to price with net income reinvested.

[c] 28 November 2001, the launch date of the share class.

[d] Price to price with income reinvested.

[e] 15 May 1984, the end of the initial offer period of the predecessor unit trust.

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

[g] 1 October 2002, the launch date of the share class.

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

M&G Japan Smaller Companies Fund

Financial highlights

Fund performance

Operating charges and portfolio transaction costs

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

Operating charges

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

- **Annual charge:** Charge paid to M&G covering the annual cost of M&G managing and administering the fund and the costs of third parties providing services to the fund. From 1 August 2019, this charge rolls all costs that make up the operating charges into one annual charge.

For every £1 billion of a fund's net asset value, a discount of 0.02% will be applied to that fund's annual charge (up to a maximum of 0.12%).

- **Extraordinary legal and tax expenses:** Costs that specifically relate to legal or tax claims that are both exceptional and unforeseeable. Such expenses are uncommon, and would not be expected in most years. Although they result in a short-term cost to the fund, generally they can deliver longer term benefits for investors.
- **Investment management:** Charge paid to M&G for investment management of the fund. From 1 August 2019 this charge forms part of the annual charge.
- **Administration:** Charge paid for administration services in addition to investment management – any surplus from this charge will be retained by M&G. From 1 August 2019 this charge is rolled into the annual charge.
- **Oversight and other independent services:** Charges paid to providers independent of M&G for services which include depositary, custody and audit. From 1 August 2019 these charges will be paid by M&G and rolled into the annual charge.
- **Ongoing charges from underlying funds:** Ongoing charges on holdings in underlying funds that are not rebated. From 1 August 2019 charges from underlying funds (excluding Investment Trusts Companies and Real Estate Investment Trusts) will be rebated.

The operating charges paid by each share class of the fund are shown in the following performance tables. These 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.

Once the annual charge has been operational for twelve months, operating charges will be in line with the ongoing charges shown in the Key Investor Information Document, other than where there have been extraordinary legal or tax expenses, or 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. Any estimate will be disclosed under the specific share class performance table.

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

Portfolio transaction costs

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

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

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

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

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

Portfolio transaction costs				
for the year to 31 August	2019	2018	2017	Average ^[a]
Direct portfolio transaction costs ^[b]	%	%	%	%
Broker commission	0.02	0.05	0.06	0.04
Taxes	0.00	0.00	0.00	0.00
Costs before dilution adjustments	0.02	0.05	0.06	0.04
Dilution adjustments ^[c]	(0.02)	(0.02)	(0.06)	(0.03)
Total direct portfolio transaction costs	0.00	0.03	0.00	0.01
as at 31 August	2019	2018	2017	Average ^[a]
Indirect portfolio transaction costs	%	%	%	%
Average portfolio dealing spread	0.24	0.25	0.22	0.24

^[a] Average of first three columns.

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

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

M&G Japan Smaller Companies 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.

The non-sterling share classes were merged into the M&G (Lux) Japan Smaller Companies Fund on 26 October 2018. The current period historic yields for the non-sterling share classes were calculated at the merger date.

Historic yields for the sterling share classes for the current year are calculated as at 13 September 2019.

Euro Class 'A' Accumulation share performance

The share class was launched on 28 November 2001.

for the year to 31 August Change in NAV per share	2019 Euro ¢	2018 Euro ¢	2017 Euro ¢
Opening NAV	3,156.63	2,976.86	2,490.82
Return before operating charges and after direct portfolio transaction costs	(182.75)	233.54	535.81
Operating charges	(8.05)	(53.77)	(49.77)
Return after operating charges	(190.80)	179.77	486.04
Distributions	(10.51)	(5.22)	(4.09)
Retained distributions	10.51	5.22	4.09
Return to shareholder as a result of share class closure	(2,965.83)	n/a	n/a
Closing NAV	0.00	3,156.63	2,976.86

Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.22	1.50	1.70
Dilution adjustments ^[a]	(0.22)	(0.79)	(1.70)
Total direct portfolio transaction costs	0.00	0.71	0.00

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.03	0.00
Operating charges ^[c]	1.67	1.68	1.68
Return after operating charges	-6.04	+6.04	+19.51
Historic yield	0.18	0.17	0.14
Effect on yield of charges offset against capital	0.00	0.00	0.00

Other information

Closing NAV (¥000)	0	8,347,747	8,923,194
Closing NAV percentage of total fund NAV (%)	0.00	24.24	24.49
Number of shares	0	2,046,062	2,285,881
Highest share price (Euro ¢)	3,258.15	3,428.53	3,150.10
Lowest share price (Euro ¢)	2,960.48	2,935.91	2,462.48

Euro Class 'C' Accumulation share performance

The share class was launched on 28 November 2001.

for the year to 31 August Change in NAV per share	2019 Euro ¢	2018 Euro ¢	2017 Euro ¢
Opening NAV	3,573.97	3,345.25	2,778.17
Return before operating charges and after direct portfolio transaction costs	(207.11)	262.32	598.69
Operating charges	(5.03)	(33.60)	(31.61)
Return after operating charges	(212.14)	228.72	567.08
Distributions	(16.10)	(33.44)	(27.28)
Retained distributions	16.10	33.44	27.28
Return to shareholder as a result of share class closure	(3,361.83)	n/a	n/a
Closing NAV	0.00	3,573.97	3,345.25

Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.25	1.70	1.96
Dilution adjustments ^[a]	(0.25)	(0.89)	(1.96)
Total direct portfolio transaction costs	0.00	0.81	0.00

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.03	0.00
Operating charges ^[c]	0.92	0.93	0.93
Return after operating charges	-5.94	+6.84	+20.41
Historic yield	1.03	0.94	0.83
Effect on yield of charges offset against capital	0.00	0.00	0.00

Other information

Closing NAV (¥000)	0	7,206,781	7,577,102
Closing NAV percentage of total fund NAV (%)	0.00	20.93	20.79
Number of shares	0	1,560,137	1,727,293
Highest share price (Euro ¢)	3,691.03	3,863.35	3,526.72
Lowest share price (Euro ¢)	3,355.76	3,299.71	2,747.41

Sterling Class 'A' Income share performance

The share class was launched on 15 May 1984.

for the year to 31 August Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	551.72	544.14	426.32
Return before operating charges and after direct portfolio transaction costs	(72.36)	27.54	135.93
Operating charges	(8.19)	(9.44)	(9.04)
Return after operating charges	(80.55)	18.10	126.89
Distributions	(12.27)	(10.52)	(9.07)
Closing NAV	458.90	551.72	544.14

Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.21	0.26	0.31
Dilution adjustments ^[a]	(0.21)	(0.14)	(0.31)
Total direct portfolio transaction costs	0.00	0.12	0.00

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.03	0.00
Operating charges ^[c]	1.67	1.68	1.68
Return after operating charges	-14.60	+3.33	+29.76
Historic yield	2.12	1.92	1.70
Effect on yield of charges offset against capital	1.63	1.65	1.65

Other information

Closing NAV (¥000)	2,524,860	3,407,122	3,530,197
Closing NAV percentage of total fund NAV (%)	24.77	9.89	9.69
Number of shares	4,246,569	4,286,995	4,556,080
Highest share price (UK p)	563.71	603.88	557.63
Lowest share price (UK p)	441.44	519.30	422.09

M&G Japan Smaller Companies Fund

Financial highlights

Specific share class performance

Sterling Class 'A' Accumulation share performance

The share class was launched on 15 May 1984.

for the year to 31 August Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	602.18	582.86	449.18
Return before operating charges and after direct portfolio transaction costs	(78.78)	29.43	142.78
Operating charges	(8.99)	(10.11)	(9.10)
Return after operating charges	(87.77)	19.32	133.68
Distributions	(3.84)	(0.99)	(0.80)
Retained distributions	3.84	0.99	0.80
Closing NAV	514.41	602.18	582.86
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.24	0.28	0.31
Dilution adjustments ^[a]	(0.24)	(0.15)	(0.31)
Total direct portfolio transaction costs	0.00	0.13	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.03	0.00
Operating charges ^[c]	1.67	1.68	1.68
Return after operating charges	-14.58	+3.31	+29.76
Historic yield	0.18	0.17	0.14
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (¥000)	935,664	1,500,595	1,761,313
Closing NAV percentage of total fund NAV (%)	9.18	4.36	4.83
Number of shares	1,403,903	1,729,898	2,122,149
Highest share price (UK p)	615.44	646.78	587.52
Lowest share price (UK p)	481.95	556.19	444.71

Sterling Class 'I' Income share performance

The share class was launched on 3 August 2012.

for the year to 31 August Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	2,739.70	2,681.63	2,085.10
Return before operating charges and after direct portfolio transaction costs	(359.88)	135.92	664.83
Operating charges	(23.01)	(25.85)	(23.83)
Return after operating charges	(382.89)	110.07	641.00
Distributions	(61.12)	(52.00)	(44.47)
Closing NAV	2,295.69	2,739.70	2,681.63
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	1.08	1.31	1.47
Dilution adjustments ^[a]	(1.08)	(0.69)	(1.47)
Total direct portfolio transaction costs	0.00	0.62	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.03	0.00
Operating charges ^[c]	0.93	0.93	0.93
Return after operating charges	-13.98	+4.10	+30.74
Historic yield	2.09	1.91	1.69
Effect on yield of charges offset against capital	0.90	0.90	0.90
Other information			
Closing NAV (¥000)	1,002,372	1,801,695	1,916,121
Closing NAV percentage of total fund NAV (%)	9.84	5.23	5.26
Number of shares	337,007	456,523	501,797
Highest share price (UK p)	2,801.10	2,984.21	2,747.82
Lowest share price (UK p)	2,204.55	2,560.94	2,065.12

Sterling Class 'I' Accumulation share performance

The share class was launched on 3 August 2012.

for the year to 31 August Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	2,949.28	2,833.31	2,167.19
Return before operating charges and after direct portfolio transaction costs	(386.64)	143.28	690.98
Operating charges	(24.85)	(27.31)	(24.86)
Return after operating charges	(411.49)	115.97	666.12
Distributions	(39.91)	(27.60)	(23.11)
Retained distributions	39.91	27.60	23.11
Closing NAV	2,537.79	2,949.28	2,833.31
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	1.16	1.38	1.54
Dilution adjustments ^[a]	(1.16)	(0.73)	(1.54)
Total direct portfolio transaction costs	0.00	0.65	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.03	0.00
Operating charges ^[c]	0.93	0.93	0.93
Return after operating charges	-13.95	+4.09	+30.74
Historic yield	1.00	0.94	0.83
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (¥000)	4,783,506	9,187,415	10,906,843
Closing NAV percentage of total fund NAV (%)	46.94	26.68	29.94
Number of shares	1,454,835	2,162,527	2,703,387
Highest share price (UK p)	3,016.20	3,152.66	2,855.86
Lowest share price (UK p)	2,373.84	2,705.55	2,146.32

Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012.

for the year to 31 August Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	272.50	267.40	208.44
Return before operating charges and after direct portfolio transaction costs	(35.77)	13.56	66.41
Operating charges	(2.90)	(3.28)	(3.01)
Return after operating charges	(38.67)	10.28	63.40
Distributions	(6.07)	(5.18)	(4.44)
Closing NAV	227.76	272.50	267.40
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.11	0.13	0.15
Dilution adjustments ^[a]	(0.11)	(0.07)	(0.15)
Total direct portfolio transaction costs	0.00	0.06	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.03	0.00
Operating charges ^[c]	1.18	1.18	1.18
Return after operating charges	-14.19	+3.84	+30.42
Historic yield	2.10	1.91	1.70
Effect on yield of charges offset against capital	1.15	1.15	1.15
Other information			
Closing NAV (¥000)	34,452	59,898	22,164
Closing NAV percentage of total fund NAV (%)	0.34	0.17	0.06
Number of shares	116,750	152,590	58,209
Highest share price (UK p)	278.55	297.30	274.01
Lowest share price (UK p)	218.86	255.34	206.42

M&G Japan Smaller Companies 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 August Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	290.41	279.69	214.47
Return before operating charges and after direct portfolio transaction costs	(38.06)	14.15	68.11
Operating charges	(3.08)	(3.43)	(2.89)
Return after operating charges	(41.14)	10.72	65.22
Distributions	(3.22)	(1.97)	(1.65)
Retained distributions	3.22	1.97	1.65
Closing NAV	249.27	290.41	279.69
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.11	0.14	0.14
Dilution adjustments ^[a]	(0.11)	(0.07)	(0.14)
Total direct portfolio transaction costs	0.00	0.07	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.03	0.00
Operating charges ^[c]	1.18	1.18	1.19
Return after operating charges	-14.17	+3.83	+30.41
Historic yield	0.73	0.68	0.60
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (¥000)	234,168	324,130	58,748
Closing NAV percentage of total fund NAV (%)	2.30	0.94	0.16
Number of shares	725,069	774,798	147,508
Highest share price (UK p)	296.94	310.93	281.92
Lowest share price (UK p)	233.31	267.05	212.38

Sterling Class 'X' Income share performance

The share class was launched on 1 October 2002.

for the year to 31 August Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	548.32	540.79	423.69
Return before operating charges and after direct portfolio transaction costs	(71.85)	27.37	134.68
Operating charges	(8.20)	(9.38)	(8.57)
Return after operating charges	(80.05)	17.99	126.11
Distributions	(12.19)	(10.46)	(9.01)
Closing NAV	456.08	548.32	540.79
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.21	0.26	0.29
Dilution adjustments ^[a]	(0.21)	(0.14)	(0.29)
Total direct portfolio transaction costs	0.00	0.12	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.03	0.00
Operating charges ^[c]	1.67	1.68	1.68
Return after operating charges	-14.60	+3.33	+29.76
Historic yield	2.12	1.92	1.70
Effect on yield of charges offset against capital	1.63	1.65	1.65
Other information			
Closing NAV (¥000)	145,225	241,369	324,739
Closing NAV percentage of total fund NAV (%)	1.42	0.70	0.89
Number of shares	245,768	305,584	421,706
Highest share price (UK p)	560.24	600.16	554.19
Lowest share price (UK p)	438.72	516.10	419.49

Sterling Class 'X' Accumulation share performance

The share class was launched on 1 October 2002.

for the year to 31 August Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	597.62	578.44	445.77
Return before operating charges and after direct portfolio transaction costs	(78.14)	29.22	141.69
Operating charges	(8.97)	(10.04)	(9.02)
Return after operating charges	(87.11)	19.18	132.67
Distributions	(3.81)	(0.99)	(0.80)
Retained distributions	3.81	0.99	0.80
Closing NAV	510.51	597.62	578.44
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.23	0.28	0.31
Dilution adjustments ^[a]	(0.23)	(0.15)	(0.31)
Total direct portfolio transaction costs	0.00	0.13	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.03	0.00
Operating charges ^[c]	1.67	1.68	1.68
Return after operating charges	-14.58	+3.32	+29.76
Historic yield	0.18	0.17	0.14
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (¥000)	531,035	974,723	1,021,227
Closing NAV percentage of total fund NAV (%)	5.21	2.83	2.80
Number of shares	802,867	1,132,246	1,239,840
Highest share price (UK p)	610.78	641.88	583.07
Lowest share price (UK p)	478.30	551.98	441.34

US dollar Class 'A' Accumulation share performance

The share class was launched on 9 October 2015.

for the year to 31 August Change in NAV per share	2019 US ¢	2018 US ¢	2017 US ¢
Opening NAV	1,413.53	1,354.61	1,065.05
Return before operating charges and after direct portfolio transaction costs	(118.55)	83.51	311.35
Operating charges	(3.50)	(24.59)	(21.79)
Return after operating charges	(122.05)	58.92	289.56
Distributions	(4.58)	(2.34)	(1.86)
Retained distributions	4.58	2.34	1.86
Return to shareholder as a result of share class closure	(1,291.48)	n/a	n/a
Closing NAV	0.00	1,413.53	1,354.61
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.10	0.69	0.75
Dilution adjustments ^[a]	(0.10)	(0.36)	(0.75)
Total direct portfolio transaction costs	0.00	0.33	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.03	0.00
Operating charges ^[c]	1.67	1.68	1.68
Return after operating charges	-8.63	+4.35	+27.19
Historic yield	0.18	0.17	0.14
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (¥000)	0	924,037	96,911
Closing NAV percentage of total fund NAV (%)	0.00	2.68	0.27
Number of shares	0	590,169	64,691
Highest share price (US ¢)	1,457.78	1,615.10	1,373.97
Lowest share price (US ¢)	1,289.15	1,324.96	1,062.33

M&G Japan Smaller Companies Fund

Financial highlights

Specific share class performance

US dollar Class 'C' Accumulation share performance

The share class was launched on 9 October 2015.

for the year to 31 August	2019	2018	2017
Change in NAV per share	US ¢	US ¢	US ¢
Opening NAV	1,444.45	1,373.89	1,072.15
Return before operating charges and after direct portfolio transaction costs	(121.13)	84.53	314.21
Operating charges	(2.06)	(13.97)	(12.47)
Return after operating charges	(123.19)	70.56	301.74
Distributions	(6.33)	(13.52)	(11.20)
Retained distributions	6.33	13.52	11.20
Return to shareholder as a result of share class closure	(1,321.26)	n/a	n/a
Closing NAV	0.00	1,444.45	1,373.89
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.10	0.71	0.77
Dilution adjustments ^[a]	(0.10)	(0.37)	(0.77)
Total direct portfolio transaction costs	0.00	0.34	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.03	0.00
Operating charges ^[c]	0.92	0.93	0.93
Return after operating charges	-8.53	+5.14	+28.14
Historic yield	1.04	0.95	0.83
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (¥000)	0	462,914	298,781
Closing NAV percentage of total fund NAV (%)	0.00	1.35	0.82
Number of shares	0	289,328	196,646
Highest share price (US ¢)	1,490.46	1,643.18	1,392.86
Lowest share price (US ¢)	1,318.87	1,352.55	1,069.75

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

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

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

M&G Japan Smaller Companies Fund

Financial statements and notes

Financial statements

Statement of total return

for the year to 31 August	Note	2019		2018	
		¥'000	¥'000	¥'000	¥'000
Income					
Net capital gains / (losses)	3		(5,731,165)		1,349,684
Revenue	5	458,353		834,723	
Expenses	6	(207,748)		(504,839)	
Net revenue / (expense) before taxation					
		250,605		329,884	
Taxation	7	(45,978)		(83,965)	
Net revenue / (expense) after taxation					
			204,627		245,919
Total return before distributions			(5,526,538)		1,595,603
Distributions	8		(270,750)		(332,216)
Change in net assets attributable to shareholders from investment activities					
			(5,797,288)		1,263,387

Statement of change in net assets attributable to shareholders

for the year to 31 August	2019		2018		
	¥'000	¥'000	¥'000	¥'000	
Opening net assets attributable to shareholders		34,438,426		36,437,340	
Amounts received on issue of shares	7,584,248		11,084,170		
Amounts paid on cancellation of shares	(7,496,363)		(14,555,411)		
Transfer to M&G (Lux) Japan Smaller Companies Fund	(18,724,626)		0		
		(18,636,741)		(3,471,241)	
Dilution adjustments		23,762		29,581	
Change in net assets attributable to shareholders from investment activities (see above)					
		(5,797,288)		1,263,387	
Retained distributions on Accumulation shares		163,110		179,359	
Unclaimed distributions		13		0	
Closing net assets attributable to shareholders					
		10,191,282		34,438,426	

Balance sheet

as at 31 August	Note	2019 ¥'000	2018 ¥'000
Assets			
Fixed assets			
Investments		10,260,761	34,215,257
Current assets			
Debtors	9	36,085	97,749
Cash and bank balances	10	44,726	333,927
Total assets		10,341,572	34,646,933
Liabilities			
Creditors			
Distribution payable		(98,982)	(104,902)
Other creditors	11	(51,308)	(103,605)
Total liabilities		(150,290)	(208,507)
Net assets attributable to shareholders		10,191,282	34,438,426

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 7 and 8.

The fund's functional and presentational currency is Japanese yen as this better reflects the currency of its primary economic environment.

2 Distribution policy

In determining the amount available for distribution to Income shares, the annual charge, annual management charge and administration charge are 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 August	2019 ¥'000	2018 ¥'000
Non-derivative securities	(5,669,951)	1,288,135
Derivative contracts	(64,062)	94,032
Currency gains / (losses)	4,285	(30,709)
Transaction charges	(1,437)	(1,774)
Net capital gains / (losses)	(5,731,165)	1,349,684

M&G Japan Smaller Companies 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 115.

for the year to 31 August	2019 ¥'000	% of transaction	2018 ¥'000	% of transaction
a) Purchases				
Equities				
Equities before transaction costs	9,362,065		16,474,117	
Commissions	3,196	0.03	8,992	0.05
Total purchases after transaction costs	9,365,261		16,483,109	
b) Sales				
Equities				
Equities before transaction costs	8,238,552		19,419,189	
Commissions	(3,835)	0.05	(10,071)	0.05
Equities after transaction costs	8,234,717		19,409,118	
Other transaction types				
Corporate actions	874,776		0	
Total sales after transaction costs	9,109,493		19,409,118	
c) Direct portfolio transaction costs				
	2019 ¥'000	% of average NAV	2018 ¥'000	% of average NAV
Commissions paid				
Equities	7,031	0.02	19,063	0.05
Derivatives	71	0.00	44	0.00
Total commissions paid	7,102	0.02	19,107	0.05
Taxes paid				
Derivatives	245	0.00	0	0.00
Total taxes paid	245	0.00	0	0.00
Total direct portfolio transaction costs [a]	7,347	0.02	19,107	0.05
d) Indirect portfolio transaction costs				
Portfolio dealing spread [b]		0.24		0.25

[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 August	2019 ¥'000	2018 ¥'000
Bank interest	42	67
Derivative revenue	(31)	(75)
Dividends from equity investments: non-taxable	458,200	839,646
Dividends from equity investments: taxable	142	(5,034)
Interest distributions	0	119
Total revenue	458,353	834,723

6 Expenses

for the year to 31 August	2019 ¥'000	2018 ¥'000
Payable to the ACD or associate		
Annual charge	9,675	0
Annual management charge [a]	169,278	432,373
Administration charge [a]	23,761	61,271
	202,714	493,644
Payable to the Depository or associate		
Depository's charge (including VAT) [a]	1,357	3,120
Other expenses		
Audit fee (including VAT) [a] [b]	1,118	1,378
Interest payable	1,179	2,610
Safe custody charge [a]	1,380	4,087
	3,677	8,075
Total expenses	207,748	504,839

[a] The segregated charges shown above for annual management, administration, depository, audit and safe custody are those paid by the fund up to and including 31 July 2019. As of 1 August 2019 these charges have been replaced by the single annual charge.

[b] Audit fees for the financial year ending 2019 were ¥1,118,000.

7 Taxation

for the year to 31 August	2019 ¥'000	2018 ¥'000
a) Analysis of charge in the year		
Corporation tax	0	0
Withholding tax	45,978	83,965
Deferred tax (note 7c)	0	0
Total taxation	45,978	83,965
b) Factors affecting taxation charge for the year		
Net revenue / (expense) before taxation	250,605	329,884
Corporation tax at 20%	50,121	65,977
Effects of:		
Dividends from equity investments: non-taxable	(91,640)	(167,929)
Current year expenses not utilised	41,519	101,952
Withholding tax	45,978	83,965
Total tax charge (note 7a)	45,978	83,965
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 ¥567,809,000 (2018: ¥526,290,000) arising as a result of having excess management expenses. We do not expect this asset to be utilised in the foreseeable future.

M&G Japan Smaller Companies Fund

Financial statements and notes

Notes to the financial statements

8 Distributions

for the year to 31 August	2019		2018	
	Inc ^[a] ¥'000	Acc ^[b] ¥'000	Inc ^[a] ¥'000	Acc ^[b] ¥'000
Dividend distributions				
Final	98,982	163,110	104,902	179,359
Total net distributions		262,092		284,261
Income deducted on cancellation of shares		43,173		88,028
Income received on issue of shares		(34,515)		(40,073)
Distributions		270,750		332,216
Net revenue / (expense) per statement of total return		204,627		245,919
Expenses offset against capital		66,124		86,297
Undistributed income brought forward		1		1
Undistributed income carried forward		(2)		(1)
Distributions		270,750		332,216

[a] Distributions payable on Income shares.

[b] Retained distributions on Accumulation shares.

9 Debtors

as at 31 August	2019 ¥'000	2018 ¥'000
Amounts receivable on issues of shares	0	33,189
Currency deals outstanding	10,475	10,201
Dividends receivable	19,131	30,490
Sales awaiting settlement	6,479	23,869
Total debtors	36,085	97,749

10 Cash and bank balances

as at 31 August	2019 ¥'000	2018 ¥'000
Amounts held at futures clearing houses and collateral manager	535	0
Cash held as bank balances	44,191	333,927
Total cash and bank balances	44,726	333,927

11 Other creditors

as at 31 August	2019 ¥'000	2018 ¥'000
ACD's annual management charge payable	0	18,405
Administration charge payable	0	2,547
Amounts payable on cancellation of shares	20,128	69,954
Annual charge payable	5,677	0
Currency deals outstanding	10,487	10,286
Expenses payable	1,990	2,413
Payable to M&G (Lux) Japan Smaller Companies Fund	13,026	0
Total other creditors	51,308	103,605

12 Contingent assets, liabilities and outstanding commitments

There were no contingent assets, liabilities or outstanding commitments at the balance sheet date (2018: 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 01.09.18	Movements Issued Cancelled	Closing 31.08.19
Euro			
Class 'A' Accumulation	2,046,062	8,115 (2,054,177)	0
Class 'C' Accumulation	1,560,137	74,762 (1,634,899)	0
Sterling			
Class 'A' Income	4,286,995	163,638 (204,064)	4,246,569
Class 'A' Accumulation	1,729,898	32,108 (358,103)	1,403,903
Class 'I' Income	456,523	26,108 (145,624)	337,007
Class 'I' Accumulation	2,162,527	34,470 (742,162)	1,454,835
Class 'R' Income	152,590	26,527 (62,367)	116,750
Class 'R' Accumulation	774,798	141,970 (191,699)	725,069
Class 'X' Income	305,584	5,207 (65,023)	245,768
Class 'X' Accumulation	1,132,246	23,314 (352,693)	802,867
US dollar			
Class 'A' Accumulation	590,169	4,128,316 (4,718,485)	0
Class 'C' Accumulation	289,328	0 (289,328)	0

14 Charging structure

The table below sets out the charging structure for each class of share in existence as at the balance sheet date. The charging structure is the same for both Income and Accumulation shares of each class.

Share class	Entry %	Exit %	Annual charge ^[a] %
Sterling			
Class 'A'	n/a	n/a	1.40
Class 'I'	n/a	n/a	0.90
Class 'R'	n/a	n/a	1.15
Class 'X'	n/a	n/a	1.40

[a] The amounts shown are the maximum annual charge. M&G will apply a discount of 0.02% for every £1 billion of a fund's net asset value. This is assessed quarterly and implemented on a forward basis no later than 13 business days after quarter end.

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 annual charge, ACD's annual management charge and administration charge are disclosed in note 6. Amounts due at the year end from the annual 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 39.60% (2018: 23.87%) 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 Japan Smaller Companies Fund

Financial statements and notes

Notes to the financial statements

17 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: Unadjusted quoted price in an active market for an identical instrument

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 technique using observable market data

This includes instruments such as over-the-counter (OTC) derivatives, debt securities, convertible bonds, mortgage-backed securities, asset-backed securities and open-ended funds which have been valued using models with observable market data inputs.

Level 3: Valuation technique using unobservable inputs

This refers to instruments which have been valued using models with unobservable data inputs. This includes single broker-priced instruments, suspended/unquoted securities, private equity, unlisted closed-ended funds and open-ended funds with restrictions on redemption rights. However no such financial instruments were held.

as at 31 August Basis of valuation	Assets	Liabilities	Assets	Liabilities
	2019 ¥'000	2019 ¥'000	2018 ¥'000	2018 ¥'000
Level 1	10,260,761	0	34,215,257	0
Level 2	0	0	0	0
Level 3	0	0	0	0
	10,260,761	0	34,215,257	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

The general risk management policies for the fund are set out in note 3 to the financial statements on pages 8 and 9.

19 Market risk sensitivity

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 ¥513,038,000 (2018: ¥1,710,763,000). A five per cent decrease would have an equal and opposite effect.

20 Currency risk sensitivity and exposure

Currency risk is not considered significant for the fund and is therefore not disclosed.

21 Interest rate risk sensitivity and exposure

As the majority of the fund's financial assets are non-interest bearing, the risk is not considered significant and is therefore not disclosed.

22 Credit risk

Credit risk is not considered significant for the fund and is therefore not disclosed.

The table below shows the exposure to counterparties. Collateral is posted daily, in the form of cash or high-quality government bonds, to minimise this exposure.

as at 31 August 2019	Futures ¥'000
Bank of America Merrill Lynch	85
Total	85

As at 31 August 2018 there was no exposure to counterparties.

23 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 ^[a]	01.09.18	31.08.19	02.09.19	31.10.19

^[a] As a result of the merger of M&G Japan Smaller Companies Fund into M&G (Lux) Japan Smaller Companies Fund on 26 October 2018 ('the effective date'), any income available for distribution to non-sterling share classes from the start of the period on 1 September 2018 to the effective date of the merger was distributed to shareholders on 20 December 2018.

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 income 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 income and equalisation. Equalisation is the average amount of income 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 income and equalisation components.

Euro Class 'A' Accumulation shares				
Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income 2019	Equalisation 2019	2019	2018
Final	€ 3.5951	€ 6.9133	€ 10.5084	€ 5.2175

M&G Japan Smaller Companies Fund

Financial statements and notes

Notes to the financial statements

23 Dividend distribution tables (continued)

Euro Class 'C' Accumulation shares

Ordinary distributions for the year to 31 August	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	Group 1 & 2 Distribution 2018
	€	€	€	€
Final	5.0717	11.0240	16.0957	33.4441

Sterling Class 'A' Income shares

Ordinary distributions for the year to 31 August	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	Group 1 & 2 Distribution 2018
	p	p	p	p
Final	5.1888	7.0784	12.2672	10.5199

Sterling Class 'A' Accumulation shares

Ordinary distributions for the year to 31 August	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	Group 1 & 2 Distribution 2018
	p	p	p	p
Final	3.1428	0.6922	3.8350	0.9948

Sterling Class 'I' Income shares

Ordinary distributions for the year to 31 August	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	Group 1 & 2 Distribution 2018
	p	p	p	p
Final	40.8650	20.2568	61.1218	51.9996

Sterling Class 'I' Accumulation shares

Ordinary distributions for the year to 31 August	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	Group 1 & 2 Distribution 2018
	p	p	p	p
Final	19.7376	20.1684	39.9060	27.5976

Sterling Class 'R' Income shares

Ordinary distributions for the year to 31 August	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	Group 1 & 2 Distribution 2018
	p	p	p	p
Final	4.6242	1.4484	6.0726	5.1799

Sterling Class 'R' Accumulation shares

Ordinary distributions for the year to 31 August	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	Group 1 & 2 Distribution 2018
	p	p	p	p
Final	1.5556	1.6617	3.2173	1.9738

Sterling Class 'X' Income shares

Ordinary distributions for the year to 31 August	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	Group 1 & 2 Distribution 2018
	p	p	p	p
Final	8.7002	3.4913	12.1915	10.4551

Sterling Class 'X' Accumulation shares

Ordinary distributions for the year to 31 August	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	Group 1 & 2 Distribution 2018
	p	p	p	p
Final	1.7882	2.0178	3.8060	0.9879

US dollar Class 'A' Accumulation shares

Ordinary distributions for the year to 31 August	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	Group 1 & 2 Distribution 2018
	¢	¢	¢	¢
Final	0.0000	4.5760	4.5760	2.3366

US dollar Class 'C' Accumulation shares

Ordinary distributions for the year to 31 August	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	Group 1 & 2 Distribution 2018
	¢	¢	¢	¢
Final	6.3260	0.0000	6.3260	13.5164

M&G North American Dividend Fund

Authorised Corporate Director's Report

Investment objective

The fund aims to maximise total return (the combination of capital growth and income) whilst aiming to grow distributions over the long term.

Investment policy

The fund will invest mainly in North American equities and may invest across all sectors and market capitalisations. The fund may also invest in transferable securities issued by companies which are listed, registered or trading within North America and in collective investment schemes. Cash and near cash may be held for ancillary purposes and derivatives, including warrants, may be used for efficient portfolio management and hedging purposes.

Investment approach

The M&G North American 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 long-term dividend growth potential. 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 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 around 40 to 50 stocks, with a long-term investment view and a typical holding period of three to five years.

Benchmark

Benchmark: S&P 500 Index.

The fund is actively managed. The benchmark is a comparator against which the fund's performance can be measured. The index has been chosen as the fund's comparator benchmark as it best reflects the scope of the fund's investment policy. The comparator benchmark does not constrain the fund's portfolio construction.

Risk profile

The fund invests in the shares of North American companies and is, therefore, subject to the price volatility of the North American stockmarket and the performance of individual companies. The fund may also be subject to fluctuations in currency exchange rates.

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 across industries and market capitalisation is 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 2 September 2019, for the year ended 31 August 2019

Distribution summary

Over the 12-month review period, the fund distributed income of 42.1515 pence per Sterling Class 'A' (Income) share, compared to 32.1853 pence in the previous financial year. This represents an increase of 31.0%, but this rise in dividend is distorted by a change in the fund's tax status. During the financial year ended 31 August 2018, US dividends were taxed at 30% rather than the 15% applied previously. (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.) The fund paid the more favourable tax rate in the financial year under review. Compared to two years ago when US dividends were taxed at 15%, the distribution for the 12-month period is 11.5% higher.

The fund's US dollar Class 'A' (Income) share, which pays distributions in US dollars, was merged on 9 November 2018 together with all the non-sterling share classes into the M&G (Lux) North American Dividend Fund, a Luxembourg-authorized SICAV, which was launched on that date. Ahead of the migration, the US dollar Class 'A' (Income) share paid a first interim dividend of 7.3526 cents, up 22.5% on the 6.0000 cents distributed last year.

M&G North American Dividend Fund

Authorised Corporate Director's Report

Investment review

Distribution summary (continued)

Regardless of the fund's tax status, we are pleased with the level of dividend growth from our holdings. The majority reported dividend increases in the 5% to 15% range, in line with previous years, including many of our largest positions such as Comcast (communication services), Mondelēz International (consumer staples) and ONEOK (energy).

The fund's holdings in the technology sector delivered some of the fastest dividend growth. Broadcom, the semiconductor company, led the pack with a 51% uplift, followed by MasterCard and Visa in digital payments. Microsoft, Fidelity National Information Services (FIS) and Broadridge Financial Solutions reported solid increases in software.

Elsewhere, EOG Resources (energy) raised its dividend by 31%, while UnitedHealth (healthcare) and Yum China (consumer discretionary) reported 20% growth. Union Pacific (industrials) increased its quarterly dividend by 10% on two separate occasions.

Banks were another source of strong dividend growth as our holdings passed the Federal Reserve's stress test. JPMorgan Chase and Wells Fargo delivered a positive surprise with double-digit increases. Elsewhere in financials, American Express, Blackrock, S&P Global, Intercontinental Exchange and Marsh & McLennan reported similar hikes.

It was not all good news, however. A handful of holdings including Gibson Energy and Cognizant Technology Solutions held their dividends flat, but we are hopeful that growth can resume in the future. L Brands was responsible for the only dividend cut during the review period. The retail stock was subsequently sold.

Performance against objective

Between 3 September 2018 (the start of the review period) and 2 September 2019, the fund's sterling share classes delivered a positive total return (the combination of income and growth of capital). Consequently, the fund met its objective of maximising total return and outperformed the benchmark S&P 500 Index which returned 9.9% in sterling during the review period.

Between 3 September 2018 and 9 November 2018, when the non-sterling share classes merged into the Luxembourg-authorized SICAV, the euro share classes delivered mixed returns, while the US dollar share classes generated negative returns. Returns on the S&P 500 Index were negative over this period (-1.5% and -3.8% in euros and US dollars, respectively).*

The fund has met its objective to maximise total return (the combination of capital growth and income) since the objective was introduced in April 2015.

The fund also delivered on its objective of growing the distribution during the review period. The fund benefited from a combination of continued dividend growth from its underlying holdings and the significant boost from a lower tax rate on US dividends. Growing distributions has been part of the objective since April 2015; it is therefore not possible to assess this aspect of the fund's performance over five years, which is the timeline implied by the objective.

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

Investment performance

The US market rallied in the past 12 months, culminating in the major indices – the S&P 500, Dow Jones Industrial Average and NASDAQ Composite – reaching all-time highs in July. The journey was far from smooth. The earlier part of the review period saw the market fall as fears of an economic slowdown prompted sharp declines in October and December. The market recovered strongly in 2019, despite stuttering in May and August, and ended the review period comfortably ahead.

Defensive stocks led the markets higher as investors sought the comfort of safety, while cyclicals were out of favour. (Defensive stocks are companies that tend to have stable earnings and are less affected by peaks and troughs in the economy; cyclicals are companies which tend to be more sensitive to economic activity.) Utilities, real estate and consumer staples were the best-performing sectors, followed by technology which continued to deliver impressive growth. At the other end of the spectrum, energy fell as the oil price drifted lower. Financials and materials also struggled to keep up with the rising market.

Against this backdrop, the fund generated a positive return and outperformed the S&P 500 Index. Stock selection was the key driver of excess return, with strong contributions from technology, financials and energy. Sector allocation detracted, however, not helped by the relatively large weightings in energy and materials and the zero exposure to utilities.

Technology stocks featured prominently among the top contributors. Broadcom, FIS, MasterCard and Broadridge delivered strong returns as their operating results continued to beat expectations. Not owning Apple, which fell during the period, also helped.

Large holdings such as Mondelēz and Comcast also made their mark. Mondelēz benefited from the market's preference for defensive characteristics, but the share price gains were also backed by solid fundamentals. The snacks company, whose brands include Oreo and Cadbury, continued to deliver growth with a robust contribution from emerging markets. Shares of media group Comcast rose due to a strong showing from its broadband business. Intercontinental Exchange (financials) and ONEOK (energy) also added value and bucked the trend in their respective sectors as they were rewarded for their growth.

Fundamentals were not always the dominant influence, however. Methanex, the methanol producer, was the leading detractor during the past 12 months in an adverse environment for cyclicals and energy-related stocks. The shares reached an all-time high during the first week of October but retreated thereafter as sentiment dominated share price movements. The business continues to generate cash despite lower methanol prices, but an indiscriminate sell-off has resulted in the stock's discount to its replacement cost of assets widening considerably. The valuation looks out of kilter with the company's operating prowess. We see significant upside and the stock remains a core holding.

PrairieSky Royalty, EOG Resources and Keyera were among the detractors in a weak energy sector, although their underperformance was more than offset by the double-digit returns from Gibson Energy and ONEOK.

M&G North American Dividend Fund

Authorised Corporate Director's Report

Investment review

Investment performance (continued)

Cognizant was an outlier among our technology holdings after the market reacted negatively to a cut in revenue guidance. UnitedHealth was stymied by the adverse sentiment clouding managed care organisations. The industry has been held back by political concerns ahead of an election year, as well as fears of rising costs. The long-term investment case for both companies remains intact.

Investment activities

There were nine new purchases and 11 complete sales during the review period, a level of turnover consistent with our long-term investment horizon of three to five years. The number of holdings reduced to 43.

The energy sector saw the most activity with two new holdings and three disposals. We bought shares in EOG Resources, an exploration company, at the expense of service providers Helmerich & Payne and Halliburton. ONEOK replaced Keyera among our infrastructure holdings.

We started a new holding in Air Products & Chemicals in December following a timely visit to the company's premises in Allentown, Pennsylvania. The meeting cemented our conviction in the industrial gas company's long-term growth prospects. With net cash on the balance sheet, we are excited about the strategy that Air Products is embarking upon and we are pleased that the market downturn towards the end of 2018 provided a buying opportunity. In the same materials sector, we sold the stake in Sensient Technologies, a manufacturer of colours, flavours and fragrances, as a source of cash for better ideas.

S&P Global in financials was the fund's first new purchase in 2019 and another instance where market movements prompted action. The company has leading market positions with high barriers to entry, high recurring revenue and zero debt, and there are growth opportunities for each business unit. S&P Global has increased its dividend for 41 consecutive years and is therefore an ideal candidate for the fund's dividend growth strategy. The market's gloom provided an attractive entry point. We also initiated a holding in The Progressive Corporation in July. The largest US auto insurer is well placed to benefit from pricing increases and is committed to growing dividends. M&T Bank and Arthur J Gallagher made way for the new purchase. The fund's exposure to financials was higher at the end of the 12-month period.

A holding in Broadridge Financial Solutions, a software company which serves the financial services industry, was established in February. In semiconductors, we sold the position in Analog Devices in its entirety, while we took significant profits in Broadcom. The technology weighting was lower at the end of the review period.

Boeing and Agilent Technologies were the final new additions during the financial year. Following these purchases in August, the exposure to industrials rose modestly, although it remains below the weighting represented in the S&P 500 Index.

Elsewhere, we sold the holdings in Allergan and Medtronic in healthcare during the first half of the review period and bought shares in Merck in May following weakness in the sector. Merck has a blockbuster cancer treatment which is expected to drive growth in future years and the valuation is undemanding for a highly cash-generative business with a strong balance sheet.

L Brands and Starbucks were sold in consumer discretionary. L Brands exited the portfolio after the stock outperformed in the wake of the retailer's dividend cut, while Starbucks was sold on valuation grounds. The shares returned more than 30% since their initial purchase in July 2017, almost double the return of the S&P 500.

Outlook

Fears of a full-blown trade war and an economic slowdown appear at odds with the progress being made by US companies. Corporate earnings continue to rise and dividends, the ultimate sign of management confidence, remain in good health. The abundance of growth across a variety of sectors should provide comfort to investors who are seeking not only income, but attractive total returns from the US market.

Having had fewer investments in the more cyclical areas of the market over the past 12 months, we are now starting to see some attractive opportunities emerge in long-term winners which have been unfairly hit on tweets and tensions around tariffs. We are encouraged by the new ideas arising from the climate of uncertainty.

Dividends should not be taken for granted, however. The dividend cut from Kraft Heinz earlier in the year is a clear illustration that there are pitfalls to be avoided. The shock announcement from a company considered by many as defensive was strongly influenced by high levels of debt that needed servicing ahead of cash returns to shareholders. Balance sheet strength is a key area of focus in our analysis. We look to invest in companies that generate sustainable dividend growth from a bigger earnings pool sourced from the underlying business, not those that increase their dividends through financial engineering.

We are committed to dividend growth and have conviction in our focus on this pivotal aspect of corporate strategy. We believe that our disciplined strategy stands us in good stead to generate attractive returns in the US market over the long term.

John Weavers

Fund manager

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

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

M&G North American Dividend Fund

Authorised Corporate Director's Report

Investments

Portfolio statement

as at 31 August Holding	2019 \$'000	2019 %	2018 ^[a] %
EQUITIES	771,190	96.84	99.43
Energy equipment & services	0	0.00	1.81
Oil, gas & consumable fuels	59,915	7.52	7.66
96,019 EOG Resources	7,151	0.90	
574,883 Gibson Energy	9,913	1.24	
391,549 ONEOK	27,718	3.48	
222,173 Pembina Pipeline	8,072	1.01	
555,139 PrairieSky Royalty	7,061	0.89	
Chemicals	32,500	4.08	8.60
52,581 Air Products & Chemicals	11,799	1.48	
649,761 Methanex	20,701	2.60	
Aerospace & defence	11,905	1.50	0.00
32,828 Boeing	11,905	1.50	
Electrical equipment	14,378	1.81	1.41
243,071 Emerson Electric	14,378	1.81	
Road & rail	11,098	1.39	3.07
68,611 Union Pacific	11,098	1.39	
Hotels, restaurants & leisure	39,126	4.91	6.30
323,177 Las Vegas Sands	17,820	2.24	
186,784 Six Flags Entertainment	10,835	1.36	
231,146 Yum China	10,471	1.31	
Specialty retail	24,890	3.13	1.25
221,143 Lowe's	24,890	3.13	
Beverages	35,088	4.41	2.65
171,531 Constellation Brands	35,088	4.41	
Food products	32,996	4.14	3.68
597,100 Mondelez International	32,996	4.14	
Tobacco	5,583	0.70	1.49
126,188 Altria	5,583	0.70	
Health care equipment & supplies	76,481	9.60	12.76
95,046 Anthem	24,686	3.10	
99,086 Becton Dickinson	25,264	3.17	
115,055 UnitedHealth	26,531	3.33	
Pharmaceuticals	33,154	4.16	2.63
84,359 Johnson & Johnson	10,815	1.36	
257,600 Merck	22,339	2.80	
Life sciences tools & services	7,800	0.98	0.00
110,333 Agilent Technologies	7,800	0.98	
Banks	45,864	5.76	7.28
143,940 First Republic Bank	12,940	1.63	
163,696 JPMorgan Chase	17,877	2.24	
325,749 Wells Fargo	15,047	1.89	
Consumer finance	18,452	2.32	2.52
152,811 American Express	18,452	2.32	
Capital markets	39,936	5.01	4.17
19,123 Blackrock	8,071	1.01	
255,620 Intercontinental Exchange	23,719	2.98	
31,253 S&P Global	8,146	1.02	
Insurance	37,687	4.73	2.04
178,698 Marsh & McLennan	17,727	2.22	
263,292 Progressive	19,960	2.51	
IT services	98,558	12.38	10.51
151,516 Broadridge Financial Solutions	19,750	2.48	
102,131 Cognizant Technology Solutions	6,270	0.79	
242,084 FIS	33,248	4.17	
71,809 MasterCard	20,198	2.54	
105,416 Visa	19,092	2.40	

Portfolio statement (continued)

as at 31 August Holding	2019 \$'000	2019 %	2018 ^[a] %
Software	52,514	6.60	5.91
380,234 Microsoft	52,514	6.60	
Semiconductors & semiconductor equipment	15,105	1.90	6.26
19,896 Broadcom	5,638	0.71	
45,597 Lam Research	9,467	1.19	
Media	45,083	5.66	2.81
1,020,909 Comcast	45,083	5.66	
Equity real estate investment trusts (REITs)	33,077	4.15	4.62
79,468 Crown Castle International	11,597	1.45	
38,528 Equinix	21,480	2.70	
Portfolio of investments	771,190	96.84	99.43
CASH EQUIVALENTS	21,766	2.73	1.51
'AAA' rated money market funds ^[b]	21,766	2.73	1.51
21,766,255 Northern Trust Global Fund - US dollar	21,766	2.73	
SHARE CLASS HEDGING	0	0.00	0.08
Forward currency contracts for share class hedging	0	0.00	0.08
Total portfolio (notes 2c & 2d on page 7)	792,956	99.57	101.02
Net other assets / (liabilities)	3,452	0.43	(1.02)
Net assets attributable to shareholders	796,408	100.00	100.00

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

^[a] The portfolio has been reclassified to more appropriately reflect how the fund is managed. 2018 comparatives have been restated to reflect this.

^[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 August 2019

Largest purchases	\$'000
ONEOK	28,345
Comcast	23,502
Progressive	21,743
Merck	21,381
Constellation Brands	19,730
Becton Dickinson	17,498
Lowe's	16,951
Broadridge Financial Solutions	16,751
Air Products & Chemicals	14,158
Las Vegas Sands	12,001
Other purchases	146,211
Total purchases	338,271
Largest sales	\$'000
Broadcom	31,836
Starbucks	15,544
Pembina Pipeline	15,245
UnitedHealth	13,535
Union Pacific	13,340
MasterCard	12,222
Medtronic	11,826
Analog Devices	10,428
Keyera	9,328
Allergan	8,290
Other sales	139,703
Total sales	281,297

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

M&G North American 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 reflect the key financial information of a representative share class, Sterling Class 'A' (Accumulation) shares. As different share classes have different attributes, for example charging structures and minimum investments, please be aware that their performance may be different. For more information on the different share classes in this fund please refer to the Prospectus for M&G Investment Funds (1), 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 August	2019 \$'000	2018 \$'000	2017 \$'000
Fund net asset value (NAV)	796,408	827,633	748,191

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.



Ten-year performance

Please note that comparative data is not available from fund launch. Therefore a ten-year comparable performance chart is shown below.



To give an indication of the performance of the fund, the following table shows the compound rate of return, per annum, over the period to 9 November 2018 for non-sterling share classes and 2 September 2019 for sterling share classes. Calculated on a price to price basis with income reinvested.

Long-term performance by share class

	From 03.09.18 % [a]	From 02.09.16 %p.a.	From 02.09.14 %p.a.	Since launch %p.a.
Euro [b]				
Class 'A'	+0.6	+15.6	+13.4	+5.0 [c]
Class 'A-H'	-2.2	+14.0	+8.2	+7.2 [d]
Class 'C'	+0.7	+16.5	+14.3	+5.7 [c]
Class 'C-H'	-2.1	+14.9	+9.0	+9.9 [e]
Sterling [f]				
Class 'A'	+12.0	+17.8	+16.5	+9.4 [g]
Class 'I'	+12.9	+18.7	+17.4	+17.3 [h]
Class 'PP'	n/a	n/a	n/a	+9.9 [i]
Class 'R'	+12.6	+18.4	+17.1	+17.0 [h]
Class 'X'	+12.0	+17.8	+16.5	+12.5 [j]
US dollar [b]				
Class 'A'	-1.7	+16.4	+9.6	+6.3 [k]
Class 'C'	-1.6	+17.3	+10.4	+7.1 [k]

[a] Absolute basis.

[b] Price to price with net income reinvested.

[c] 28 November 2001, the launch date of the share class.

[d] 12 September 2008, the launch date of the share class.

[e] 1 October 2010, the launch date of the share class.

[f] Price to price with income reinvested.

[g] 18 December 1972, the end of the initial offer period of the predecessor unit trust.

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

[i] 8 April 2019, the launch date of the share class. Not annualised.

[j] 1 October 2002, the launch date of the share class.

[k] 9 March 2007, the launch date of the share class.

M&G North American 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, comprising operating charges and portfolio transaction costs.

Operating charges

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

- **Annual charge:** Charge paid to M&G covering the annual cost of M&G managing and administering the fund and the costs of third parties providing services to the fund. From 1 August 2019, this charge rolls all costs that make up the operating charges into one annual charge.

For every £1 billion of a fund's net asset value, a discount of 0.02% will be applied to that fund's annual charge (up to a maximum of 0.12%).

- **Extraordinary legal and tax expenses:** Costs that specifically relate to legal or tax claims that are both exceptional and unforeseeable. Such expenses are uncommon, and would not be expected in most years. Although they result in a short-term cost to the fund, generally they can deliver longer term benefits for investors.
- **Investment management:** Charge paid to M&G for investment management of the fund. From 1 August 2019 this charge forms part of the annual charge.
- **Administration:** Charge paid for administration services in addition to investment management – any surplus from this charge will be retained by M&G. From 1 August 2019 this charge is rolled into the annual charge.
- **Oversight and other independent services:** Charges paid to providers independent of M&G for services which include depositary, custody and audit. From 1 August 2019 these charges will be paid by M&G and rolled into the annual charge.
- **Ongoing charges from underlying funds:** Ongoing charges on holdings in underlying funds that are not rebated. From 1 August 2019 charges from underlying funds (excluding Investment Trusts Companies and Real Estate Investment Trusts) will be rebated.

The operating charges paid by each share class of the fund are shown in the following performance tables. These 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.

Once the annual charge has been operational for twelve months, operating charges will be in line with the ongoing charges shown in the Key Investor Information Document, other than where there have been extraordinary legal or tax expenses, or 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. Any estimate will be disclosed under the specific share class performance table.

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

Portfolio transaction costs

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

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

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

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

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

Portfolio transaction costs				
for the year to 31 August	2019	2018	2017	Average ^[a]
Direct portfolio transaction costs ^[b]	%	%	%	%
Broker commission	0.02	0.02	0.04	0.03
Taxes	0.00	0.00	0.00	0.00
Costs before dilution adjustments	0.02	0.02	0.04	0.03
Dilution adjustments ^[c]	(0.02)	(0.02)	(0.03)	(0.02)
Total direct portfolio transaction costs	0.00	0.00	0.01	0.01
as at 31 August	2019	2018	2017	Average ^[a]
Indirect portfolio transaction costs	%	%	%	%
Average portfolio dealing spread	0.05	0.03	0.05	0.04

^[a] Average of first three columns.

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

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

M&G North American 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.

The non-sterling share classes were merged into the M&G (Lux) North American Dividend Fund on 9 November 2018. The current period historic yields for the non-sterling share classes were calculated at the merger date.

Historic yields for the sterling share classes for the current year are calculated as at 13 September 2019.

Euro Class 'A' Income share performance

The share class was launched on 8 August 2014.

for the year to 31 August Change in NAV per share	2019 Euro ¢	2018 Euro ¢	2017 Euro ¢
Opening NAV	2,104.88	1,758.25	1,615.71
Return before operating charges and after direct portfolio transaction costs	31.11	411.94	212.05
Operating charges	(6.70)	(32.17)	(30.39)
Return after operating charges	24.41	379.77	181.66
Distributions	(8.25)	(33.14)	(39.12)
Return to shareholder as a result of share class closure	(2,121.04)	n/a	n/a
Closing NAV	0.00	2,104.88	1,758.25
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.12	0.38	0.81
Dilution adjustments ^[a]	(0.12)	(0.38)	(0.52)
Total direct portfolio transaction costs	0.00	0.00	0.29
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.00	0.01
Operating charges ^[c]	1.66	1.66	1.66
Return after operating charges	+1.16	+21.60	+11.24
Historic yield	1.57	1.55	2.21
Effect on yield of charges offset against capital	1.66	1.66	1.66
Other information			
Closing NAV (\$'000)	0	753	642
Closing NAV percentage of total fund NAV (%)	0.00	0.09	0.09
Number of shares	0	30,655	30,780
Highest share price (Euro ¢)	2,175.47	2,154.70	1,960.26
Lowest share price (Euro ¢)	2,002.27	1,744.19	1,563.45

Euro Class 'A' Accumulation share performance

The share class was launched on 28 November 2001.

for the year to 31 August Change in NAV per share	2019 Euro ¢	2018 Euro ¢	2017 Euro ¢
Opening NAV	2,255.60	1,853.49	1,666.94
Return before operating charges and after direct portfolio transaction costs	33.29	436.27	217.61
Operating charges	(7.20)	(34.16)	(31.06)
Return after operating charges	26.09	402.11	186.55
Distributions	(1.60)	(0.93)	(10.41)
Retained distributions	1.60	0.93	10.41
Return to shareholder as a result of share class closure	(2,281.69)	n/a	n/a
Closing NAV	0.00	2,255.60	1,853.49
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.13	0.40	0.83
Dilution adjustments ^[a]	(0.12)	(0.40)	(0.53)
Total direct portfolio transaction costs	0.01	0.00	0.30
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.00	0.01
Operating charges ^[c]	1.66	1.66	1.66
Return after operating charges	+1.16	+21.69	+11.19
Historic yield	0.04	0.04	0.56
Effect on yield of charges offset against capital	0.01	0.01	0.01
Other information			
Closing NAV (\$'000)	0	40,764	44,674
Closing NAV percentage of total fund NAV (%)	0.00	4.93	5.97
Number of shares	0	1,548,796	2,032,663
Highest share price (Euro ¢)	2,331.17	2,294.47	2,039.64
Lowest share price (Euro ¢)	2,145.57	1,838.51	1,613.06

Euro Class 'A-H' Accumulation share performance

The share class was launched on 12 September 2008.

for the year to 31 August Change in NAV per share	2019 Euro ¢	2018 Euro ¢	2017 Euro ¢
Opening NAV	2,073.11	1,773.26	1,523.34
Return before operating charges and after direct portfolio transaction costs	(35.71)	332.83	277.78
Operating charges	(6.62)	(32.98)	(27.86)
Return after operating charges	(42.33)	299.85	249.92
Distributions	(1.32)	(0.38)	(9.35)
Retained distributions	1.32	0.38	9.35
Return to shareholder as a result of share class closure	(2,030.78)	n/a	n/a
Closing NAV	0.00	2,073.11	1,773.26
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.12	0.38	0.74
Dilution adjustments ^[a]	(0.11)	(0.38)	(0.47)
Total direct portfolio transaction costs	0.01	0.00	0.27
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.00	0.01
Operating charges ^[c]	1.68	1.68	1.68
Return after operating charges	-2.04	+16.91	+16.41
Historic yield	0.02	0.02	0.52
Effect on yield of charges offset against capital	0.01	0.01	0.01
Other information			
Closing NAV (\$'000)	0	10,983	6,566
Closing NAV percentage of total fund NAV (%)	0.00	1.33	0.88
Number of shares	0	454,019	312,271
Highest share price (Euro ¢)	2,123.00	2,080.11	1,809.06
Lowest share price (Euro ¢)	1,910.34	1,777.35	1,487.27

M&G North American Dividend Fund

Financial highlights

Specific share class performance

Euro Class 'C' Income share performance

The share class was launched on 8 August 2014.

for the year to 31 August Change in NAV per share	2019 Euro ¢	2018 Euro ¢	2017 Euro ¢
Opening NAV	2,324.18	1,926.87	1,757.37
Return before operating charges and after direct portfolio transaction costs	34.37	453.29	230.15
Operating charges	(4.08)	(19.51)	(17.95)
Return after operating charges	30.29	433.78	212.20
Distributions	(9.12)	(36.47)	(42.70)
Return to shareholder as a result of share class closure	(2,345.35)	n/a	n/a
Closing NAV	0.00	2,324.18	1,926.87
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.13	0.42	0.87
Dilution adjustments ^[a]	(0.13)	(0.42)	(0.56)
Total direct portfolio transaction costs	0.00	0.00	0.31
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.00	0.01
Operating charges ^[c]	0.91	0.91	0.91
Return after operating charges	+1.30	+22.51	+12.07
Historic yield	1.56	1.54	2.20
Effect on yield of charges offset against capital	0.91	0.91	0.91
Other information			
Closing NAV (\$'000)	0	634	534
Closing NAV percentage of total fund NAV (%)	0.00	0.08	0.07
Number of shares	0	23,371	23,371
Highest share price (Euro ¢)	2,403.74	2,378.34	2,140.18
Lowest share price (Euro ¢)	2,213.32	1,911.77	1,701.05

Euro Class 'C' Accumulation share performance

The share class was launched on 28 November 2001.

for the year to 31 August Change in NAV per share	2019 Euro ¢	2018 Euro ¢	2017 Euro ¢
Opening NAV	2,519.24	2,054.69	1,833.85
Return before operating charges and after direct portfolio transaction costs	37.24	485.45	239.93
Operating charges	(4.43)	(20.90)	(19.09)
Return after operating charges	32.81	464.55	220.84
Distributions	(5.47)	(18.29)	(26.72)
Retained distributions	5.47	18.29	26.72
Return to shareholder as a result of share class closure	(2,552.05)	n/a	n/a
Closing NAV	0.00	2,519.24	2,054.69
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.15	0.45	0.93
Dilution adjustments ^[a]	(0.14)	(0.45)	(0.59)
Total direct portfolio transaction costs	0.01	0.00	0.34
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.00	0.01
Operating charges ^[c]	0.91	0.91	0.91
Return after operating charges	+1.30	+22.61	+12.04
Historic yield	0.72	0.71	1.29
Effect on yield of charges offset against capital	0.01	0.01	0.01
Other information			
Closing NAV (\$'000)	0	10,338	8,948
Closing NAV percentage of total fund NAV (%)	0.00	1.25	1.20
Number of shares	0	351,679	367,262
Highest share price (Euro ¢)	2,605.45	2,561.82	2,252.60
Lowest share price (Euro ¢)	2,399.06	2,038.41	1,775.18

Euro Class 'C-H' Accumulation share performance

The share class was launched on 1 October 2010.

for the year to 31 August Change in NAV per share	2019 Euro ¢	2018 Euro ¢	2017 Euro ¢
Opening NAV	2,186.09	1,854.52	1,582.97
Return before operating charges and after direct portfolio transaction costs	(37.28)	350.63	287.90
Operating charges	(3.86)	(19.06)	(16.35)
Return after operating charges	(41.14)	331.57	271.55
Distributions	(4.46)	(15.85)	(22.78)
Retained distributions	4.46	15.85	22.78
Return to shareholder as a result of share class closure	(2,144.95)	n/a	n/a
Closing NAV	0.00	2,186.09	1,854.52
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.12	0.40	0.78
Dilution adjustments ^[a]	(0.12)	(0.40)	(0.50)
Total direct portfolio transaction costs	0.00	0.00	0.28
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.00	0.01
Operating charges ^[c]	0.93	0.93	0.93
Return after operating charges	-1.88	+17.88	+17.15
Historic yield	0.74	0.71	1.21
Effect on yield of charges offset against capital	0.01	0.01	0.01
Other information			
Closing NAV (\$'000)	0	15,336	24,964
Closing NAV percentage of total fund NAV (%)	0.00	1.85	3.34
Number of shares	0	601,204	1,135,240
Highest share price (Euro ¢)	2,239.76	2,193.26	1,890.45
Lowest share price (Euro ¢)	2,017.48	1,858.97	1,545.93

M&G North American Dividend Fund

Financial highlights

Specific share class performance

Sterling Class 'A' Income share performance

The share class was launched on 28 March 1977.

for the year to 31 August Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	2,063.65	1,769.36	1,497.51
Return before operating charges and after direct portfolio transaction costs	280.90	357.60	338.16
Operating charges	(33.54)	(31.12)	(28.51)
Return after operating charges	247.36	326.48	309.65
Distributions	(42.15)	(32.19)	(37.80)
Closing NAV	2,268.86	2,063.65	1,769.36

Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.57	0.37	0.76
Dilution adjustments ^[a]	(0.44)	(0.37)	(0.49)
Total direct portfolio transaction costs	0.13	0.00	0.27

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.01
Operating charges ^[c]	1.62	1.66	1.66
Return after operating charges	+11.99	+18.45	+20.68
Historic yield	1.60	1.53	2.13
Effect on yield of charges offset against capital	1.62	1.66	1.66

Other information

Closing NAV (\$'000)	88,039	89,128	110,940
Closing NAV percentage of total fund NAV (%)	11.05	10.77	14.82
Number of shares	3,186,315	3,320,870	4,869,596
Highest share price (UK p)	2,334.57	2,097.21	1,836.49
Lowest share price (UK p)	1,803.87	1,722.95	1,451.18

Sterling Class 'A' Accumulation share performance

The share class was launched on 18 December 1972.

for the year to 31 August Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	2,842.81	2,397.74	1,985.92
Return before operating charges and after direct portfolio transaction costs	391.29	487.50	449.53
Operating charges	(46.46)	(42.43)	(37.71)
Return after operating charges	344.83	445.07	411.82
Distributions	(11.38)	(1.13)	(12.94)
Retained distributions	11.38	1.13	12.94
Closing NAV	3,187.64	2,842.81	2,397.74

Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.79	0.50	1.01
Dilution adjustments ^[a]	(0.61)	(0.50)	(0.64)
Total direct portfolio transaction costs	0.18	0.00	0.37

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.01
Operating charges ^[c]	1.62	1.66	1.66
Return after operating charges	+12.13	+18.56	+20.74
Historic yield	0.22	0.04	0.54
Effect on yield of charges offset against capital	0.01	0.01	0.01

Other information

Closing NAV (\$'000)	105,025	109,569	110,756
Closing NAV percentage of total fund NAV (%)	13.19	13.23	14.80
Number of shares	2,705,508	2,963,566	3,587,428
Highest share price (UK p)	3,253.92	2,870.80	2,456.41
Lowest share price (UK p)	2,494.58	2,334.63	1,924.53

Sterling Class 'I' Income share performance

The share class was launched on 3 August 2012.

for the year to 31 August Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	2,485.40	2,114.95	1,776.58
Return before operating charges and after direct portfolio transaction costs	340.41	429.58	402.00
Operating charges	(22.26)	(20.60)	(18.63)
Return after operating charges	318.15	408.98	383.37
Distributions	(50.95)	(38.53)	(45.00)
Closing NAV	2,752.60	2,485.40	2,114.95

Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.69	0.44	0.91
Dilution adjustments ^[a]	(0.53)	(0.44)	(0.58)
Total direct portfolio transaction costs	0.16	0.00	0.33

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.01
Operating charges ^[c]	0.89	0.91	0.91
Return after operating charges	+12.80	+19.34	+21.58
Historic yield	1.59	1.52	2.12
Effect on yield of charges offset against capital	0.89	0.91	0.91

Other information

Closing NAV (\$'000)	216,276	129,164	98,924
Closing NAV percentage of total fund NAV (%)	27.16	15.61	13.22
Number of shares	6,451,931	3,995,939	3,632,653
Highest share price (UK p)	2,831.05	2,525.61	2,187.48
Lowest share price (UK p)	2,177.71	2,060.11	1,722.15

Sterling Class 'I' Accumulation share performance

The share class was launched on 3 August 2012.

for the year to 31 August Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	2,716.56	2,274.15	1,869.47
Return before operating charges and after direct portfolio transaction costs	376.33	464.65	424.33
Operating charges	(24.59)	(22.24)	(19.65)
Return after operating charges	351.74	442.41	404.68
Distributions	(31.31)	(19.49)	(28.34)
Retained distributions	31.31	19.49	28.34
Closing NAV	3,068.30	2,716.56	2,274.15

Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.77	0.48	0.96
Dilution adjustments ^[a]	(0.59)	(0.48)	(0.61)
Total direct portfolio transaction costs	0.18	0.00	0.35

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.01
Operating charges ^[c]	0.89	0.91	0.91
Return after operating charges	+12.95	+19.45	+21.65
Historic yield	0.82	0.70	1.24
Effect on yield of charges offset against capital	0.01	0.01	0.01

Other information

Closing NAV (\$'000)	310,167	206,692	169,127
Closing NAV percentage of total fund NAV (%)	38.95	24.96	22.60
Number of shares	8,300,842	5,850,298	5,775,827
Highest share price (UK p)	3,130.75	2,743.19	2,321.68
Lowest share price (UK p)	2,389.45	2,214.98	1,812.26

M&G North American Dividend Fund

Financial highlights

Specific share class performance

Sterling Class 'PP' Income share performance

The share class was launched on 5 August 2019.

for the year to 31 August Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	100.00	n/a	n/a
Return before operating charges and after direct portfolio transaction costs	1.55	n/a	n/a
Operating charges	(0.04)	n/a	n/a
Return after operating charges	1.51	n/a	n/a
Distributions	(0.80)	n/a	n/a
Closing NAV	100.71	n/a	n/a
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	n/a	n/a
Dilution adjustments ^[a]	0.00	n/a	n/a
Total direct portfolio transaction costs	0.00	n/a	n/a
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	n/a	n/a
Operating charges ^[c]	0.55	n/a	n/a
Return after operating charges	+1.51	n/a	n/a
Historic yield	1.66	n/a	n/a
Effect on yield of charges offset against capital	0.55	n/a	n/a
Other information			
Closing NAV (\$'000)	147	n/a	n/a
Closing NAV percentage of total fund NAV (%)	0.02	n/a	n/a
Number of shares	120,000	n/a	n/a
Highest share price (UK p)	102.51	n/a	n/a
Lowest share price (UK p)	98.21	n/a	n/a

Sterling Class 'PP' Accumulation share performance

The share class was launched on 8 April 2019.

for the year to 31 August Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	100.00	n/a	n/a
Return before operating charges and after direct portfolio transaction costs	9.21	n/a	n/a
Operating charges	(0.28)	n/a	n/a
Return after operating charges	8.93	n/a	n/a
Distributions	(0.76)	n/a	n/a
Retained distributions	0.76	n/a	n/a
Closing NAV	108.93	n/a	n/a
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.01	n/a	n/a
Dilution adjustments ^[a]	(0.01)	n/a	n/a
Total direct portfolio transaction costs	0.00	n/a	n/a
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	n/a	n/a
Operating charges ^[c]	0.32	n/a	n/a
Return after operating charges	+8.93	n/a	n/a
Historic yield	0.68	n/a	n/a
Effect on yield of charges offset against capital	0.00	n/a	n/a
Other information			
Closing NAV (\$'000)	11,106	n/a	n/a
Closing NAV percentage of total fund NAV (%)	1.39	n/a	n/a
Number of shares	8,371,659	n/a	n/a
Highest share price (UK p)	111.13	n/a	n/a
Lowest share price (UK p)	98.26	n/a	n/a

Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012.

for the year to 31 August Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	246.46	210.24	177.06
Return before operating charges and after direct portfolio transaction costs	33.69	42.69	40.01
Operating charges	(2.82)	(2.65)	(2.35)
Return after operating charges	30.87	40.04	37.66
Distributions	(5.05)	(3.82)	(4.48)
Closing NAV	272.28	246.46	210.24
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.07	0.04	0.09
Dilution adjustments ^[a]	(0.05)	(0.04)	(0.06)
Total direct portfolio transaction costs	0.02	0.00	0.03
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.01
Operating charges ^[c]	1.14	1.16	1.16
Return after operating charges	+12.53	+19.04	+21.27
Historic yield	1.59	1.52	2.12
Effect on yield of charges offset against capital	1.14	1.16	1.16
Other information			
Closing NAV (\$'000)	2,048	1,993	285
Closing NAV percentage of total fund NAV (%)	0.26	0.24	0.04
Number of shares	617,767	621,722	105,373
Highest share price (UK p)	280.09	250.45	217.71
Lowest share price (UK p)	215.78	204.78	171.61

Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012.

for the year to 31 August Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	267.49	224.50	185.01
Return before operating charges and after direct portfolio transaction costs	36.98	45.85	41.93
Operating charges	(3.09)	(2.86)	(2.44)
Return after operating charges	33.89	42.99	39.49
Distributions	(2.39)	(1.31)	(2.27)
Retained distributions	2.39	1.31	2.27
Closing NAV	301.38	267.49	224.50
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.08	0.05	0.09
Dilution adjustments ^[a]	(0.06)	(0.05)	(0.06)
Total direct portfolio transaction costs	0.02	0.00	0.03
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.01
Operating charges ^[c]	1.14	1.16	1.16
Return after operating charges	+12.67	+19.15	+21.34
Historic yield	0.62	0.48	1.01
Effect on yield of charges offset against capital	0.01	0.01	0.01
Other information			
Closing NAV (\$'000)	9,464	7,499	138
Closing NAV percentage of total fund NAV (%)	1.19	0.91	0.02
Number of shares	2,578,719	2,155,539	47,572
Highest share price (UK p)	307.58	270.13	229.45
Lowest share price (UK p)	235.10	218.63	179.33

M&G North American Dividend Fund

Financial highlights

Specific share class performance

Sterling Class 'X' Income share performance

The share class was launched on 1 October 2002.

for the year to 31 August Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	2,060.68	1,766.79	1,495.33
Return before operating charges and after direct portfolio transaction costs	280.53	357.08	337.50
Operating charges	(33.50)	(31.10)	(28.30)
Return after operating charges	247.03	325.98	309.20
Distributions	(42.09)	(32.09)	(37.74)
Closing NAV	2,265.62	2,060.68	1,766.79
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.57	0.37	0.76
Dilution adjustments ^[a]	(0.44)	(0.37)	(0.48)
Total direct portfolio transaction costs	0.13	0.00	0.28
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.01
Operating charges ^[c]	1.62	1.66	1.66
Return after operating charges	+11.99	+18.45	+20.68
Historic yield	1.60	1.52	2.13
Effect on yield of charges offset against capital	1.63	1.66	1.66
Other information			
Closing NAV (\$'000)	9,992	11,771	12,339
Closing NAV percentage of total fund NAV (%)	1.25	1.42	1.65
Number of shares	362,164	439,209	542,391
Highest share price (UK p)	2,331.24	2,094.15	1,833.82
Lowest share price (UK p)	1,801.30	1,720.44	1,449.07

Sterling Class 'X' Accumulation share performance

The share class was launched on 1 October 2002.

for the year to 31 August Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	2,801.41	2,362.82	1,956.98
Return before operating charges and after direct portfolio transaction costs	385.60	480.46	443.10
Operating charges	(45.80)	(41.87)	(37.26)
Return after operating charges	339.80	438.59	405.84
Distributions	(11.22)	(1.10)	(12.77)
Retained distributions	11.22	1.10	12.77
Closing NAV	3,141.21	2,801.41	2,362.82
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.78	0.49	1.00
Dilution adjustments ^[a]	(0.60)	(0.49)	(0.64)
Total direct portfolio transaction costs	0.18	0.00	0.36
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.01
Operating charges ^[c]	1.62	1.66	1.66
Return after operating charges	+12.13	+18.56	+20.74
Historic yield	0.22	0.04	0.54
Effect on yield of charges offset against capital	0.01	0.01	0.01
Other information			
Closing NAV (\$'000)	44,144	47,567	44,083
Closing NAV percentage of total fund NAV (%)	5.54	5.75	5.89
Number of shares	1,153,968	1,305,579	1,448,962
Highest share price (UK p)	3,206.53	2,828.99	2,420.64
Lowest share price (UK p)	2,458.25	2,300.64	1,896.51

US dollar Class 'A' Income share performance

The share class was launched on 8 August 2014.

for the year to 31 August Change in NAV per share	2019 US ¢	2018 US ¢	2017 US ¢
Opening NAV	1,927.01	1,635.72	1,412.31
Return before operating charges and after direct portfolio transaction costs	(24.27)	352.46	281.22
Operating charges	(6.10)	(30.43)	(23.50)
Return after operating charges	(30.37)	322.03	257.72
Distributions	(7.35)	(30.74)	(34.31)
Return to shareholder as a result of share class closure	(1,889.29)	n/a	n/a
Closing NAV	0.00	1,927.01	1,635.72
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.11	0.36	0.63
Dilution adjustments ^[a]	(0.11)	(0.36)	(0.40)
Total direct portfolio transaction costs	0.00	0.00	0.23
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.00	0.01
Operating charges ^[c]	1.66	1.67	1.66
Return after operating charges	-1.58	+19.69	+18.25
Historic yield	1.62	1.58	2.08
Effect on yield of charges offset against capital	1.66	1.67	1.66
Other information			
Closing NAV (\$'000)	0	1,222	1,245
Closing NAV percentage of total fund NAV (%)	0.00	0.15	0.17
Number of shares	0	63,422	76,102
Highest share price (US ¢)	1,977.11	1,946.73	1,682.50
Lowest share price (US ¢)	1,784.05	1,643.41	1,378.83

US dollar Class 'A' Accumulation share performance

The share class was launched on 9 March 2007.

for the year to 31 August Change in NAV per share	2019 US ¢	2018 US ¢	2017 US ¢
Opening NAV	2,066.12	1,725.29	1,458.09
Return before operating charges and after direct portfolio transaction costs	(25.98)	372.85	294.32
Operating charges	(6.56)	(32.02)	(27.12)
Return after operating charges	(32.54)	340.83	267.20
Distributions	(1.42)	(0.80)	(9.20)
Retained distributions	1.42	0.80	9.20
Return to shareholder as a result of share class closure	(2,033.58)	n/a	n/a
Closing NAV	0.00	2,066.12	1,725.29
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.12	0.38	0.73
Dilution adjustments ^[a]	(0.11)	(0.38)	(0.46)
Total direct portfolio transaction costs	0.01	0.00	0.27
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.00	0.01
Operating charges ^[c]	1.66	1.66	1.66
Return after operating charges	-1.57	+19.75	+18.33
Historic yield	0.04	0.04	0.53
Effect on yield of charges offset against capital	0.01	0.01	0.01
Other information			
Closing NAV (\$'000)	0	94,152	76,684
Closing NAV percentage of total fund NAV (%)	0.00	11.38	10.25
Number of shares	0	4,556,977	4,444,680
Highest share price (US ¢)	2,119.85	2,074.13	1,759.25
Lowest share price (US ¢)	1,912.86	1,733.25	1,423.57

M&G North American Dividend Fund

Financial highlights

Specific share class performance

US dollar Class 'C' Income share performance

The share class was launched on 8 August 2014.

for the year to 31 August Change in NAV per share	2019 US ¢	2018 US ¢	2017 US ¢
Opening NAV	2,076.99	1,749.74	1,499.33
Return before operating charges and after direct portfolio transaction costs	(26.12)	378.53	302.06
Operating charges	(3.61)	(18.38)	(14.91)
Return after operating charges	(29.73)	360.15	287.15
Distributions	(7.93)	(32.90)	(36.74)
Return to shareholder as a result of share class closure	(2,039.33)	n/a	n/a
Closing NAV	0.00	2,076.99	1,749.74
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.12	0.39	0.73
Dilution adjustments ^[a]	(0.11)	(0.39)	(0.46)
Total direct portfolio transaction costs	0.01	0.00	0.27
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.00	0.01
Operating charges ^[c]	0.91	0.91	0.90
Return after operating charges	-1.43	+20.58	+19.15
Historic yield	1.61	1.57	2.08
Effect on yield of charges offset against capital	0.91	0.91	0.90
Other information			
Closing NAV (\$'000)	0	3,156	20
Closing NAV percentage of total fund NAV (%)	0.00	0.38	0.00
Number of shares	0	151,971	1,171
Highest share price (US ¢)	2,132.08	2,098.12	1,798.37
Lowest share price (US ¢)	1,925.33	1,758.18	1,464.25

US dollar Class 'C' Accumulation share performance

The share class was launched on 9 March 2007.

for the year to 31 August Change in NAV per share	2019 US ¢	2018 US ¢	2017 US ¢
Opening NAV	2,250.51	1,865.24	1,564.34
Return before operating charges and after direct portfolio transaction costs	(28.34)	404.31	316.71
Operating charges	(3.90)	(19.04)	(15.81)
Return after operating charges	(32.24)	385.27	300.90
Distributions	(4.75)	(16.54)	(22.93)
Retained distributions	4.75	16.54	22.93
Return to shareholder as a result of share class closure	(2,218.27)	n/a	n/a
Closing NAV	0.00	2,250.51	1,865.24
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.13	0.41	0.77
Dilution adjustments ^[a]	(0.12)	(0.41)	(0.49)
Total direct portfolio transaction costs	0.01	0.00	0.28
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.00	0.01
Operating charges ^[c]	0.91	0.91	0.91
Return after operating charges	-1.43	+20.66	+19.23
Historic yield	0.75	0.73	1.22
Effect on yield of charges offset against capital	0.01	0.01	0.01
Other information			
Closing NAV (\$'000)	0	46,912	37,322
Closing NAV percentage of total fund NAV (%)	0.00	5.67	4.99
Number of shares	0	2,084,503	2,000,941
Highest share price (US ¢)	2,310.18	2,259.19	1,900.55
Lowest share price (US ¢)	2,086.16	1,874.08	1,527.79

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

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

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

M&G North American Dividend Fund

Financial statements and notes

Financial statements

Statement of total return

for the year to 31 August	Note	2019		2018	
		\$'000	\$'000	\$'000	\$'000
Income					
Net capital gains / (losses)	3		31,742		141,032
Revenue	5	16,183		17,826	
Expenses	6	(8,241)		(10,407)	
Net revenue / (expense) before taxation		7,942		7,419	
Taxation	7	(2,133)		(4,428)	
Net revenue / (expense) after taxation			5,809		2,991
Total return before distributions			37,551		144,023
Distributions	8		(8,865)		(6,217)
Change in net assets attributable to shareholders from investment activities			28,686		137,806

Statement of change in net assets attributable to shareholders

for the year to 31 August	2019		2018	
	\$'000	\$'000	\$'000	\$'000
Opening net assets attributable to shareholders		827,633		748,191
Amounts received on issue of shares	246,929		210,059	
Amounts paid on cancellation of shares	(168,788)		(270,799)	
Transfer to M&G (Lux) North American Dividend Fund	(142,139)		0	
		(63,998)		(60,740)
Dilution adjustments		208		238
Change in net assets attributable to shareholders from investment activities (see above)		28,686		137,806
Retained distributions on Accumulation shares		3,879		2,137
Unclaimed distributions		0		1
Closing net assets attributable to shareholders		796,408		827,633

Balance sheet

as at 31 August	Note	2019 \$'000	2018 \$'000
Assets			
Fixed assets			
Investments		771,190	823,642
Current assets			
Debtors	9	14,458	1,755
Cash and bank balances	10	1,742	231
Cash equivalents		21,766	12,480
Total assets		809,156	838,108
Liabilities			
Investment liabilities		0	(23)
Creditors			
Bank overdrafts		(843)	(6,933)
Distribution payable		(2,529)	(1,505)
Other creditors	11	(9,376)	(2,014)
Total liabilities		(12,748)	(10,475)
Net assets attributable to shareholders		796,408	827,633

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 7 and 8.

The fund's functional and presentational currency is US dollars as this better reflects the currency of its primary economic environment.

2 Distribution policy

In determining the amount available for reinvestment to Accumulation shares, all expenses with the exception of the annual charge, annual management charge, administration charge, share class hedging charge and overdraft interest are 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 are 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 August	2019 \$'000	2018 \$'000
Non-derivative securities	32,519	141,528
Derivative contracts	(801)	(1,076)
Capital gains on US REIT	15	103
Currency gains / (losses)	16	487
Transaction charges	(7)	(10)
Net capital gains / (losses)	31,742	141,032

M&G North American 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 130.

for the year to 31 August	2019 \$'000	% of transaction	2018 \$'000	% of transaction
a) Purchases				
Equities				
Equities before transaction costs	338,168		193,303	
Commissions	103	0.03	72	0.04
Total purchases after transaction costs	338,271		193,375	
b) Sales				
Equities				
Equities before transaction costs	281,390		234,289	
Commissions	(89)	0.03	(79)	0.03
Taxes	(4)	0.00	(4)	0.00
Total sales after transaction costs	281,297		234,206	
c) Direct portfolio transaction costs				
Commissions paid				
Equities	192	0.02	151	0.02
Taxes paid				
Equities	4	0.00	4	0.00
Total direct portfolio transaction costs [a]	196	0.02	155	0.02
d) Indirect portfolio transaction costs				
Portfolio dealing spread [b]		0.05		0.03

[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 August	2019 \$'000	2018 \$'000
Bank interest	5	3
Dividends from equity investments: non-taxable	14,943	16,637
Dividends from equity investments: taxable	886	886
Interest distributions	347	300
Annual charge rebates	2	0
Total revenue	16,183	17,826

6 Expenses

for the year to 31 August	2019 \$'000	2018 \$'000
Payable to the ACD or associate		
Annual charge	555	0
Annual management charge [a]	6,657	9,123
Administration charge [a]	957	1,190
Share class hedging charge [a]	1	4
	8,170	10,317
Payable to the Depository or associate		
Depository's charge (including VAT) [a]	44	54
Other expenses		
Audit fee (including VAT) [a] [b]	11	12
Interest payable	1	1
Safe custody charge [a]	15	23
	27	36
Total expenses	8,241	10,407

[a] The segregated charges shown above for annual management, administration, share class hedging, depository, audit and safe custody are those paid by the fund up to and including 31 July 2019. As of 1 August 2019 these charges have been replaced by the single annual charge.

[b] Audit fees for the financial year ending 2019 were \$11,000.

7 Taxation

for the year to 31 August	2019 \$'000	2018 \$'000
a) Analysis of charge in the year		
Corporation tax	0	0
Withholding tax	2,133	4,428
Deferred tax (note 7c)	0	0
Total taxation	2,133	4,428
b) Factors affecting taxation charge for the year		
Net revenue / (expense) before taxation	7,942	7,419
Corporation tax at 20%	1,588	1,484
Effects of:		
Dividends from equity investments: non-taxable	(2,989)	(3,328)
Current year expenses not utilised	1,420	1,850
Withholding tax	2,133	4,428
Withholding tax expensed	(22)	(26)
Capital gains tax (US REIT)	3	20
Total tax charge (note 7a)	2,133	4,428
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 \$40,537,000 (2018: \$39,117,000) arising as a result of having excess management expenses. We do not expect this asset to be utilised in the foreseeable future.

M&G North American Dividend Fund

Financial statements and notes

Notes to the financial statements

8 Distributions

for the year to 31 August	2019		2018	
	Inc ^[a] \$'000	Acc ^[b] \$'000	Inc ^[a] \$'000	Acc ^[b] \$'000
Dividend distributions				
First interim	991	686	816	366
Second interim	1,022	737	781	375
Third interim	998	730	908	427
Final	2,529	1,726	1,505	969
Total net distributions		9,419		6,147
Income deducted on cancellation of shares		345		516
Income received on issue of shares		(899)		(446)
Distributions		8,865		6,217
Net revenue / (expense) per statement of total return		5,809		2,991
Expenses offset against capital		3,054		3,198
Capital gains tax offset against capital		2		28
Distributions		8,865		6,217

^[a] Distributions payable on Income shares.

^[b] Retained distributions on Accumulation shares.

9 Debtors

as at 31 August	2019 \$'000	2018 \$'000
Amounts receivable on issues of shares	7,039	174
Currency deals outstanding	6,495	5
Distributions receivable	42	24
Dividends receivable	724	986
Annual charge rebates due	1	0
Sales awaiting settlement	0	419
Withholding tax recoverable	157	147
Total debtors	14,458	1,755

10 Cash and bank balances

as at 31 August	2019 \$'000	2018 \$'000
Cash held as bank balances	1,742	231
Total cash and bank balances	1,742	231

11 Other creditors

as at 31 August	2019 \$'000	2018 \$'000
ACD's annual management charge payable	0	454
Administration charge payable	0	61
Amounts payable on cancellation of shares	2,519	1,474
Annual charge payable	333	0
Currency deals outstanding	6,477	5
Expenses payable	19	20
Payable to M&G (Lux) North American Dividend Fund	28	0
Total other creditors	9,376	2,014

12 Contingent assets, liabilities and outstanding commitments

There were no contingent assets, liabilities or outstanding commitments at the balance sheet date (2018: 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 01.09.18	Movements		Closing 31.08.19
		Issued	Cancelled	
Euro				
Class 'A' Income	30,655	22,433	(53,088)	0
Class 'A' Accumulation	1,548,796	67,002	(1,615,798)	0
Class 'A-H' Accumulation	454,019	7,854	(461,873)	0
Class 'C' Income	23,371	0	(23,371)	0
Class 'C' Accumulation	351,679	18,086	(369,765)	0
Class 'C-H' Accumulation	601,204	0	(601,204)	0
Sterling				
Class 'A' Income	3,320,870	344,287	(478,842)	3,186,315
Class 'A' Accumulation	2,963,566	205,730	(463,788)	2,705,508
Class 'I' Income	3,995,939	2,867,157	(411,165)	6,451,931
Class 'I' Accumulation	5,850,298	3,173,104	(722,560)	8,300,842
Class 'PP' Income	0	120,000	0	120,000
Class 'PP' Accumulation	0	8,812,815	(441,156)	8,371,659
Class 'R' Income	621,722	167,574	(171,529)	617,767
Class 'R' Accumulation	2,155,539	670,147	(246,967)	2,578,719
Class 'X' Income	439,209	13,580	(90,625)	362,164
Class 'X' Accumulation	1,305,579	84,124	(235,735)	1,153,968
US dollar				
Class 'A' Income	63,422	13,086	(76,508)	0
Class 'A' Accumulation	4,556,977	219,677	(4,776,654)	0
Class 'C' Income	151,971	3,182	(155,153)	0
Class 'C' Accumulation	2,084,503	0	(2,084,503)	0

14 Charging structure

The table below sets out the charging structure for each class of share in existence as at the balance sheet date. The charging structure is the same for both Income and Accumulation shares of each class.

Share class	Entry charge %	Exit charge %	Annual charge ^[a] %
Sterling			
Class 'A'	n/a	n/a	1.20
Class 'I'	n/a	n/a	0.70
Class 'PP'	n/a	n/a	0.55
Class 'R'	n/a	n/a	0.95
Class 'X'	n/a	n/a	1.20

^[a] The amounts shown are the maximum annual charge. M&G will apply a discount of 0.02% for every £1 billion of a fund's net asset value. This is assessed quarterly and implemented on a forward basis no later than 13 business days after quarter end.

M&G North American Dividend Fund

Financial statements and notes

Notes to the financial statements

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 annual charge, ACD's annual management charge, administration charge and share class hedging charge are disclosed in note 6. Amounts due at the year end from the annual charge are disclosed in note 11.

Amounts paid to M&G Securities Limited in respect of rebate arrangements for the ACD's annual charge are disclosed in note 5. Amounts due at the year end from the ACD, and/or associate, in respect of these rebates are disclosed in note 9.

At the balance sheet date, shareholders from within Prudential plc, of which M&G Securities Limited is a wholly owned subsidiary, have holdings totalling 4.17% (2018: 4.71%) of the fund's shares.

16 Events after the balance sheet date

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

17 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: Unadjusted quoted price in an active market for an identical instrument

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 technique using observable market data

This includes instruments such as over-the-counter (OTC) derivatives, debt securities, convertible bonds, mortgage-backed securities, asset-backed securities and open-ended funds which have been valued using models with observable market data inputs.

Level 3: Valuation technique using unobservable inputs

This refers to instruments which have been valued using models with unobservable data inputs. This includes single broker-priced instruments, suspended/unquoted securities, private equity, unlisted closed-ended funds and open-ended funds with restrictions on redemption rights. However no such financial instruments were held.

as at 31 August Basis of valuation	Assets	Liabilities	Assets	Liabilities
	2019	2019	2018	2018
	\$'000	\$'000	\$'000	\$'000
Level 1	771,190	0	822,907	0
Level 2	0	0	735	(23)
Level 3	0	0	0	0
	771,190	0	823,642	(23)

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

The general risk management policies for the fund are set out in note 3 to the financial statements on pages 8 and 9.

19 Market risk sensitivity

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 \$38,560,000 (2018: \$41,145,000). A five per cent decrease would have an equal and opposite effect.

M&G North American Dividend Fund

Financial statements and notes

Notes to the financial statements

20 Currency risk sensitivity and exposure

A five per cent increase in the value of the fund's currency exposure would have the effect of increasing the return and net assets by \$39,820,000 (2018: \$41,382,000). A five per cent decrease would have an equal and opposite effect.

as at 31 August	2019 \$'000	2018 \$'000
Currency exposure in respect of the fund		
Canadian dollar	25,808	63,591
Euro	0	35
Sterling	(5,421)	(1,656)
US dollar	776,021	764,951
Currency exposure in respect of share class hedging		
Canadian dollar	0	(1,964)
Euro	0	26,401
US dollar	0	(23,725)
Total	796,408	827,633

21 Interest rate risk sensitivity and exposure

As the majority of the fund's financial assets are non-interest bearing, the risk is not considered significant and is therefore not disclosed.

22 Credit risk

Credit risk is not considered significant for the fund and is therefore not disclosed.

The table below shows the exposure to counterparties. Collateral is posted daily, in the form of cash or high-quality government bonds, to minimise this exposure.

As at 31 August 2019 there was no exposure to counterparties.

as at 31 August 2018	Forward currency contracts \$'000
State Street Bank	712
Total	712

23 Exchange rate risk for hedged share classes

Hedged share classes operated 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 was monitored using reporting from the outsourced provider of the hedged share class service. On an ongoing basis the size of the hedged share classes was monitored to ensure that unforeseen exchange rate volatility could adequately managed without significantly impacting all shareholders. There were no hedged share classes in existence as at year end.

24 Dividend distribution tables

This fund pays quarterly ordinary distributions and the following table sets out the distribution periods.

Quarterly distribution periods				
	Start	End	Xd	Payment
First interim ^[a]	01.09.18	30.11.18	03.12.18	31.01.19
Second interim	01.12.18	28.02.19	01.03.19	30.04.19
Third interim	01.03.19	31.05.19	03.06.19	31.07.19
Final	01.06.19	31.08.19	02.09.19	31.10.19

^[a] As a result of the merger of M&G North American Dividend Fund into M&G (Lux) North American Dividend Fund on 9 November 2018 ('the effective date'), any income available for distribution to non-sterling share classes from the start of the period on 1 September 2018 to the effective date of the merger was distributed to shareholders on 31 December 2018.

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 income 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 income and equalisation. Equalisation is the average amount of income 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 income and equalisation components.

Euro Class 'A' Income shares				
Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income 2019	Equalisation 2019	2019	2018
	€	€	€	€
First interim	2.8405	5.4137	8.2542	6.4496
Second interim	n/a	n/a	n/a	6.2076
Third interim	n/a	n/a	n/a	7.2157
Final	n/a	n/a	n/a	13.2637

Euro Class 'A' Accumulation shares				
Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income 2019	Equalisation 2019	2019	2018
	€	€	€	€
First interim	0.0000	1.5962	1.5962	0.0000
Second interim	n/a	n/a	n/a	0.0000
Third interim	n/a	n/a	n/a	0.1116
Final	n/a	n/a	n/a	0.8146

M&G North American Dividend Fund

Financial statements and notes

Notes to the financial statements

24 Dividend distribution tables (continued)

Euro Class 'A-H' Accumulation shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2	
	Income 2019	Equalisation 2019	2019	Distribution 2018
	€	€	€	€
First interim	0.0000	1.3167	1.3167	0.0000
Second interim	n/a	n/a	n/a	0.0000
Third interim	n/a	n/a	n/a	0.2557
Final	n/a	n/a	n/a	0.1266

Euro Class 'C' Income shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2	
	Income 2019	Equalisation 2019	2019	Distribution 2018
	€	€	€	€
First interim	9.1193	0.0000	9.1193	7.0735
Second interim	n/a	n/a	n/a	6.8200
Third interim	n/a	n/a	n/a	7.9395
Final	n/a	n/a	n/a	14.6382

Euro Class 'C' Accumulation shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2	
	Income 2019	Equalisation 2019	2019	Distribution 2018
	€	€	€	€
First interim	0.3980	5.0673	5.4653	3.2667
Second interim	n/a	n/a	n/a	3.3303
Third interim	n/a	n/a	n/a	4.0316
Final	n/a	n/a	n/a	7.6642

Euro Class 'C-H' Accumulation shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2	
	Income 2019	Equalisation 2019	2019	Distribution 2018
	€	€	€	€
First interim	4.4573	0.0000	4.4573	2.8975
Second interim	n/a	n/a	n/a	2.9899
Third interim	n/a	n/a	n/a	3.4006
Final	n/a	n/a	n/a	6.5593

Sterling Class 'A' Income shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2	
	Income 2019	Equalisation 2019	2019	Distribution 2018
	p	p	p	p
First interim	5.0334	2.9666	8.0000	6.2767
Second interim	0.0000	8.0000	8.0000	5.9062
Third interim	0.0000	8.0000	8.0000	6.8820
Final	5.0013	13.1502	18.1515	13.1204

Sterling Class 'A' Accumulation shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2	
	Income 2019	Equalisation 2019	2019	Distribution 2018
	p	p	p	p
First interim	0.0000	1.6350	1.6350	0.0000
Second interim	0.0000	2.5318	2.5318	0.0000
Third interim	0.0000	1.8614	1.8614	0.1353
Final	2.6850	2.6717	5.3567	0.9968

Sterling Class 'I' Income shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2	
	Income 2019	Equalisation 2019	2019	Distribution 2018
	p	p	p	p
First interim	1.3253	8.3170	9.6423	7.5083
Second interim	0.6558	9.0013	9.6571	7.0774
Third interim	0.0000	9.6727	9.6727	8.2593
Final	5.0009	16.9804	21.9813	15.6860

Sterling Class 'I' Accumulation shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2	
	Income 2019	Equalisation 2019	2019	Distribution 2018
	p	p	p	p
First interim	0.6408	5.0017	5.6425	3.4965
Second interim	0.0000	6.1339	6.1339	3.4867
Third interim	0.0000	5.8129	5.8129	4.2293
Final	3.6954	10.0275	13.7229	8.2809

Sterling Class 'PP' Income shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2	
	Income 2019	Equalisation 2019	2019	Distribution 2018
	p	p	p	p
First interim	n/a	n/a	n/a	n/a
Second interim	n/a	n/a	n/a	n/a
Third interim	n/a	n/a	n/a	n/a
Final	0.0373	0.7595	0.7968	n/a

Sterling Class 'PP' Accumulation shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2	
	Income 2019	Equalisation 2019	2019	Distribution 2018
	p	p	p	p
First interim	n/a	n/a	n/a	n/a
Second interim	n/a	n/a	n/a	n/a
Third interim	0.0000	0.2194	0.2194	n/a
Final	0.1936	0.3456	0.5392	n/a

Sterling Class 'R' Income shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2	
	Income 2019	Equalisation 2019	2019	Distribution 2018
	p	p	p	p
First interim	0.2975	0.6584	0.9559	0.7463
Second interim	0.0665	0.8904	0.9569	0.7030
Third interim	0.0000	0.9577	0.9577	0.8199
Final	0.4642	1.7118	2.1760	1.5504

M&G North American Dividend Fund

Financial statements and notes

Notes to the financial statements

24 Dividend distribution tables (continued)

Sterling Class 'R' Accumulation shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2	
	Income 2019	Equalisation 2019	2019	Distribution 2018
	p	p	p	p
First interim	0.0969	0.3248	0.4217	0.2198
Second interim	0.0000	0.4819	0.4819	0.2304
Third interim	0.0000	0.4394	0.4394	0.2881
Final	0.1821	0.8649	1.0470	0.5740

Sterling Class 'X' Income shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2	
	Income 2019	Equalisation 2019	2019	Distribution 2018
	p	p	p	p
First interim	1.5047	6.4838	7.9885	6.2675
Second interim	0.0000	7.9886	7.9886	5.8977
Third interim	0.0000	7.9885	7.9885	6.8720
Final	3.6681	14.4573	18.1254	13.0528

Sterling Class 'X' Accumulation shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2	
	Income 2019	Equalisation 2019	2019	Distribution 2018
	p	p	p	p
First interim	0.0000	1.6112	1.6112	0.0000
Second interim	0.0000	2.4949	2.4949	0.0000
Third interim	0.0000	1.8351	1.8351	0.1337
Final	1.1151	4.1638	5.2789	0.9639

US dollar Class 'A' Income shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2	
	Income 2019	Equalisation 2019	2019	Distribution 2018
	¢	¢	¢	¢
First interim	2.7113	4.6413	7.3526	6.0000
Second interim	n/a	n/a	n/a	6.0000
Third interim	n/a	n/a	n/a	6.5000
Final	n/a	n/a	n/a	12.2420

US dollar Class 'A' Accumulation shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2	
	Income 2019	Equalisation 2019	2019	Distribution 2018
	¢	¢	¢	¢
First interim	0.1581	1.2647	1.4228	0.0000
Second interim	n/a	n/a	n/a	0.0000
Third interim	n/a	n/a	n/a	0.1003
Final	n/a	n/a	n/a	0.6999

US dollar Class 'C' Income shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2	
	Income 2019	Equalisation 2019	2019	Distribution 2018
	¢	¢	¢	¢
First interim	2.2091	5.7202	7.9293	6.4160
Second interim	n/a	n/a	n/a	6.4347
Third interim	n/a	n/a	n/a	6.9814
Final	n/a	n/a	n/a	13.0700

US dollar Class 'C' Accumulation shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2	
	Income 2019	Equalisation 2019	2019	Distribution 2018
	¢	¢	¢	¢
First interim	1.9599	2.7906	4.7505	2.9655
Second interim	n/a	n/a	n/a	3.1412
Third interim	n/a	n/a	n/a	3.5448
Final	n/a	n/a	n/a	6.8861

M&G North American Dividend Fund

Financial statements and notes

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M&G North American Value Fund

Authorised Corporate Director's Report

Investment objective and policy up to 28 February 2019

The fund aims to achieve long-term capital growth through investment in North American securities of North American companies using a value based investment philosophy.

Investment approach up to 28 February 2019

The M&G North American Value Fund employs a bottom-up stockpicking approach to identify shares of North American 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.

Investment objective from 1 March 2019

The fund aims to provide a higher total return (the combination of capital growth and income), net of the ongoing charge figure, than that of the S&P 500 Index, over any five-year period.

Investment policy from 1 March 2019

At least 80% of the fund is invested directly in equity securities and equity related securities of companies across any sectors and market capitalisations that are incorporated, domiciled, or do most of their business activity in the United States of America and Canada.

The fund may also invest in other transferable securities directly and via collective investment schemes (including funds managed by M&G).

The fund may also hold cash and near cash for liquidity purposes.

Derivatives may be used for efficient portfolio management and hedging.

Investment approach from 1 March 2019

The fund employs a disciplined approach to investment which concentrates on the analysis and selection of individual companies.

The investment approach identifies shares of North American companies which, in the fund manager's opinion at the time of investment, are undervalued.

When analysing companies, the fund manager seeks to identify companies that are mispriced, while trying to avoid companies that are cheap for a reason and whose share prices are unlikely to improve over time.

The investment 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.

The fund manager expects the overall stock selection and value style to be the main drivers of performance rather than any individual sector or stock.

Benchmark

Benchmark: S&P 500 Index.

The fund is actively managed. The benchmark is a target which the fund seeks to outperform. The index has been chosen as the fund's target benchmark as it best reflects the scope of the fund's investment policy. The target benchmark is used solely to measure the fund's performance and does not constrain the fund's portfolio construction.

M&G North American Value Fund

Authorised Corporate Director's Report

Risk profile

The fund invests in the shares of North American companies and is, therefore, subject to the price volatility of the North American stockmarkets and the performance of individual companies. The fund may also be subject to fluctuations in currency exchange rates.

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 2 September 2019, for the year ended 31 August 2019

Performance against objective

Between 3 September 2018 (the start of the review period) and 2 September 2019, the sterling share classes of the M&G North American Value Fund produced a negative total return (the combination of income and growth of capital). The fund's returns were behind the benchmark, the S&P 500 Index, which returned 9.9% in sterling terms over the 12 months.

Between 3 September 2018 and 9 November 2018, the fund's euro and US dollar share classes delivered negative returns, but were ahead of the returns from the S&P 500 Index (-1.5 and -3.8% in euros and US dollars, respectively).^{*} On 9 November 2018, the fund's non-sterling share classes merged into the M&G (Lux) North American Value Fund, a Luxembourg-authorized SICAV that launched on that date.

Over a longer timeframe of five years, the fund's sterling share classes produced positive returns but underperformed the benchmark, which returned 17.2%. The fund therefore did not meet the current objective over its specified timeframe of five years.

The non-sterling share classes produced positive returns over the period from 2 September 2014 until 9 November 2018 when they merged into the SICAV.

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

Investment performance

The decade-long rally in US stockmarkets continued in the period under review, with the S&P 500 Index reaching a new record high. However, there was considerable turbulence along the way. Steep share price declines at the end of 2018 were followed by a powerful rebound in the first few months of 2019. The rally faltered in May and there was another reversal in August.

Developments in the protracted trade war between the US and China were a major driver of the fluctuations in company share prices (equities). Concerns about escalating trade tensions and the introduction of new tariffs sparked share price falls, while optimism about a potential deal between the world's two largest economies fuelled equity market gains.

As the period progressed, signs that the year-long trade dispute was having a negative impact on the global economy led to an increase in risk aversion. The US economy slowed in the second quarter of 2019, while China's economy also continued to decelerate. Economic activity in Germany, a large manufacturing and exporting nation, weakened too. Against this background, assets such as government bonds and gold, which are considered to be relatively safe in times of uncertainty, performed well.

The actions of central banks also influenced investor sentiment during the period. In particular, investors welcomed the US Federal Reserve's (Fed) policy shift towards lower interest rates. Having raised rates four times in 2018, the Fed changed course in July and cut interest rates for the first time since the financial crisis of 2008/09 to support the US economy.

M&G North American Value Fund

Authorised Corporate Director's Report

Investment review

Investment performance (continued)

Policymakers in several other countries lowered borrowing costs, and at the end of the period, expectations were high that policymakers in China and Europe would introduce stimulus measures to boost economic growth.

During the period, investors favoured businesses that pay out regular income to their shareholders and 'defensive' stocks, which are considered to be resilient in challenging economic conditions as they have relatively stable earnings. Consumer staples, real estate and utilities were the best-performing sectors.

In contrast, energy and materials stocks struggled amid concerns that a slowdown in global economic growth would hurt demand for commodities. Financials underperformed too. Banks were particularly weak, hurt by fears that lower interest rates would have a negative impact on their profitability.

Amid heightened levels of uncertainty and risk aversion, cheaper 'value' stocks, as represented by the Russell 1000 Value Index, were out of favour and underperformed the broader market. This trend has prevailed in financial markets for several years now but during the review period there was a marked acceleration in the performance of value stocks.

Investors' preference for more expensive, higher quality 'growth' companies offering reliable increases in earnings created a significant headwind for the fund's value approach to investment and was a major contributing factor in the fund's underperformance.

Besides this style headwind, the fund's sector positioning and stock selection both detracted from relative performance. Our below-index position in technology held back returns as the sector outperformed. In particular, not holding any shares in Microsoft proved costly as the large index constituent has risen more than 20% this year, boosted by robust performance at its cloud computing business.

In addition, our holding in IT services firm DXC Technology was a notable detractor as the stock price plunged on disappointing quarterly results. DXC's revenues and earnings were lower than in the same period a year ago, and the company cut its profit and revenue guidance for the year.

Our relatively large allocation to energy was also a drag on performance as the sector lagged on concerns about global growth. Oil and gas producer Occidental Petroleum was among the leading detractors as investors worried that Occidental had overpaid in its acquisition of rival energy firm Anadarko.

Uncertainty about a proposed deal also weighed on the share price of battery maker Energizer. Investors were disappointed by the news that Energizer was planning to buy an auto care business in an attempt to diversify its activities.

Also in the consumer staples sector, our holdings in brewer Molson Coors Brewing, supermarket chain Kroger and pharmacy company Walgreens Boots Alliance detracted from relative performance.

Walgreens is facing several challenges, including weak consumer markets in the US and UK and lower payments from pharmacy benefits managers.

Molson Coors Brewing's share price fell on weak quarterly results. The company is grappling with declining global demand for beer and an increasingly competitive market.

Meanwhile, Kroger's shares retreated on concerns that the company's plans to spend billions of dollars modernising its stores and investing in its online business would put pressure on profits.

Our holding in fashion retailer Tapestry was another notable detractor. The company's share price tumbled more than 50% over the 12 months as poor performance at its handbag business Kate Spade contributed to weak results.

These detractors outweighed the positive contributions from several holdings such as media and technology company Comcast which outperformed. Comcast is successfully attracting more high-speed internet customers and is planning to launch a TV-streaming service next year.

Meat producer Tyson Foods also added value. After declining in 2018, Tyson's share price has rallied to a record high this year on robust results. The company also expects the outbreak of African swine fever in China to lead to increased sales to that market.

In healthcare, our holdings in drug makers Eli Lilly and Merck & Co were notable contributors. Merck's share price has sustained its strong rally since the beginning of 2018 as investors were impressed by the company's better-than-expected quarterly profits, driven by robust sales for its successful lung cancer treatment Keytruda.

Elsewhere, higher gold prices provided a boost for Newmont Goldcorp, the world's largest gold miner.

In addition, not holding any shares in Apple and e-commerce business Amazon.com was helpful, as both stocks suffered significant falls during the period. This marked a notable reversal from their impressive gains over the past couple of years.

Investment activities

During the review period we identified a number of new opportunities across different sectors. In healthcare, we started positions in pharmaceutical companies Biogen and Bristol-Myers Squibb and pharmacy chain Walgreens Boots Alliance (WBA).

WBA's share price has been under pressure amid worries about the perceived threat from Amazon.com moving into the healthcare sector. However, we believe investors' concerns are overblown.

Biogen's shares fell dramatically after the company announced that it was ending the trial of its much-anticipated new Alzheimer's drug. We bought the shares as we considered the decline excessive.

Meanwhile, investors have been disappointed that Bristol-Myers Squibb's main lung cancer drug has not been as successful as a similar product from rival Merck. However, the market for hard-to-treat cancer is expected to grow, and in our view, Bristol-Myers Squibb's prospects are being undervalued.

These purchases increased the fund's overweight position in healthcare.

We also bought shares in Kontoor, a jeanswear company, which was previously part of clothing firm VF Corp. Kontoor owns the Lee and Wrangler denim brands, and in our view, looks attractively valued, particularly relative to market leader Levi's.

Verizon Communications, a wireless network provider and media business, was another newcomer. With the rollout of the 5G mobile network under way and investment moderating, we believe the company's free cashflow should improve.

M&G North American Value Fund

Authorised Corporate Director's Report

Investment review

Investment activities (continued)

We funded these purchases by selling holdings that have performed well, such as potato products firm Lamb Weston. The company was originally spun out of another portfolio holding a couple of years ago. Since then, Lamb Weston has delivered solid revenue growth and margin improvement, which has resulted in a significant increase in the share price.

The stakes in pharmaceutical firm Eli Lilly and printer business Xerox were sold too on valuation grounds after share price gains. Healthcare provider LifePoint Health also left the portfolio after the company was taken over.

Other complete sales included insurance company American International Group, business process services firm Conduent, oil & gas explorer Occidental Petroleum and Qorvo, a provider of equipment used in wireless devices.

Outlook

Despite a challenging period for our investment approach, we remain optimistic about the outlook for value investing in the US.

While increased risk aversion recently has encouraged investors to seek perceived safety among higher quality, defensive-type stocks, we continue to believe that this is an interesting moment for value investors.

The persistent outperformance of growth and quality stocks has created a wide gap in valuations between the most expensive stocks in the market and the cheapest. In our view, this valuation spread reflects investors' desire for security in uncertain times and is arguably unsustainable.

In our view, many growth companies are trading at elevated valuations that imply high expectations for the future. On the other hand, the expectations implied in the share prices of many cheap, out-of-favour companies are extremely pessimistic. Therefore, on a risk/reward basis, we believe cheap companies with low expectations currently represent an appealing prospect.

We recognise that value has struggled for several years now and there is no way of predicting when it might return to favour. However, we are optimistic that value will once again be in favour and believe the fund is well placed to capture this opportunity.

By investing in lowly valued stocks with robust fundamentals, we think the fund has the potential to withstand further turbulence, as well as participating in any recovery in value stocks. The fund's valuation is lower than it was 12 months ago which is a function of the stocks becoming cheaper rather than any serious deterioration in their underlying qualities, in our opinion. Therefore, we are confident the fund is well positioned to participate in any value rally.

Daniel White

Fund manager

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

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

Investments

Portfolio statement			
as at 31 August	2019	2019	2018 ^[a]
Holding	\$'000	%	%
EQUITIES	363,418	95.04	95.79
Energy equipment & services	1,838	0.48	0.54
36,274 Helmerich & Payne	1,351	0.35	
103,018 Valaris	487	0.13	
Oil, gas & consumable fuels	30,705	8.03	9.35
99,940 Chevron	11,741	3.07	
41,594 Cobalt International Energy ^[b]	0	0.00	
107,190 ConocoPhillips	5,603	1.46	
179,868 Euronav	1,453	0.38	
50,845 Hess	3,163	0.83	
468,623 Kosmos Energy	3,004	0.79	
197,201 Suncor Energy	5,741	1.50	
Construction materials	4,144	1.08	0.94
49,557 Eagle Materials	4,144	1.08	
Containers & packaging	3,910	1.02	1.08
114,634 WestRock	3,910	1.02	
Metals & mining	7,206	1.88	2.04
123,453 Newmont Goldcorp	4,950	1.29	
83,757 Steel Dynamics	2,256	0.59	
Paper & forest products	1,051	0.27	0.55
31,600 Domtar	1,051	0.27	
Aerospace & defence	5,208	1.36	0.99
64,796 Spirit AeroSystems	5,208	1.36	
Machinery	6,197	1.62	2.10
51,565 Oshkosh	3,599	0.94	
78,738 SPX FLOW	2,598	0.68	
Commercial services & supplies	0	0.00	0.46
Professional services	2,728	0.71	1.15
33,581 ManpowerGroup	2,728	0.71	
Air freight & logistics	5,908	1.55	1.66
37,529 FedEx	5,908	1.55	
Auto components	2,357	0.62	1.20
47,378 Magna International	2,357	0.62	
Automobiles	2,858	0.75	0.94
77,428 General Motors	2,858	0.75	
Textiles, apparel & luxury goods	8,549	2.24	1.92
25,580 Columbia Sportswear	2,427	0.63	
113,465 Kontoor Brands	3,845	1.01	
112,372 Tapestry	2,277	0.60	
Hotels, restaurants & leisure	7,382	1.93	2.17
93,818 Carnival	4,127	1.08	
232,356 Extended Stay America	3,255	0.85	
Multiline retail	1,895	0.50	1.34
17,562 Target	1,895	0.50	
Specialty retail	3,523	0.92	1.04
98,300 Foot Locker	3,523	0.92	
Food & staples retailing	16,090	4.21	2.56
357,302 Kroger	8,457	2.21	
121,500 Walgreens Boots Alliance	6,120	1.60	
38,987 Weis Markets	1,513	0.40	
Beverages	13,686	3.58	2.89
107,317 Coca-Cola European Partners	6,015	1.57	
150,292 Molson Coors Brewing	7,671	2.01	
Food products	2,207	0.58	1.82
24,061 Tyson Foods	2,207	0.58	

M&G North American Value Fund

Authorised Corporate Director's Report

Investments

Portfolio statement (continued)			
as at 31 August Holding	2019 \$'000	2019 %	2018 ^[a] %
Household products	5,978	1.56	1.27
117,312 Energizer	4,393	1.15	
11,175 Kimberly-Clark	1,585	0.41	
Health care providers & services	11,553	3.02	3.35
44,481 Anthem	11,553	3.02	
Biotechnology	7,837	2.05	0.00
35,603 Biogen	7,837	2.05	
Pharmaceuticals	44,010	11.51	11.59
238,945 Bristol-Myers Squibb	11,532	3.02	
128,997 Johnson & Johnson	16,537	4.32	
35,236 Merck	3,056	0.80	
364,709 Pfizer	12,885	3.37	
Banks	30,284	7.92	8.29
111,697 Citigroup	7,137	1.87	
117,347 JPMorgan Chase	12,816	3.35	
40,996 PNC Financial Services	5,259	1.37	
109,797 Wells Fargo	5,072	1.33	
Thriffs & mortgage finance	6,029	1.58	0.50
158,655 Capitol Federal Financial	2,134	0.56	
342,603 New York Community Bancorp	3,895	1.02	
Diversified financial services	3,915	1.02	0.68
79,087 Voya Financial	3,915	1.02	
Capital markets	5,670	1.48	2.66
17,668 Affiliated Managers	1,339	0.35	
21,294 Goldman Sachs	4,331	1.13	
Insurance	14,942	3.91	4.45
141,723 Hartford Financial Services	8,312	2.17	
80,288 Loews	3,861	1.01	
62,753 MetLife	2,769	0.73	
IT services	8,841	2.31	2.86
113,638 Cognizant Technology Solutions	6,976	1.82	
56,576 DXC Technology	1,865	0.49	
Communications equipment	8,475	2.22	1.67
179,324 Cisco Systems	8,475	2.22	
Technology hardware, storage & peripherals	7,929	2.07	3.61
463,521 Hewlett-Packard Enterprise	6,336	1.66	
28,928 Western Digital	1,593	0.41	
Electronic equipment, instruments & components	3,588	0.94	3.40
134,348 AVX	1,823	0.48	
128,759 Celestica	820	0.21	
59,752 Vishay Intertechnology	945	0.25	
Semiconductors & semiconductor equipment	14,981	3.92	4.20
186,703 Intel	8,749	2.29	
30,071 Mellanox Technologies	3,242	0.85	
66,937 Micron Technology	2,990	0.78	
Diversified telecommunication services	18,060	4.72	2.45
234,677 AT&T	8,246	2.16	
176,628 CenturyLink	1,996	0.52	
134,953 Verizon Communications	7,818	2.04	
Wireless telecommunication services	2,811	0.74	0.77
55,254 Telephone and Data Systems	1,394	0.37	
39,456 U.S. Cellular	1,417	0.37	

Portfolio statement (continued)

as at 31 August Holding	2019 \$'000	2019 %	2018 ^[a] %
Media	17,752	4.64	3.27
333,272 Comcast	14,717	3.85	
219,934 News Corporation	3,035	0.79	
Interactive media & services	10,952	2.86	2.11
9,171 Alphabet	10,952	2.86	
Electric utilities	12,369	3.24	1.92
264,633 Exelon	12,369	3.24	
Portfolio of investments	363,418	95.04	95.79
CASH EQUIVALENTS	17,543	4.59	4.51
'AAA' rated money market funds ^[c]	17,543	4.59	
17,543,108 Northern Trust Global Fund - US dollar	17,543	4.59	
Total portfolio (notes 2c & 2d on page 7)	380,961	99.63	100.30
Net other assets / (liabilities)	1,401	0.37	(0.30)
Net assets attributable to shareholders	382,362	100.00	100.00

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

^[a] The portfolio has been reclassified to more appropriately reflect how the fund is managed. 2018 comparatives have been restated to reflect this.

^[b] Delisted.

^[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 August 2019

Largest purchases		\$'000
Bristol-Myers Squibb		14,169
Walgreens Boots Alliance		14,020
Biogen		9,385
Intel		8,374
Verizon Communications		7,555
Comcast		7,383
Cognizant Technology Solutions		7,020
Molson Coors Brewing		6,481
Chevron		6,259
Alphabet		6,077
Other purchases		157,793
Total purchases		244,516
Largest sales		\$'000
Merck		12,753
Eli Lilly		9,934
LifePoint Health		6,708
Tyson Foods		6,595
Target		6,116
Johnson & Johnson		6,098
Alphabet		5,642
Xerox		5,296
American International Group		5,164
Hess		4,997
Other sales		177,364
Total sales		246,667

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

M&G North American 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 tables reflect the key financial information of a representative share class, Sterling Class 'A' (Accumulation) shares. As different share classes have different attributes, for example charging structures and minimum investments, please be aware that their performance may be different. For more information on the different share classes in this fund please refer to the Prospectus for M&G Investment Funds (1), 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 August	2019 \$'000	2018 \$'000	2017 \$'000
Fund net asset value (NAV)	382,362	790,900	841,330

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.



To give an indication of the performance of the fund, the following table shows the compound rate of return, per annum, over the period to 8 November 2018 for non-sterling share classes and 2 September 2019 for sterling share classes. Calculated on a price to price basis with income reinvested.

Long-term performance by share class				
	From 03.09.18 % ^[a]	From 02.09.16 % p.a.	From 02.09.14 % p.a.	Since launch % p.a.
Euro^[b]				
Class 'A'	-1.3	+11.9	+11.2	+6.2 ^[c]
Class 'C'	-1.2	+12.7	+12.1	+7.0 ^[c]
Sterling^[d]				
Class 'A'	-5.2	+9.5	+11.3	+7.7 ^[c]
Class 'I'	-4.5	+10.3	+12.1	+15.5 ^[e]
Class 'PP'	n/a	n/a	n/a	+0.7 ^[f]
Class 'R'	-4.7	+10.0	+11.8	+15.2 ^[e]
Class 'X'	-5.2	+9.5	+11.3	+7.7 ^[c]
US dollar^[b]				
Class 'A'	-3.5	+12.7	+7.5	+4.7 ^[g]
Class 'C'	-3.4	+13.5	+8.3	+5.4 ^[g]

[a] Absolute basis.

[b] Price to price with net income reinvested.

[c] 1 July 2005, 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 April 2019, the launch date of the share class. Not annualised.

[g] 9 March 2007, the launch date of the share class.

M&G North American 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, comprising operating charges and portfolio transaction costs.

Operating charges

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

- **Annual charge:** Charge paid to M&G covering the annual cost of M&G managing and administering the fund and the costs of third parties providing services to the fund. From 1 August 2019, this charge rolls all costs that make up the operating charges into one annual charge.

For every £1 billion of a fund's net asset value, a discount of 0.02% will be applied to that fund's annual charge (up to a maximum of 0.12%).

- **Extraordinary legal and tax expenses:** Costs that specifically relate to legal or tax claims that are both exceptional and unforeseeable. Such expenses are uncommon, and would not be expected in most years. Although they result in a short-term cost to the fund, generally they can deliver longer term benefits for investors.
- **Investment management:** Charge paid to M&G for investment management of the fund. From 1 August 2019 this charge forms part of the annual charge.
- **Administration:** Charge paid for administration services in addition to investment management – any surplus from this charge will be retained by M&G. From 1 August 2019 this charge is rolled into the annual charge.
- **Oversight and other independent services:** Charges paid to providers independent of M&G for services which include depositary, custody and audit. From 1 August 2019 these charges will be paid by M&G and rolled into the annual charge.
- **Ongoing charges from underlying funds:** Ongoing charges on holdings in underlying funds that are not rebated. From 1 August 2019 charges from underlying funds (excluding Investment Trusts Companies and Real Estate Investment Trusts) will be rebated.

The operating charges paid by each share class of the fund are shown in the following performance tables. These 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.

Once the annual charge has been operational for twelve months, operating charges will be in line with the ongoing charges shown in the Key Investor Information Document, other than where there have been extraordinary legal or tax expenses, or 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. Any estimate will be disclosed under the specific share class performance table.

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

Portfolio transaction costs

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

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

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

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

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

Portfolio transaction costs				
for the year to 31 August	2019	2018	2017	Average ^[a]
Direct portfolio transaction costs ^[b]	%	%	%	%
Broker commission	0.02	0.02	0.02	0.02
Taxes	0.00	0.00	0.00	0.00
Costs before dilution adjustments	0.02	0.02	0.02	0.02
Dilution adjustments ^[c]	(0.01)	(0.02)	(0.02)	(0.02)
Total direct portfolio transaction costs	0.01	0.00	0.00	0.00
as at 31 August	2019	2018	2017	Average ^[a]
Indirect portfolio transaction costs	%	%	%	%
Average portfolio dealing spread	0.04	0.03	0.03	0.03

^[a] Average of first three columns.

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

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

M&G North American 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.

The non-sterling share classes were merged into the M&G (Lux) North American Value Fund on 9 November 2018. The current period historic yields for the non-sterling share classes were calculated at the merger date.

Historic yields for the sterling share classes for the current year are calculated as at 13 September 2019.

Euro Class 'A' Accumulation share performance

The share class was launched on 1 July 2005.

for the year to 31 August Change in NAV per share	2019 Euro ¢	2018 Euro ¢	2017 Euro ¢
Opening NAV	2,262.35	1,900.98	1,766.85
Return before operating charges and after direct portfolio transaction costs	(12.43)	396.15	167.11
Operating charges	(7.16)	(34.78)	(32.98)
Return after operating charges	(19.59)	361.37	134.13
Distributions	(1.46)	0.00	(4.76)
Retained distributions	1.46	0.00	4.76
Return to shareholder as a result of share class closure	(2,242.76)	n/a	n/a
Closing NAV	0.00	2,262.35	1,900.98

Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.11	0.44	0.46
Dilution adjustments ^[a]	(0.09)	(0.44)	(0.46)
Total direct portfolio transaction costs	0.02	0.00	0.00

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.00	0.00
Operating charges ^[c]	1.66	1.66	1.66
Return after operating charges	-0.87	+19.01	+7.59
Historic yield	0.00	0.00	0.25
Effect on yield of charges offset against capital	0.00	0.00	0.00

Other information

Closing NAV (\$'000)	0	196,039	190,378
Closing NAV percentage of total fund NAV (%)	0.00	24.78	22.63
Number of shares	0	7,426,227	8,445,903
Highest share price (Euro ¢)	2,287.82	2,300.93	2,112.48
Lowest share price (Euro ¢)	2,093.01	1,872.57	1,705.61

Euro Class 'C' Accumulation share performance

The share class was launched on 1 July 2005.

for the year to 31 August Change in NAV per share	2019 Euro ¢	2018 Euro ¢	2017 Euro ¢
Opening NAV	2,498.90	2,084.06	1,922.55
Return before operating charges and after direct portfolio transaction costs	(13.71)	435.88	181.20
Operating charges	(4.36)	(21.04)	(19.69)
Return after operating charges	(18.07)	414.84	161.51
Distributions	(5.20)	(16.30)	(19.99)
Retained distributions	5.20	16.30	19.99
Return to shareholder as a result of share class closure	(2,480.83)	n/a	n/a
Closing NAV	0.00	2,498.90	2,084.06

Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.12	0.48	0.50
Dilution adjustments ^[a]	(0.09)	(0.48)	(0.50)
Total direct portfolio transaction costs	0.03	0.00	0.00

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.00	0.00
Operating charges ^[c]	0.91	0.91	0.91
Return after operating charges	-0.72	+19.91	+8.40
Historic yield	0.66	0.65	0.96
Effect on yield of charges offset against capital	0.00	0.00	0.00

Other information

Closing NAV (\$'000)	0	82,066	108,331
Closing NAV percentage of total fund NAV (%)	0.00	10.38	12.88
Number of shares	0	2,814,461	4,383,771
Highest share price (Euro ¢)	2,528.79	2,540.67	2,307.29
Lowest share price (Euro ¢)	2,314.46	2,053.25	1,856.49

Sterling Class 'A' Income share performance

The share class was launched on 1 July 2005.

for the year to 31 August Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	140.72	123.21	107.43
Return before operating charges and after direct portfolio transaction costs	(5.48)	21.82	20.07
Operating charges	(2.15)	(2.16)	(2.01)
Return after operating charges	(7.63)	19.66	18.06
Distributions	(3.13)	(2.15)	(2.28)
Closing NAV	129.96	140.72	123.21

Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.04	0.03	0.03
Dilution adjustments ^[a]	(0.04)	(0.03)	(0.03)
Total direct portfolio transaction costs	0.00	0.00	0.00

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.00	0.00
Operating charges ^[c]	1.62	1.66	1.66
Return after operating charges	-5.42	+15.96	+16.81
Historic yield	1.55	1.52	1.86
Effect on yield of charges offset against capital	1.61	1.65	1.65

Other information

Closing NAV (\$'000)	140,267	165,099	216,092
Closing NAV percentage of total fund NAV (%)	36.68	20.87	25.68
Number of shares	88,623,981	90,207,146	136,207,062
Highest share price (UK p)	142.58	144.59	129.77
Lowest share price (UK p)	119.15	119.17	103.86

M&G North American Value Fund

Financial highlights

Specific share class performance

Sterling Class 'A' Accumulation share performance

The share class was launched on 1 July 2005.

for the year to 31 August Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	149.58	129.02	110.44
Return before operating charges and after direct portfolio transaction costs	(5.81)	22.83	20.65
Operating charges	(2.29)	(2.27)	(2.07)
Return after operating charges	(8.10)	20.56	18.58
Distributions	(0.94)	0.00	(0.32)
Retained distributions	0.94	0.00	0.32
Closing NAV	141.48	149.58	129.02

Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.04	0.03	0.03
Dilution adjustments ^[a]	(0.04)	(0.03)	(0.03)
Total direct portfolio transaction costs	0.00	0.00	0.00

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.00	0.00
Operating charges ^[c]	1.63	1.66	1.66
Return after operating charges	-5.42	+15.94	+16.82
Historic yield	0.00	0.00	0.25
Effect on yield of charges offset against capital	0.00	0.00	0.00

Other information

Closing NAV (\$'000)	2,215	2,659	2,664
Closing NAV percentage of total fund NAV (%)	0.58	0.34	0.32
Number of shares	1,285,337	1,366,825	1,603,509
Highest share price (UK p)	151.56	151.38	133.42
Lowest share price (UK p)	126.65	124.76	106.77

Sterling Class 'I' Income share performance

The share class was launched on 3 August 2012.

for the year to 31 August Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	2,671.02	2,321.06	2,008.50
Return before operating charges and after direct portfolio transaction costs	(103.49)	413.33	376.25
Operating charges	(22.90)	(22.67)	(20.87)
Return after operating charges	(126.39)	390.66	355.38
Distributions	(59.64)	(40.70)	(42.82)
Closing NAV	2,484.99	2,671.02	2,321.06

Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.74	0.52	0.53
Dilution adjustments ^[a]	(0.70)	(0.52)	(0.53)
Total direct portfolio transaction costs	0.04	0.00	0.00

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.00	0.00
Operating charges ^[c]	0.90	0.91	0.91
Return after operating charges	-4.73	+16.83	+17.69
Historic yield	1.53	1.52	1.85
Effect on yield of charges offset against capital	0.89	0.90	0.90

Other information

Closing NAV (\$'000)	20,972	46,677	27,612
Closing NAV percentage of total fund NAV (%)	5.48	5.90	3.28
Number of shares	692,995	1,343,686	923,916
Highest share price (UK p)	2,706.35	2,744.03	2,435.98
Lowest share price (UK p)	2,267.01	2,245.58	1,942.26

Sterling Class 'I' Accumulation share performance

The share class was launched on 3 August 2012.

for the year to 31 August Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	2,879.86	2,465.25	2,094.58
Return before operating charges and after direct portfolio transaction costs	(112.12)	438.60	392.68
Operating charges	(24.10)	(23.99)	(22.01)
Return after operating charges	(136.22)	414.61	370.67
Distributions	(39.03)	(18.79)	(23.65)
Retained distributions	39.03	18.79	23.65
Closing NAV	2,743.64	2,879.86	2,465.25

Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.79	0.55	0.55
Dilution adjustments ^[a]	(0.75)	(0.55)	(0.55)
Total direct portfolio transaction costs	0.04	0.00	0.00

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.00	0.00
Operating charges ^[c]	0.89	0.91	0.91
Return after operating charges	-4.73	+16.82	+17.70
Historic yield	0.64	0.65	0.96
Effect on yield of charges offset against capital	0.00	0.00	0.00

Other information

Closing NAV (\$'000)	212,609	64,104	51,616
Closing NAV percentage of total fund NAV (%)	55.61	8.11	6.13
Number of shares	6,363,265	1,711,549	1,626,085
Highest share price (UK p)	2,918.01	2,914.16	2,540.45
Lowest share price (UK p)	2,444.30	2,384.81	2,025.56

Sterling Class 'PP' Income share performance

The share class was launched on 5 August 2019.

for the year to 31 August Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	100.00	n/a	n/a
Return before operating charges and after direct portfolio transaction costs	(1.38)	n/a	n/a
Operating charges	(0.04)	n/a	n/a
Return after operating charges	(1.42)	n/a	n/a
Distributions	(2.25)	n/a	n/a
Closing NAV	96.33	n/a	n/a

Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	n/a	n/a
Dilution adjustments ^[a]	0.00	n/a	n/a
Total direct portfolio transaction costs	0.00	n/a	n/a

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	n/a	n/a
Operating charges ^[c]	0.55	n/a	n/a
Return after operating charges	-1.42	n/a	n/a
Historic yield	1.60	n/a	n/a
Effect on yield of charges offset against capital	0.55	n/a	n/a

Other information

Closing NAV (\$'000)	54	n/a	n/a
Closing NAV percentage of total fund NAV (%)	0.01	n/a	n/a
Number of shares	46,000	n/a	n/a
Highest share price (UK p)	101.74	n/a	n/a
Lowest share price (UK p)	96.40	n/a	n/a

M&G North American Value Fund

Financial highlights

Specific share class performance

Sterling Class 'PP' Accumulation share performance

The share class was launched on 8 April 2019.

for the year to 31 August Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	100.00	n/a	n/a
Return before operating charges and after direct portfolio transaction costs	(0.10)	n/a	n/a
Operating charges	(0.29)	n/a	n/a
Return after operating charges	(0.39)	n/a	n/a
Distributions	(1.48)	n/a	n/a
Retained distributions	1.48	n/a	n/a
Closing NAV	99.61	n/a	n/a
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.01	n/a	n/a
Dilution adjustments ^[a]	(0.01)	n/a	n/a
Total direct portfolio transaction costs	0.00	n/a	n/a
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	n/a	n/a
Operating charges ^[c]	0.61	n/a	n/a
Return after operating charges	-0.39	n/a	n/a
Historic yield	0.49	n/a	n/a
Effect on yield of charges offset against capital	0.00	n/a	n/a
Other information			
Closing NAV (\$'000)	24	n/a	n/a
Closing NAV percentage of total fund NAV (%)	0.01	n/a	n/a
Number of shares	20,000	n/a	n/a
Highest share price (UK p)	105.81	n/a	n/a
Lowest share price (UK p)	95.20	n/a	n/a

Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012.

for the year to 31 August Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	265.66	231.44	200.78
Return before operating charges and after direct portfolio transaction costs	(10.34)	41.14	37.58
Operating charges	(2.87)	(2.87)	(2.64)
Return after operating charges	(13.21)	38.27	34.94
Distributions	(5.92)	(4.05)	(4.28)
Closing NAV	246.53	265.66	231.44
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.07	0.05	0.05
Dilution adjustments ^[a]	(0.07)	(0.05)	(0.05)
Total direct portfolio transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.00	0.00
Operating charges ^[c]	1.15	1.16	1.16
Return after operating charges	-4.97	+16.54	+17.40
Historic yield	1.54	1.52	1.85
Effect on yield of charges offset against capital	1.13	1.15	1.15
Other information			
Closing NAV (\$'000)	390	445	241
Closing NAV percentage of total fund NAV (%)	0.10	0.06	0.03
Number of shares	129,927	128,829	80,772
Highest share price (UK p)	269.17	272.93	243.18
Lowest share price (UK p)	225.30	223.88	194.14

Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012.

for the year to 31 August Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	283.46	243.26	207.20
Return before operating charges and after direct portfolio transaction costs	(10.97)	43.26	38.79
Operating charges	(3.06)	(3.06)	(2.73)
Return after operating charges	(14.03)	40.20	36.06
Distributions	(3.14)	(1.18)	(1.76)
Retained distributions	3.14	1.18	1.76
Closing NAV	269.43	283.46	243.26
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.08	0.06	0.05
Dilution adjustments ^[a]	(0.07)	(0.06)	(0.05)
Total direct portfolio transaction costs	0.01	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.00	0.00
Operating charges ^[c]	1.14	1.16	1.16
Return after operating charges	-4.95	+16.53	+17.40
Historic yield	0.41	0.42	0.73
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	2,942	3,005	321
Closing NAV percentage of total fund NAV (%)	0.77	0.38	0.04
Number of shares	896,706	815,033	102,542
Highest share price (UK p)	287.21	286.85	250.97
Lowest share price (UK p)	240.40	235.30	200.36

Sterling Class 'X' Income share performance

The share class was launched on 1 July 2005.

for the year to 31 August Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	140.76	123.25	107.46
Return before operating charges and after direct portfolio transaction costs	(5.47)	21.82	20.09
Operating charges	(2.16)	(2.16)	(2.02)
Return after operating charges	(7.63)	19.66	18.07
Distributions	(3.13)	(2.15)	(2.28)
Closing NAV	130.00	140.76	123.25
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.04	0.03	0.03
Dilution adjustments ^[a]	(0.04)	(0.03)	(0.03)
Total direct portfolio transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.00	0.00
Operating charges ^[c]	1.63	1.66	1.66
Return after operating charges	-5.42	+15.95	+16.82
Historic yield	1.55	1.52	1.86
Effect on yield of charges offset against capital	1.62	1.65	1.65
Other information			
Closing NAV (\$'000)	1,444	1,922	2,740
Closing NAV percentage of total fund NAV (%)	0.38	0.24	0.33
Number of shares	912,135	1,049,940	1,726,740
Highest share price (UK p)	142.62	144.63	129.82
Lowest share price (UK p)	119.19	119.20	103.89

M&G North American Value Fund

Financial highlights

Specific share class performance

Sterling Class 'X' Accumulation share performance

The share class was launched on 1 July 2005.

for the year to 31 August Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	150.00	129.27	110.66
Return before operating charges and after direct portfolio transaction costs	(5.83)	22.78	20.69
Operating charges	(2.31)	(2.05)	(2.08)
Return after operating charges	(8.14)	20.73	18.61
Distributions	(0.94)	0.00	(0.32)
Retained distributions	0.94	0.00	0.32
Closing NAV	141.86	150.00	129.27
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.04	0.03	0.03
Dilution adjustments ^[a]	(0.04)	(0.03)	(0.03)
Total direct portfolio transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.00	0.00
Operating charges ^[c]	1.63	1.63	1.66
Return after operating charges	-5.43	+16.04	+16.82
Historic yield	0.00	0.00	0.25
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	1,445	2,527	180,838
Closing NAV percentage of total fund NAV (%)	0.38	0.32	21.49
Number of shares	836,491	1,295,556	108,644,159
Highest share price (UK p)	151.97	151.79	133.68
Lowest share price (UK p)	127.01	125.01	106.98

US dollar Class 'A' Accumulation share performance

The share class was launched on 9 March 2007.

for the year to 31 August Change in NAV per share	2019 US ¢	2018 US ¢	2017 US ¢
Opening NAV	1,764.00	1,506.24	1,315.48
Return before operating charges and after direct portfolio transaction costs	(56.96)	285.55	214.52
Operating charges	(5.51)	(27.79)	(23.76)
Return after operating charges	(62.47)	257.76	190.76
Distributions	(1.11)	0.00	(3.77)
Retained distributions	1.11	0.00	3.77
Return to shareholder as a result of share class closure	(1,701.53)	n/a	n/a
Closing NAV	0.00	1,764.00	1,506.24
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.08	0.35	0.33
Dilution adjustments ^[a]	(0.07)	(0.35)	(0.33)
Total direct portfolio transaction costs	0.01	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.00	0.00
Operating charges ^[c]	1.66	1.66	1.66
Return after operating charges	-3.54	+17.11	+14.50
Historic yield	0.00	0.00	0.25
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	0	33,224	23,437
Closing NAV percentage of total fund NAV (%)	0.00	4.20	2.79
Number of shares	0	1,883,439	1,555,966
Highest share price (US ¢)	1,783.61	1,787.74	1,526.94
Lowest share price (US ¢)	1,595.04	1,510.13	1,278.24

US dollar Class 'C' Accumulation share performance

The share class was launched on 9 March 2007.

for the year to 31 August Change in NAV per share	2019 US ¢	2018 US ¢	2017 US ¢
Opening NAV	1,923.21	1,629.93	1,412.87
Return before operating charges and after direct portfolio transaction costs	(62.13)	309.95	231.31
Operating charges	(3.31)	(16.67)	(14.25)
Return after operating charges	(65.44)	293.28	217.06
Distributions	(3.89)	(12.55)	(15.64)
Retained distributions	3.89	12.55	15.64
Return to shareholder as a result of share class closure	(1,857.77)	n/a	n/a
Closing NAV	0.00	1,923.21	1,629.93
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.09	0.38	0.36
Dilution adjustments ^[a]	(0.07)	(0.38)	(0.36)
Total direct portfolio transaction costs	0.02	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.00	0.00
Operating charges ^[c]	0.91	0.91	0.91
Return after operating charges	-3.40	+17.99	+15.36
Historic yield	0.68	0.66	0.96
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	0	193,133	37,060
Closing NAV percentage of total fund NAV (%)	0.00	24.42	4.40
Number of shares	0	10,042,232	2,273,737
Highest share price (US ¢)	1,945.54	1,940.55	1,651.11
Lowest share price (US ¢)	1,740.97	1,634.41	1,374.84

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

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

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

M&G North American Value Fund

Financial statements and notes

Financial statements

Statement of total return

for the year to 31 August	Note	2019		2018	
		\$'000	\$'000	\$'000	\$'000
Income					
Net capital gains / (losses)	3		(65,319)		137,045
Revenue	5	11,935		19,079	
Expenses	6	(5,708)		(10,996)	
Net revenue / (expense) before taxation		6,227		8,083	
Taxation	7	(1,389)		(5,651)	
Net revenue / (expense) after taxation			4,838		2,432
Total return before distributions			(60,481)		139,477
Distributions	8		(7,718)		(6,261)
Change in net assets attributable to shareholders from investment activities			(68,199)		133,216

Statement of change in net assets attributable to shareholders

for the year to 31 August		2019		2018	
		\$'000	\$'000	\$'000	\$'000
Opening net assets attributable to shareholders			790,900		841,330
Amounts received on issue of shares		278,437		339,737	
Amounts paid on cancellation of shares		(277,518)		(464,536)	
Transfer to M&G (Lux) North American Value Fund		(344,937)		0	
Value of in specie transfer paid		0		(61,350)	
			(344,018)		(186,149)
Dilution adjustments			168		277
Change in net assets attributable to shareholders from investment activities (see above)			(68,199)		133,216
Retained distributions on Accumulation shares			3,511		2,226
Closing net assets attributable to shareholders			382,362		790,900

Balance sheet

as at 31 August	Note	2019		2018	
		\$'000	\$'000	\$'000	\$'000
Assets					
Fixed assets					
Investments			363,418		757,585
Current assets					
Debtors	9	2,162		2,766	
Cash and bank balances	10	4,320		1,206	
Cash equivalents		17,543		35,664	
Total assets			387,443		797,221
Liabilities					
Creditors					
Distribution payable			(3,927)		(3,272)
Other creditors	11		(1,154)		(3,049)
Total liabilities			(5,081)		(6,321)
Net assets attributable to shareholders			382,362		790,900

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 7 and 8.

The fund's functional and presentational currency is US dollars as this better reflects the currency of its primary economic environment.

2 Distribution policy

In determining the amount available for distribution to Income shares, the annual charge, annual management charge and administration charge are 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 August	2019	2018
	\$'000	\$'000
Non-derivative securities	(65,266)	136,681
Derivative contracts	0	(2)
Currency gains / (losses)	(46)	371
Transaction charges	(7)	(5)
Net capital gains / (losses)	(65,319)	137,045

M&G North American Value 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 151.

for the year to 31 August	2019 \$'000	% of transaction	2018 \$'000	% of transaction
a) Purchases				
Equities				
Equities before transaction costs	244,451		170,848	
Commissions	65	0.03	59	0.03
Total purchases after transaction costs	244,516		170,907	
b) Sales				
Equities				
Equities before transaction costs	246,738		311,503	
Commissions	(67)	0.03	(111)	0.04
Taxes	(4)	0.00	(7)	0.00
Total sales after transaction costs	246,667		311,385	
c) Direct portfolio transaction costs				
Commissions paid				
Equities	132	0.02	170	0.02
Taxes paid				
Equities	4	0.00	7	0.00
Total direct portfolio transaction costs [a]	136	0.02	177	0.02
d) Indirect portfolio transaction costs				
Portfolio dealing spread [b]		0.04		0.03

[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 August	2019 \$'000	2018 \$'000
Bank interest	18	7
Dividends from equity investments: non-taxable	11,356	18,667
Dividends from equity investments: taxable	59	(122)
Interest distributions	501	527
Rebate of ongoing charges from underlying funds	1	0
Total revenue	11,935	19,079

6 Expenses

for the year to 31 August	2019 \$'000	2018 \$'000
Payable to the ACD or associate		
Annual charge	290	0
Annual management charge [a]	4,696	9,639
Administration charge [a]	663	1,266
	5,649	10,905
Payable to the Depository or associate		
Depository's charge (including VAT) [a]	32	57
Other expenses		
Audit fee (including VAT) [a] [b]	10	12
Interest payable	9	4
Safe custody charge [a]	8	18
	27	34
Total expenses	5,708	10,996

[a] The segregated charges shown above for annual management, administration, depository, audit and safe custody are those paid by the fund up to and including 31 July 2019. As of 1 August 2019 these charges have been replaced by the single annual charge.

[b] Audit fees for the financial year ending 2019 were \$10,000.

7 Taxation

for the year to 31 August	2019 \$'000	2018 \$'000
a) Analysis of charge in the year		
Corporation tax	0	0
Withholding tax	1,389	5,651
Deferred tax (note 7c)	0	0
Total taxation	1,389	5,651
b) Factors affecting taxation charge for the year		
Net revenue / (expense) before taxation	6,227	8,083
Corporation tax at 20%	1,245	1,617
Effects of:		
Dividends from equity investments: non-taxable	(2,271)	(3,733)
Current year expenses not utilised	1,026	2,116
Withholding tax	1,389	5,651
Total tax charge (note 7a)	1,389	5,651
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 \$11,427,000 (2018: \$10,401,000) 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 August	2019		2018	
	Inc [a] \$'000	Acc [b] \$'000	Inc [a] \$'000	Acc [b] \$'000
Dividend distributions				
Final	3,927	3,511	3,272	2,226
Total net distributions		7,438		5,498
Income deducted on cancellation of shares		1,619		1,330
Income received on issue of shares		(1,339)		(567)
Distributions		7,718		6,261
Net revenue / (expense) per statement of total return				
		4,838		2,432
Expenses offset against capital		2,880		3,701
Income deficit transferred to capital		0		128
Distributions		7,718		6,261

[a] Distributions payable on Income shares.

[b] Retained distributions on Accumulation shares.

M&G North American Value Fund

Financial statements and notes

Notes to the financial statements

9 Debtors

as at 31 August	2019 \$'000	2018 \$'000
Amounts receivable on issues of shares	1,076	1,209
Annual charge rebates due	1	0
Distributions receivable	31	60
Dividends receivable	1,009	1,462
Withholding tax recoverable	45	35
Total debtors	2,162	2,766

10 Cash and bank balances

as at 31 August	2019 \$'000	2018 \$'000
Cash held as bank balances	4,320	1,206
Total cash and bank balances	4,320	1,206

11 Other creditors

as at 31 August	2019 \$'000	2018 \$'000
ACD's annual management charge payable	0	444
Administration charge payable	0	59
Amounts payable on cancellation of shares	950	2,528
Annual charge payable	169	0
Expenses payable	16	18
Payable to M&G (Lux) North American Value Fund	19	0
Total other creditors	1,154	3,049

12 Contingent assets, liabilities and outstanding commitments

There were no contingent assets, liabilities or outstanding commitments at the balance sheet date (2018: 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 01.09.18	Movements		Closing 31.08.19
		Issued	Cancelled	
Euro				
Class 'A' Accumulation	7,426,227	415,089	(7,841,316)	0
Class 'C' Accumulation	2,814,461	324,430	(3,138,891)	0
Sterling				
Class 'A' Income	90,207,146	18,753,147	(20,336,312)	88,623,981
Class 'A' Accumulation	1,366,825	248,391	(329,879)	1,285,337
Class 'I' Income	1,343,686	757,958	(1,408,649)	692,995
Class 'I' Accumulation	1,711,549	5,542,550	(890,834)	6,363,265
Class 'PP' Income	0	46,000	0	46,000
Class 'PP' Accumulation	0	20,000	0	20,000
Class 'R' Income	128,829	53,745	(52,647)	129,927
Class 'R' Accumulation	815,033	245,971	(164,298)	896,706
Class 'X' Income	1,049,940	17,385	(155,190)	912,135
Class 'X' Accumulation	1,295,556	1,582,825	(2,041,890)	836,491
US dollar				
Class 'A' Accumulation	1,883,439	62,538	(1,945,977)	0
Class 'C' Accumulation	10,042,232	379,758	(10,421,990)	0

14 Charging structure

The table below sets out the charging structure for each class of share in existence as at the balance sheet date. The charging structure is the same for both Income and Accumulation shares of each class.

Share class	Entry charge %	Exit charge %	Annual charge ^[a] %
Sterling			
Class 'A'	n/a	n/a	1.20
Class 'I'	n/a	n/a	0.70
Class 'PP'	n/a	n/a	0.55
Class 'R'	n/a	n/a	0.95
Class 'X'	n/a	n/a	1.20

[a] The amounts shown are the maximum annual charge. M&G will apply a discount of 0.02% for every £1 billion of a fund's net asset value. This is assessed quarterly and implemented on a forward basis no later than 13 business days after quarter end.

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 annual charge, ACD's annual management charge and administration charge are disclosed in note 6. Amounts due at the year end from the annual 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 65.44% (2018: 50.79%) 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 North American Value Fund

Financial statements and notes

Notes to the financial statements

17 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: Unadjusted quoted price in an active market for an identical instrument

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 technique using observable market data

This includes instruments such as over-the-counter (OTC) derivatives, debt securities, convertible bonds, mortgage-backed securities, asset-backed securities and open-ended funds which have been valued using models with observable market data inputs.

Level 3: Valuation technique using unobservable inputs

This refers to instruments which have been valued using models with unobservable data inputs. This includes single broker-priced instruments, suspended/unquoted securities, private equity, unlisted closed-ended funds and open-ended funds with restrictions on redemption rights. However no such financial instruments were held.

as at 31 August Basis of valuation	Assets	Liabilities	Assets	Liabilities
	2019	2019	2018	2018
	\$'000	\$'000	\$'000	\$'000
Level 1	363,418	0	757,585	0
Level 2	0	0	0	0
Level 3	0	0	0	0
	363,418	0	757,585	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

The general risk management policies for the fund are set out in note 3 to the financial statements on pages 8 and 9.

19 Market risk sensitivity

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 \$18,171,000 (2018: \$37,879,000). A five per cent decrease would have an equal and opposite effect.

20 Currency risk sensitivity and exposure

Currency risk is not considered significant for the fund and is therefore not disclosed.

21 Interest rate risk sensitivity and exposure

As the majority of the fund's financial assets are non-interest bearing, the risk is not considered significant and is therefore not disclosed.

22 Credit risk

Credit risk is not considered significant for the fund and is therefore not disclosed.

23 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 [a]	01.09.18	31.08.19	02.09.19

[a] As a result of the merger of M&G North American Value Fund into M&G (Lux) North American Value Fund on 9 November 2018 ('the effective date'), any income available for distribution to non-sterling share classes from the start of the period on 1 September 2018 to the effective date of the merger was distributed to shareholders on 31 December 2018.

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 income 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 income and equalisation. Equalisation is the average amount of income 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 income and equalisation components.

Euro Class 'A' Accumulation shares				
Ordinary distributions for the year to 31 August	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2019	2019	2019	2018
	€	€	€	€
Final	1.0872	0.3715	1.4587	0.0000

Euro Class 'C' Accumulation shares				
Ordinary distributions for the year to 31 August	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2019	2019	2019	2018
	€	€	€	€
Final	2.6734	2.5276	5.2010	16.3036

Sterling Class 'A' Income shares				
Ordinary distributions for the year to 31 August	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2019	2019	2019	2018
	p	p	p	p
Final	1.5000	1.6302	3.1302	2.1518

M&G North American Value Fund

Financial statements and notes

Notes to the financial statements

23 Dividend distribution tables (continued)

Sterling Class 'A' Accumulation shares

Ordinary distributions for the year to 31 August	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	Group 1 & 2 Distribution 2018
	p	p	p	p
Final	0.7370	0.2018	0.9388	0.0000

Sterling Class 'I' Income shares

Ordinary distributions for the year to 31 August	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	Group 1 & 2 Distribution 2018
	p	p	p	p
Final	39.7799	19.8613	59.6412	40.7006

Sterling Class 'I' Accumulation shares

Ordinary distributions for the year to 31 August	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	Group 1 & 2 Distribution 2018
	p	p	p	p
Final	28.1349	10.8920	39.0269	18.7911

Sterling Class 'PP' Income shares

Ordinary distributions for the year to 31 August	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	Group 1 & 2 Distribution 2018
	p	p	p	p
Final	0.0845	2.1673	2.2518	n/a

Sterling Class 'PP' Accumulation shares

Ordinary distributions for the year to 31 August	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	Group 1 & 2 Distribution 2018
	p	p	p	p
Final	1.4796	0.0000	1.4796	n/a

Sterling Class 'R' Income shares

Ordinary distributions for the year to 31 August	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	Group 1 & 2 Distribution 2018
	p	p	p	p
Final	3.0102	2.9142	5.9244	4.0528

Sterling Class 'R' Accumulation shares

Ordinary distributions for the year to 31 August	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	Group 1 & 2 Distribution 2018
	p	p	p	p
Final	2.0583	1.0775	3.1358	1.1831

Sterling Class 'X' Income shares

Ordinary distributions for the year to 31 August	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	Group 1 & 2 Distribution 2018
	p	p	p	p
Final	2.4320	0.6991	3.1311	2.1524

Sterling Class 'X' Accumulation shares

Ordinary distributions for the year to 31 August	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	Group 1 & 2 Distribution 2018
	p	p	p	p
Final	0.5834	0.3580	0.9414	0.0000

US dollar Class 'A' Accumulation shares

Ordinary distributions for the year to 31 August	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	Group 1 & 2 Distribution 2018
	¢	¢	¢	¢
Final	0.7431	0.3635	1.1066	0.0000

US dollar Class 'C' Accumulation shares

Ordinary distributions for the year to 31 August	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	Group 1 & 2 Distribution 2018
	¢	¢	¢	¢
Final	3.5100	0.3845	3.8945	12.5478

M&G Pan European Select Fund

Authorised Corporate Director's Report

Investment objective

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

Investment policy

The fund will invest at least 80% in equity securities of companies that are domiciled in, or conducting the major part of their economic activity in any European country. The fund has a concentrated portfolio and usually holds fewer than 35 stocks.

The fund is based on an investment process that uses fundamental analysis to identify competitively advantaged companies with sustainable business models.

Sustainability considerations play an important role in determining the investment universe and assessing business models. Companies that are assessed to be in breach of the United Nations Global Compact principles on human rights, labour, environment and anti-corruption are excluded from the investment universe. Industries such as tobacco and controversial weapons are also excluded.

The fund may also invest in other transferable securities, directly or via collective investment schemes, and may hold cash for liquidity purposes. Collective investment schemes may include funds managed by M&G.

Derivatives may be used for efficient portfolio management.

Investment approach

The fund is a focused European equity fund, making long-term investments in companies with sustainable business models and competitively advantageous characteristics to protect their profitability. Importantly, the fund manager invests in these businesses where short-term issues have provided a clear valuation opportunity.

Sustainability considerations are fully integrated into the investment process.

The fund manager believes that this approach offers a powerful combination, providing the long-term compounded value of quality businesses, as well as the potential boost to a company's share price when a short-term issue has been resolved.

Benchmark

Benchmark: MSCI Europe Index

The fund is actively managed. The benchmark is a comparator against which the fund's performance can be measured. The index has been chosen as the fund's comparator benchmark as it best reflects the scope of the fund's investment policy. The comparator benchmark does not constrain the fund's portfolio construction.

Risk profile

The fund invests in the shares of companies listed in Europe, including the UK. It is, therefore, subject to the price volatility of the European and UK stockmarkets and the performance of individual companies. The fund may also be subject to fluctuations in currency exchange rates.

The fund's focus is on quality businesses where an element of change is helping to drive their value, and these stocks could potentially experience a degree of illiquidity in times of market distress. The fund is a concentrated portfolio of between 25 and 35 holdings, but is mainly invested in the shares of large and medium-sized companies, which are normally traded with relative ease. Diversification across countries, industries and market capitalisation is 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 2 September 2019, for the year ended 31 August 2019

Performance against objective

Between 3 September 2018 (the start of the review period) and 2 September 2019, the sterling share classes of the M&G Pan European Select Fund delivered positive total returns (the combination of income and growth of capital). The fund's sterling returns underperformed its benchmark, the MSCI Europe Index, which rose by 4.2% for the period in sterling terms.

Between 3 September 2018 and 9 November 2018, the fund's euro and US dollar share classes declined behind the MSCI Europe Index (which delivered -3.8% and -6.1% in euros and US dollars, respectively).* On 9 November 2018, the fund's non-sterling share classes merged into the M&G (Lux) Pan European Select Fund, a Luxembourg-authorized SICAV that launched on that date.

Over five years and since launch, the fund has delivered positive total returns and has remained invested in a diversified portfolio of company shares from across Europe, including the UK, thus meeting its investment objective. Returns of the MSCI Europe Index are 8.3% in sterling over five years. Equivalent figures for the index since the fund's inception in 1989 is not available as the index launched in December 1996.

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

M&G Pan European Select Fund

Authorised Corporate Director's Report

Investment review

Investment performance

European stockmarkets delivered positive returns in sterling and euro terms for the period under review, but it was far from smooth sailing, and Europe generally underperformed against the wider global indices. The end of 2018 witnessed levels of market turbulence not seen since the previous February's market rout, with bouts of extreme pessimism interspersed with periods of confidence as we moved through 2019. For the former, there were several driving forces that hit sentiment over the period, one of the most destabilising of which was the ongoing 'trade war' between the US and China. Concerns about on-again / off-again trade negotiations drove waves of risk aversion, for fear of the overall effects wide-ranging import tariffs could have on global growth. Other sources of disillusionment included an apparent slowdown in China and signs of weakness in the US economy, political difficulties in Europe, exacerbated by the looming presence of Brexit casting an ever-lengthening shadow, geopolitical concerns in the Middle East, and weakness in the oil price amid potential declining demand in the face of reduced economic activity.

It was, however, some of the same themes that also encouraged those bouts of confidence. Any hint of a breakthrough in trade talks drove markets upwards, while fresh, positive economic data and good company earnings numbers, as well as the potential for central bank stimulus and interest rate adjustments, also re-enlivened investors. As we moved through the end of the period under review, though, the mood again turned sour, as recessionary concerns in both Europe and the US and new trade war rhetoric led to a resurgence in market turbulence.

At a European country level, performance was led by Switzerland, Italy and the Netherlands, while the largest index constituent, the UK, underperformed, partly in light of the ongoing uncertainty surrounding Brexit. Germany, meanwhile, delivered some of the weakest performance for the period, considering its prevalence as an exporter in an atmosphere of ongoing trade dispute.

In this environment, given the aforementioned extended periods of risk aversion, some of the more defensive sectors (that is, those that have relatively predictable and stable earnings regardless of the state of the overall economy) including utilities, consumer staples and healthcare outperformed, as risk-averse investors tend to favour this part of the market in periods of uncertainty. The worst performing sector for the period was real estate, while energy, financials and materials also declined. For the fund, underperformance was driven by stock selection, most clearly in the healthcare and financial sectors, while selection within energy and industrials also dragged on relative returns. Conversely, stockpicking within the materials and consumer discretionary sectors was supportive.

At an individual stock level, the largest detractor for the period was Irish bank AIB. Investors reacted badly to the bank reporting a fall in half-yearly pre-tax profit, largely related to 'exceptional items'. These included a charge of €131 million, which mainly related to restitution costs and provisions associated with a previous issue concerning the bank's tracker mortgages, as well as additional provisions for an expected tracker mortgage fine from the Central Bank.

International dialysis group Fresenius Medical Care dragged on returns as well, having faced several setbacks during the period under review. Near the beginning of the period it cut its earnings target for the year, citing slower growth in dialysis services in North America, its

largest market. Later in the year, management received a vote of approval from only a narrow majority of investors at the company's Annual General Meeting. This was on the back of a \$231 million settlement with the US justice department at the end of March to resolve allegations of bribery. Its shares were then hit by news of a new executive order to transform US kidney care, which investors initially perceived would be detrimental for dialysis providers (this was later deemed far less of a threat than originally assumed).

Another weak holding within healthcare was addiction cessation drug maker Indivior. The company faced a number of legal difficulties and issues with competition, particularly concerning patents on its blockbuster Suboxone film – we eventually lost faith in the investment case and sold our shares.

Other detractors included Norwegian energy company Equinor, in light of weakness in the oil price, and Denmark-listed facility services business ISS, whose shares fell on the publication of results despite reporting solid growth.

On the upside, the fund's largest contributor was UK retailer Pets at Home. The company's share price gathered increasing momentum after it reported that its recent restructuring efforts, including the overhaul of dozens of its veterinary practices, had helped to boost earnings ahead of expectations. Having faced difficulties in the past, the company said its vet group was performing well, with plans remaining on track to buy out and run, or close, some of the joint venture practices.

Other supportive holdings included ticketing and live entertainment business CTS Eventim and industrial gases producer Linde, both German companies. CTS has delivered ongoing operational success, and in July announced that it was acquiring a 48% stake in France Billet, the ticketing subsidiary of French retailer Fnac Darty, with the option to acquire a majority stake four years from the transaction's closing date, expected at the end of 2019. The announcement was well received, and CTS's shares rose accordingly.

Linde, meanwhile, at the end of 2018 completed its long-in-the-making merger with US rival Praxair, and in May the merged entity published combined results for the first time. These were positive, with a number of efficiency gains resulting from the merger, and investors were pleased.

Investment activities

We run a concentrated portfolio of between 25 and 35 holdings, maintaining a watchlist of around 120 quality, sustainable companies that we would like to own when the timing and price are right. We monitor our watchlist closely, waiting patiently for short-term behavioural episodes to create buying opportunities.

During the review period, two such opportunities presented themselves. The first was Swiss freight-forwarding specialist Kuehne & Nagel. KN is one of the largest freight-forwarding companies in the world, ranked the number one and number two operator in sea and air freight respectively. The company also operates contract logistics services and overland transport, providing end-to-end transport solutions for clients. KN's share price was hurt by ongoing trade war uncertainty, as well as investment into its 'eTouch' automated execution platform, from which it expects to deliver meaningful results from 2021 (the market is impatient, though). This provided the disruption that allowed us to buy the shares at what we believe to be an attractive valuation.

M&G Pan European Select Fund

Authorised Corporate Director's Report

Investment review

Investment activities (continued)

We also invested in Austria-based machine manufacturer Andritz. This is a high-quality capital goods business operating in cyclical end markets. We completed our deep analysis on the company in January 2018, and took advantage of a sharp sell-off in light of its exposure to the automotive sector to buy this solid compounder at an attractive price. We financed the purchase of Andritz by selling our shares in forklift truck and logistics systems business Jungheinrich, which we felt had become fully valued.

As mentioned in the commentary above, we also closed our position in addiction cessation drug maker Indivior, having lost faith in the investment case for the business. While the company had been a very strong performer, competition issues and legal difficulties led the market to lose patience. The sale of our final shares in Indivior preceded news that the US Department of Justice had charged the firm with illegally marketing its opioid addiction treatments, causing its share price to fall by more than 70%.

Outlook

We believe that while short-term underperformance can be frustrating, it is important to remain focused on the long-term nature of our investment philosophy. We do not try to generate the strongest returns over a single quarter by trading in and out of investments – we are truly long term, and invest over business cycles, taking a 10-year view of how we think the portfolio will evolve.

We think that valuations in some parts of the market are currently looking attractive, particularly in Europe, but in the long term we have slightly lower expectations for company shares in general over the next 10 years. This is because we are getting closer to the end of the current economic cycle, with companies on high earnings being somewhat overvalued in some parts of the market. After the setback at the end of 2018, and with sustained earnings growth, we believe 10-year stockmarket returns will likely be closer to normal, and hopefully with a more consistent return of market turbulence. It is these conditions that can benefit long-term, fundamental stockpickers.

We believe that the balanced exposure of the fund between our 'stable growth' and 'opportunities' buckets, with a good blend of sectors that behave differently depending on market conditions, should be beneficial at this late stage in the cycle. Because of this, we would expect the fund to be resilient should the economic slowdown persist, or possibly intensify.

In terms of the fund's holdings, we remain confident in the quality of the stocks within the current portfolio. As long-term investors, our focus is on the ability of our holdings to generate long-term value for the fund and for our investors, and we continue to be optimistic about their prospects.

John William Olsen

Fund manager

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

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

Investments

Portfolio statement

as at 31 August	2019	2019	2018 [a]
Holding	€'000	%	%
EQUITIES	149,501	97.86	99.67
Oil, gas & consumable fuels	7,065	4.62	4.84
454,922 Equinor	7,065	4.62	
Chemicals	11,898	7.79	8.63
76,897 Akzo Nobel	6,227	4.08	
33,199 Linde	5,671	3.71	
Construction materials	2,091	1.37	2.87
48,102 LafargeHolcim	2,091	1.37	
Electrical equipment	6,719	4.40	3.57
87,972 Schneider Electric	6,719	4.40	
Machinery	3,245	2.12	1.75
101,709 Andritz	3,245	2.12	
Commercial services & supplies	7,681	5.03	6.30
231,102 ISS	5,319	3.48	
40,659 Société BIC	2,362	1.55	
Marine	6,183	4.05	0.00
46,687 Kuehne & Nagel	6,183	4.05	
Road & rail	6,468	4.23	6.55
71,889 DSV	6,468	4.23	
Textiles, apparel & luxury goods	4,099	2.68	3.12
48,727 HUGO BOSS	2,482	1.62	
40,768 Pandora	1,617	1.06	
Specialty retail	14,393	9.42	8.15
2,042,940 Pets at Home	5,205	3.41	
423,726 WH Smith	9,188	6.01	
Food products	7,877	5.16	4.40
77,239 Nestlé	7,877	5.16	
Household products	5,532	3.62	3.32
78,266 Reckitt Benckiser	5,532	3.62	
Personal products	7,289	4.77	3.88
129,232 Unilever	7,289	4.77	
Health care providers & services	6,715	4.40	4.18
110,015 Fresenius Medical Care	6,715	4.40	
Pharmaceuticals	16,879	11.05	11.54
19,988 ALK-Abelló	3,675	2.40	
177,934 GlaxoSmithKline	3,370	2.21	
208,029 Novo-Nordisk	9,834	6.44	
Banks	8,946	5.86	7.91
1,316,336 AIB	3,038	1.99	
93,008 Bank of Georgia	1,391	0.91	
515,754 ING	4,517	2.96	
Capital markets	2,069	1.35	1.24
188,564 Georgia Capital	2,069	1.35	
Insurance	3,532	2.31	2.25
206,060 Hiscox	3,532	2.31	
IT services	7,007	4.59	6.30
103,841 Amadeus IT	7,007	4.59	

M&G Pan European Select Fund

Authorised Corporate Director's Report

Investments

Portfolio statement (continued)			
as at 31 August	2019	2019	2018 ^[a]
Holding	€'000	%	%
Software	5,608	3.67	6.04
51,281 SAP	5,608	3.67	
Entertainment	8,205	5.37	2.83
163,938 CTS Eventim	8,205	5.37	
Portfolio of investments	149,501	97.86	99.67
CASH EQUIVALENTS	4,469	2.93	1.16
'AAA' rated money market funds ^[b]	4,469	2.93	1.16
4,566,701 Northern Trust Global Fund - Euro	4,469	2.93	
Total portfolio (notes 2c & 2d on page 7)	153,970	100.79	100.83
Net other assets / (liabilities)	(1,211)	(0.79)	(0.83)
Net assets attributable to shareholders	152,759	100.00	100.00

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

^[a] The portfolio has been reclassified to more appropriately reflect how the fund is managed. 2018 comparatives have been restated to reflect this.

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

Top portfolio transactions

for the year to 31 August 2019

Purchases	€'000
Kuehne & Nagel	5,535
Fresenius Medical Care	3,619
Andritz	3,261
Equinor	2,763
CTS Eventim	2,285
ING	765
ISS	758
ALK-Abelló	391
Amadeus IT	388
Total purchases	19,765
Largest sales	€'000
SAP	7,649
DSV	6,746
Linde	5,746
Amadeus IT	5,132
LafargeHolcim	3,674
Equinor	3,255
Nestlé	2,901
Jungheinrich Preference Shares	2,500
Novo-Nordisk	2,272
Pets at Home	2,127
Other sales	8,440
Total sales	50,442

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

M&G Pan European Select 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 reflect the key financial information of a representative share class, Sterling Class 'A' (Accumulation) shares. As different share classes have different attributes, for example charging structures and minimum investments, please be aware that their performance may be different. For more information on the different share classes in this fund please refer to the Prospectus for M&G Investment Funds (1), 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 August	2019 €'000	2018 €'000	2017 €'000
Fund net asset value (NAV)	152,759	313,063	343,454

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.



Ten-year performance

Please note that comparative data is not available from fund launch. Therefore a ten-year comparable performance chart is shown below.



M&G Pan European Select 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 to 9 November 2018 for non-sterling share classes and 2 September 2019 for sterling share classes. Calculated on a price to price basis with income reinvested.

Long-term performance by share class				
	From 03.09.18 % ^[a]	From 02.09.16 % p.a.	From 02.09.14 % p.a.	Since launch % p.a.
Euro ^[b]				
Class 'A'	-4.8	+4.6	+6.5	+4.1 ^[c]
Class 'B'	-4.9	+4.0	n/a	+5.9 ^[d]
Class 'C'	-4.6	+5.4	+7.3	+4.9 ^[c]
Sterling ^[e]				
Class 'A'	+0.3	+7.5	+9.3	+8.0 ^[f]
Class 'I'	+1.1	+8.3	+10.1	+11.3 ^[g]
Class 'R'	+0.8	+8.0	+9.8	+11.0 ^[g]
Class 'X'	+0.3	+7.5	+9.3	+11.8 ^[h]
US dollar ^[b]				
Class 'A'	-6.9	+5.3	+2.9	+3.6 ^[i]
Class 'C'	-6.8	+6.1	+3.7	+4.4 ^[i]

[a] Absolute basis.

[b] Price to price with net income reinvested.

[c] 28 November 2001, the launch date of the share class.

[d] 18 March 2016, the launch date of the share class.

[e] Price to price with income reinvested.

[f] 29 September 1989, the end of the initial offer period of the predecessor unit trust.

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

[h] 1 October 2002, the launch date of the share class.

[i] 8 August 2014, 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, comprising operating charges and portfolio transaction costs.

Operating charges

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

- Annual charge:** Charge paid to M&G covering the annual cost of M&G managing and administering the fund and the costs of third parties providing services to the fund. From 1 August 2019, this charge rolls all costs that make up the operating charges into one annual charge.

For every £1 billion of a fund's net asset value, a discount of 0.02% will be applied to that fund's annual charge (up to a maximum of 0.12%).
- Extraordinary legal and tax expenses:** Costs that specifically relate to legal or tax claims that are both exceptional and unforeseeable. Such expenses are uncommon, and would not be expected in most years. Although they result in a short-term cost to the fund, generally they can deliver longer term benefits for investors.
- Investment management:** Charge paid to M&G for investment management of the fund. From 1 August 2019 this charge forms part of the annual charge.
- Administration:** Charge paid for administration services in addition to investment management – any surplus from this charge will be retained by M&G. From 1 August 2019 this charge is rolled into the annual charge.
- Oversight and other independent services:** Charges paid to providers independent of M&G for services which include depositary, custody and audit. From 1 August 2019 these charges will be paid by M&G and rolled into the annual charge.
- Ongoing charges from underlying funds:** Ongoing charges on holdings in underlying funds that are not rebated. From 1 August 2019 charges from underlying funds (excluding Investment Trusts Companies and Real Estate Investment Trusts) will be rebated.

The operating charges paid by each share class of the fund are shown in the following performance tables. These 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.

Once the annual charge has been operational for twelve months, operating charges will be in line with the ongoing charges shown in the Key Investor Information Document, other than where there have been extraordinary legal or tax expenses, or 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. Any estimate will be disclosed under the specific share class performance table.

M&G Pan European Select Fund

Financial highlights

Fund performance

Operating charges and portfolio transaction costs

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

Portfolio transaction costs

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

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

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

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

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

Portfolio transaction costs				
for the year to 31 August	2019	2018	2017	Average ^[a]
Direct portfolio transaction costs ^[b]	%	%	%	%
Broker commission	0.01	0.02	0.04	0.02
Taxes	0.00	0.04	0.08	0.04
Costs before dilution adjustments	0.01	0.06	0.12	0.06
Dilution adjustments ^[c]	(0.01)	(0.03)	(0.10)	(0.05)
Total direct portfolio transaction costs	0.00	0.03	0.02	0.01
as at 31 August	2019	2018	2017	Average ^[a]
Indirect portfolio transaction costs	%	%	%	%
Average portfolio dealing spread	0.06	0.07	0.05	0.06

^[a] Average of first three columns.

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

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

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.

The non-sterling share classes were merged into the M&G (Lux) Pan European Select Fund on 9 November 2018. The current period historic yields for the non-sterling share classes were calculated at the merger date.

Historic yields for the sterling share classes for the current year are calculated as at 13 September 2019.

Euro Class 'A' Accumulation share performance

The share class was launched on 28 November 2001.

for the year to 31 August	2019	2018	2017
Change in NAV per share	Euro ¢	Euro ¢	Euro ¢
Opening NAV	2,086.19	1,961.49	1,791.43
Return before operating charges and after direct portfolio transaction costs	(95.26)	158.99	202.01
Operating charges	(6.50)	(34.29)	(31.95)
Return after operating charges	(101.76)	124.70	170.06
Distributions	0.00	(16.95)	(13.71)
Retained distributions	0.00	16.95	13.71
Return to shareholder as a result of share class closure	(1,984.43)	n/a	n/a
Closing NAV	0.00	2,086.19	1,961.49
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.06	1.20	2.34
Dilution adjustments ^[a]	(0.05)	(0.52)	(1.83)
Total direct portfolio transaction costs	0.01	0.68	0.51
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.03	0.02
Operating charges ^[c]	1.67	1.67	1.68
Return after operating charges	-4.88	+6.36	+9.49
Historic yield	0.85	0.82	0.70
Effect on yield of charges offset against capital	0.00	0.00	0.00

Other information

Closing NAV (€'000)	0	111,661	121,387
Closing NAV percentage of total fund NAV (%)	0.00	35.67	35.35
Number of shares	0	5,352,378	6,188,518
Highest share price (Euro ¢)	2,095.84	2,146.87	1,999.46
Lowest share price (Euro ¢)	1,908.49	1,936.77	1,668.64

M&G Pan European Select 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 August Change in NAV per share	2019 Euro ¢	2018 Euro ¢	2017 Euro ¢
Opening NAV	1,227.29	1,159.70	1,064.43
Return before operating charges and after direct portfolio transaction costs	(56.02)	94.01	118.94
Operating charges	(4.96)	(26.42)	(23.67)
Return after operating charges	(60.98)	67.59	95.27
Distributions	0.00	(3.94)	(2.88)
Retained distributions	0.00	3.94	2.88
Return to shareholder as a result of share class closure	(1,166.31)	n/a	n/a
Closing NAV	0.00	1,227.29	1,159.70
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.03	0.71	1.33
Dilution adjustments ^[a]	(0.03)	(0.31)	(1.04)
Total direct portfolio transaction costs	0.00	0.40	0.29
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.03	0.02
Operating charges ^[c]	2.17	2.17	2.17
Return after operating charges	-4.97	+5.83	+8.95
Historic yield	0.34	0.32	0.25
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€'000)	0	770	57
Closing NAV percentage of total fund NAV (%)	0.00	0.25	0.02
Number of shares	0	62,733	4,880
Highest share price (Euro ¢)	1,232.44	1,266.80	1,183.59
Lowest share price (Euro ¢)	1,121.89	1,144.99	990.59

Euro Class 'C' Accumulation share performance

The share class was launched on 28 November 2001.

for the year to 31 August Change in NAV per share	2019 Euro ¢	2018 Euro ¢	2017 Euro ¢
Opening NAV	2,372.72	2,214.23	2,007.15
Return before operating charges and after direct portfolio transaction costs	(108.38)	179.96	226.13
Operating charges	(4.10)	(21.47)	(19.05)
Return after operating charges	(112.48)	158.49	207.08
Distributions	0.00	(36.69)	(31.69)
Retained distributions	0.00	36.69	31.69
Return to shareholder as a result of share class closure	(2,260.24)	n/a	n/a
Closing NAV	0.00	2,372.72	2,214.23
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.07	1.36	2.53
Dilution adjustments ^[a]	(0.05)	(0.59)	(1.97)
Total direct portfolio transaction costs	0.02	0.77	0.56
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.03	0.02
Operating charges ^[c]	0.92	0.92	0.93
Return after operating charges	-4.74	+7.16	+10.32
Historic yield	1.62	1.56	1.44
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€'000)	0	36,784	23,764
Closing NAV percentage of total fund NAV (%)	0.00	11.75	6.92
Number of shares	0	1,550,300	1,073,257
Highest share price (Euro ¢)	2,385.21	2,430.72	2,252.92
Lowest share price (Euro ¢)	2,173.12	2,186.59	1,872.08

Sterling Class 'A' Income share performance

The share class was launched on 29 September 1989.

for the year to 31 August Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	224.64	222.26	191.32
Return before operating charges and after direct portfolio transaction costs	3.41	11.68	39.39
Operating charges	(3.47)	(3.73)	(3.38)
Return after operating charges	(0.06)	7.95	36.01
Distributions	(5.65)	(5.57)	(5.07)
Closing NAV	218.93	224.64	222.26
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.03	0.13	0.25
Dilution adjustments ^[a]	(0.03)	(0.06)	(0.19)
Total direct portfolio transaction costs	0.00	0.07	0.06
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.03	0.02
Operating charges ^[c]	1.64	1.67	1.68
Return after operating charges	-0.03	+3.58	+18.82
Historic yield	2.39	2.49	2.30
Effect on yield of charges offset against capital	1.61	1.65	1.65
Other information			
Closing NAV (€'000)	72,956	80,239	86,655
Closing NAV percentage of total fund NAV (%)	47.76	25.63	25.23
Number of shares	30,214,990	32,047,244	35,903,665
Highest share price (UK p)	230.70	232.36	227.97
Lowest share price (UK p)	190.14	208.38	178.92

M&G Pan European Select Fund

Financial highlights

Specific share class performance

Sterling Class 'A' Accumulation share performance

The share class was launched on 29 September 1989.

for the year to 31 August Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	475.69	459.06	386.16
Return before operating charges and after direct portfolio transaction costs	7.38	24.34	79.74
Operating charges	(7.36)	(7.71)	(6.84)
Return after operating charges	0.02	16.63	72.90
Distributions	(4.67)	(3.87)	(3.29)
Retained distributions	4.67	3.87	3.29
Closing NAV	475.71	475.69	459.06

Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.07	0.27	0.50
Dilution adjustments ^[a]	(0.06)	(0.12)	(0.39)
Total direct portfolio transaction costs	0.01	0.15	0.11

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.03	0.02
Operating charges ^[c]	1.64	1.67	1.68
Return after operating charges	0.00	+3.62	+18.88
Historic yield	0.79	0.82	0.72
Effect on yield of charges offset against capital	0.00	0.00	0.00

Other information

Closing NAV (€'000)	46,812	51,071	63,483
Closing NAV percentage of total fund NAV (%)	30.64	16.31	18.48
Number of shares	8,921,950	9,632,302	12,735,111
Highest share price (UK p)	490.67	482.11	462.20
Lowest share price (UK p)	402.66	432.56	361.08

Sterling Class 'I' Income share performance

The share class was launched on 3 August 2012.

for the year to 31 August Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	1,781.09	1,749.00	1,494.22
Return before operating charges and after direct portfolio transaction costs	27.74	92.34	309.25
Operating charges	(15.33)	(16.24)	(14.64)
Return after operating charges	12.41	76.10	294.61
Distributions	(44.98)	(44.01)	(39.83)
Closing NAV	1,748.52	1,781.09	1,749.00

Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.25	1.03	1.94
Dilution adjustments ^[a]	(0.22)	(0.45)	(1.51)
Total direct portfolio transaction costs	0.03	0.58	0.43

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.03	0.02
Operating charges ^[c]	0.91	0.92	0.93
Return after operating charges	+0.70	+4.35	+19.72
Historic yield	2.37	2.49	2.29
Effect on yield of charges offset against capital	0.89	0.90	0.90

Other information

Closing NAV (€'000)	11,127	12,397	11,861
Closing NAV percentage of total fund NAV (%)	7.29	3.96	3.45
Number of shares	576,992	624,464	624,535
Highest share price (UK p)	1,841.21	1,841.23	1,793.53
Lowest share price (UK p)	1,511.21	1,646.62	1,399.96

Sterling Class 'I' Accumulation share performance

The share class was launched on 3 August 2012.

for the year to 31 August Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	2,101.77	2,013.19	1,680.78
Return before operating charges and after direct portfolio transaction costs	33.51	107.31	348.92
Operating charges	(18.10)	(18.73)	(16.51)
Return after operating charges	15.41	88.58	332.41
Distributions	(35.68)	(32.49)	(28.55)
Retained distributions	35.68	32.49	28.55
Closing NAV	2,117.18	2,101.77	2,013.19

Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.30	1.19	2.19
Dilution adjustments ^[a]	(0.26)	(0.52)	(1.71)
Total direct portfolio transaction costs	0.04	0.67	0.48

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.03	0.02
Operating charges ^[c]	0.91	0.92	0.93
Return after operating charges	+0.73	+4.40	+19.78
Historic yield	1.46	1.56	1.43
Effect on yield of charges offset against capital	0.00	0.00	0.00

Other information

Closing NAV (€'000)	11,900	9,735	8,393
Closing NAV percentage of total fund NAV (%)	7.79	3.11	2.44
Number of shares	509,596	415,546	383,917
Highest share price (UK p)	2,182.18	2,129.97	2,026.56
Lowest share price (UK p)	1,783.35	1,904.83	1,574.61

Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012.

for the year to 31 August Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	175.04	172.33	147.60
Return before operating charges and after direct portfolio transaction costs	2.71	9.08	30.50
Operating charges	(1.92)	(2.04)	(1.84)
Return after operating charges	0.79	7.04	28.66
Distributions	(4.41)	(4.33)	(3.93)
Closing NAV	171.42	175.04	172.33

Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.02	0.10	0.19
Dilution adjustments ^[a]	(0.02)	(0.04)	(0.15)
Total direct portfolio transaction costs	0.00	0.06	0.04

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.03	0.02
Operating charges ^[c]	1.16	1.17	1.18
Return after operating charges	+0.45	+4.09	+19.42
Historic yield	2.38	2.49	2.29
Effect on yield of charges offset against capital	1.13	1.15	1.15

Other information

Closing NAV (€'000)	2,109	1,617	238
Closing NAV percentage of total fund NAV (%)	1.38	0.52	0.07
Number of shares	1,115,494	828,522	126,927
Highest share price (UK p)	180.56	180.96	176.72
Lowest share price (UK p)	148.40	162.01	138.20

M&G Pan European Select 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 August Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	206.84	198.62	166.24
Return before operating charges and after direct portfolio transaction costs	3.27	10.58	34.41
Operating charges	(2.27)	(2.36)	(2.03)
Return after operating charges	1.00	8.22	32.38
Distributions	(3.00)	(2.69)	(2.36)
Retained distributions	3.00	2.69	2.36
Closing NAV	207.84	206.84	198.62

Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.03	0.12	0.21
Dilution adjustments ^[a]	(0.03)	(0.05)	(0.17)
Total direct portfolio transaction costs	0.00	0.07	0.04

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.03	0.02
Operating charges ^[c]	1.16	1.17	1.18
Return after operating charges	+0.48	+4.14	+19.48
Historic yield	1.25	1.31	1.19
Effect on yield of charges offset against capital	0.00	0.00	0.00

Other information

Closing NAV (€'000)	6,247	4,919	69
Closing NAV percentage of total fund NAV (%)	4.09	1.57	0.02
Number of shares	2,725,266	2,133,825	32,120
Highest share price (UK p)	214.28	209.62	199.95
Lowest share price (UK p)	175.36	187.67	155.64

Sterling Class 'X' Income share performance

The share class was launched on 1 October 2002.

for the year to 31 August Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	222.18	219.84	189.24
Return before operating charges and after direct portfolio transaction costs	3.36	11.53	38.96
Operating charges	(3.43)	(3.68)	(3.34)
Return after operating charges	(0.07)	7.85	35.62
Distributions	(5.58)	(5.51)	(5.02)
Closing NAV	216.53	222.18	219.84

Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.03	0.13	0.24
Dilution adjustments ^[a]	(0.03)	(0.06)	(0.19)
Total direct portfolio transaction costs	0.00	0.07	0.05

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.03	0.02
Operating charges ^[c]	1.64	1.67	1.68
Return after operating charges	-0.03	+3.57	+18.82
Historic yield	2.39	2.49	2.30
Effect on yield of charges offset against capital	1.61	1.65	1.65

Other information

Closing NAV (€'000)	905	1,084	1,396
Closing NAV percentage of total fund NAV (%)	0.59	0.35	0.41
Number of shares	379,089	437,874	584,780
Highest share price (UK p)	228.18	229.82	225.48
Lowest share price (UK p)	188.06	206.10	176.96

Sterling Class 'X' Accumulation share performance

The share class was launched on 1 October 2002.

for the year to 31 August Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	470.10	453.67	381.62
Return before operating charges and after direct portfolio transaction costs	7.29	24.05	78.80
Operating charges	(7.28)	(7.62)	(6.75)
Return after operating charges	0.01	16.43	72.05
Distributions	(4.62)	(3.82)	(3.25)
Retained distributions	4.62	3.82	3.25
Closing NAV	470.11	470.10	453.67

Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.07	0.27	0.49
Dilution adjustments ^[a]	(0.06)	(0.12)	(0.39)
Total direct portfolio transaction costs	0.01	0.15	0.10

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.03	0.02
Operating charges ^[c]	1.64	1.67	1.68
Return after operating charges	0.00	+3.62	+18.88
Historic yield	0.79	0.82	0.72
Effect on yield of charges offset against capital	0.00	0.00	0.00

Other information

Closing NAV (€'000)	703	796	928
Closing NAV percentage of total fund NAV (%)	0.46	0.25	0.27
Number of shares	135,504	151,966	188,287
Highest share price (UK p)	484.89	476.44	456.77
Lowest share price (UK p)	397.92	427.47	356.83

US dollar Class 'A' Accumulation share performance

The share class was launched on 8 August 2014.

for the year to 31 August Change in NAV per share	2019 US ¢	2018 US ¢	2017 US ¢
Opening NAV	1,256.65	1,200.68	1,030.40
Return before operating charges and after direct portfolio transaction costs	(89.69)	77.20	187.41
Operating charges	(3.87)	(21.23)	(17.13)
Return after operating charges	(93.56)	55.97	170.28
Distributions	0.00	(10.21)	(9.26)
Retained distributions	0.00	10.21	9.26
Return to shareholder as a result of share class closure	(1,163.09)	n/a	n/a
Closing NAV	0.00	1,256.65	1,200.68

Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.03	0.74	1.26
Dilution adjustments ^[a]	(0.03)	(0.32)	(0.98)
Total direct portfolio transaction costs	0.00	0.42	0.28

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.03	0.02
Operating charges ^[c]	1.67	1.67	1.68
Return after operating charges	-7.45	+4.66	+16.53
Historic yield	0.87	0.83	0.77
Effect on yield of charges offset against capital	0.00	0.00	0.00

Other information

Closing NAV (€'000)	0	535	350
Closing NAV percentage of total fund NAV (%)	0.00	0.17	0.10
Number of shares	0	49,680	34,537
Highest share price (US ¢)	1,266.07	1,376.08	1,209.66
Lowest share price (US ¢)	1,117.94	1,192.75	925.60

M&G Pan European Select 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 August	2019	2018	2017
Change in NAV per share	US ¢	US ¢	US ¢
Opening NAV	1,295.57	1,228.94	1,046.67
Return before operating charges and after direct portfolio transaction costs	(92.53)	78.35	192.46
Operating charges	(2.21)	(11.72)	(10.19)
Return after operating charges	(94.74)	66.63	182.27
Distributions	0.00	(20.06)	(17.41)
Retained distributions	0.00	20.06	17.41
Return to shareholder as a result of share class closure	(1,200.83)	n/a	n/a
Closing NAV	0.00	1,295.57	1,228.94
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.03	0.74	1.35
Dilution adjustments ^[a]	(0.03)	(0.32)	(1.05)
Total direct portfolio transaction costs	0.00	0.42	0.30
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.03	0.02
Operating charges ^[c]	0.92	0.92	0.93
Return after operating charges	-7.31	+5.42	+17.41
Historic yield	1.66	1.58	1.42
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€'000)	0	1,455	24,873
Closing NAV percentage of total fund NAV (%)	0.00	0.46	7.24
Number of shares	0	131,067	2,399,906
Highest share price (US ¢)	1,305.83	1,412.38	1,237.37
Lowest share price (US ¢)	1,153.89	1,220.83	941.99

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

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

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

M&G Pan European Select Fund

Financial statements and notes

Financial statements

Statement of total return

for the year to 31 August	Note	2019		2018	
		€'000	€'000	€'000	€'000
Income					
Net capital gains / (losses)	3		(10,474)		17,644
Revenue	5	4,777		8,764	
Expenses	6	(2,736)		(5,051)	
Net revenue / (expense) before taxation		2,041		3,713	
Taxation	7	(328)		(586)	
Net revenue / (expense) after taxation			1,713		3,127
Total return before distributions			(8,761)		20,771
Distributions	8		(3,066)		(4,679)
Change in net assets attributable to shareholders from investment activities			(11,827)		16,092

Statement of change in net assets attributable to shareholders

for the year to 31 August	2019		2018	
	€'000	€'000	€'000	€'000
Opening net assets attributable to shareholders		313,063		343,454
Amounts received on issue of shares	8,441		39,607	
Amounts paid on cancellation of shares	(34,637)		(88,356)	
Transfer to M&G (Lux) Pan European Select Fund	(123,081)		0	
		(149,277)		(48,749)
Dilution adjustments		33		112
Change in net assets attributable to shareholders from investment activities (see above)		(11,827)		16,092
Retained distributions on Accumulation shares		757		2,143
Unclaimed distributions		10		11
Closing net assets attributable to shareholders		152,759		313,063

Balance sheet

as at 31 August	Note	2019 €'000	2018 €'000
Assets			
Fixed assets			
Investments		149,501	312,017
Current assets			
Debtors	9	1,274	1,614
Cash and bank balances	10	184	135
Cash equivalents		4,469	3,640
Total assets		155,428	317,406
Liabilities			
Creditors			
Bank overdrafts		0	(1,983)
Distribution payable		(1,889)	(1,918)
Other creditors	11	(780)	(442)
Total liabilities		(2,669)	(4,343)
Net assets attributable to shareholders		152,759	313,063

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 7 and 8.

The fund's functional and presentational currency is euros as this better reflects the currency of its primary economic environment.

2 Distribution policy

In determining the amount available for distribution to Income shares, the annual charge, annual management charge and administration charge are 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 August	2019 €'000	2018 €'000
Non-derivative securities	(9,982)	17,933
Currency gains / (losses)	(490)	(285)
Transaction charges	(2)	(4)
Net capital gains / (losses)	(10,474)	17,644

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 166 and 167.

for the year to 31 August	2019 €'000	% of transaction	2018 €'000	% of transaction
a) Purchases				
Equities				
Equities before transaction costs	19,758		59,199	
Commissions	7	0.04	24	0.04
Taxes	0	0.00	128	0.22
Total purchases after transaction costs	19,765		59,351	
b) Sales				
Equities				
Equities before transaction costs	50,462		94,700	
Commissions	(20)	0.04	(41)	0.04
Total sales after transaction costs	50,442		94,659	
c) Direct portfolio transaction costs				
Commissions paid				
Equities	27	0.01	65	0.02
Taxes paid				
Equities	0	0.00	128	0.04
Total direct portfolio transaction costs [a]	27	0.01	193	0.06
d) Indirect portfolio transaction costs				
Portfolio dealing spread [b]		0.06		0.07

[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 Pan European Select Fund

Financial statements and notes

Notes to the financial statements

5 Revenue

for the year to 31 August	2019 €'000	2018 €'000
Bank interest	11	0
Dividends from equity investments: non-taxable	4,302	7,890
Dividends from equity investments: taxable	464	267
Interest distributions	0	25
Stock dividends	0	582
Total revenue	4,777	8,764

6 Expenses

for the year to 31 August	2019 €'000	2018 €'000
Payable to the ACD or associate		
Annual charge	140	0
Annual management charge ^[a]	2,297	4,469
Administration charge ^[a]	253	493
	2,690	4,962
Payable to the Depositary or associate		
Depositary's charge (including VAT) ^[a]	15	25
Other expenses		
Audit fee (including VAT) ^[a] ^[b]	9	10
Interest payable	5	20
Safe custody charge ^[a]	17	34
	31	64
Total expenses	2,736	5,051

^[a] The segregated charges shown above for annual management, administration, depositary, audit and safe custody are those paid by the fund up to and including 31 July 2019. As of 1 August 2019 these charges have been replaced by the single annual charge.

^[b] Audit fees for the financial year ending 2019 were €9,000.

7 Taxation

for the year to 31 August	2019 €'000	2018 €'000
a) Analysis of charge in the year		
Corporation tax	0	0
Withholding tax	328	586
Deferred tax (note 7c)	0	0
Total taxation	328	586
b) Factors affecting taxation charge for the year		
Net revenue / (expense) before taxation	2,041	3,713
Corporation tax at 20%	408	743
Effects of:		
Dividends from equity investments: non-taxable	(860)	(1,578)
Stock dividends not taxable	0	(117)
Current year expenses not utilised	452	952
Withholding tax	328	586
Total tax charge (note 7a)	328	586
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 €7,555,000 (2018: €7,103,000) 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 August	2019		2018	
	Inc ^[a] €'000	Acc ^[b] €'000	Inc ^[a] €'000	Acc ^[b] €'000
Dividend distributions				
Interim	393	1	471	18
Final	1,889	756	1,918	2,125
Total net distributions		3,039		4,532
Income deducted on cancellation of shares		43		164
Income received on issue of shares		(16)		(17)
Distributions		3,066		4,679
Net revenue / (expense) per statement of total return		1,713		3,127
Expenses offset against capital		1,353		1,552
Distributions		3,066		4,679

^[a] Distributions payable on Income shares.

^[b] Retained distributions on Accumulation shares.

9 Debtors

as at 31 August	2019 €'000	2018 €'000
Amounts receivable on issues of shares	28	0
Currency deals outstanding	13	59
Dividends receivable	242	321
Withholding tax recoverable	991	1,234
Total debtors	1,274	1,614

10 Cash and bank balances

as at 31 August	2019 €'000	2018 €'000
Cash held as bank balances	184	135
Total cash and bank balances	184	135

11 Other creditors

as at 31 August	2019 €'000	2018 €'000
ACD's annual management charge payable	0	210
Administration charge payable	0	23
Amounts payable on cancellation of shares	179	133
Annual charge payable	83	0
Currency deals outstanding	13	59
Expenses payable	15	17
Payable to M&G (Lux) Pan European Select Fund	490	0
Total other creditors	780	442

12 Contingent assets, liabilities and outstanding commitments

There were no contingent assets, liabilities or outstanding commitments at the balance sheet date (2018: same).

M&G Pan European Select 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 01.09.18	Movements		Closing 31.08.19
		Issued	Cancelled	
Euro				
Class 'A' Accumulation	5,352,378	7,984	(5,360,362)	0
Class 'B' Accumulation	62,733	4,585	(67,318)	0
Class 'C' Accumulation	1,550,300	2,811	(1,553,111)	0
Sterling				
Class 'A' Income	32,047,244	928,935	(2,761,189)	30,214,990
Class 'A' Accumulation	9,632,302	28,025	(738,377)	8,921,950
Class 'I' Income	624,464	25,507	(72,979)	576,992
Class 'I' Accumulation	415,546	141,476	(47,426)	509,596
Class 'R' Income	828,522	328,486	(41,514)	1,115,494
Class 'R' Accumulation	2,133,825	729,941	(138,500)	2,725,266
Class 'X' Income	437,874	1,217	(60,002)	379,089
Class 'X' Accumulation	151,966	2,745	(19,207)	135,504
US dollar				
Class 'A' Accumulation	49,680	127	(49,807)	0
Class 'C' Accumulation	131,067	7,552	(138,619)	0

14 Charging structure

The table below sets out the charging structure for each class of share in existence as at the balance sheet date. The charging structure is the same for both Income and Accumulation shares of each class.

Share class	Entry charge %	Exit charge %	Annual charge ^[a] %
Sterling			
Class 'A'	n/a	n/a	1.20
Class 'I'	n/a	n/a	0.70
Class 'R'	n/a	n/a	0.95
Class 'X'	n/a	n/a	1.20

[a] The amounts shown are the maximum annual charge. M&G will apply a discount of 0.02% for every £1 billion of a fund's net asset value. This is assessed quarterly and implemented on a forward basis no later than 13 business days after quarter end.

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 annual charge, ACD's annual management charge and administration charge are disclosed in note 6. Amounts due at the year end from the annual 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 0.00% (2018: 0.00%) of the fund's shares.

16 Events after the balance sheet date

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

17 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: Unadjusted quoted price in an active market for an identical instrument

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 technique using observable market data

This includes instruments such as over-the-counter (OTC) derivatives, debt securities, convertible bonds, mortgage-backed securities, asset-backed securities and open-ended funds which have been valued using models with observable market data inputs.

Level 3: Valuation technique using unobservable inputs

This refers to instruments which have been valued using models with unobservable data inputs. This includes single broker-priced instruments, suspended/unquoted securities, private equity, unlisted closed-ended funds and open-ended funds with restrictions on redemption rights. However no such financial instruments were held.

as at 31 August Basis of valuation	Assets	Liabilities	Assets	Liabilities
	2019 €'000	2019 €'000	2018 €'000	2018 €'000
Level 1	149,501	0	312,017	0
Level 2	0	0	0	0
Level 3	0	0	0	0
	149,501	0	312,017	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

The general risk management policies for the fund are set out in note 3 to the financial statements on pages 8 and 9.

19 Market risk sensitivity

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 €7,475,000 (2018: €15,601,000). A five per cent decrease would have an equal and opposite effect.

M&G Pan European Select Fund

Financial statements and notes

Notes to the financial statements

20 Currency risk sensitivity and exposure

A five per cent increase in the value of the fund's currency exposure would have the effect of increasing the return and net assets by €7,638,000 (2018: €15,653,000). A five per cent decrease would have an equal and opposite effect.

as at 31 August	2019 €'000	2018 €'000
Currency exposure in respect of the fund		
Danish krone	27,298	61,510
Euro	73,330	153,669
Norwegian krone	7,223	15,334
Sterling	28,372	59,376
Swiss franc	16,510	23,174
US dollar	26	0
Total	152,759	313,063

21 Interest rate risk sensitivity and exposure

As the majority of the fund's financial assets are non-interest bearing, the risk is not considered significant and is therefore not disclosed.

22 Credit risk

Credit risk is not considered significant for the fund and is therefore not disclosed.

23 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 ^[a]	01.09.18	28.02.19	01.03.19	30.04.19
Final	01.03.19	31.08.19	02.09.19	31.10.19

^[a] As a result of the merger of M&G Pan European Select Fund into M&G (Lux) Pan European Select Fund on 9 November 2018 ('the effective date'), any income available for distribution to non-sterling share classes from the start of the period on 1 September 2018 to the effective date of the merger was distributed to shareholders on 31 December 2018.

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 income 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 income and equalisation. Equalisation is the average amount of income 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 income and equalisation components.

Euro Class 'A' Accumulation shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income 2019	Equalisation 2019	2019	2018
	€	€	€	€
Interim	0.0000	0.0000	0.0000	0.0000
Final	n/a	n/a	n/a	16.9531

Euro Class 'B' Accumulation shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income 2019	Equalisation 2019	2019	2018
	€	€	€	€
Interim	0.0000	0.0000	0.0000	0.0000
Final	n/a	n/a	n/a	3.9363

Euro Class 'C' Accumulation shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income 2019	Equalisation 2019	2019	2018
	€	€	€	€
Interim	0.0000	0.0000	0.0000	0.8062
Final	n/a	n/a	n/a	35.8871

Sterling Class 'A' Income shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income 2019	Equalisation 2019	2019	2018
	p	p	p	p
Interim	0.6845	0.2127	0.8972	1.0463
Final	2.8070	1.9419	4.7489	4.5198

Sterling Class 'A' Accumulation shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income 2019	Equalisation 2019	2019	2018
	p	p	p	p
Interim	0.0000	0.0000	0.0000	0.0000
Final	3.8475	0.8250	4.6725	3.8657

Sterling Class 'I' Income shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income 2019	Equalisation 2019	2019	2018
	p	p	p	p
Interim	5.0208	2.1100	7.1308	8.2527
Final	17.0132	20.8396	37.8528	35.7586

Sterling Class 'I' Accumulation shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income 2019	Equalisation 2019	2019	2018
	p	p	p	p
Interim	0.2662	0.0000	0.2662	0.7025
Final	11.7082	23.7010	35.4092	31.7886

M&G Pan European Select Fund

Financial statements and notes

Notes to the financial statements

23 Dividend distribution tables (continued)

Sterling Class 'R' Income shares				
Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2	
	Income 2019	Equalisation 2019	Distribution 2019 2018	
	p	p	p	p
Interim	0.4821	0.2182	0.7003	0.8125
Final	2.9509	0.7628	3.7137	3.5169

Sterling Class 'R' Accumulation shares				
Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2	
	Income 2019	Equalisation 2019	Distribution 2019 2018	
	p	p	p	p
Interim	0.0000	0.0000	0.0000	0.0000
Final	1.1718	1.8317	3.0035	2.6941

Sterling Class 'X' Income shares				
Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2	
	Income 2019	Equalisation 2019	Distribution 2019 2018	
	p	p	p	p
Interim	0.8127	0.0747	0.8874	1.0348
Final	2.5991	2.0979	4.6970	4.4705

Sterling Class 'X' Accumulation shares				
Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2	
	Income 2019	Equalisation 2019	Distribution 2019 2018	
	p	p	p	p
Interim	0.0000	0.0000	0.0000	0.0000
Final	4.0692	0.5482	4.6174	3.8203

US dollar Class 'A' Accumulation shares				
Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2	
	Income 2019	Equalisation 2019	Distribution 2019 2018	
	¢	¢	¢	¢
Interim	0.0000	0.0000	0.0000	0.0000
Final	n/a	n/a	n/a	10.2113

US dollar Class 'C' Accumulation shares				
Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2	
	Income 2019	Equalisation 2019	Distribution 2019 2018	
	¢	¢	¢	¢
Interim	0.0000	0.0000	0.0000	0.4599
Final	n/a	n/a	n/a	19.5951

M&G Pan European Select Smaller Companies Fund

Authorised Corporate Director's Report

Investment objective

The fund aims to provide a higher total return (the combination of capital growth and income) than that of the EMIX Smaller European Companies Index, net of the ongoing charges figure, over any five-year period.

Investment policy

The fund will invest at least 80% in the equities of European smaller companies, from the bottom third (by total market capitalisation) of all publicly listed equities in Europe including the UK.

The fund has a concentrated portfolio and usually holds fewer than 45 stocks.

The fund uses an investment process that is based on the fundamental analysis of competitively advantaged companies with sustainable business models.

Sustainability considerations play an important role in determining the investment universe and assessing business models. Companies that are assessed to be in breach of the United Nations Global Compact principles on human rights, labour, environment and anti-corruption are excluded from the investment universe. Companies involved in the production of tobacco and controversial weapons are also excluded.

The fund may also invest in collective investment schemes, including funds managed by M&G, other transferable securities and warrants. Cash and near cash may be held for ancillary purposes and derivatives may be used for efficient portfolio management and hedging purposes.

Investment approach

The fund makes long-term investments in smaller companies with sustainable business models and competitively advantageous characteristics to protect their profitability. Importantly, the fund manager invests in businesses where short-term issues have provided a clear valuation opportunity.

Sustainability considerations are fully integrated into the investment process.

The fund manager believes that this approach offers a powerful combination, providing the long-term compounded value of quality businesses, as well as the potential boost to a company's share price when a short-term issue has been resolved.

Benchmark

Benchmark: EMIX Smaller European Companies Index.

The fund is actively managed. The benchmark is a target which the fund seeks to outperform. The index has been chosen as the fund's target benchmark as it best reflects the scope of the fund's investment policy. The target benchmark is used solely to measure the fund's performance and does not constrain the fund's portfolio construction.

Risk profile

The fund invests in the shares of smaller Europe-listed companies and is, therefore, subject to the price volatility of the European stockmarket and the performance of individual companies. The fund may also be subject to fluctuations in currency exchange rates.

The fund's focus is on smaller companies where the share price movement can be more unpredictable and the shares more difficult to buy and sell compared to those of larger companies. Diversification across countries, 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 2 September 2019, for the year ended 31 August 2019

Performance against objective

Between 3 September 2018 (the start of the review period) and 2 September 2019, the M&G Pan European Select Smaller Companies Fund delivered negative total returns (the combination of income and growth of capital) across all of its share classes.* All share classes finished behind the benchmark, the EMIX Smaller European Companies Index. Over the 12 months, returns from the index were -4.2%, -5.0% and -10.3% in sterling, euros and US dollars, respectively.

Over a longer timeframe of five years, the fund has generated a positive total return across all its share classes but underperformed its benchmark, which returned 10.1%, 7.2% and 3.4% in sterling, euro and USD dollar, respectively. The fund therefore did not meet its objective of providing a higher total return than that of the EMIX Smaller European Companies Index, net of the ongoing charges figure, over any five-year period.

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

M&G Pan European Select Smaller Companies Fund

Authorised Corporate Director's Report

Investment review

Investment performance

The smaller European companies universe delivered negative returns for the period under review, finishing behind both the wider European and global stockmarkets. The end of 2018 witnessed levels of market turbulence not seen since the previous February's market rout, with bouts of extreme pessimism interspersed with periods of confidence as we moved through 2019. For the former, there were several driving forces that hit sentiment over the period, one of the most destabilising of which was the ongoing 'trade war' between the US and China. Concerns about on-again / off-again trade negotiations drove waves of risk aversion, for fear of the overall effects wide-ranging import tariffs could have on global growth. Other sources of disillusionment included an apparent slowdown in China and signs of weakness in the US economy, political difficulties in Europe, exacerbated by the looming presence of Brexit casting an ever-lengthening shadow, geopolitical concerns in the Middle East, and weakness in the oil price amid potential declining demand in the face of reduced economic activity.

Again, there were periods of confidence throughout the period under review. Any hint of a breakthrough in trade talks, for example, drove markets upwards, while fresh, positive economic data and good company earnings, as well as the potential for central bank stimulus and interest rate adjustments, also re-enlivened investors. As we moved through the end of the period under review, though, the mood again turned generally sour, as recessionary concerns in both Europe and the US and new trade war rhetoric led to a resurgence in market turbulence.

In this environment, smaller European companies were battered and bruised, as they tend to be shunned by risk-averse investors who move to the perceived safety of larger, more 'stable' companies. This was also evidenced within the smaller universe itself, as some of the more defensive sectors (that is, those that have relatively predictable and stable earnings regardless of the state of the overall economy), namely telecommunications and utilities, delivered strong performance. Conversely, basic materials, consumer goods and industrials underwhelmed, with oil & gas being the worst performing sector for the period, given ongoing weakness in the oil price.

For the fund, underperformance was driven by stockpicking, most clearly in the financial and industrial sectors, while the below-index positions in financials, telecoms and utilities (which performed well) and the above-index position in industrials (which did not) also dragged on returns. On the positive side, stock selection within the consumer services and basic materials sectors was supportive.

At an individual stock level, the fund's largest detractor was Austrian high-performance sensor maker ams. The company's shares fell sharply in October after its profit outlook for the coming months failed to meet investor expectations, despite having posted strong quarterly results. Its shares continued to fall in November, after the company further cut its forecasts, indicating poor demand for Apple's iPhone (an issue that affected swathes of Apple suppliers). At the same time, management had been quiet about guidance (where in the past they were very open), which did not help investor perceptions. We lost patience with the company, and having lost faith in the investment case for the business, we closed our position.

Within financials, Irish lender Bank of Ireland dragged on returns as well. Shares of Irish banks generally have had a rough time, amid the uncertainty of Brexit, ongoing trade disputes and expectations that the European Central Bank would keep interest rates lower for longer. The end of the period was particularly rough for the sector, among fears of a potential 'no deal' Brexit, as well as the general indiscriminate market sell-off in August where financials were particularly hard hit.

Other key detractors for the period included UK-based funeral services provider Dignity and addiction cessation drug maker Indivior. Dignity's shares fell sharply after the company temporarily suspended its dividend, as a decline in the number of deaths had negatively affected its results.

For Indivior, the company's share price had been under pressure following news that Indian drug maker Dr Reddy's was set to launch its own generic version of Indivior's best-selling opioid addiction drug Suboxone Film. Indivior subsequently blocked the launch, as US courts granted a temporary restraining order on Dr Reddy's. In November, though, Indivior lost its case in the US Court of Appeals and its shares fell sharply. We had reduced our position in the company in the run-up to the decision, and eventually closed the position entirely, having lost faith in the investment case for the business. The sale of our final shares preceded news that the US Department of Justice had charged the company with illegally marketing its opioid addiction treatments, leading the share price to fall by more than 70%.

On the upside, our most supportive holding was international payments specialist Earthport. The company's payments solution connects international payment with local infrastructures to provide clients access to global payment options through a managed service. During the review period its shares rallied, as US credit card businesses sought to acquire the company. Visa made an initial offer for some £198 million, which was subsequently raised by MasterCard and again countered by Visa, which gained control of the company in May. It subsequently left the portfolio, having increased in value by over 250%.

Other supportive holdings included UK retailer Pets at Home and German ticketing and live entertainment business CTS Eventim. Pets at Home's share price gathered increasing momentum after it reported that its recent restructuring efforts, including the overhaul of dozens of its veterinary practices, had helped to boost earnings ahead of expectations. Having faced difficulties in the past, the company said its vet group was performing well, with plans remaining on track to buy out and run, or close, some of the joint venture practices.

CTS Eventim, meanwhile, has delivered ongoing operational success, and in July announced that it was acquiring a 48% stake in France Billet, the ticketing subsidiary of French retailer Fnac Darty, with the option to acquire a majority stake four years from the transaction's closing date, expected at the end of 2019. The announcement was well received, and CTS's shares rose accordingly.

Investment activities

We run a concentrated portfolio of fewer than 50 holdings, maintaining a watchlist of around 200 quality 'moated' companies that we would like to own when the timing and price are right (moated companies are those where we feel the business model is well protected from competition). We monitor our watchlist closely, waiting patiently for short-term issues to create buying opportunities.

M&G Pan European Select Smaller Companies Fund

Authorised Corporate Director's Report

Investment review

Investment activities (continued)

During the period under review, market turbulence created a number of such opportunities, and we added 13 new holdings to the portfolio. One such holding was French energy storage and transportation company Rubis. This is a very cash-generative, quality business, benefiting from its ability to source and integrate assets, as well as its terminals, which effectively operate as local monopolies. There were a number of factors that led to the short-term share price disruption that provided our entry point, including expectations of a falling oil price (meaning less incentive to store energy), issues to do with conflict-related supply disruption in Turkey, and the reinstatement of sanctions in Iran (where the company had bought an asset that subsequently needed to be sold).

We invested in Swedish professional information services provider Karnov Group. The company maintains all of the case files for legal cases in Norway, Sweden and Denmark, with a database going back 150 years. Legal firms, and others, pay an annual subscription for access to this data, with some 80% recurring subscriptions paid in cash at the start of the year, meaning a very predictable cash stream. We took part in the company's initial public offering in April, which we thought represented good value, with the company trading cheaply relative to its peers.

As a final example, we added a holding in Spanish pharmaceutical distribution company ROVI, which specialises in blood thinner Heparin. The company began life as a third-party pharma distributor in Spain and is now moving into Europe-wide distribution, while also selling its own products. As Heparin is off-patent, the company's manufacturing and distribution capabilities are key to the quality and growth of the business.

Conversely, we closed 10 positions during the period under review, seven of which resulted from a loss of faith in the investment case. This included sensor maker ams and addiction cessation drug maker Indivior mentioned above, services and solutions provider Indra Sistemas, where our investment thesis had transitioned from a successful internal restructuring to a less palatable growth story, and German household goods manufacturer Leifheit, whose change in strategy contravened our original investment case.

We also lost faith in the investment case for clothing business HUGO BOSS, digital server producer EVS Broadcast Equipment and Swiss pharma company Galenica, where pricing pressure on its product range was higher than anticipated, particularly driven by the regulator.

We also sold our shares in Finnish cargo handling business Cargotec to fund the purchase of a new holding, Finnish crane company Konecranes, which we believe has a simpler business model and is a better fit for the portfolio.

Two other holdings left the portfolio as a result of being bought out: Earthport, mentioned above, and financial services business Jardine Lloyd Thompson, which was acquired by US insurance broker and consultancy firm Marsh & McLennan.

Outlook

It was a difficult period for smaller companies, as the return of volatility in the face of slower growth and economic trade wars led to declines across markets, most acutely felt by the smaller universe. Smaller companies are inherently more volatile than their larger counterparts and, more recently, stocks reporting earnings downgrades have been hit particularly hard, irrespective of the longer term prospects for the businesses.

We continue to search for opportunities for the fund in quality, sustainable companies with protected business models, while remaining firm in the face of extreme short-term market volatility. That volatility is what allows us to buy these companies when their valuations become more attractive, as investors abandon fundamentals in the face of extreme risk aversion.

We believe that short-term underperformance can be frustrating, but that it is important to remain focused on the long-term nature of our investment philosophy. We do not try to generate the strongest returns over a single quarter by trading in and out of investments – we take a long-term view, focusing on sustainable businesses that will grow into the future.

In terms of the current portfolio, we remain confident in the quality of our holdings, and firmly believe that they will generate long-term value for the fund. As long-term investors, this is our focus, and we continue to be optimistic about their prospects.

Michael Oliveros

Fund manager

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

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

Investments

Portfolio statement

as at 31 August	2019	2019	2018 [a]
Holding	€'000	%	%
EQUITIES	206,577	98.73	97.14
Software & computer services	12,378	5.91	9.46
61,834 Criteo ADR	1,082	0.52	
443,353 EMIS	5,477	2.61	
49,905 Sopra Steria	5,819	2.78	
Technology hardware & equipment	0	0.00	2.60
Health care providers	5,267	2.52	2.16
696,130 Medicover	5,267	2.52	
Pharmaceuticals & biotechnology	13,942	6.66	5.63
28,780 ALK-Abelló	5,292	2.53	
218,544 Laboratorios Farmaceuticos Rovi	4,961	2.37	
829,033 MagForce	3,689	1.76	
Banks	12,594	6.02	2.78
592,305 Avanza Bank	4,301	2.06	
911,922 Bank of Ireland	3,210	1.53	
141,341 KBC Ancora	5,083	2.43	

M&G Pan European Select Smaller Companies Fund

Authorised Corporate Director's Report

Investments

Portfolio statement (continued)				
as at 31 August Holding	2019 €'000	2019 %	2018 ^[a] %	
Investment banking & brokerage services	10,297	4.92	6.04	
188,468 Flatex	5,004	2.39		
476,980 Georgia Capital	5,234	2.50		
96,677 MyBucks	59	0.03		
Non-life insurance	0	0.00	1.99	
Automobiles & parts	3,367	1.61	2.36	
66,505 KTM Industries	3,367	1.61		
Consumer services	4,376	2.09	0.00	
1,017,690 Karnov	4,376	2.09		
Household goods & home construction	6,234	2.98	5.54	
2,970,623 Cairn Homes	3,036	1.45		
55,042 Société BIC	3,198	1.53		
Leisure goods	3,795	1.81	2.73	
211,156 Thule	3,795	1.81		
Personal goods	0	0.00	1.77	
Media	11,066	5.29	2.30	
205,850 CTS Eventim	10,303	4.92		
334,634 HolidayCheck	763	0.37		
Retailers	23,051	11.01	9.79	
631,555 AcadeMedia	2,765	1.32		
291,598 Dignity	1,532	0.73		
2,869,488 Pets at Home	7,311	3.49		
527,743 WH Smith	11,443	5.47		
Travel & leisure	3,467	1.66	0.00	
851,060 On the Beach	3,467	1.66		
Food producers	9,271	4.43	2.87	
138,117 Cranswick	4,177	2.00		
1,045,004 Origin Enterprises	5,094	2.43		
Personal care, drug & grocery stores	0	0.00	3.12	
Construction & materials	8,346	3.99	2.09	
346,127 Arbonia	3,511	1.68		
140,142 Boskalis Westminster	2,544	1.22		
5,218,089 SigmaRoc	2,291	1.09		
Electronic & electrical equipment	0	0.00	1.55	
General Industrials	4,141	1.98	0.00	
1,110,185 DS Smith	4,141	1.98		
Industrial engineering	22,949	10.97	11.71	
159,502 Aalberts	5,484	2.62		
660,525 Deutz	3,554	1.70		
139,086 Konecranes	3,782	1.81		
488,762 OC Oerlikon	4,121	1.97		
55,146 VAT	6,008	2.87		
Industrial support services	29,733	14.21	13.99	
126,516 DCC	9,765	4.67		
2,220,711 Equiniti	5,021	2.40		
248,388 ISS	5,717	2.73		
206,327 Loomis	6,324	3.02		
249,664 TAKKT	2,906	1.39		
Industrial transportation	10,077	4.82	4.31	
33,427 ID Logistics	5,375	2.57		
261,807 Logista	4,702	2.25		
Chemicals	3,199	1.53	0.00	
168,347 AlzChem	3,199	1.53		

Portfolio statement (continued)

as at 31 August Holding	2019 €'000	2019 %	2018 ^[a] %
Non-renewable energy	2,941	1.41	2.35
50,790 Schoeller-Bleckmann Oilfield Equipment	2,941	1.41	
Gas, water & multi-utilities	6,086	2.91	0.00
116,149 Rubis	6,086	2.91	
Portfolio of investments	206,577	98.73	97.14
CASH EQUIVALENTS	3,024	1.44	3.51
'AAA' rated money market funds ^[b]	3,024	1.44	3.51
3,090,065 Northern Trust Global Fund - Euro	3,024	1.44	
Total portfolio (notes 2c & 2d on page 7)	209,601	100.17	100.65
Net other assets / (liabilities)	(356)	(0.17)	(0.65)
Net assets attributable to shareholders	209,245	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] 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 August 2019

Largest purchases	€'000
KBC Ancora	6,077
Rubis	5,311
Avanza Bank	5,124
Konecranes	4,609
DS Smith	4,469
WH Smith	4,358
Cranswick	4,354
On the Beach	4,260
Karnov	4,222
Boskalis Westminster	4,185
Other purchases	49,093
Total purchases	96,062
Largest sales	€'000
Earthport	6,269
Galenica	5,411
Jardine Lloyd Thompson	5,105
Cargotec	4,290
Indra Sistemas	3,328
Criteo ADR	3,293
HUGO BOSS	3,266
EVS Broadcast Equipment	3,071
Leifheit	2,497
AcadeMedia	2,494
Other sales	16,586
Total sales	55,610

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

M&G Pan European Select Smaller Companies 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 reflect the key financial information of a representative share class, Sterling Class 'A' (Accumulation) shares. As different share classes have different attributes, for example charging structures and minimum investments, please be aware that their performance may be different. For more information on the different share classes in this fund please refer to the Prospectus for M&G Investment Funds (1), 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 August	2019 €'000	2018 €'000	2017 €'000
Fund net asset value (NAV)	209,245	195,641	180,695

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.



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 03.09.18 % ^[a]	Three years 02.09.16 % p.a.	Five years 02.09.14 % p.a.	Since launch % p.a.
Euro^[b]				
Class 'A'	-11.4	+0.4	+3.9	+6.4 ^[c]
Class 'C'	-10.7	+1.1	+4.7	+7.2 ^[c]
Sterling^[d]				
Class 'A'	-10.7	+2.9	+6.8	+9.4 ^[e]
Class 'I'	-10.0	+3.6	+7.6	+10.9 ^[f]
Class 'R'	-10.3	+3.4	+7.3	+10.6 ^[f]
Class 'X'	-10.7	+2.9	+6.8	+11.7 ^[g]
US dollar^[b]				
Class 'A'	-16.4	-0.3	+0.3	+0.7 ^[h]
Class 'C'	-15.7	+0.5	+1.1	+1.5 ^[h]

[a] Absolute basis.

[b] Price to price with net income reinvested.

[c] 28 November 2001, the launch date of the share class.

[d] Price to price with income reinvested.

[e] 30 September 1996, the end of the initial offer period of the predecessor unit trust.

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

[g] 1 October 2002, the launch date of the share class.

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

M&G Pan European Select Smaller Companies Fund

Financial highlights

Fund performance

Operating charges and portfolio transaction costs

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

Operating charges

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

- **Annual charge:** Charge paid to M&G covering the annual cost of M&G managing and administering the fund and the costs of third parties providing services to the fund. From 1 August 2019, this charge rolls all costs that make up the operating charges into one annual charge.

For every £1 billion of a fund's net asset value, a discount of 0.02% will be applied to that fund's annual charge (up to a maximum of 0.12%).

- **Extraordinary legal and tax expenses:** Costs that specifically relate to legal or tax claims that are both exceptional and unforeseeable. Such expenses are uncommon, and would not be expected in most years. Although they result in a short-term cost to the fund, generally they can deliver longer term benefits for investors.
- **Investment management:** Charge paid to M&G for investment management of the fund. From 1 August 2019 this charge forms part of the annual charge.
- **Administration:** Charge paid for administration services in addition to investment management – any surplus from this charge will be retained by M&G. From 1 August 2019 this charge is rolled into the annual charge.
- **Oversight and other independent services:** Charges paid to providers independent of M&G for services which include depositary, custody and audit. From 1 August 2019 these charges will be paid by M&G and rolled into the annual charge.
- **Ongoing charges from underlying funds:** Ongoing charges on holdings in underlying funds that are not rebated. From 1 August 2019 charges from underlying funds (excluding Investment Trusts Companies and Real Estate Investment Trusts) will be rebated.

The operating charges paid by each share class of the fund are shown in the following performance tables. These 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.

Once the annual charge has been operational for twelve months, operating charges will be in line with the ongoing charges shown in the Key Investor Information Document, other than where there have been extraordinary legal or tax expenses, or 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. Any estimate will be disclosed under the specific share class performance table.

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

Portfolio transaction costs

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

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

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

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

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

Portfolio transaction costs				
for the year to 31 August	2019	2018	2017	Average ^[a]
Direct portfolio transaction costs ^[b]	%	%	%	%
Broker commission	0.03	0.04	0.03	0.03
Taxes	0.09	0.09	0.05	0.08
Costs before dilution adjustments	0.12	0.13	0.08	0.11
Dilution adjustments ^[c]	(0.04)	(0.04)	(0.03)	(0.04)
Total direct portfolio transaction costs	0.08	0.09	0.05	0.07
as at 31 August	2019	2018	2017	Average ^[a]
Indirect portfolio transaction costs	%	%	%	%
Average portfolio dealing spread	0.31	0.31	0.25	0.29

^[a] Average of first three columns.

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

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

M&G Pan European Select Smaller Companies 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.

Historic yields for the current year are calculated as at 13 September 2019.

Euro Class 'A' Accumulation share performance

The share class was launched on 28 November 2001.

for the year to 31 August Change in NAV per share	2019 Euro ¢	2018 Euro ¢	2017 Euro ¢
Opening NAV	3,399.39	3,525.70	2,986.95
Return before operating charges and after direct portfolio transaction costs	(319.13)	(65.45)	594.80
Operating charges	(52.18)	(60.86)	(56.05)
Return after operating charges	(371.31)	(126.31)	538.75
Distributions	(17.89)	(2.50)	(6.84)
Retained distributions	17.89	2.50	6.84
Closing NAV	3,028.08	3,399.39	3,525.70
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	3.66	4.69	2.65
Dilution adjustments ^[a]	(1.30)	(1.32)	(0.99)
Total direct portfolio transaction costs	2.36	3.37	1.66
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.08	0.09	0.05
Operating charges ^[c]	1.68	1.68	1.68
Return after operating charges	-10.92	-3.58	+18.04
Historic yield	0.08	0.07	0.19
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€'000)	5,932	11,504	18,461
Closing NAV percentage of total fund NAV (%)	2.83	5.88	10.22
Number of shares	195,903	338,426	523,605
Highest share price (Euro ¢)	3,423.56	3,808.35	3,639.00
Lowest share price (Euro ¢)	2,737.12	3,380.49	2,918.05

Euro Class 'C' Accumulation share performance

The share class was launched on 28 November 2001.

for the year to 31 August Change in NAV per share	2019 Euro ¢	2018 Euro ¢	2017 Euro ¢
Opening NAV	3,844.70	3,957.93	3,327.96
Return before operating charges and after direct portfolio transaction costs	(361.61)	(75.31)	664.45
Operating charges	(32.45)	(37.92)	(34.48)
Return after operating charges	(394.06)	(113.23)	629.97
Distributions	(46.98)	(33.41)	(35.49)
Retained distributions	46.98	33.41	35.49
Closing NAV	3,450.64	3,844.70	3,957.93
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	4.16	5.28	2.94
Dilution adjustments ^[a]	(1.48)	(1.49)	(1.10)
Total direct portfolio transaction costs	2.68	3.79	1.84
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.08	0.09	0.05
Operating charges ^[c]	0.92	0.93	0.93
Return after operating charges	-10.25	-2.86	+18.93
Historic yield	0.93	0.88	0.89
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€'000)	15,996	544	727
Closing NAV percentage of total fund NAV (%)	7.64	0.28	0.40
Number of shares	463,580	14,152	18,372
Highest share price (Euro ¢)	3,873.72	4,287.80	4,075.65
Lowest share price (Euro ¢)	3,103.03	3,822.24	3,255.55

Sterling Class 'A' Income share performance

The share class was launched on 30 September 1996.

for the year to 31 August Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	381.77	414.01	328.76
Return before operating charges and after direct portfolio transaction costs	(32.31)	(18.29)	98.88
Operating charges	(5.70)	(6.85)	(6.28)
Return after operating charges	(38.01)	(25.14)	92.60
Distributions	(7.85)	(7.10)	(7.35)
Closing NAV	335.91	381.77	414.01
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.41	0.53	0.30
Dilution adjustments ^[a]	(0.14)	(0.15)	(0.11)
Total direct portfolio transaction costs	0.27	0.38	0.19
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.08	0.09	0.05
Operating charges ^[c]	1.65	1.68	1.68
Return after operating charges	-9.96	-6.07	+28.17
Historic yield	2.01	1.87	1.78
Effect on yield of charges offset against capital	1.63	1.65	1.65
Other information			
Closing NAV (€'000)	69,052	82,301	94,287
Closing NAV percentage of total fund NAV (%)	33.01	42.07	52.18
Number of shares	18,638,811	19,341,487	20,972,892
Highest share price (UK p)	385.58	431.14	423.28
Lowest share price (UK p)	308.71	386.22	326.86

M&G Pan European Select Smaller Companies Fund

Financial highlights

Specific share class performance

Sterling Class 'A' Accumulation share performance

The share class was launched on 30 September 1996.

for the year to 31 August Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	416.18	443.04	345.71
Return before operating charges and after direct portfolio transaction costs	(35.24)	(19.53)	103.94
Operating charges	(6.21)	(7.33)	(6.61)
Return after operating charges	(41.45)	(26.86)	97.33
Distributions	(2.31)	(0.31)	(0.86)
Retained distributions	2.31	0.31	0.86
Closing NAV	374.73	416.18	443.04

Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.44	0.57	0.31
Dilution adjustments ^[a]	(0.16)	(0.16)	(0.12)
Total direct portfolio transaction costs	0.28	0.41	0.19

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.08	0.09	0.05
Operating charges ^[c]	1.66	1.68	1.68
Return after operating charges	-9.96	-6.06	+28.15
Historic yield	0.08	0.07	0.19
Effect on yield of charges offset against capital	0.00	0.00	0.00

Other information

Closing NAV (€'000)	16,936	21,118	30,550
Closing NAV percentage of total fund NAV (%)	8.09	10.79	16.91
Number of shares	4,097,725	4,552,703	6,349,972
Highest share price (UK p)	420.32	461.41	445.08
Lowest share price (UK p)	336.53	413.34	343.71

Sterling Class 'I' Income share performance

The share class was launched on 3 August 2012.

for the year to 31 August Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	2,102.00	2,262.32	1,782.92
Return before operating charges and after direct portfolio transaction costs	(177.90)	(100.49)	538.44
Operating charges	(17.58)	(20.82)	(18.96)
Return after operating charges	(195.48)	(121.31)	519.48
Distributions	(43.43)	(39.01)	(40.08)
Closing NAV	1,863.09	2,102.00	2,262.32

Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	2.24	2.90	1.62
Dilution adjustments ^[a]	(0.80)	(0.82)	(0.61)
Total direct portfolio transaction costs	1.44	2.08	1.01

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.08	0.09	0.05
Operating charges ^[c]	0.92	0.93	0.93
Return after operating charges	-9.30	-5.36	+29.14
Historic yield	1.99	1.87	1.77
Effect on yield of charges offset against capital	0.90	0.90	0.90

Other information

Closing NAV (€'000)	6,007	6,777	7,230
Closing NAV percentage of total fund NAV (%)	2.87	3.46	4.00
Number of shares	292,341	289,278	294,308
Highest share price (UK p)	2,123.07	2,357.99	2,312.90
Lowest share price (UK p)	1,703.77	2,121.78	1,773.17

Sterling Class 'I' Accumulation share performance

The share class was launched on 3 August 2012.

for the year to 31 August Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	2,289.68	2,419.27	1,873.64
Return before operating charges and after direct portfolio transaction costs	(193.89)	(107.38)	565.69
Operating charges	(19.08)	(22.21)	(20.06)
Return after operating charges	(212.97)	(129.59)	545.63
Distributions	(28.27)	(19.90)	(21.71)
Retained distributions	28.27	19.90	21.71
Closing NAV	2,076.71	2,289.68	2,419.27

Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	2.43	3.09	1.71
Dilution adjustments ^[a]	(0.86)	(0.87)	(0.64)
Total direct portfolio transaction costs	1.57	2.22	1.07

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.08	0.09	0.05
Operating charges ^[c]	0.92	0.93	0.93
Return after operating charges	-9.30	-5.36	+29.12
Historic yield	0.91	0.88	0.90
Effect on yield of charges offset against capital	0.00	0.00	0.00

Other information

Closing NAV (€'000)	42,023	17,337	8,745
Closing NAV percentage of total fund NAV (%)	20.08	8.86	4.84
Number of shares	1,834,697	679,327	332,881
Highest share price (UK p)	2,312.58	2,521.75	2,430.38
Lowest share price (UK p)	1,855.85	2,269.13	1,863.26

Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012.

for the year to 31 August Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	208.76	225.27	177.97
Return before operating charges and after direct portfolio transaction costs	(17.67)	(10.00)	53.68
Operating charges	(2.22)	(2.63)	(2.38)
Return after operating charges	(19.89)	(12.63)	51.30
Distributions	(4.31)	(3.88)	(4.00)
Closing NAV	184.56	208.76	225.27

Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.22	0.29	0.16
Dilution adjustments ^[a]	(0.08)	(0.08)	(0.06)
Total direct portfolio transaction costs	0.14	0.21	0.10

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.08	0.09	0.05
Operating charges ^[c]	1.17	1.18	1.18
Return after operating charges	-9.53	-5.61	+28.83
Historic yield	1.99	1.87	1.77
Effect on yield of charges offset against capital	1.15	1.15	1.15

Other information

Closing NAV (€'000)	548	625	103
Closing NAV percentage of total fund NAV (%)	0.26	0.32	0.06
Number of shares	269,287	268,705	42,204
Highest share price (UK p)	210.85	234.70	230.29
Lowest share price (UK p)	169.08	210.94	176.98

M&G Pan European Select Smaller Companies 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 August Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	225.56	238.94	185.50
Return before operating charges and after direct portfolio transaction costs	(19.10)	(10.60)	55.94
Operating charges	(2.39)	(2.78)	(2.50)
Return after operating charges	(21.49)	(13.38)	53.44
Distributions	(2.26)	(1.36)	(1.59)
Retained distributions	2.26	1.36	1.59
Closing NAV	204.07	225.56	238.94
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.24	0.31	0.17
Dilution adjustments ^[a]	(0.09)	(0.09)	(0.06)
Total direct portfolio transaction costs	0.15	0.22	0.11
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.08	0.09	0.05
Operating charges ^[c]	1.17	1.18	1.18
Return after operating charges	-9.53	-5.60	+28.81
Historic yield	0.63	0.61	0.66
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€'000)	6,330	6,908	225
Closing NAV percentage of total fund NAV (%)	3.03	3.53	0.13
Number of shares	2,812,189	2,747,673	86,793
Highest share price (UK p)	227.81	248.98	240.02
Lowest share price (UK p)	182.68	223.77	184.46

Sterling Class 'X' Income share performance

The share class was launched on 1 October 2002.

for the year to 31 August Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	377.64	409.52	325.20
Return before operating charges and after direct portfolio transaction costs	(31.96)	(18.07)	97.81
Operating charges	(5.64)	(6.78)	(6.21)
Return after operating charges	(37.60)	(24.85)	91.60
Distributions	(7.77)	(7.03)	(7.28)
Closing NAV	332.27	377.64	409.52
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.40	0.52	0.29
Dilution adjustments ^[a]	(0.14)	(0.15)	(0.11)
Total direct portfolio transaction costs	0.26	0.37	0.18
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.08	0.09	0.05
Operating charges ^[c]	1.66	1.68	1.68
Return after operating charges	-9.96	-6.07	+28.17
Historic yield	2.01	1.87	1.78
Effect on yield of charges offset against capital	1.63	1.65	1.65
Other information			
Closing NAV (€'000)	1,938	2,777	3,999
Closing NAV percentage of total fund NAV (%)	0.93	1.42	2.21
Number of shares	528,883	659,859	899,299
Highest share price (UK p)	381.40	426.47	418.70
Lowest share price (UK p)	305.37	382.04	323.33

Sterling Class 'X' Accumulation share performance

The share class was launched on 1 October 2002.

for the year to 31 August Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	411.14	437.73	341.52
Return before operating charges and after direct portfolio transaction costs	(34.80)	(19.34)	102.72
Operating charges	(6.14)	(7.25)	(6.51)
Return after operating charges	(40.94)	(26.59)	96.21
Distributions	(2.28)	(0.30)	(0.85)
Retained distributions	2.28	0.30	0.85
Closing NAV	370.20	411.14	437.73
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.44	0.56	0.31
Dilution adjustments ^[a]	(0.16)	(0.16)	(0.12)
Total direct portfolio transaction costs	0.28	0.40	0.19
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.08	0.09	0.05
Operating charges ^[c]	1.66	1.68	1.68
Return after operating charges	-9.96	-6.07	+28.17
Historic yield	0.08	0.07	0.19
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€'000)	1,027	1,408	1,707
Closing NAV percentage of total fund NAV (%)	0.49	0.72	0.94
Number of shares	251,417	307,168	359,007
Highest share price (UK p)	415.23	455.83	439.69
Lowest share price (UK p)	332.46	408.34	339.54

US dollar Class 'A' Accumulation share performance

The share class was launched on 8 August 2014.

for the year to 31 August Change in NAV per share	2019 US ¢	2018 US ¢	2017 US ¢
Opening NAV	1,236.53	1,303.07	1,037.49
Return before operating charges and after direct portfolio transaction costs	(175.77)	(43.75)	285.24
Operating charges	(18.48)	(22.79)	(19.66)
Return after operating charges	(194.25)	(66.54)	265.58
Distributions	(6.16)	(0.91)	(2.54)
Retained distributions	6.16	0.91	2.54
Closing NAV	1,042.28	1,236.53	1,303.07
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	1.30	1.76	0.93
Dilution adjustments ^[a]	(0.46)	(0.50)	(0.35)
Total direct portfolio transaction costs	0.84	1.26	0.58
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.08	0.09	0.05
Operating charges ^[c]	1.68	1.67	1.68
Return after operating charges	-15.71	-5.11	+25.60
Historic yield	0.08	0.08	0.19
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€'000)	214	442	777
Closing NAV percentage of total fund NAV (%)	0.10	0.23	0.43
Number of shares	22,634	41,714	70,679
Highest share price (US ¢)	1,255.52	1,467.90	1,325.32
Lowest share price (US ¢)	972.43	1,200.10	995.35

M&G Pan European Select Smaller Companies 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 August	2019	2018	2017
Change in NAV per share	US ¢	US ¢	US ¢
Opening NAV	1,275.61	1,334.15	1,054.09
Return before operating charges and after direct portfolio transaction costs	(181.75)	(45.69)	291.33
Operating charges	(10.51)	(12.85)	(11.27)
Return after operating charges	(192.26)	(58.54)	280.06
Distributions	(14.75)	(11.09)	(12.20)
Retained distributions	14.75	11.09	12.20
Closing NAV	1,083.35	1,275.61	1,334.15
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	1.34	1.79	0.97
Dilution adjustments ^[a]	(0.48)	(0.50)	(0.36)
Total direct portfolio transaction costs	0.86	1.29	0.61
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.08	0.09	0.05
Operating charges ^[c]	0.92	0.93	0.93
Return after operating charges	-15.07	-4.39	+26.57
Historic yield	0.98	0.89	0.91
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€'000)	43,242	43,900	13,884
Closing NAV percentage of total fund NAV (%)	20.67	22.44	7.68
Number of shares	4,407,172	4,015,639	1,234,000
Highest share price (US ¢)	1,295.76	1,507.55	1,356.18
Lowest share price (US ¢)	1,005.54	1,237.67	1,013.22

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

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

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

M&G Pan European Select Smaller Companies Fund

Financial statements and notes

Financial statements

Statement of total return

for the year to 31 August	Note	2019		2018	
		€'000	€'000	€'000	€'000
Income					
Net capital gains / (losses)	3		(24,082)		(7,818)
Revenue	5	5,228		3,681	
Expenses	6	(2,726)		(2,920)	
Net revenue / (expense) before taxation		2,502		761	
Taxation	7	(223)		(145)	
Net revenue / (expense) after taxation			2,279		616
Total return before distributions			(21,803)		(7,202)
Distributions	8		(3,407)		(2,268)
Change in net assets attributable to shareholders from investment activities			(25,210)		(9,470)

Statement of change in net assets attributable to shareholders

for the year to 31 August	2019		2018	
	€'000	€'000	€'000	€'000
Opening net assets attributable to shareholders		195,641		180,695
Amounts received on issue of shares	50,461		56,055	
Amounts paid on cancellation of shares	(13,444)		(32,400)	
		37,017		23,655
Dilution adjustments		202		157
Change in net assets attributable to shareholders from investment activities (see above)		(25,210)		(9,470)
Retained distributions on Accumulation shares		1,595		604
Closing net assets attributable to shareholders		209,245		195,641

Balance sheet

as at 31 August	Note	2019 €'000	2018 €'000
Assets			
Fixed assets			
Investments		206,577	190,041
Current assets			
Debtors	9	1,155	476
Cash and bank balances	10	903	150
Cash equivalents		3,024	6,871
Total assets		211,659	197,538
Liabilities			
Creditors			
Distribution payable		(1,813)	(1,721)
Other creditors	11	(601)	(176)
Total liabilities		(2,414)	(1,897)
Net assets attributable to shareholders		209,245	195,641

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 7 and 8.

The fund's functional and presentational currency is euros as this better reflects the currency of its primary economic environment.

2 Distribution policy

In determining the amount available for distribution to Income shares, the annual charge, annual management charge and administration charge are 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 August	2019 €'000	2018 €'000
Non-derivative securities	(23,938)	(7,637)
Currency gains / (losses)	(133)	(175)
Transaction charges	(11)	(6)
Net capital gains / (losses)	(24,082)	(7,818)

M&G Pan European Select Smaller Companies 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 182.

for the year to 31 August	2019 €'000	% of transaction	2018 €'000	% of transaction
a) Purchases				
Equities				
Equities before transaction costs	95,834		95,667	
Commissions	40	0.04	38	0.04
Taxes	188	0.20	186	0.19
Equities after transaction costs	96,062		95,891	
Other transaction types				
Corporate actions	0		1,086	
Total purchases after transaction costs	96,062		96,977	
b) Sales				
Equities				
Equities before transaction costs	53,314		75,367	
Commissions	(21)	0.04	(37)	0.05
Other transaction types				
Corporate actions	2,317		0	
Total sales after transaction costs	55,610		75,330	
c) Direct portfolio transaction costs	2019 €'000	% of average NAV	2018 €'000	% of average NAV
Commissions paid				
Equities	61	0.03	75	0.04
Taxes paid				
Equities	188	0.09	186	0.09
Total direct portfolio transaction costs [a]	249	0.12	261	0.13
d) Indirect portfolio transaction costs				
Portfolio dealing spread [b]		0.31		0.31

[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 August	2019 €'000	2018 €'000
Bank interest	1	1
Dividends from equity investments: non-taxable	4,891	3,583
Dividends from equity investments: taxable	158	90
Interest distributions	0	7
Stock dividends	178	0
Total revenue	5,228	3,681

6 Expenses

for the year to 31 August	2019 €'000	2018 €'000
Payable to the ACD or associate		
Annual charge	190	0
Annual management charge [a]	2,192	2,563
Administration charge [a]	290	302
	2,672	2,865
Payable to the Depositary or associate		
Depositary's charge (including VAT) [a]	16	17
Other expenses		
Audit fee (including VAT) [a] [b]	9	10
Interest payable	6	4
Legal fees	0	1
Safe custody charge [a]	23	23
	38	38
Total expenses	2,726	2,920

[a] The segregated charges shown above for annual management, administration, depositary, audit and safe custody are those paid by the fund up to and including 31 July 2019. As of 1 August 2019 these charges have been replaced by the single annual charge.

[b] Audit fees for the financial year ending 2019 were €9,000.

7 Taxation

for the year to 31 August	2019 €'000	2018 €'000
a) Analysis of charge in the year		
Corporation tax	0	0
Withholding tax	223	145
Deferred tax (note 7c)	0	0
Total taxation	223	145
b) Factors affecting taxation charge for the year		
Net revenue / (expense) before taxation	2,502	761
Corporation tax at 20%	500	152
Effects of:		
Dividends from equity investments: non-taxable	(978)	(717)
Stock dividends not taxable	(35)	0
Current year expenses not utilised	513	565
Withholding tax	223	145
Total tax charge (note 7a)	223	145
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 €4,548,000 (2018: €4,035,000) arising as a result of having excess management expenses. We do not expect this asset to be utilised in the foreseeable future.

M&G Pan European Select Smaller Companies Fund

Financial statements and notes

Notes to the financial statements

8 Distributions

for the year to 31 August	2019		2018	
	Inc ^[a] €'000	Acc ^[b] €'000	Inc ^[a] €'000	Acc ^[b] €'000
Dividend distributions				
Final	1,813	1,595	1,721	604
Total net distributions		3,408		2,325
Income deducted on cancellation of shares		51		18
Income received on issue of shares		(52)		(75)
Distributions		3,407		2,268
Net revenue / (expense) per statement of total return		2,279		616
Expenses offset against capital		1,306		1,652
Stock dividends not distributed		(178)		0
Distributions		3,407		2,268

[a] Distributions payable on Income shares.

[b] Retained distributions on Accumulation shares.

9 Debtors

as at 31 August	2019 €'000	2018 €'000
Amounts receivable on issues of shares	90	15
Currency deals outstanding	224	0
Dividends receivable	60	34
Sales awaiting settlement	286	0
Withholding tax recoverable	495	427
Total debtors	1,155	476

10 Cash and bank balances

as at 31 August	2019 €'000	2018 €'000
Cash held as bank balances	903	150
Total cash and bank balances	903	150

11 Other creditors

as at 31 August	2019 €'000	2018 €'000
ACD's annual management charge payable	0	118
Administration charge payable	0	15
Amounts payable on cancellation of shares	182	0
Annual charge payable	113	0
Currency deals outstanding	225	0
Expenses payable	19	15
Purchases awaiting settlement	62	28
Total other creditors	601	176

12 Contingent assets, liabilities and outstanding commitments

There were no contingent assets, liabilities or outstanding commitments at the balance sheet date (2018: 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 01.09.18	Movements		Closing 31.08.19
		Issued	Cancelled	
Euro				
Class 'A' Accumulation	338,426	6,830	(149,353)	195,903
Class 'C' Accumulation	14,152	450,825	(1,397)	463,580
Sterling				
Class 'A' Income	19,341,487	147,277	(849,953)	18,638,811
Class 'A' Accumulation	4,552,703	17,935	(472,913)	4,097,725
Class 'I' Income	289,278	25,169	(22,106)	292,341
Class 'I' Accumulation	679,327	1,203,986	(48,616)	1,834,697
Class 'R' Income	268,705	70,073	(69,491)	269,287
Class 'R' Accumulation	2,747,673	349,780	(285,264)	2,812,189
Class 'X' Income	659,859	8,367	(139,343)	528,883
Class 'X' Accumulation	307,168	2,587	(58,338)	251,417
US dollar				
Class 'A' Accumulation	41,714	3,730	(22,810)	22,634
Class 'C' Accumulation	4,015,639	391,533	0	4,407,172

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 charge ^[a] %
Euro			
Class 'A'	5.25	n/a	1.65
Class 'C'	3.25	n/a	0.85
Sterling			
Class 'A'	n/a	n/a	1.35
Class 'I'	n/a	n/a	0.85
Class 'R'	n/a	n/a	1.10
Class 'X'	n/a	n/a	1.35
US dollar			
Class 'A'	5.25	n/a	1.65
Class 'C'	3.25	n/a	0.85

[a] The amounts shown are the maximum annual charge. M&G will apply a discount of 0.02% for every £1 billion of a fund's net asset value. This is assessed quarterly and implemented on a forward basis no later than 13 business days after quarter end.

M&G Pan European Select Smaller Companies Fund

Financial statements and notes

Notes to the financial statements

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 annual charge, ACD's annual management charge and administration charge are disclosed in note 6. Amounts due at the year end from the annual 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 34.16% (2018: 31.12%) of the fund's shares.

16 Events after the balance sheet date

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

17 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: Unadjusted quoted price in an active market for an identical instrument

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 technique using observable market data

This includes instruments such as over-the-counter (OTC) derivatives, debt securities, convertible bonds, mortgage-backed securities, asset-backed securities and open-ended funds which have been valued using models with observable market data inputs.

Level 3: Valuation technique using unobservable inputs

This refers to instruments which have been valued using models with unobservable data inputs. This includes single broker-priced instruments, suspended/unquoted securities, private equity, unlisted closed-ended funds and open-ended funds with restrictions on redemption rights. However no such financial instruments were held.

as at 31 August	Assets	Liabilities	Assets	Liabilities
Basis of valuation	2019	2019	2018	2018
	€'000	€'000	€'000	€'000
Level 1	206,577	0	190,041	0
Level 2	0	0	0	0
Level 3	0	0	0	0
	206,577	0	190,041	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

The general risk management policies for the fund are set out in note 3 to the financial statements on pages 8 and 9.

19 Market risk sensitivity

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 €10,329,000 (2018: €9,502,000). A five per cent decrease would have an equal and opposite effect.

20 Currency risk sensitivity and exposure

A five per cent increase in the value of the fund's currency exposure would have the effect of increasing the return and net assets by €10,462,000 (2018: €9,782,000). A five per cent decrease would have an equal and opposite effect.

as at 31 August	2019	2018
	€'000	€'000
Currency exposure in respect of the fund		
Danish krone	11,089	10,539
Euro	94,792	89,782
Norwegian krone	13	13
Sterling	57,937	43,662
Swedish krona	26,829	18,526
Swiss franc	17,007	29,163
US dollar	1,578	3,956
Total	209,245	195,641

21 Interest rate risk sensitivity and exposure

As the majority of the fund's financial assets are non-interest bearing, the risk is not considered significant and is therefore not disclosed.

22 Credit risk

Credit risk is not considered significant for the fund and is therefore not disclosed.

M&G Pan European Select Smaller Companies Fund

Financial statements and notes

Notes to the financial statements

23 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	01.09.18	31.08.19	02.09.19	31.10.19

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 income 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 income and equalisation. Equalisation is the average amount of income 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 income and equalisation components.

Euro Class 'A' Accumulation shares				
Ordinary distributions for the year to 31 August	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
Final	€ 17.8904	€ 0.0000	€ 17.8904	€ 2.4989

Euro Class 'C' Accumulation shares				
Ordinary distributions for the year to 31 August	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
Final	€ 40.8108	€ 6.1647	€ 46.9755	€ 33.4121

Sterling Class 'A' Income shares				
Ordinary distributions for the year to 31 August	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
Final	p 6.0109	p 1.8428	p 7.8537	p 7.1049

Sterling Class 'A' Accumulation shares				
Ordinary distributions for the year to 31 August	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
Final	p 1.2538	p 1.0519	p 2.3057	p 0.3058

Sterling Class 'I' Income shares				
Ordinary distributions for the year to 31 August	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
Final	p 30.4892	p 12.9398	p 43.4290	p 39.0057

Sterling Class 'I' Accumulation shares				
Ordinary distributions for the year to 31 August	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
Final	p 27.7513	p 0.5195	p 28.2708	p 19.8971

Sterling Class 'R' Income shares				
Ordinary distributions for the year to 31 August	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
Final	p 3.1698	p 1.1369	p 4.3067	p 3.8779

Sterling Class 'R' Accumulation shares				
Ordinary distributions for the year to 31 August	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
Final	p 1.9113	p 0.3468	p 2.2581	p 1.3637

Sterling Class 'X' Income shares				
Ordinary distributions for the year to 31 August	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
Final	p 7.0823	p 0.6866	p 7.7689	p 7.0281

Sterling Class 'X' Accumulation shares				
Ordinary distributions for the year to 31 August	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
Final	p 2.2779	p 0.0000	p 2.2779	p 0.3022

US dollar Class 'A' Accumulation shares				
Ordinary distributions for the year to 31 August	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
Final	€ 6.1600	€ 0.0000	€ 6.1600	€ 0.9145

US dollar Class 'C' Accumulation shares				
Ordinary distributions for the year to 31 August	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
Final	€ 12.2224	€ 2.5256	€ 14.7480	€ 11.0852

M&G Investment Funds (1)

Other regulatory disclosures

Remuneration

In line with the requirements of the Undertakings for Collective Investment in Transferable Securities (UCITS) V, the UCITS 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 funds it manages. Further details of the remuneration policy applicable at an M&G Limited level can be found here: <https://www.mandg.com/about-us/policies-and-business-principles>. M&G's remuneration policy and its implementation is reviewed on an annual basis, or more frequently where required, and approved by the M&G Remuneration Committee. The latest review found that the remuneration policy continued to align to all local regulatory requirements and continued to operate as intended.

The UCITS management company is required under UCITS to make quantitative disclosures of remuneration. These disclosures are made in line with M&G's interpretation of currently available guidance on quantitative remuneration disclosures. As market or regulatory guidance evolves, M&G may consider it appropriate to make changes to the way in which quantitative disclosures are calculated. Members of staff and senior management typically provide both UCITS and non-UCITS related services and have a number of areas of responsibility. Therefore, only the portion of remuneration for those individuals' services which may be attributable to UCITS is included in the remuneration figures disclosed. Accordingly the figures are not representative of any individual's actual remuneration.

M&G Securities Limited does not directly employ any staff members. However, for the financial year ended 31 December 2018, aggregate remuneration of £47,703,371 (£7,395,780 in respect of fixed remuneration and £40,307,591 in respect of variable remuneration) was paid to individuals whose actions may have a material impact on the risk profile of the UCITS Manager, of which £3,523,355 related to senior management.

Swiss investor information

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

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

Glossary

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

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

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

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

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

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

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

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

Bunds: Fixed income securities issued by the German government.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Defaulted bond: When a bond issuer does not maintain interest payments or repay the amount borrowed when due.

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

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

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

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

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

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

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

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

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

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

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

Equities: Shares of ownership in a company.

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

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

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

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

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

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

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

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

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

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

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

Gilts: Fixed income securities issued by the UK government.

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

Hedging: A method of reducing unnecessary or unintended risk.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Glossary

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Glossary

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

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

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

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

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

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

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

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

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

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

Suspended: Temporarily halting the trading of a listed security on the stock exchange. It can be voluntary (requested by the issuing company) or imposed by regulators. Typically, trading suspensions are introduced ahead of important news announcements, following technical glitches, or due to regulatory concerns.

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).

Unlisted/unquoted stocks: Shares of ownership in companies that are not listed on a public exchange, known as private companies.

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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