

M&G Investment Funds (1)

Annual Long Report and audited Financial Statements
for the year ended 31 August 2020

Contents

M&G Investment Funds (1)

Authorised Corporate Director's Report	Page 1
Directors' statement	Page 4
Depository's Responsibilities and Report	Page 5
Independent Auditor's Report	Page 6
Financial statements and notes	Page 8

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

M&G Asian Fund	Page 12
M&G European Index Tracker Fund	Page 30
M&G European Select Fund	Page 52
M&G Global Select Fund	Page 71
M&G Global Themes Fund	Page 88
M&G Japan Fund	Page 108
M&G Japan Smaller Companies Fund	Page 127
M&G North American Dividend Fund	Page 146
M&G North American Value Fund	Page 166
M&G Pan European Select Fund	Page 183
M&G Pan European Select Smaller Companies Fund	Page 200

Other regulatory disclosures	Page 220
-------------------------------------	-----------------

Glossary	Page 221
-----------------	-----------------

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 2020.

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 2020, 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 FA Limited which is an associate of M&G Securities Limited.

M&G Asian Fund

David Perrett

At the start of the review period Alastair Bruce was the fund manager.

M&G European Index Tracker Fund

Nigel Booth

M&G European Select Fund

Richard Halle

M&G Global Select Fund

John William Olsen

M&G Global Themes Fund

Alex Araujo

M&G Japan Fund

Carl Vine

At the start of the review period Johan du Preez was the fund manager.

M&G Japan Smaller Companies Fund

Carl Vine

At the start of the review period Johan du Preez was the 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 Investing and Saving Alliance (formerly Tax Incentivised Savings Association))

Directors of the ACD

C Dobson (non executive director), N M Donnelly*, S A Fitzgerald, P R Jelfs, M McGrade (non executive director), L J Mumford

* Resigned 30 June 2020.

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

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

* DST Financial Services Europe Ltd changed its name to SS&C Financial Services Europe Ltd on 31 March 2020.

Depositary

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

M&G Investment Funds (1)

Authorised Corporate Director's Report

Independent auditor

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

Annual value assessment

An annual assessment report is available which shows the value provided to investors in each of M&G's UK-based funds. The assessment report evaluates whether M&G's charges are justified in the context of the overall service delivered to its investors. The report can be found at www.mandg.co.uk/valueassessment.

Important information

On 29 November 2019, the investment objective, policy and approach were changed for the M&G Global Select Fund, M&G North American Dividend Fund and M&G Pan European Select Fund.

On 6 December 2019, M&G North American Dividend Fund launched Sterling Class 'I-H' (Income) and (Accumulation) shares, and Sterling Class 'PP-H' (Income) and (Accumulation) shares.

On 6 December 2019, M&G European Index Tracker Fund launched Sterling Class 'I' (Accumulation) shares.

The World Health Organisation declared the COVID-19 outbreak a pandemic on 11 March 2020.

Global financial markets have been reacting to the outbreak. All markets have incurred increased volatility and uncertainty since the onset of the pandemic.

The ACD has also noted the operational risks that are posed to the Company and its service providers due to global and local movement restrictions that have been enacted by various governments.

The COVID-19 pandemic is an unprecedented event and the eventual impact on the global economy and markets will largely depend on the scale and duration of the outbreak. The ACD will continue to monitor this situation.

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: csmandg@rbc.com

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

Austrian paying and information agent:

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

Belgian financial agent:

ABN AMRO Bank N.V., Belgium branch
Roderveldlaan 5 bus 4, 2600 Berchem 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

M&G Investment Funds (1)

Authorised Corporate Director's Report

German information agent:

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

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
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 Luxembourg,
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

M&G Investment Funds (1)

Authorised Corporate Director's Report

Authorised Corporate Director's Responsibilities

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

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

Directors' statement

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

M&G Securities Limited
4 November 2020

M&G Investment Funds (1)

Depository's Responsibilities and Report

Statement of the Depository's Responsibilities and Report of the Depository to the Shareholders of M&G Investment Funds (1) ('the Company') for the year ended 31 August 2020

The Depository must ensure that the Company is managed in accordance with the Financial Conduct Authority's Collective Investment Schemes sourcebook, the Open-Ended Investment Companies Regulations 2001 (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 Depository must in the context of its role act honestly, fairly, professionally, independently and in the interests of the Company and its investors.

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

The Depository must ensure that:

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

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

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

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

Edinburgh
4 November 2020

NatWest Trustee and
Depository 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) ("the Company") for the year ended 31 August 2020 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 funds, the accounting policies of the Company, the related notes for each 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 funds as at 31 August 2020 and of the net revenue / (expenses) and the net capital gains / (losses) on the scheme property of the Company comprising each of its 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.

M&G Investment Funds (1)

Independent Auditor's Report

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

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.

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
4 November 2020

Ernst & Young LLP
Statutory Auditor

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 amended in June 2017.

2 Summary of significant accounting policies

a) Basis of preparation

There are no material events that have been identified that may cast significant doubt on the Company's ability to continue as a going concern for at least the next twelve months from the date these financial statements are authorised for issue. The ACD believes that the Company has adequate resources to continue in operational existence for the foreseeable future and, following consideration of the impact of COVID-19 they continue to adopt the going concern basis in preparing the financial statements. The ACD has made an assessment of each fund's ability to continue as a going concern which is made as at the date of issue of these financial statements and considers liquidity, declines in global capital markets, investor intention, known redemption levels, expense projections, key service provider's operational resilience, and the impact of COVID-19.

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 28 August 2020 being the last business day of the accounting period.

Investments in those Funds which have been subject to a fair value accounting adjustment at the balance sheet date have been translated into the fund's functional currency using the rate of exchange ruling as at close of business on the 31 August 2020.

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 current reporting period all investments have been measured at their fair value using the prices and the portfolio holdings determined at 12 noon on 28 August 2020, being the last valuation point of the accounting period. For the Funds below, as this is materially different from the valuation carried out at close of business on the balance sheet date, a fair value accounting adjustment has been applied. No fair value adjustment was required for the previous reporting period as there was no material difference between the value of the investments at 12 noon on 30 August 2019 and the valuation carried out at close of business on the balance sheet date.

A fair value accounting adjustment has been applied to the following funds:

- M&G Asian Fund
- M&G European Index Tracker Fund
- M&G European Select Fund
- M&G Global Themes Fund
- M&G Japan Fund
- M&G Japan Smaller Companies Fund
- M&G North American Value Fund
- M&G Pan European Select Smaller Companies Fund
- M&G Pan European Select Fund

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.

M&G Investment Funds (1)

Financial statements and notes

Notes to the financial statements

2 Summary of significant accounting policies (continued)

d) Investments - recognition and valuation (continued)

- Other equities and debt securities which are unquoted or not actively traded on a quoted market are included at a value estimated by the ACD using an appropriate valuation technique, excluding any accrued interest in respect of bonds.
- Exchange traded futures and options are included at the cost of closing out the contract at the balance sheet date.
- Over the counter equity options, credit default swaps, interest rate swaps, asset swaps and inflation swaps are included at a value provided by Markit Valuations Limited, an independent credit derivative price provider. Their fair value excludes any accrued interest in respect of derivatives where the income is revenue in nature.
- Forward currency contracts, for share class hedging and investment, are included at a value determined by reference to current forward exchange rates for contracts with similar maturity profiles.

e) Recognition of income and expenses

- Dividends, including ordinary stock dividends, from equity investments are recognised when the security is quoted ex-dividend.
- Distributions from collective investment schemes are recognised when the scheme is priced ex-distribution.
- Interest income, including coupons from debt securities and bank interest is recognised on an accruals basis.
- Underwriting commission is recognised when the issue takes place.
- Revenue from derivatives is recognised on an accruals basis.
- Fee rebates from investing in other collective investment schemes are recognised on an accruals basis.
- Expenses are recognised on an accruals basis.

f) Treatment of income and expenses

- Any increases or decreases in the fair value of investments and gains and losses realised on sales of investments are treated as capital and recognised in net capital gains / (losses).
- 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.
- 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.

M&G Investment Funds (1)

Financial statements and notes

Notes to the financial statements

2 Summary of significant accounting policies (continued)

g) Tax (continued)

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 the 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 distribution policy in note 4, 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.

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

Value at Risk approach

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

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

M&G Investment Funds (1)

Financial statements and notes

Notes to the financial statements

3 Risk management policies (continued)

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 following market events of early 2020

The market events of early 2020 have meant that in some cases, available market liquidity has declined. The liquidity monitoring and escalation process at M&G remains the same, but has monitored and reported on a more frequent basis as the liquidity picture has changed faster than in more normal markets.

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.

Liquidity in funds is independently assessed and challenged through the internal governance process at M&G. Fund liquidity is modelled and compared against potential liability scenarios such as severe redemption or collateral calls and any funds with liquidity issues are flagged to the internal committee. Funds flagged to the internal committee are escalated and remedial action agreed. None of the funds have been escalated for remedial action.

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 Asian Fund

Authorised Corporate Director's Report

Investment objective

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

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

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.

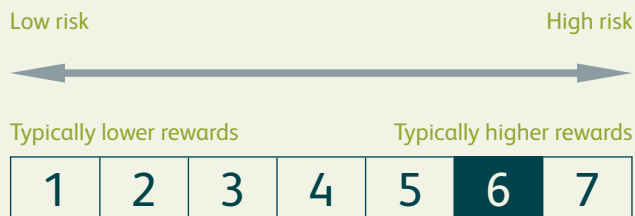
For unhedged share classes, the benchmark is shown in the share class currency.

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 1 September 2020, for the year ended 31 August 2020

Performance against objective

Between 2 September 2019 (the start of the review period) and 1 September 2020, the sterling share classes of the M&G Asian Fund produced a negative total return (the combination of income and growth of capital). Fund returns were behind the benchmark, the MSCI AC Asia Pacific ex Japan Index, which rose by 7.6% over the 12 months.

Over five years, the fund's sterling share classes produced positive returns but underperformed its benchmark, which returned 14.0% pa over this period. The fund therefore did not meet the current objective over its specified timeframe of five years.

M&G Asian Fund

Authorised Corporate Director's Report

Performance against objective (continued)

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

Performance review

Stockmarkets in Asia Pacific ex Japan witnessed a roller-coaster ride over the 12-month review period, but overall, by the close, they had recorded a positive return in sterling terms.

Initially, optimism about a trade deal between the US and China, receding fears about the health of the global economy and supportive monetary policy, fuelled gains in Asian stockmarkets in the final months of 2019.

The positive momentum continued into the new year, until share prices went into reverse after the outbreak of COVID-19 in Wuhan, China was identified. As the coronavirus spread around the world, economies went into lockdown, and in February and March stockmarkets experienced near-panic selling.

In response to the collapse in economic activity, governments provided fiscal support and central banks loosened monetary policy. Even before economies had begun to stabilise and then recover, stockmarkets had started to rebound, and many have now made substantial gains from their March lows.

The biggest increase in share prices over the 12 months were seen in China, New Zealand, South Korea and Taiwan. In the case of China and New Zealand, both countries were reasonably successful in containing the virus. Meanwhile, South Korea and Taiwan (two large exporting nations) were supported by expectations of a rise in technology demand.

Conversely, some Southeast Asian countries (Indonesia, Malaysia, Philippines, Singapore and Thailand) and Australia performed poorly. In addition, social unrest in Hong Kong weighed on investor sentiment.

At the sector level, information technology stocks led the way over the review period, buoyed by investors' expectations of growing demand for 5G equipment and general ongoing adoption of more technology uses. Another factor was larger industry players such as Taiwan Semiconductor, strengthening its market position, and in so doing, boosting its prospects.

The healthcare sector outperformed the broader market as well, receiving a fillip from its defensive qualities and benefiting from virus concerns; retail investors in particular fuelled the rally in share prices. Elsewhere, the strength of the consumer discretionary sector partly reflected the strong showing by online retailers.

Conversely, industrials (particularly transportation stocks), energy and financials lagged the broader market on concerns over the outlook for economic activity. Bank and insurance shares were additionally hurt by the sharp fall in interest rates. Against this background, the fund's return lagged the benchmark.

In the Philippines, Metro Pacific and GT Capital held back performance. Metro Pacific is an infrastructure-focused group and supplies water and electricity and operates hospitals and toll roads in the Philippines. The stock came under pressure during the

review period as the government sought to overturn water concession agreements with utility firms. We have maintained the position in Metro Pacific, but scaled back the exposure to GT Capital and fully exited its parent First Pacific, which offered less compelling value.

Energy stocks were out of favour, which was due to the weak oil price, itself a reflection of oversupply and falling demand post the COVID-19 lockdown. The fund's two principal detractors from the sector were FAR, an African-focused, Australia-listed oil and gas exploration company, and Husky Energy.

FAR's share price fell as investors expressed concerns about the company's ability to fund its exploration project in Senegal. During the review period, FAR launched a capital raising which we chose not to participate in, and we exited the position.

Canada-based integrated energy company Husky Energy is owned by one of Asia's richest men, Li Ka Shing. We view Husky as very undervalued compared to its Chinese peers and used share price weakness during the year to add to the position.

Pessimistic views on the prospects of global trade in the light of the coronavirus also dented the performance of two of the fund's holdings from the transport sector, Pacific Basin Shipping, an international dry bulk shipping company, and COSCO Shipping Ports, an operator of container terminals.

On a more positive note, several of the fund's top contributors were from the technology sector. Buoyed by expectations of a recovery in the semiconductor industry, the fund's holdings in WONIK IPS, a South Korean manufacturer of semiconductor machinery, and Silicon Motion Technology, a Taiwanese developer of controllers for solid state storage devices, added value. Elsewhere, Taiwan-based Delta Electronics rode the rally in technology stocks as well.

Outside the technology sector, other notable contributors included China Lesso and Australian biotech company Mesoblast. China Lesso has been supported by robust operational performance and optimism about its building materials distribution business.

The share price of Mesoblast benefited from positive newsflow for much of the review period, but particularly from March onwards. One of the catalysts was the announcement that its drug Remestemcel-L (which is being developed to treat inflammatory conditions) had helped some patients with COVID-19 survive.

Two Indian holdings, Reliance Industries and Tata Motors were also key contributors. Reliance Industries benefited from several global technology giants, such as Facebook, investing in their telecom and retail businesses, which increased demand for Reliance's services. The stock has more than doubled from its low in the first quarter.

Automobile stocks were in favour in the latter stages of the review period and shares in Tata Motors surged. A modest easing in negative sentiment allowed the shares to perform well from the depressed levels they traded at when we established our position.

M&G Asian Fund

Authorised Corporate Director's Report

Investment activities

Between the start of the review period and the change in fund manager on 2 December 2019, no new holdings were begun, or positions exited.

In December, we began to reposition the portfolio incrementally to reflect the opportunities we saw across Asia ex Japan. This is now complete.

Some of the first changes we made with the fund management change included starting positions in Chinese internet firms Alibaba and Tencent. Both companies are significant constituents of the benchmark index and are dominant industry leaders; their share prices have performed strongly since we added them. We also added Hong Kong-listed stocks Sun Hung Kai Properties, a property company, and MTR a subway operator, two valuable long-term franchises, which we believe reached attractive levels of valuation after the market turbulence caused by popular protests in Hong Kong.

In the consumer sector, we established a position in WH Group, a dominant pork product supplier in both the US and China markets. WH Group seemed to be excessively affected by concerns surrounding the spread of the coronavirus.

As part of our initial rebalancing of the portfolio, we disposed of the holding in Downer, the timing of which proved fortuitous, as the company warned on profits after our sale. The fund's stakes in PCCW, a Hong Kong-listed group with interests in telecoms and media, and Standard Chartered, a UK-listed Asia-focused bank, were sold as well. The latter's share price fell sharply in the following months.

Stockmarket volatility in March and April allowed us to sell some of the smaller, less liquid names in the portfolio, including Australia-listed oil and gas exploration company FAR. We were also able to opportunistically add to existing blue-chip names that sold off heavily, including Hong Kong-listed insurer AIA and several Chinese telecommunications companies – China Mobile, China Telecom and China Unicom. We view them as attractively valued, as they offer top-line and bottom-line growth driven by the adoption of 5G-related applications by commercial and industrial businesses. China Mobile and China Telecom also offer mid-single-digit dividend yields.

Other stocks we added to included China Resources Power, Sinopec Kantons and Chongqing Rural Commercial Bank. Chongqing reported steady underlying profits for 2019 and did so again for the first half of 2020. The stock trades on a low single-digit multiple of earnings and an attractive dividend yield.

We established a position in Tech Mahindra, an IT service company, in the final few months of the review period. Its share price had declined during the COVID-19 crisis due to concerns regarding client project deferments. We view any interruption as temporary given its strong client list and leading industry position in advising the telecom industry, against a backdrop of growing 5G demand.

Outlook

Markets around the world have recovered strongly from their March lows. After an initial bounce back, the market recovery has become increasingly narrow, led by software stocks, (especially perceived COVID-19 'winners'), specific medical sectors, electric vehicle-related names and other areas benefiting from certain themes.

One can argue that the market, in the broadest sense, is behaving rationally. Important shifts in the economy are happening and whether it be the strong becoming stronger or certain companies benefiting from changes in how we live and work, one would expect sharp movements in share prices and valuation. Indeed, we have increased the fund's holdings during the reporting period in names such as JD.Com, Tencent, Meituan and Alibaba; all have turned out to be perceived COVID-19 winners in their own way.

That said, pockets of excessive optimism exist. It is not clear that, on a five-year view the existence of COVID-19, means that spending on certain types of medicines will be much higher than it would have been if COVID-19 had not happened. Yet that is what the sharp share price gains in a wide range of medical-related companies is implying.

The same is true for stocks exposed to other fashionable themes or second-line stocks that have rallied even more than fast-growing industry leaders, even though their fundamentals are much weaker. As we progress through the rest of 2020 and into 2021, we would expect some of this 'froth' to dissipate from regional markets.

Encouragingly, across the broader market we see several exciting investment opportunities. For example, in China there is evidence of positive structural improvement within the telecom sector where revenue per subscriber is starting to inflect after years of decline. This is happening at a time when valuations are undemanding, in our view.

Similarly, we see exciting growth trends in the Chinese wealth management industry, an area that select brokerage companies are exposed to through their large client bases and under-appreciated asset management companies.

We have also taken the disruption caused by COVID-19 to add to the fund's positions in South Asian and South East Asian financials, which are seeing their operations and valuations depressed at a time that the structural outlook remains exciting given demographic and savings trends.

We have also found that many of our holdings have attractive levels of dividend yields, around the mid-single-digit range. This is not a function of the fund chasing 'value' names and going down the quality curve in search of income. (Value companies are ones that trade on low multiples of earnings and/or book value.) Rather, in Asia today, several blue-chip companies or industry leaders across several sectors are priced at very attractive levels due to their exposure to the real or 'traditional' economy, at a period of economic uncertainty.

M&G Asian Fund

Authorised Corporate Director's Report

Outlook (continued)

In many ways this situation is the polar opposite to the pockets of froth that we talked about earlier, and it has created an attractive opportunity set to build a portfolio full of differentiated, esoteric stock ideas.

At the end of our interim report, soon after the change of management of the fund, we outlined that the core of our investment approach is to nurture and follow an investment universe of regional stocks, over an extended period. Through this process we are able to develop a superior perspective around the risk of ownership, allowing us to identify at times material gaps between price and underlying intrinsic value.

At the present time, markets are throwing up a wide opportunity set where we are able to identify a large number of exciting investment opportunities and thus build a portfolio of uncorrelated, attractively valued stocks. (Uncorrelated stocks are ones whose share prices tend to move more independently to one another, and holding enough of them helps to create a diversified portfolio.)

David Perrett

Fund manager

An employee of M&G FA Limited (formerly M&G Limited) which is an associate of M&G Securities Limited. At the start of the review period Alastair Bruce 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 Asian Fund

Authorised Corporate Director's Report

Portfolio statement

as at 31 August		2020	2020	2019
Holding		\$'000	%	%
EQUITIES		195,668	101.22	100.00
United States		19,253	9.96	0.00
55,047	Alibaba ADR	15,643	8.09	
63,546	Trip.com ADR	1,844	0.96	
32,009	Yum China	1,766	0.91	
Canada		2,922	1.51	0.00
848,535	Husky Energy	2,922	1.51	
Australia		18,831	9.74	7.43
155,020	Australia & New Zealand Banking	2,089	1.08	
140,690	BHP	3,887	2.01	
7,952	CSL	1,688	0.87	
479,219	Mesoblast	1,832	0.95	
207,993	National Australia Bank	2,729	1.41	
419,679	QBE Insurance	3,273	1.69	
598,300	Stockland	1,708	0.89	
237,876	Treasury Wine Estates	1,625	0.84	
China		21,347	11.04	29.81
11,394,000	AMVIG	1,999	1.03	
892,000	China Lesso	1,687	0.87	
2,829,000	Far East Horizon	2,493	1.29	
7,284,000	Greatview Aseptic Packaging	2,979	1.54	
190,395	HollySys Automation Technologies	2,053	1.06	
985,800	Huatai Securities	1,733	0.90	
42,699	JD.com ADR	3,386	1.75	
39,100	Meituan Dianping	1,337	0.69	
116,000	Ping An Insurance Group Company of China	1,246	0.65	
414,600	Vtech	2,434	1.26	
Hong Kong		57,706	29.85	14.74
534,000	AIA	5,550	2.87	
9,202,000	CGN Power	2,042	1.06	
388,500	China Mobile	2,797	1.45	
3,320,000	China Resources Power	3,980	2.06	
3,786,000	China Telecom	1,285	0.66	
2,460,000	China Unicom Hong Kong	1,813	0.94	
6,961,000	Chongqing Rural Commercial Bank	2,964	1.53	
280,350	CK Hutchison	1,832	0.95	
8,219,914	COSCO SHIPPING Ports	4,635	2.40	
3,363,000	Fufeng	1,128	0.58	
2,366,600	GF Securities	2,773	1.43	
342,238	MTR	1,793	0.93	
25,491,000	Pacific Basin Shipping	3,783	1.96	
8,732,000	Sinopec Kantons	3,470	1.79	
236,000	Sun Hung Kai Properties	3,130	1.62	
170,700	Tencent	11,905	6.16	
3,230,500	WH	2,826	1.46	
India		14,180	7.34	3.39
133,872	Housing Development Finance	3,431	1.77	
400,473	ICICI Bank	2,233	1.16	
146,546	Reliance Industries	4,225	2.19	
12,484	Reliance Industries (Rights Issue)	209	0.11	
858,797	Tata Motors	1,670	0.86	
236,001	Tech Mahindra	2,412	1.25	
Indonesia		2,686	1.39	2.22
6,310,900	Bank Mandiri	2,686	1.39	
Philippines		4,350	2.25	8.95
245,709	GT Capital	2,022	1.05	
33,695,200	Metro Pacific Investments	2,328	1.20	
Pakistan		0	0.00	1.95
Singapore		12,471	6.45	4.76
327,309	DBS	4,995	2.58	
10,728,468	Ezion Warrants 16/04/2023 [a]	0	0.00	
6,223,100	Japfa	2,859	1.48	
6,473,900	NetLink NBN Trust	4,617	2.39	

M&G Asian Fund

Authorised Corporate Director's Report

Portfolio statement (continued)

as at 31 August Holding		2020 \$'000	2020 %	2019 %
	EQUITIES (continued)			
	South Korea	22,089	11.43	14.29
110,882	Hana Financial	2,710	1.40	
4,005	NAVER	1,126	0.58	
231,698	Samsung Electronics	10,838	5.61	
98,114	Shinhan Financial	2,510	1.30	
47,297	SK Hynix	3,107	1.61	
66,130	Wonik IPS	1,798	0.93	
	Taiwan	16,877	8.73	12.46
157,000	Catcher Technology	1,107	0.57	
598,220	Delta Electronics	3,943	2.04	
798,178	Taiwan Semiconductor Manufacturing	11,827	6.12	
	Thailand	2,956	1.53	0.00
361,800	Bangkok Bank	1,242	0.64	
617,500	Kasikornbank	1,714	0.89	
Portfolio of investments		195,668	101.22	100.00
	CASH EQUIVALENTS	769	0.40	1.86
	Eire 'AAA' rated money market funds ^[b]	769	0.40	1.86
769,000	Northern Trust Global Fund - US dollar	769	0.40	
Total portfolio (notes 2c & 2d on page 8)		196,437	101.62	101.86
Net other assets / (liabilities)		(3,127)	(1.62)	(1.86)
Net assets attributable to shareholders before fair value accounting adjustment		193,310	100.00	100.00
Total portfolio before fair value accounting adjustment		196,437	101.62	101.86
Fair value accounting adjustment		(1,872)	0.00	0.00
Total portfolio (notes 2c & 2d on page 8)		194,565	101.62	101.86
Net other assets / (liabilities)		(3,127)	(1.62)	(1.86)
Net assets attributable to shareholders		191,438	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.

M&G Asian Fund

Authorised Corporate Director's Report

Top ten portfolio transactions

for the year to 31 August 2020	
Largest purchases	\$'000
Alibaba ADR	11,375
Tencent	8,302
Husky Energy	7,047
COSCO SHIPPING Ports	6,134
Pacific Basin Shipping	5,686
China Resources Power	5,140
Sun Hung Kai Properties	4,737
WH	4,632
NetLink NBN Trust	4,549
Kasikornbank	3,951
Other purchases	74,354
Total purchases	135,907
Largest sales	\$'000
China Lesso	13,392
CK Hutchison	8,723
Baidu ADR	5,107
Trip.com ADR	5,026
Samsung Electronics	4,699
First Pacific	4,661
Silicon Motion Technology ADR	4,594
Chicony Electronics	4,418
CNOOC	3,498
Standard Chartered	3,410
Other sales	88,070
Total sales	145,598

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.

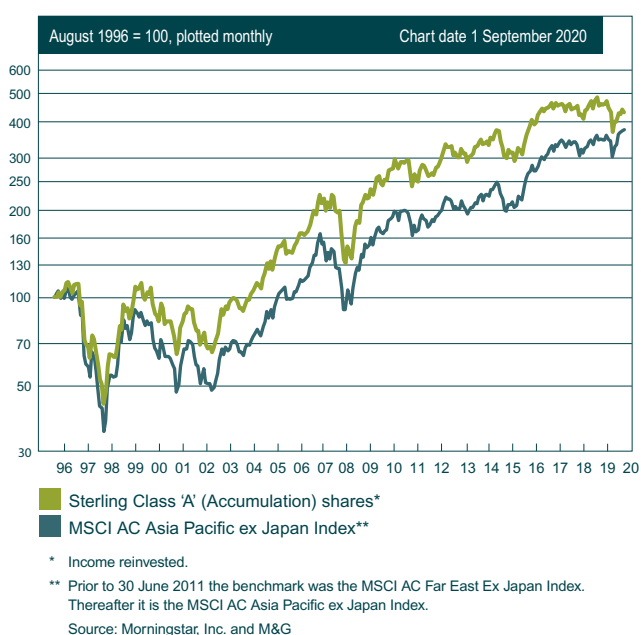
Fund level performance

Fund net asset value

	2020	2019	2018
as at 31 August	\$'000	\$'000	\$'000
Fund net asset value (NAV)	191,438	197,015	409,725

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 comparator benchmark 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 02.09.19 % ^[a]	Three years 01.09.17 % pa	Five years 01.09.15 % pa	Since launch % pa
Sterling^[b]				
Class 'A'	-5.6	-2.2	+7.9	+8.5 ^[c]
Class 'I'	-5.1	-1.5	+8.6	+7.0 ^[d]
Class 'R'	-5.4	-1.8	+8.3	+6.7 ^[d]
Class 'X'	-5.6	-2.2	+7.9	+13.0 ^[e]

^[a] Absolute basis.

^[b] Price to price with income reinvested.

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

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

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

M&G Asian Fund

Financial highlights

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 depository, 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 Trust 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.

Operating charges are 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.

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	2020	2019	2018	Average ^[a]
Direct portfolio transaction costs ^[b]	%	%	%	%
Broker commission	0.09	0.05	0.04	0.06
Taxes	0.14	0.09	0.11	0.11
Costs before dilution adjustments	0.23	0.14	0.15	0.17
Dilution adjustments ^[c]	(0.02)	(0.04)	(0.11)	(0.06)
Total direct portfolio transaction costs	0.21	0.10	0.04	0.11

as at 31 August	2020	2019	2018	Average ^[a]
Indirect portfolio transaction costs	%	%	%	%
Average portfolio dealing spread	0.22	0.28	0.26	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.

Historic yields for the current year are calculated as at 11 September 2020.

Sterling Class 'A' Income share performance

The share class was launched on 14 September 1973. for the year to 31 August			
	2020	2019	2018
Change in NAV per share	UK p	UK p	UK p
Opening NAV	1,364.88	1,384.50	1,467.64
Return before operating charges and after direct portfolio transaction costs	(36.69)	46.69	(15.90)
Operating charges	(18.97)	(23.84)	(24.80)
Return after operating charges	(55.66)	22.85	(40.70)
Distributions	(36.29)	(42.47)	(42.44)
Closing NAV	1,272.93	1,364.88	1,384.50
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	3.00	2.62	2.22
Dilution adjustments ^[a]	(0.20)	(0.74)	(1.66)
Total direct portfolio transaction costs	2.80	1.88	0.56
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.21	0.10	0.04
Operating charges ^[c]	1.45	1.73	1.72
Return after operating charges	-4.08	+1.65	-2.77
Historic yield	2.87	2.93	3.06
Effect on yield of charges offset against capital	1.45	1.63	1.65
Other information			
Closing NAV (\$'000)	115,793	120,535	147,696
Closing NAV percentage of total fund NAV (%)	60.49	61.18	36.05
Number of shares	6,837,704	7,251,747	8,202,557
Highest share price (UK p)	1,469.16	1,504.84	1,511.84
Lowest share price (UK p)	1,046.84	1,254.15	1,365.59

Sterling Class 'A' Accumulation share performance

The share class was launched on 14 September 1973. for the year to 31 August			
	2020	2019	2018
Change in NAV per share	UK p	UK p	UK p
Opening NAV	2,325.87	2,288.15	2,353.57
Return before operating charges and after direct portfolio transaction costs	(62.57)	76.69	(25.64)
Operating charges	(32.31)	(38.97)	(39.78)
Return after operating charges	(94.88)	37.72	(65.42)
Distributions	(30.94)	(31.05)	(28.57)
Retained distributions	30.94	31.05	28.57
Closing NAV	2,230.99	2,325.87	2,288.15
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	5.11	4.27	3.56
Dilution adjustments ^[a]	(0.34)	(1.21)	(2.66)
Total direct portfolio transaction costs	4.77	3.06	0.90
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.21	0.10	0.04
Operating charges ^[c]	1.45	1.73	1.72
Return after operating charges	-4.08	+1.65	-2.78
Historic yield	1.40	1.16	1.25
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	16,313	16,902	57,067
Closing NAV percentage of total fund NAV (%)	8.52	8.58	13.93
Number of shares	549,629	596,743	1,917,667
Highest share price (UK p)	2,503.54	2,486.98	2,424.29
Lowest share price (UK p)	1,783.87	2,072.68	2,189.76

Sterling Class 'I' Income share performance

The share class was launched on 3 August 2012. for the year to 31 August			
	2020	2019	2018
Change in NAV per share	UK p	UK p	UK p
Opening NAV	1,575.67	1,586.60	1,669.18
Return before operating charges and after direct portfolio transaction costs	(42.35)	53.87	(18.09)
Operating charges	(14.35)	(15.90)	(15.97)
Return after operating charges	(56.70)	37.97	(34.06)
Distributions	(42.01)	(48.90)	(48.52)
Closing NAV	1,476.96	1,575.67	1,586.60
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	3.47	3.01	2.54
Dilution adjustments ^[a]	(0.23)	(0.85)	(1.89)
Total direct portfolio transaction costs	3.24	2.16	0.65
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.21	0.10	0.04
Operating charges ^[c]	0.95	1.00	0.97
Return after operating charges	-3.60	+2.39	-2.04
Historic yield	2.86	2.90	3.05
Effect on yield of charges offset against capital	0.95	0.90	0.90
Other information			
Closing NAV (\$'000)	12,379	13,161	14,401
Closing NAV percentage of total fund NAV (%)	6.47	6.68	3.50
Number of shares	630,023	685,863	697,908
Highest share price (UK p)	1,699.38	1,736.34	1,721.72
Lowest share price (UK p)	1,211.93	1,438.43	1,562.97

M&G Asian Fund

Financial highlights

Specific share class performance

Sterling Class 'T' Accumulation share performance

The share class was launched on 3 August 2012. for the year to 31 August			
	2020	2019	2018
Change in NAV per share	UK p	UK p	UK p
Opening NAV	1,806.50	1,764.31	1,801.20
Return before operating charges and after direct portfolio transaction costs	(48.62)	59.87	(19.69)
Operating charges	(16.43)	(17.68)	(17.20)
Return after operating charges	(65.05)	42.19	(36.89)
Distributions	(32.38)	(37.59)	(35.80)
Retained distributions	32.38	37.59	35.80
Closing NAV	1,741.45	1,806.50	1,764.31
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	3.97	3.35	2.73
Dilution adjustments ^[a]	(0.26)	(0.95)	(2.04)
Total direct portfolio transaction costs	3.71	2.40	0.69
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.21	0.10	0.04
Operating charges ^[c]	0.95	1.00	0.97
Return after operating charges	-3.60	+2.39	-2.05
Historic yield	1.87	1.87	2.03
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	28,515	27,963	29,073
Closing NAV percentage of total fund NAV (%)	14.89	14.19	7.10
Number of shares	1,230,845	1,271,080	1,267,044
Highest share price (UK p)	1,948.29	1,930.78	1,857.75
Lowest share price (UK p)	1,389.45	1,599.52	1,686.47

Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012. for the year to 31 August			
	2020	2019	2018
Change in NAV per share	UK p	UK p	UK p
Opening NAV	156.20	157.68	166.30
Return before operating charges and after direct portfolio transaction costs	(4.20)	5.34	(1.79)
Operating charges	(1.80)	(1.97)	(2.00)
Return after operating charges	(6.00)	3.37	(3.79)
Distributions	(4.16)	(4.85)	(4.83)
Closing NAV	146.04	156.20	157.68
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.34	0.30	0.25
Dilution adjustments ^[a]	(0.02)	(0.08)	(0.19)
Total direct portfolio transaction costs	0.32	0.22	0.06
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.21	0.10	0.04
Operating charges ^[c]	1.20	1.25	1.22
Return after operating charges	-3.84	+2.14	-2.28
Historic yield	2.87	2.91	3.06
Effect on yield of charges offset against capital	1.20	1.15	1.15
Other information			
Closing NAV (\$'000)	880	909	848
Closing NAV percentage of total fund NAV (%)	0.46	0.46	0.21
Number of shares	452,687	477,710	413,646
Highest share price (UK p)	168.30	172.17	171.47
Lowest share price (UK p)	119.97	142.92	155.40

Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012. for the year to 31 August			
	2020	2019	2018
Change in NAV per share	UK p	UK p	UK p
Opening NAV	177.55	173.83	177.91
Return before operating charges and after direct portfolio transaction costs	(4.78)	5.89	(1.94)
Operating charges	(2.04)	(2.17)	(2.14)
Return after operating charges	(6.82)	3.72	(4.08)
Distributions	(2.77)	(3.24)	(3.08)
Retained distributions	2.77	3.24	3.08
Closing NAV	170.73	177.55	173.83
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.39	0.33	0.27
Dilution adjustments ^[a]	(0.03)	(0.09)	(0.20)
Total direct portfolio transaction costs	0.36	0.24	0.07
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.21	0.10	0.04
Operating charges ^[c]	1.20	1.25	1.22
Return after operating charges	-3.84	+2.14	-2.29
Historic yield	1.64	1.63	1.77
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	8,761	8,183	7,888
Closing NAV percentage of total fund NAV (%)	4.58	4.15	1.92
Number of shares	3,857,130	3,784,734	3,489,146
Highest share price (UK p)	191.30	189.81	183.42
Lowest share price (UK p)	136.37	157.56	166.23

Sterling Class 'X' Income share performance

The share class was launched on 1 October 2002. for the year to 31 August			
	2020	2019	2018
Change in NAV per share	UK p	UK p	UK p
Opening NAV	1,363.03	1,382.63	1,465.67
Return before operating charges and after direct portfolio transaction costs	(36.64)	46.68	(15.89)
Operating charges	(18.94)	(23.86)	(24.76)
Return after operating charges	(55.58)	22.82	(40.65)
Distributions	(36.24)	(42.42)	(42.39)
Closing NAV	1,271.21	1,363.03	1,382.63
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	3.00	2.61	2.22
Dilution adjustments ^[a]	(0.20)	(0.74)	(1.65)
Total direct portfolio transaction costs	2.80	1.87	0.57
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.21	0.10	0.04
Operating charges ^[c]	1.45	1.74	1.72
Return after operating charges	-4.08	+1.65	-2.77
Historic yield	2.87	2.93	3.06
Effect on yield of charges offset against capital	1.45	1.63	1.65
Other information			
Closing NAV (\$'000)	6,326	6,653	8,185
Closing NAV percentage of total fund NAV (%)	3.30	3.38	2.00
Number of shares	374,059	400,812	455,159
Highest share price (UK p)	1,467.18	1,502.80	1,509.80
Lowest share price (UK p)	1,045.42	1,252.46	1,363.74

M&G Asian 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			
	2020	2019	2018
Change in NAV per share	UK p	UK p	UK p
Opening NAV	2,304.11	2,266.72	2,331.55
Return before operating charges and after direct portfolio transaction costs	(61.91)	76.50	(25.41)
Operating charges	(32.09)	(39.11)	(39.42)
Return after operating charges	(94.00)	37.39	(64.83)
Distributions	(30.65)	(30.76)	(28.30)
Retained distributions	30.65	30.76	28.30
Closing NAV	2,210.11	2,304.11	2,266.72
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	5.08	4.28	3.53
Dilution adjustments ^[a]	(0.33)	(1.21)	(2.63)
Total direct portfolio transaction costs	4.75	3.07	0.90
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.21	0.10	0.04
Operating charges ^[c]	1.45	1.74	1.72
Return after operating charges	-4.08	+1.65	-2.78
Historic yield	1.40	1.16	1.25
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	2,471	2,709	3,326
Closing NAV percentage of total fund NAV (%)	1.29	1.38	0.81
Number of shares	84,050	96,556	112,822
Highest share price (UK p)	2,480.11	2,463.70	2,401.60
Lowest share price (UK p)	1,767.17	2,053.28	2,169.26

^[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	2020		2019	
		\$'000	\$'000	\$'000	\$'000
Income					
Net capital gains / (losses)	3		6,464		(29,620)
Revenue	5	6,304		8,078	
Expenses	6	(2,554)		(3,782)	
Net revenue / (expense) before taxation		3,750		4,296	
Taxation	7	(721)		(550)	
Net revenue / (expense) after taxation			3,029		3,746
Total return before distributions			9,493		(25,874)
Distributions	8		(4,918)		(5,801)
Change in net assets attributable to shareholders from investment activities			4,575		(31,675)

Statement of change in net assets attributable to shareholders

for the year to 31 August		2020		2019	
		\$'000	\$'000	\$'000	\$'000
Opening net assets attributable to shareholders			197,015		409,725
Amounts received on issue of shares	4,394			10,023	
Amounts paid on cancellation of shares	(15,538)			(70,554)	
Transfer to M&G (Lux) Asian Fund	0			(121,968)	
			(11,144)		(182,499)
Dilution adjustments			59		262
Change in net assets attributable to shareholders from investment activities (see above)			4,575		(31,675)
Retained distributions on Accumulation shares			933		1,201
Unclaimed distributions			0		1
Closing net assets attributable to shareholders			191,438		197,015

M&G Asian Fund

Financial statements and notes

Financial statements (continued)

Balance sheet

as at 31 August	Note	2020 \$'000	2019 \$'000
Assets			
Fixed assets			
Investments		193,796	197,020
Current assets			
Debtors	9	679	332
Cash and bank balances	10	794	799
Cash equivalents		769	3,656
Total assets		196,038	201,807
Liabilities			
Creditors			
Bank overdrafts		(356)	(25)
Distribution payable		(3,859)	(4,395)
Other creditors	11	(385)	(372)
Total liabilities		(4,600)	(4,792)
Net assets attributable to shareholders		191,438	197,015

M&G Asian Fund

Financial statements and notes

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 8 to 10.

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, the 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)

	2020	2019
for the year to 31 August	\$'000	\$'000
Non-derivative securities	6,465	(29,366)
Currency gains / (losses)	0	(231)
Transaction charges	(1)	(23)
Net capital gains / (losses)	6,464	(29,620)

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 20.

for the year to 31 August	2020 \$'000	% of transaction	2019 \$'000	% of transaction
a) Purchases				
Equities				
Equities before transaction costs	135,334		97,397	
Commissions	82	0.06	79	0.08
Taxes	86	0.06	72	0.07
Equities after transaction costs	135,502		97,548	
Other transaction types				
Corporate actions	405		0	
Total purchases after transaction costs	135,907		97,548	
b) Sales				
Equities				
Equities before transaction costs	145,774		154,171	
Commissions	(98)	0.07	(98)	0.06
Taxes	(175)	0.12	(236)	0.15
Equities after transaction costs	145,501		153,837	
Other transaction types				
Corporate actions	97		891	
Total sales after transaction costs	145,598		154,728	
	2020 \$'000	% of average NAV	2019 \$'000	% of average NAV
c) Direct portfolio transaction costs				
Commissions paid				
Equities	180	0.09	177	0.05
Taxes paid				
Equities	261	0.14	308	0.09
Total direct portfolio transaction costs ^[a]	441	0.23	485	0.14
d) Indirect portfolio transaction costs				
Portfolio dealing spread ^[b]		0.22		0.28

^[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	2020 \$'000	2019 \$'000
Bank interest	12	2
Dividends from equity investments: non-taxable	6,198	7,496
Dividends from equity investments: taxable	(226)	102
Interest distributions	49	58
Rebate of ongoing charges from underlying funds	2	0
Stock dividends	269	420
Total revenue	6,304	8,078

Revenue includes currency gains/losses.

M&G Asian Fund

Financial statements and notes

Notes to the financial statements

6 Expenses

	2020	2019
for the year to 31 August	\$'000	\$'000
Payable to the ACD or associate		
Annual charge	2,560	222
Annual management charge ^[a]	0	3,004
Administration charge ^[a]	0	341
	2,560	3,567
Payable to the Depository or associate		
Depository's charge (including VAT) ^[a]	0	19
Other expenses		
Audit fee (including VAT) ^[a] ^[b]	0	10
Dividend charges	1	1
Interest payable	0	2
Legal fees	0	4
Safe custody charge ^[a]	(7)	117
Tax fees (including VAT)	0	62
	(6)	196
Total expenses	2,554	3,782

^[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 2020 were £9,000 (including VAT).

7 Taxation

	2020	2019
for the year to 31 August	\$'000	\$'000
a) Analysis of charge in the year		
Corporation tax	0	0
Withholding tax	490	511
Capital gains tax (India)	231	39
Deferred tax (note 7c)	0	0
Total taxation	721	550
b) Factors affecting taxation charge for the year		
Net revenue / (expense) before taxation	3,750	4,296
Corporation tax at 20%	750	859
Effects of:		
Dividends from equity investments: non-taxable	(1,239)	(1,499)
Stock dividends not taxable	(54)	(84)
Current year expenses not utilised	543	724
Withholding tax	490	511
Capital gains tax (India)	231	39
Total tax charge (note 7a)	721	550
c) Provision for deferred taxation		
Provision at the start of the year	0	0
Deferred tax in profit and loss account (note 7a)	0	0
Provision at the end of the year	0	0

The fund has not recognised a deferred tax asset of \$21,443,000 (2019: \$20,900,000) arising as a result of having excess management expenses. We do not expect this asset to be utilised in the foreseeable future.

8 Distributions

	2020		2019	
for the year to 31 August	Inc ^[a]	Acc ^[b]	Inc ^[a]	Acc ^[b]
Dividend distributions	\$'000	\$'000	\$'000	\$'000
Final	3,859	933	4,395	1,201
Total net distributions		4,792		5,596
Income deducted on cancellation of shares		164		249
Income received on issue of shares		(38)		(44)
Distributions		4,918		5,801
Net revenue / (expense) per statement of total return		3,029		3,746
Expenses offset against capital		1,927		2,436
Stock dividends not distributed		(269)		(420)
Capital gains tax offset against capital		231		39
Distributions		4,918		5,801

^[a] Distributions payable on Income shares.

^[b] Retained distributions on Accumulation shares.

9 Debtors

	2020	2019
as at 31 August	\$'000	\$'000
Amounts receivable on issues of shares	0	29
Currency deals outstanding	129	0
Distributions receivable	0	6
Dividends receivable	228	297
Sales awaiting settlement	322	0
Total debtors	679	332

10 Cash and bank balances

	2020	2019
as at 31 August	\$'000	\$'000
Cash held as bank balances	794	799
Total cash and bank balances	794	799

11 Other creditors

	2020	2019
as at 31 August	\$'000	\$'000
Amounts payable on cancellation of shares	130	189
Annual charge payable	127	132
Currency deals outstanding	128	0
Expenses payable	0	51
Total other creditors	385	372

12 Contingent assets, liabilities and outstanding commitments

There were no contingent liabilities or outstanding commitments at the balance sheet date (2019: same)

M&G Asian 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	Movements		Closing
	01.09.19	Issued	Cancelled	31.08.20
Sterling				
Class 'A' Income	7,251,747	23,716	(437,759)	6,837,704
Class 'A' Accumulation	596,743	967	(48,081)	549,629
Class 'T' Income	685,863	18,021	(73,861)	630,023
Class 'T' Accumulation	1,271,080	123,011	(163,246)	1,230,845
Class 'R' Income	477,710	45,157	(70,180)	452,687
Class 'R' Accumulation	3,784,734	389,314	(316,918)	3,857,130
Class 'X' Income	400,812	9,786	(36,539)	374,059
Class 'X' Accumulation	96,556	3,048	(15,554)	84,050

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]
Sterling			
Class 'A'	n/a	n/a	1.45
Class 'T'	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.

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 in respect of the annual charge are disclosed in note 11.

At the balance sheet date, shareholders from within M&G plc, of which M&G Securities Limited is a wholly owned subsidiary, have holdings totalling 41.24% (2019: 41.67%) 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
	2020	2020	2019	2019
Basis of valuation	\$'000	\$'000	\$'000	\$'000
Level 1	193,796	0	197,020	0
Level 2	0	0	0	0
Level 3	0	0	0	0
	193,796	0	197,020	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 10 to 11.

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 \$9,690,000 (2019: \$9,851,000). A five per cent decrease would have an equal and opposite effect.

M&G Asian 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 \$8,522,000 (2019: \$8,843,000)*. A five per cent decrease would have an equal and opposite effect.

*Restated.

	2020	2019
as at 31 August	\$'000	\$'000
Currency exposure in respect of the fund		
Australian dollar	19,097	14,749
Canadian dollar	2,922	0
Hong Kong dollar	73,715	76,080
Indian rupee	14,179	6,762
Indonesian rupiah	2,686	4,375
Pakistani rupee	0	3,850
Philippine peso	4,367	11,904
Singapore dollar	12,516	9,399
South Korean won	22,089	28,156
Sterling	0	(69)
Taiwan dollar	17,794	21,658
Thailand baht	2,956	0
US dollar	20,989	20,151
Fair value accounting adjustment	(1,872)	0
Total	191,438	197,015

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 as there are no counterparty or derivative balances 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	01.09.19	31.08.20	01.09.20	31.10.20

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.

Sterling Class 'A' Income shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income	Equalisation	2020	2019
	2020	2020	2020	2019
	UK p	UK p	UK p	UK p
Final	23.3601	12.9308	36.2909	42.4744

Sterling Class 'A' Accumulation shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income	Equalisation	2020	2019
	2020	2020	2020	2019
	UK p	UK p	UK p	UK p
Final	16.8320	14.1095	30.9415	31.0482

Sterling Class 'I' Income shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income	Equalisation	2020	2019
	2020	2020	2020	2019
	UK p	UK p	UK p	UK p
Final	22.3483	19.6575	42.0058	48.8955

Sterling Class 'I' Accumulation shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income	Equalisation	2020	2019
	2020	2020	2020	2019
	UK p	UK p	UK p	UK p
Final	17.0765	15.3075	32.3840	37.5891

Sterling Class 'R' Income shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income	Equalisation	2020	2019
	2020	2020	2020	2019
	UK p	UK p	UK p	UK p
Final	2.3064	1.8523	4.1587	4.8521

Sterling Class 'R' Accumulation shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income	Equalisation	2020	2019
	2020	2020	2020	2019
	UK p	UK p	UK p	UK p
Final	1.4964	1.2755	2.7719	3.2420

Sterling Class 'X' Income shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income	Equalisation	2020	2019
	2020	2020	2020	2019
	UK p	UK p	UK p	UK p
Final	28.8645	7.3774	36.2419	42.4170

Sterling Class 'X' Accumulation shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income	Equalisation	2020	2019
	2020	2020	2020	2019
	UK p	UK p	UK p	UK p
Final	14.2586	16.3932	30.6518	30.7576

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.

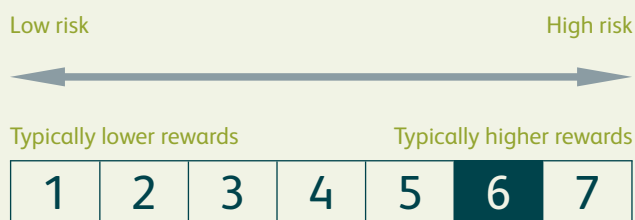
The fund is passively managed. The index is a constraining benchmark for the fund. The fund aims to track the return of the index. The fund's portfolio holdings are therefore unlikely to significantly deviate from the index's constituent parts.

For unhedged share classes, the benchmark is shown in the share class currency.

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 changed during this period. From 1 September 2019 to 9 July 2020 the risk number was 5.

Investment review

As at 1 September 2020, for the year ended 31 August 2020

Performance against objective

The M&G European Index Tracker Fund is designed to track the FTSE World Europe ex UK Index. Between 2 September 2019 (the start of the review period) and 1 September 2020, the fund's Sterling Class 'A' shares returned -0.5%, while the Euro Class 'A' shares returned 1.3%. The difference in returns between the share classes reflects currency movements over the period. Meanwhile, the FTSE World Europe ex UK Index returned -0.6% and 1.6% 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 'Financial highlights' section of this report.

Performance review

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

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

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).

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.

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

M&G European Index Tracker Fund

Authorised Corporate Director's Report

Performance review (continued)

The M&G European Index Tracker Fund tracks the performance of the FTSE World Europe ex UK Index using a technique called 'stratified sampling', which is a two-part strategy. Firstly, the portfolio contains the largest European companies in the index in the same proportion as the index. Secondly, we hold shares in some of the remaining companies listed in the index in such a way as to reflect the characteristics of the index. In our opinion, using this method of tracking the index is the best way of minimising the fund's dealing costs and therefore represents good value for shareholders. As the fund is designed to track the index, its overall performance can largely be explained by market developments over the period under review.

European stockmarkets rose modestly in the first half of the period under review before plunging in February/March 2020 as the coronavirus reached Europe. The FTSE World Europe ex UK Index rallied from mid-March with the subsequent gains making up most of the ground lost earlier in the spring.

Investor sentiment was initially bolstered as international trade concerns eased and central banks kept a generally supportive stance. However, market observers soon took fright due to the emergence and rapid spread of the virus, leading to heightened anxiety about the potential impact on the global economy. Many countries adopted population lockdowns and the closure of non-essential businesses in response to the pandemic. Various governments announced massive stimulus packages, with the aim of supporting economies during the crisis.

Investors' risk appetite improved in April, driven by optimism that the pandemic had peaked in Europe and the US. Signs that some countries were preparing to ease some of their lockdown measures provided further support.

During the spring, despite some extremely weak economic data such as employment and retail sales figures, investors became more hopeful that stimulus packages and the easing of lockdown measures would lead to an economic recovery. The proposal of an extensive economic rescue plan for the European Union (EU) was also welcomed. Signs of some improving economic activity amid cautious optimism that the worst of the pandemic had passed led to sustained gains in June before renewed caution in July due to a resurgence of infections in various parts of the world, in particular some European countries.

In mid-July the EU reached a deal on a €750 billion recovery fund, designed to address the economic damage in those member countries hardest hit by the virus. Market observers' sentiment was also supported by optimism regarding a potential vaccine against COVID-19 as well as improved optimism concerning US-China trade relations.

In terms of the eurozone economy, activity fell sharply in the second quarter, compared with modest declines in the preceding quarter, which only contained a few weeks of population lockdowns and other pandemic-related measures. As lockdown measures continued to ease, the third quarter got off to a promising start. However, the rebound lost momentum in August

due partly to rising cases of the virus in parts of the EU, as well as weakness in the eurozone service sector, although manufacturing production continued to expand.

In other data, inflation in the region unexpectedly ticked up in July, compared with the previous month. However, it subsequently dipped slightly into negative territory, according to flash estimates, well below the European Central Bank's target of just under 2% and putting pressure on the bank to take further measures to generate price growth.

Turning to sector performance, tobacco, utilities and healthcare performed well over the year, thanks to their defensive characteristics, as these types of stock tend to remain relatively stable regardless of swings in economic cycles. Investors in healthcare stocks were also encouraged by advances towards potential vaccines against the coronavirus. Technology stocks gained too, due to increased demand during the pandemic. Meanwhile, travel restrictions hurt stocks in the aerospace and travel sectors. Other laggards included the oil, industrial metals and financial sectors due to worries about prospects for economic activity.

Investment activities

Certain companies joined or left the index and some changes to the portfolio reflect these developments. Examples of companies entering the index and the portfolio included Netherlands-based consumer internet firm Prosus, Dutch semiconductor group ASM International, electricity transmission company Elia Group, which is based in Belgium and Germany, and Sweden's global investment group EQT.

German software company SAP was a sizeable purchase during the period; the stock's index weighting rose markedly in June and we increased the existing holding in order to remain close to the index weighting.

Meanwhile, the sale of some holdings reflects their departure from the index. Such disposals included Danish bank Jyske Bank, Spanish stainless steel manufacturer Acerinox, Spanish pharmaceutical and chemical manufacturer Grifols and German energy firm Innogy.

We also sold the holding in German financial services firm Wirecard after the company filed for insolvency. Wirecard was subsequently removed from the index.

In other activity, Swiss financial holding company Pargesa left the portfolio in connection with its acquisition by a consortium led by Power Corp of Canada. We tendered our holding and the stock was subsequently deleted from the index. Meanwhile, we tendered the holding in Netherlands-based molecular diagnostics and life sciences firm Qiagen to life sciences company Thermo Fisher, which planned to acquire the firm, although the proposed acquisition did not take place.

We tendered the holding in Italy-based beverages company Davide Campari as its share price was trading substantially below the tender price. The stock remains in the index.

M&G European Index Tracker Fund

Authorised Corporate Director's Report

Investment activities (continued)

In other disposals, we sold our holding in Germany-based digital publishing house Axel Springer in connection with its acquisition by US financial investor KKR.

Other transactions related to cashflow management, with examples including Swiss food and beverage firm Nestlé, Swiss pharmaceutical company Novartis, Danish pharmaceutical firm Novo Nordisk, Germany-based financial services business Allianz and Swiss pharmaceutical company Roche.

Outlook

Prospects for the near and medium term remain uncertain, with the outlook for global and eurozone economies closely tied to how successful authorities are at controlling the coronavirus pandemic. Economic activity in the region and further afield has inevitably been hurt by the restrictions caused by the pandemic and the EU as well as individual European governments have taken extensive steps to support businesses and domestic economies.

It is too early to understand the ultimate impact of coronavirus on economic activity in the region, in particular the extent to which and how quickly businesses and sectors are able to recover. The willingness of the authorities to take meaningful action is encouraging but infection rates have been increasing recently in Europe. It remains to be seen whether policymakers will be successful in preventing a second spike of the virus, which could lead to renewed restrictions.

To complicate matters, the EU and UK have yet to secure a trade deal and, while negotiations are still ongoing, little progress has been made to date. Failure to reach agreement would lead to a 'no deal' scenario from the start of next year, potentially increasing uncertainty for eurozone companies that trade with the UK.

Nigel Booth Fund manager

An employee of M&G FA Limited (formerly 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

Portfolio statement

as at 31 August		2020	2020	2019
Holding		€'000	%	%
	EQUITIES	88,707	99.48	99.88
	Austria	320	0.36	0.45
950	Andritz	27	0.03	
4,185	Erste Group Bank	89	0.10	
2,214	OMV	61	0.07	
1,956	Raiffeisen International Bank	30	0.03	
1,652	Telekom Austria	10	0.01	
800	Verbund	36	0.04	
1,114	Vienna Insurance	23	0.03	
2,113	Voestalpine	44	0.05	
	Belgium	1,772	1.99	2.31
411	Ackermans & van Haaren	50	0.06	
3,141	Ageas	115	0.13	
11,877	Anheuser-Busch InBev	592	0.66	
554	Argenx	107	0.12	
1,707	Bruxelles Lambert	134	0.15	
500	Colruyt	27	0.03	
400	Elia	36	0.04	
670	Galapagos	73	0.08	
4,237	KBC	211	0.24	
2,246	Proximus	38	0.04	
1,008	Solvay	73	0.08	
757	Telenet	25	0.03	
1,751	UCB	173	0.20	
3,078	Umicore	118	0.13	
	Czech Republic	72	0.08	0.11
1,745	CEZ	30	0.03	
1,318	Komerční banka	27	0.03	
7,000	Moneta Money Bank	15	0.02	
	Denmark	4,269	4.79	3.85
2,000	Ambu	50	0.06	
151	AP Moller-Maersk	192	0.22	
1,474	Carlsberg	174	0.20	
1,642	Chr. Hansen	157	0.18	
2,158	Coloplast	302	0.34	
10,339	Danske Bank	138	0.15	
1,500	Demant	38	0.04	
3,145	DSV PANALPINA	409	0.46	
954	Genmab	298	0.33	
1,500	GN Store Nord	90	0.10	
2,892	ISS	38	0.04	
24,694	Novo-Nordisk	1,379	1.55	
3,120	Novozymes	153	0.17	
2,757	Orsted	330	0.37	
1,374	Pandora	82	0.09	
2,333	Tryg	61	0.07	
2,998	Vestas Wind Systems	378	0.42	
	Finland	2,508	2.81	2.58
2,250	Elisa	113	0.13	
6,514	Fortum	112	0.13	
1,013	Huhtamaki	41	0.05	
4,156	Kesko	78	0.09	
6,036	Kone	436	0.49	
7,727	Metso Outotec	48	0.05	
1,797	Neles	20	0.02	
6,250	Neste	278	0.31	
81,609	Nokia	341	0.38	
1,479	Nokian Renkaat	35	0.04	
737	Nordea Bank (Helsinki listing)	5	0.01	
46,014	Nordea Bank (Stockholm listing)	317	0.35	
1,554	Orion	61	0.07	
7,378	Sampo	253	0.28	
8,332	Stora Enso	101	0.11	
8,346	UPM-Kymmene	211	0.24	
8,213	Wartsila	58	0.06	

M&G European Index Tracker Fund

Authorised Corporate Director's Report

Portfolio statement (continued)

as at 31 August		2020	2020	2019
Holding		€'000	%	%
	EQUITIES (continued)			
	France	18,947	21.25	23.34
3,142	Accor	82	0.09	
443	Aéroports de Paris	39	0.04	
561	Air Liquide	78	0.09	
6,379	Air Liquide (prime de fidélité 2012)	891	1.00	
8,171	Airbus	589	0.66	
2,409	Alstom	114	0.13	
800	Amundi	53	0.06	
1,006	Arkema	94	0.11	
1,477	Atos	109	0.12	
29,215	AXA	514	0.58	
686	BioMérieux	86	0.10	
15,904	BNP Paribas	602	0.67	
14,298	Bolloré	46	0.05	
3,057	Bouygues	105	0.12	
4,650	Bureau Veritas	88	0.10	
2,396	Capgemini	280	0.31	
9,175	Carrefour	124	0.14	
1,028	Casino Guichard Perrachon	23	0.03	
2,656	CNP Assurances	31	0.03	
902	Covivio REIT	58	0.06	
18,184	Crédit Agricole	161	0.18	
8,766	Danone	490	0.55	
34	Dassault Aviation	27	0.03	
1,948	Dassault Systemes	308	0.35	
4,345	Edenred	189	0.21	
4,574	EDF	40	0.04	
3,522	EDF (prime de fidélité 2017)	31	0.03	
1,065	Eiffage	85	0.09	
3,000	Elis	32	0.04	
1,542	ENGIE	17	0.02	
22,798	ENGIE (prime de fidélité regd)	255	0.29	
4,486	EssilorLuxottica	505	0.57	
627	Eurazeo	28	0.03	
170	Eurofins Scientific	113	0.13	
800	Euronext	82	0.09	
3,283	Eutelsat Communications	29	0.03	
1,404	Faurecia	52	0.06	
940	Gecina REIT	109	0.12	
7,126	Getlink	94	0.11	
450	Hermès International	324	0.36	
352	Iliad	62	0.07	
903	Imerys	31	0.03	
960	Ingenico	138	0.15	
587	Ipsen	51	0.06	
1,115	Kering	577	0.65	
3,192	Klepierre REIT	46	0.05	
3,124	LafargeHolcim	125	0.14	
3,980	Legrand	281	0.31	
234	L'Oréal	65	0.07	
3,416	L'Oréal (prime de fidélité 2012)	951	1.07	
3,694	LVMH	1,470	1.65	
2,649	Michelin	254	0.28	
13,227	Natixis	32	0.04	
29,516	Orange	286	0.32	
873	Orpea	88	0.10	
3,105	Pernod Ricard	455	0.51	
6,692	Peugeot	98	0.11	
1,180	Plastic Omnium	22	0.02	
3,062	Publicis	93	0.10	
2,777	Renault	67	0.07	
5,263	Rexel	59	0.07	
1,685	Rubis	66	0.07	
4,823	Safran	490	0.55	
7,002	Saint-Gobain	239	0.27	

M&G European Index Tracker Fund

Authorised Corporate Director's Report

Portfolio statement (continued)

as at 31 August Holding		2020 €'000	2020 %	2019 %
	EQUITIES (continued)			
	France (continued)			
16,144	Sanofi	1,378	1.55	
200	Sartorius Stedim Biotech	59	0.07	
7,840	Schneider Electric	821	0.92	
1,961	SCOR	45	0.05	
321	SEB	47	0.05	
5,836	SES FDR	36	0.04	
10,589	Société Générale	149	0.17	
1,500	Sodexo (prime de fidélité regd)	94	0.11	
9,763	STMicroelectronics	245	0.27	
5,539	Suez	68	0.08	
6,956	TechnipFMC	44	0.05	
839	Teleperformance	219	0.25	
1,607	Thales	110	0.12	
36,004	TOTAL	1,200	1.35	
1,264	Ubisoft	87	0.10	
3,748	Valeo	96	0.11	
7,794	Veolia Environnement	149	0.17	
7,086	Vinci	577	0.65	
12,223	Vivendi	293	0.33	
621	Wendel	55	0.06	
1,958	Worldline	152	0.17	
	Germany	17,432	19.55	18.38
2,915	adidas	740	0.83	
6,184	Allianz	1,154	1.29	
18,244	Aroundtown	86	0.10	
13,775	BASF	709	0.80	
14,679	Bayer	807	0.91	
5,259	Bayerische Motoren Werke	314	0.35	
159	Bayerische Motoren Werke Preference Shares	7	0.01	
300	Bechtle	51	0.06	
1,509	Beiersdorf	145	0.16	
2,285	Brenntag	119	0.13	
350	Carl Zeiss Meditec	33	0.04	
17,101	Commerzbank	85	0.10	
1,758	Continental	161	0.18	
2,443	Covestro	98	0.11	
800	CTS Eventim	33	0.04	
11,973	Daimler	514	0.58	
1,950	Delivery Hero	171	0.19	
28,489	Deutsche Bank	239	0.27	
2,966	Deutsche Börse	472	0.53	
4,178	Deutsche Lufthansa	38	0.04	
15,007	Deutsche Post	577	0.65	
48,655	Deutsche Telekom	732	0.82	
5,512	Deutsche Wohnen	246	0.28	
32,143	E.ON	321	0.36	
2,417	Evonik Industries	59	0.07	
665	Fraport	25	0.03	
6,771	Fresenius	267	0.30	
3,355	Fresenius Medical Care	239	0.27	
374	Fuchs Petrolub	11	0.01	
1,397	Fuchs Petrolub Preference Shares	55	0.06	
2,659	GEA	79	0.09	
937	Hannover Rueck	136	0.15	
2,460	HeidelbergCement	130	0.15	
3,931	Henkel Preference Shares	341	0.38	
228	Hochtief	18	0.02	
934	HUGO BOSS	21	0.02	
18,939	Infineon Technologies	438	0.49	
991	Kion	69	0.08	
500	Knorr-Bremse	53	0.06	
1,244	LANXESS	61	0.07	
1,019	LEG Immobilien	126	0.14	
2,006	Merck	227	0.25	

M&G European Index Tracker Fund

Authorised Corporate Director's Report

Portfolio statement (continued)

as at 31 August		2020	2020	2019
Holding		€'000	%	%
	EQUITIES (continued)			
	Germany (continued)			
4,029	Metro	34	0.04	
801	MTU Aero Engines	127	0.14	
2,158	Munich Re	533	0.60	
600	Nemetschek	40	0.04	
2,294	Porsche Automobil Preference Shares	120	0.13	
3,925	ProSiebenSat.1 Media	39	0.04	
1,070	Puma	75	0.08	
3,315	QIAGEN	141	0.16	
70	Rational	38	0.04	
500	Rheinmetall	40	0.04	
570	RTL	16	0.02	
8,772	RWE	288	0.32	
16,581	SAP	2,312	2.59	
525	Sartorius Preference Shares	181	0.20	
1,500	Scout24	117	0.13	
11,407	Siemens	1,351	1.52	
1,800	Siemens Healthineers	69	0.08	
1,729	Südzucker	30	0.03	
2,022	Symrise	231	0.26	
1,500	TeamViewer	67	0.08	
11,445	Telefónica Deutschland	27	0.03	
7,236	ThyssenKrupp	43	0.05	
3,272	Uniper	88	0.10	
2,146	United Internet	88	0.10	
1,250	Volkswagen	191	0.21	
1,998	Volkswagen Preference Shares	280	0.31	
8,331	Vonovia	500	0.56	
2,167	Zalando	159	0.18	
	Greece	160	0.18	0.24
26,395	Alpha Bank	15	0.02	
3,141	FF ^[a]	0	0.00	
2,568	Hellenic Petroleum	13	0.01	
4,617	Hellenic Telecommunications	63	0.07	
1,807	Jumbo	27	0.03	
12,171	National Bank of Greece	14	0.02	
3,653	OPAP	28	0.03	
	Hungary	188	0.21	0.26
5,015	MOL Hungarian Oil & Gas	24	0.03	
3,463	OTP Bank	100	0.11	
3,103	Richter Gedeon	64	0.07	
	Ireland	488	0.55	0.51
12,064	AIB	13	0.01	
16,629	Bank of Ireland	33	0.04	
3,306	Glanbia	31	0.04	
16,490	Irish Bank Resolution ^[a]	0	0.00	
2,317	Kerry	260	0.29	
2,161	Kingspan	151	0.17	
	Italy	4,258	4.77	5.40
1,500	Amplifon	41	0.05	
19,430	Assicurazioni Generali	258	0.29	
8,615	Atlantia	119	0.13	
7,715	Banca Mediolanum	50	0.06	
26,896	Banco BPM	39	0.04	
1,563	Buzzi Unicem	33	0.04	
13,834	CNH Industrial	92	0.10	
400	DiaSorin	59	0.07	
117,417	Enel	900	1.01	
36,980	Eni	295	0.33	
1,658	EXOR	84	0.09	
1,817	Ferrari	300	0.34	
16,260	Fiat Chrysler Automobiles	153	0.17	
8,187	FincoBank	105	0.12	
12,000	Hera	39	0.04	

M&G European Index Tracker Fund

Authorised Corporate Director's Report

Portfolio statement (continued)

as at 31 August		2020	2020	2019
Holding		€'000	%	%
	EQUITIES (continued)			
	Italy (continued)			
244,740	Intesa Sanpaolo	446	0.50	
6,526	Italgas	35	0.04	
8,596	Leonardo	50	0.06	
8,891	Mediaset	14	0.01	
7,809	Mediobanca	58	0.06	
2,934	Moncler	95	0.11	
3,000	Nexi	45	0.05	
7,706	Pirelli	28	0.03	
5,000	Poste Italiane	39	0.04	
3,982	Prysmian	96	0.11	
1,519	Recordati Industria Chimica e Farmaceutica	69	0.08	
12,040	Saipem	22	0.02	
32,525	Snam	142	0.16	
145,178	Telecom Italia	59	0.07	
119,508	Telecom Italia (Savings Shares)	48	0.05	
6,165	Tenaris	30	0.03	
22,884	Terna	141	0.16	
32,378	UniCredit	274	0.31	
	Netherlands	7,772	8.72	7.59
1,400	Aalberts	45	0.05	
6,736	ABN AMRO Bank	56	0.06	
390	Adyen	558	0.63	
25,227	Aegon	60	0.07	
3,306	Akzo Nobel	277	0.31	
9,191	ArcelorMittal	95	0.11	
634	ASM International	80	0.09	
6,004	ASML	1,895	2.13	
2,516	ASR Nederland	79	0.09	
1,973	Boskalis Westminster	35	0.04	
2,591	DSM	348	0.39	
4,033	Heineken	319	0.36	
1,281	Heineken Holding	90	0.10	
58,952	ING	418	0.47	
16,309	Koninklijke Ahold Delhaize	420	0.47	
50,352	KPN	114	0.13	
5,520	NN	178	0.20	
13,785	Philips	575	0.64	
6,290	Prosus	541	0.61	
2,068	Randstad	91	0.10	
2,000	Signify	57	0.06	
2,010	Unibail-Rodamco-Westfield REIT	82	0.09	
21,004	Unilever	1,036	1.16	
1,161	Vopak	54	0.06	
3,869	Wolters Kluwer	269	0.30	
	Norway	1,166	1.31	1.50
3,076	Adevinta 'B' Shares	48	0.05	
15,574	DnB	214	0.24	
15,955	Equinor	218	0.24	
2,895	Gjensidige Forsikring	53	0.06	
6,000	Leroy Seafood	32	0.04	
6,327	Mowi	103	0.12	
16,352	Norsk Hydro	42	0.05	
11,741	Orkla	101	0.11	
1,051	Schibsted 'A'	39	0.04	
2,013	Schibsted 'B'	68	0.08	
10,831	Telenor	150	0.17	
2,771	Yara International	98	0.11	
	Poland	509	0.57	0.67
2,120	Bank Pekao	26	0.03	
1,096	CD Projekt	113	0.12	
2,335	KGHM Polska Miedz	72	0.08	
22	LPP	36	0.04	
369	mBank	16	0.02	

M&G European Index Tracker Fund

Authorised Corporate Director's Report

Portfolio statement (continued)

as at 31 August Holding		2020 €'000	2020 %	2019 %
	EQUITIES (continued)			
	Poland (continued)			
12,048	PGE Polska Grupa Energetyczna	18	0.02	
35,447	PGNiG	43	0.05	
4,617	PKN Orlen	55	0.06	
12,046	PKO Bank Polski	61	0.07	
8,031	PZU	52	0.06	
480	Santander Bank Polska	17	0.02	
	Portugal	294	0.33	0.36
40,008	EDP - Energias de Portugal	171	0.19	
7,816	Galp Energia	71	0.08	
3,706	Jerónimo Martins	52	0.06	
	Spain	4,418	4.95	6.24
455	Acciona	46	0.05	
3,906	ACS Actividades de Construccion y Servicios	83	0.09	
982	Aena	125	0.14	
5,929	Amadeus IT	287	0.32	
95,224	Banco de Sabadell	32	0.04	
242,758	Banco Santander	477	0.53	
21,278	Bankia	23	0.03	
10,644	Bankinter	49	0.06	
99,783	BBVA	260	0.29	
55,332	CaixaBank	104	0.12	
5,481	Cellnex Telecom	299	0.34	
4,071	Enagas	84	0.09	
4,860	Endesa	113	0.13	
6,711	Ferrovial	155	0.17	
4,553	Grifols	102	0.11	
93,245	Iberdrola	1,001	1.12	
15,908	Inditex	385	0.43	
4,000	Inmobiliaria Colonial Socimi REIT	30	0.03	
17,345	Mapfre	28	0.03	
8,788	Merlin Properties REIT	67	0.08	
4,656	Naturgy Energy	74	0.08	
6,497	Red Electrica	104	0.12	
21,348	Repsol	148	0.17	
2,967	Siemens Gamesa Renewable Energy	65	0.07	
74,694	Telefónica	256	0.29	
3,592	Zardoya Otis	21	0.02	
	Sweden	5,877	6.59	5.45
4,929	Alfa Laval	103	0.12	
14,151	Assa Abloy	274	0.31	
14,248	Atlas Copco	547	0.61	
4,222	Boliden	105	0.12	
3,900	Castellum	68	0.08	
3,232	Electrolux	59	0.07	
3,232	Electrolux Professional	12	0.01	
5,000	Elekta	50	0.06	
15,092	Epiroc	190	0.21	
3,000	EQT	47	0.05	
45,856	Ericsson	453	0.51	
9,401	Essity	275	0.31	
700	Evolution Gaming	44	0.05	
1,760	Fastighets AB Balder	60	0.07	
13,773	Hennes & Mauritz	189	0.21	
3,693	Hexagon	223	0.25	
6,957	Husqvarna	64	0.07	
1,261	ICA	53	0.06	
5,807	Industrivarden	129	0.14	
2,471	Investment AB Latour	46	0.05	
8,908	Investor	480	0.54	
3,580	Kinnevik	2	0.00	
3,580	Kinnevik (Stockholm Listing)	115	0.13	
1,098	L E Lundbergforetagen	43	0.05	
2,765	Lundin Energy	57	0.06	

M&G European Index Tracker Fund

Authorised Corporate Director's Report

Portfolio statement (continued)

as at 31 August		2020	2020	2019
Holding		€'000	%	%
	EQUITIES (continued)			
	Sweden (continued)			
4,000	Nibe Industrier	95	0.11	
1,500	Saab	39	0.04	
15,783	Sandvik	263	0.29	
4,722	Securitas	58	0.07	
21,045	Skandinaviska Enskilda Banken	180	0.20	
5,626	Skanska	97	0.11	
5,877	SKF	98	0.11	
8,611	Svenska Cellulosa	92	0.10	
21,799	Svenska Handelsbanken	188	0.21	
15,437	Swedbank	225	0.25	
2,499	Swedish Match	161	0.18	
2,900	Swedish Orphan Biovitrum	54	0.06	
7,139	Tele2	87	0.10	
43,715	Telia	143	0.16	
3,888	Trelleborg	58	0.07	
21,975	Volvo	351	0.39	
	Switzerland	17,907	20.08	20.09
27,532	ABB	596	0.67	
2,189	Adecco	97	0.11	
6,986	Alcon	336	0.38	
676	Baloise	92	0.10	
330	Banque Cantonale Vaudoise	29	0.03	
37	Barry Callebaut	69	0.08	
2,660	Clariant	47	0.05	
37,607	Credit Suisse	355	0.40	
646	Dufry	16	0.02	
101	EMS-Chemie	76	0.08	
286	Flughafen Zurich	36	0.04	
515	Geberit	250	0.28	
60	Georg Fischer	50	0.06	
142	Givaudan	499	0.56	
480	Helvetia	39	0.04	
3,014	Julius Baer	121	0.14	
701	Kuehne & Nagel	114	0.13	
4,269	LafargeHolcim	171	0.19	
3	Lindt & Sprüngli	225	0.25	
2,128	Logitech	129	0.14	
1,116	Lanza	575	0.64	
43,094	Nestlé	4,383	4.92	
31,898	Novartis	2,328	2.61	
257	Partners	220	0.25	
738	PSP Swiss Property	74	0.08	
8,011	Richemont	449	0.50	
10,753	Roche	3,154	3.54	
873	Schindler	192	0.22	
95	SGS	211	0.24	
1,988	Sika	394	0.44	
854	Sonova	170	0.19	
157	Straumann	129	0.14	
384	Sulzer	29	0.03	
488	Swatch	87	0.10	
523	Swiss Life	181	0.20	
1,112	Swiss Prime Site	85	0.10	
4,109	Swiss Re	283	0.32	
359	Swisscom	170	0.19	
980	Temenos	128	0.14	
51,662	UBS	538	0.60	
696	Vifor Pharma	86	0.10	
2,184	Zurich Insurance	694	0.78	
	Turkey	350	0.39	0.55
26,709	Akbank	15	0.02	
7,086	Anadolu Efes Biracilik Ve Malt Sanayii	16	0.02	
8,110	BIM Birlesik Magazalar	65	0.07	
12,653	ENKA	10	0.01	

M&G European Index Tracker Fund

Authorised Corporate Director's Report

Portfolio statement (continued)

as at 31 August		2020	2020	2019
Holding		€'000	%	%
	EQUITIES (continued)			
	Turkey (continued)			
25,696	Eregli Demir Celik Fabrikalari	26	0.03	
2,369	Ford Otomotiv Sanayi	24	0.03	
24,329	Haci Ömer Sabancı	22	0.02	
18,764	Koç	34	0.04	
1,105	Tofaş Türk Otomobil Fabrikası	3	0.00	
2,754	Tüpraş	26	0.03	
2,099	Türk Hava Yollari	3	0.00	
19,783	Turkcell İletisim Hizmetleri	33	0.04	
34,312	Türkiye Garanti Bankası	27	0.03	
31,496	Türkiye İş Bankası	18	0.02	
26,528	Türkiye Şişe ve Cam Fabrikalari	19	0.02	
18,551	Türkiye Vakıflar Bankası	9	0.01	
	EQUITY DERIVATIVES	15	0.02	0.02
	Equity futures contracts	15	0.02	0.02
190	Euro Stoxx 50 Index Sep 2020	15	0.02	
Portfolio of investments		88,722	99.50	99.90
	CASH EQUIVALENTS	534	0.60	0.66
	'AAA' rated money market funds ^[b]	534	0.60	0.66
478,000	Northern Trust Global Fund - Sterling	534	0.60	
Total portfolio (notes 2c & 2d on page 8)		89,256	100.10	100.56
Net other assets / (liabilities)		(87)	(0.10)	(0.56)
Net assets attributable to shareholders before fair value accounting adjustment		89,169	100.00	100.00
Total portfolio before fair value accounting adjustment		89,256	100.10	100.56
Fair value accounting adjustment		(916)	0.00	0.00
Total portfolio (notes 2c & 2d on page 8)		88,340	100.10	100.56
Net other assets / (liabilities)		(87)	(0.10)	(0.56)
Net assets attributable to shareholders		88,253	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

Top ten portfolio transactions

for the year to 31 August 2020	
Largest purchases	€'000
Prosus	450
SAP	280
Adyen	191
Worldline	79
Novartis	78
Nestlé	68
Argenx	63
ASM International	61
Euronext	56
TeamViewer	50
Other purchases	1,884
Total purchases	3,260
Largest sales	€'000
Nestlé	297
Novartis	227
Total	147
Unilever	133
Allianz	118
Daimler	98
ASML	94
Nova-Nordisk	92
Davide Campari Milano	92
Roche	80
Other sales	3,722
Total sales	5,100

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 2020 was 0.03% (31 August 2019: -0.09%). 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 2020 was 0.22% (31 August 2019: 0.18%), 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

	2020	2019	2018
as at 31 August	€'000	€'000	€'000
Fund net asset value (NAV)	88,253	90,100	102,314

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 02.09.19 % ^[a]	Three years 01.09.17 % pa	Five years 01.09.15 % pa	Since launch % pa
Euro^[b]				
Class 'A'	+1.3	+2.4	+4.3	+4.2 ^[c]
Sterling^[d]				
Class 'A'	-0.5	+1.3	+8.5	+4.8 ^[e]
Class 'I'	n/a	n/a	n/a	+1.1 ^[f]

^[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.

^[f] 6 December 2019, the launch date of the share class. Not annualised.

M&G European Index Tracker Fund

Financial highlights

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 depository, 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 Trust 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.

Operating charges are 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.

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	2020	2019	2018	Average ^[a]
Direct portfolio transaction costs ^[b]	%	%	%	%
Broker commission	0.00	0.00	0.01	0.00
Taxes	0.00	0.00	0.01	0.00
Costs before dilution adjustments	0.00	0.00	0.02	0.00
Dilution adjustments ^[c]	0.00	0.00	(0.02)	0.00
Total direct portfolio transaction costs	0.00	0.00	0.00	0.00
as at 31 August	2020	2019	2018	Average ^[a]
Indirect portfolio transaction costs	%	%	%	%
Average portfolio dealing spread	0.05	0.04	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 11 September 2020.

Euro Class 'A' Accumulation share performance

The share class was launched on 28 November 2001. for the year to 31 August			
	2020	2019	2018
Change in NAV per share	Euro €	Euro €	Euro €
Opening NAV	2,112.21	2,048.64	1,988.51
Return before operating charges and after direct portfolio transaction costs	38.15	77.49	74.51
Operating charges	(13.73)	(13.92)	(14.38)
Return after operating charges	24.42	63.57	60.13
Distributions	(38.61)	(47.91)	(45.40)
Retained distributions	38.61	47.91	45.40
Closing NAV	2,136.63	2,112.21	2,048.64
Direct portfolio transaction costs	Euro €	Euro €	Euro €
Costs before dilution adjustments	0.08	0.09	0.47
Dilution adjustments ^[a]	(0.08)	(0.09)	(0.47)
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]	0.65	0.69	0.70
Return after operating charges	+1.16	+3.10	+3.02
Historic yield	1.34	2.08	2.22
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€'000)	3,275	3,880	15,220
Closing NAV percentage of total fund NAV (%)	3.71	4.31	14.88
Number of shares	153,223	183,710	742,930
Highest share price (Euro €)	2,415.12	2,182.13	2,147.55
Lowest share price (Euro €)	1,557.47	1,804.22	1,946.58

Sterling Class 'A' Income share performance

The share class was launched on 31 January 2000. for the year to 31 August			
	2020	2019	2018
Change in NAV per share	UK p	UK p	UK p
Opening NAV	85.12	84.44	86.23
Return before operating charges and after direct portfolio transaction costs	0.52	3.76	1.30
Operating charges	(0.41)	(0.55)	(0.61)
Return after operating charges	0.11	3.21	0.69
Distributions	(2.09)	(2.53)	(2.48)
Closing NAV	83.14	85.12	84.44
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.00	0.02
Dilution adjustments ^[a]	0.00	0.00	(0.02)
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]	0.50	0.67	0.71
Return after operating charges	+0.13	+3.80	+0.80
Historic yield	2.03	2.79	2.95
Effect on yield of charges offset against capital	0.50	0.64	0.65
Other information			
Closing NAV (€'000)	34,172	34,903	36,196
Closing NAV percentage of total fund NAV (%)	38.72	38.74	35.38
Number of shares	36,780,458	37,177,047	38,461,709
Highest share price (UK p)	89.97	89.99	89.43
Lowest share price (UK p)	62.90	74.46	80.23

Sterling Class 'A' Accumulation share performance

The share class was launched on 31 January 2000. for the year to 31 August			
	2020	2019	2018
Change in NAV per share	UK p	UK p	UK p
Opening NAV	129.58	125.03	123.90
Return before operating charges and after direct portfolio transaction costs	0.68	5.36	2.01
Operating charges	(0.63)	(0.81)	(0.88)
Return after operating charges	0.05	4.55	1.13
Distributions	(2.53)	(2.95)	(2.76)
Retained distributions	2.53	2.95	2.76
Closing NAV	129.63	129.58	125.03
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.01	0.03
Dilution adjustments ^[a]	0.00	(0.01)	(0.03)
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]	0.50	0.67	0.71
Return after operating charges	+0.04	+3.64	+0.91
Historic yield	1.49	2.03	2.21
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€'000)	46,320	51,317	50,898
Closing NAV percentage of total fund NAV (%)	52.49	56.95	49.74
Number of shares	31,973,789	35,904,969	36,521,977
Highest share price (UK p)	136.94	133.03	128.46
Lowest share price (UK p)	95.73	110.08	115.24

M&G European Index Tracker Fund

Financial highlights

Specific share class performance

Sterling Class 'I' Accumulation share performance

The share class was launched on 6 December 2019. for the year to 31 August			
	2020	2019	2018
Change in NAV per share	UK p	UK p	UK p
Opening NAV	100.00	n/a	n/a
Return before operating charges and after direct portfolio transaction costs	1.54	n/a	n/a
Operating charges	(0.17)	n/a	n/a
Return after operating charges	1.37	n/a	n/a
Distributions	(2.14)	n/a	n/a
Retained distributions	2.14	n/a	n/a
Closing NAV	101.37	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	0.25	n/a	n/a
Return after operating charges	+1.37	n/a	n/a
Historic yield	1.66	n/a	n/a
Effect on yield of charges offset against capital	0.00	n/a	n/a
Other information			
Closing NAV (€000)	4,486	n/a	n/a
Closing NAV percentage of total fund NAV (%)	5.08	n/a	n/a
Number of shares	3,960,039	n/a	n/a
Highest share price (UK p)	106.13	n/a	n/a
Lowest share price (UK p)	74.21	n/a	n/a

^[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	2020		2019	
		€'000	€'000	€'000	€'000
Income					
Net capital gains / (losses)	3		(149)		12
Revenue	5	1,997		2,993	
Expenses	6	(443)		(598)	
Net revenue / (expense) before taxation		1,554		2,395	
Taxation	7	197		(301)	
Net revenue / (expense) after taxation			1,751		2,094
Total return before distributions			1,602		2,106
Distributions	8		(1,926)		(2,316)
Change in net assets attributable to shareholders from investment activities			(324)		(210)

Statement of change in net assets attributable to shareholders

for the year to 31 August		2020		2019	
		€'000	€'000	€'000	€'000
Opening net assets attributable to shareholders			90,100		102,314
Amounts received on issue of shares		10,813		2,450	
Amounts paid on cancellation of shares		(13,408)		(15,725)	
			(2,595)		(13,275)
Dilution adjustments			13		13
Change in net assets attributable to shareholders from investment activities (see above)			(324)		(210)
Retained distributions on Accumulation shares			1,059		1,258
Closing net assets attributable to shareholders			88,253		90,100

M&G European Index Tracker Fund

Financial statements and notes

Financial statements (continued)

Balance sheet

as at 31 August	Note	2020 €'000	2019 €'000
Assets			
Fixed assets			
Investments		87,806	90,007
Current assets			
Debtors	9	782	866
Cash and bank balances	10	183	258
Cash equivalents		534	596
Total assets		89,305	91,727
Liabilities			
Creditors			
Bank overdrafts		(5)	0
Overdrawn positions at futures clearing houses and collateral manager		(65)	(10)
Distribution payable		(858)	(1,038)
Other creditors	11	(124)	(579)
Total liabilities		(1,052)	(1,627)
Net assets attributable to shareholders		88,253	90,100

M&G European Index Tracker Fund

Financial statements and notes

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 8 to 10.

The fund's functional and presentational currency is the euro 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	2020 €'000	2019 €'000
Non-derivative securities	(346)	(18)
Derivative contracts	208	20
Currency gains / (losses)	(11)	9
Transaction charges	0	1
Net capital gains / (losses)	(149)	12

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 43.

for the year to 31 August	2020 €'000	% of transaction	2019 €'000	% of transaction
a) Purchases				
Equities				
Equities before transaction costs	3,095		1,216	
Commissions	1	0.03	0	0.00
Taxes	1	0.03	0	0.00
Equities after transaction costs	3,097		1,216	
Other transaction types				
Corporate actions	163		84	
Total purchases after transaction costs	3,260		1,300	
b) Sales				
Equities				
Equities before transaction costs	5,009		11,404	
Commissions	(1)	0.02	(3)	0.02
Equities after transaction costs	5,008		11,401	
Other transaction types				
Corporate actions	92		142	
Total sales after transaction costs	5,100		11,543	
c) Direct portfolio transaction costs				
Commissions paid				
Equities	2	0.00	3	0.00
Taxes paid				
Equities	1	0.00	0	0.00
Total direct portfolio transaction costs ^[a]	3	0.00	3	0.00
d) Indirect portfolio transaction costs				
Portfolio dealing spread ^[b]				
		0.05		0.04

^[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	2020 €'000	2019 €'000
Derivative revenue	(1)	(2)
Dividends from equity investments: non-taxable	2,009	2,820
Dividends from equity investments: taxable	(28)	31
Interest distributions	2	5
Stock dividends	15	139
Total revenue	1,997	2,993

Revenue includes currency gains/losses.

M&G European Index Tracker Fund

Financial statements and notes

Notes to the financial statements

6 Expenses

	2020	2019
for the year to 31 August	€'000	€'000
Payable to the ACD or associate		
Annual charge	444	37
Annual management charge ^[a]	0	406
Administration charge ^[a]	0	122
	444	565
Payable to the Depositary or associate		
Depositary's charge (including VAT) ^[a]	0	7
Other expenses		
Audit fee (including VAT) ^[a] ^[b]	0	9
Interest payable	1	1
Safe custody charge ^[a]	(2)	15
Tax fees (including VAT)	0	1
	(1)	26
Total expenses	443	598

^[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 2020 were £9,000 (including VAT).

7 Taxation

	2020	2019
for the year to 31 August	€'000	€'000
a) Analysis of charge in the year		
Corporation tax	0	0
Withholding tax	188	301
Prior year adjustment	(385)	0
Deferred tax (note 7c)	0	0
Total taxation	(197)	301
b) Factors affecting taxation charge for the year		
Net revenue / (expense) before taxation	1,554	2,395
Corporation tax at 20%	311	479
Effects of:		
Dividends from equity investments: non-taxable	(402)	(564)
Stock dividends not taxable	(3)	(28)
Current year expenses not utilised	95	114
Withholding tax	188	301
Overseas tax expensed	(1)	(1)
Prior year adjustment	(385)	0
Total tax charge (note 7a)	(197)	301
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 €1,279,000 (2019: €1,184,000) arising as a result of having excess management expenses. We do not expect this asset to be utilised in the foreseeable future.

8 Distributions

	2020		2019	
for the year to 31 August	Inc ^[a]	Acc ^[b]	Inc ^[a]	Acc ^[b]
Dividend distributions	€'000	€'000	€'000	€'000
Final	858	1,059	1,038	1,258
Total net distributions		1,917		2,296
Income deducted on cancellation of shares		47		35
Income received on issue of shares		(38)		(15)
Distributions		1,926		2,316
Net revenue / (expense) per statement of total return		1,751		2,094
Expenses offset against capital		175		222
Distributions		1,926		2,316

^[a] Distributions payable on Income shares.

^[b] Retained distributions on Accumulation shares.

9 Debtors

	2020	2019
as at 31 August	€'000	€'000
Amounts receivable on issues of shares	22	41
Dividends receivable	51	39
Sales awaiting settlement	13	0
Withholding tax recoverable	696	786
Total debtors	782	866

10 Cash and bank balances

	2020	2019
as at 31 August	€'000	€'000
Amounts held at futures clearing houses and collateral manager	140	63
Cash held as bank balances	43	195
Total cash and bank balances	183	258

11 Other creditors

	2020	2019
as at 31 August	€'000	€'000
Amounts payable on cancellation of shares	92	157
Annual charge payable	22	23
Corporation tax payable	0	379
Expenses payable	0	15
Purchases awaiting settlement	10	5
Total other creditors	124	579

12 Contingent assets, liabilities and outstanding commitments

There were no contingent liabilities or outstanding commitments at the balance sheet date (2019: same).

The fund has recognised a contingent asset of €332,000 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 Index Tracker 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	Movements		Closing
	01.09.19	Issued	Cancelled	31.08.20
Euro				
Class 'A' Accumulation	183,710	102,685	(133,172)	153,223
Sterling				
Class 'A' Income	37,177,047	2,610,183	(3,006,772)	36,780,458
Class 'A' Accumulation	35,904,969	1,334,911	(5,266,091)	31,973,789
Class 'T' Accumulation	0	4,008,613	(48,574)	3,960,039

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
Class 'T'	n/a	n/a	0.25

^[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 in respect of the annual charge are disclosed in note 11.

At the balance sheet date, shareholders from within M&G plc, of which M&G Securities Limited is a wholly owned subsidiary, have holdings totalling 0.85% (2019: 1.02%) of the fund's shares.

16 Events after the balance sheet date

Between 31 August 2020 and 30 October 2020 the value of investments has fallen. For further details on the share class movements, please refer to the below table:

Net asset	31.08.20	30.10.20	% Change
Euro			
Class 'A' Accumulation	2,136.63	2,010.39	-5.91
Sterling			
Class 'A' Income	83.14	78.91	-5.09
Class 'A' Accumulation	129.63	122.52	-5.49
Class 'T' Accumulation	101.37	95.12	-6.17

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
	2020	2020	2019	2019
Basis of valuation	€'000	€'000	€'000	€'000
Level 1	87,806	0	90,007	0
Level 2	0	0	0	0
Level 3	0	0	0	0
	87,806	0	90,007	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'.

M&G European Index Tracker Fund

Financial statements and notes

Notes to the financial statements

18 Risk management policies

The general risk management policies for the fund are set out in note 3 to the financial statements on pages 10 to 11.

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 €4,390,000 (2019: €4,500,000). 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 €1,532,000 (2019: €1,531,000)*. A five per cent decrease would have an equal and opposite effect.

*Restated.

	2020	2019
as at 31 August	€'000	€'000
Currency exposure in respect of the fund		
Czech koruna	72	99
Danish krone	4,324	3,516
Euro	57,612	59,474
Hungarian forint	188	235
Norwegian krone	1,168	1,361
Polish zloty	513	621
Sterling	424	482
Swedish krona	6,196	5,203
Swiss franc	18,320	18,611
Turkish lira	352	497
US dollar	0	1
Fair value accounting adjustment	(916)	0
Total	88,253	90,100

21 Dividend distribution tables

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

Annual distribution period				
	Start	End	Xd	Payment
Final	01.09.19	31.08.20	01.09.20	31.10.20

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	Equalisation	2020	2019
	2020	2020	2020	2019
	Euro ¢	Euro ¢	Euro ¢	Euro ¢
Final	34.6287	3.9782	38.6069	47.9107

Sterling Class 'A' Income shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income	Equalisation	2020	2019
	2020	2020	2020	2019
	UK p	UK p	UK p	UK p
Final	1.5629	0.5236	2.0865	2.5319

Sterling Class 'A' Accumulation shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income	Equalisation	2020	2019
	2020	2020	2020	2019
	UK p	UK p	UK p	UK p
Final	1.9177	0.6153	2.5330	2.9549

Sterling Class 'I' Accumulation shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income	Equalisation	2020	2019
	2020	2020	2020	2019
	UK p	UK p	UK p	UK p
Final	1.3670	0.7694	2.1364	n/a

M&G European Select Fund

Authorised Corporate Director's Report

Investment objective

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

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

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.

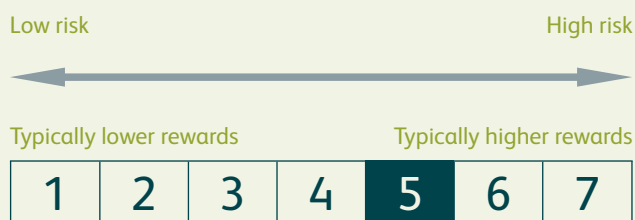
For unhedged share classes, the benchmark is shown in the share class currency.

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 1 September 2020, for the year ended 31 August 2020

Performance against objective

Between 2 September 2019 (the start of the review period) and 1 September 2020, the sterling share classes and the Euro 'A' share class of the M&G European Select Fund delivered a negative total return (the combination of income and growth of capital). The Euro 'C' share class made a modest gain of 0.2%. However, the returns from all of the fund's share classes were behind that of its benchmark, the FTSE World Europe ex UK Index, which rose 1.6% in euro terms and declined 0.6% in sterling.

M&G European Select Fund

Authorised Corporate Director's Report

Performance against objective (continued)

Over five years, which covers a period before Richard Halle's appointment as fund manager in July 2019, all of the fund's share classes have delivered positive returns, but they are behind the benchmark. Therefore, the fund did not meet its objective to provide a combination of capital growth and income, net of the ongoing charge figure, that is higher than the FTSE World Europe ex UK Index over any five-year period. The benchmark returned 5.4% pa in euros and 9.5% pa in sterling over five years.

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

Performance review

The coronavirus outbreak caused exceptional turbulence in financial markets during the review period. Despite this seismic event, European stockmarkets delivered a modest positive return over the 12 months in euro terms, and a small negative return in sterling terms.

The period began positively, with stockmarkets climbing steadily as investors were generally upbeat about easing trade tensions between the US and China and the outlook for economic activity and corporate earnings.

However, as COVID-19 spread around the world, there was a sudden reversal. In March, fears that coronavirus would lead to a global economic recession and falling company profits sparked one of the fastest and steepest stockmarket declines since the global financial crisis of 2008/9.

This was followed by an equally rapid rebound as policymakers globally introduced unprecedented stimulus measures to cushion the impact of COVID-19. The European Commission proposed a €750 billion recovery fund to address the economic damage caused by the pandemic. However, many countries in Europe saw very restrictive lockdowns, effectively temporarily closing down their economies.

Later in the period, investor confidence continued to recover as countries gradually eased their lockdown restrictions and economic activity started to pick up. Progress in developing a virus vaccine also supported sentiment. And although concerns about a potential second wave of infections persisted, by the end of the period European stockmarkets had recouped most of their earlier losses.

In the European market, information technology was the standout sector, in part driven by the pandemic, which highlighted the importance of technological solutions as home working and online services increased dramatically. Healthcare stocks performed well against the backdrop of a global health crisis, while basic materials and utilities rose too.

In contrast, the oil & gas sector was the weakest, as oil prices fell sharply on concerns that the pandemic would dampen demand for crude oil. Financials also struggled amid concerns about the economic impact of COVID-19 and the potential for bad debts. Consumer goods and telecommunications lagged as well.

Against this background, our relatively large allocation to the oil & gas sector was a drag on fund performance, as oil stocks were hit hard by weaker oil prices. Our holdings in French energy firm Total and Spanish oil company Repsol were among the main detractors.

Fears that lower prices might reduce investment in oil production weighed on our shares in Tenaris, an Italian supplier of steel pipes to the energy industry. As long-term investors, we remain invested in this sector while the market works through the panic and comes to a new equilibrium.

As financials were out of favour, our holdings in Austrian bank Erste Group and Irish lenders AIB and Bank of Ireland were among the biggest detractors. Investors are worried that the severe economic slowdown caused by the coronavirus pandemic might lead to a surge in loan losses.

On a positive note, having a large allocation to healthcare in the portfolio, relative to the benchmark, was beneficial as the sector made decent gains. Belgium-based drug maker UCB was a leading contributor as the shares climbed following encouraging results from a Phase III drug trial. Greater recognition of UCB's drug pipeline is part of our original investment thesis and we are happy to see it playing out. Swiss pharmaceutical Roche, which experienced high demand for its COVID-19 tests, also added value.

Besides healthcare stocks, there were some other 'winners' during the pandemic. With restaurants closed and people confined to their homes in the lockdowns, food retailers saw a surge in demand. As a result, our holding in Dutch supermarket chain Ahold Delhaize was a notable contributor.

German DIY supplier Hornbach added value too as the company's share price more than doubled in the period. Hornbach benefited from the popularity of home improvement projects during the coronavirus lockdowns.

Elsewhere, while we had a relatively small holding in the technology sector, our stock selection in this area helped balance the fund's performance. Our holdings in telecoms network equipment firms Ericsson from Sweden and Nokia from Finland were positive contributors. Both companies are expected to benefit as more countries exclude their Chinese competitor Huawei from supplying equipment.

Investment activities

Before the period under review started, in July 2019, Richard Halle took over as manager of the fund.

During the review period, the portfolio was reshaped in line with where we see the most attractive opportunities in the European market. A notable new holding was Danish container shipping company AP Moller-Maersk, which is going through a significant transformation process to become an end-to-end global logistics solutions company.

M&G European Select Fund

Authorised Corporate Director's Report

Investment activities (continued)

We invested in two telecoms equipment firms, Ericsson from Sweden and Nokia from Finland. In our view, they are well positioned to benefit from the rollout of new 5G networks around the world, especially given growing reluctance to use equipment from Chinese firm Huawei. These investments have contributed to our performance during the year.

Another newcomer was Tenaris, a global supplier of steel pipes to the energy industry and the largest single supplier to the US shale market. In our view, the company is well placed to benefit from improving demand over the coming years and the market is underappreciating its future returns. We think it is very attractively priced.

We also started a position in Belgium-based oil tanker business Euronav. We think industry dynamics are attractive and Euronav is well placed to benefit from a recovery in demand for tankers. In our view, the valuation is very attractive due to the volatile nature of the firm's earnings. The company benefited from a shortage of storage for crude oil during the period and generated considerable income at the time, which we expect to be distributed to shareholders.

On the other hand, we took profits on our entire holding in ASML, a Dutch supplier of equipment to the semiconductor industry. The stock nearly doubled in value in 2019 as the outlook for the semiconductor industry improved.

Other complete sales included Danish transport and logistics company DSV Panalpina and French industrial group Legrand, which had also enjoyed a period of good share price performance.

In addition, dialysis products firm Fresenius Medical Care and ticketing and live events company CTS Eventim from Germany left the portfolio, as we identified better opportunities elsewhere.

Outlook

Global stockmarkets have made a remarkable comeback from their coronavirus-related declines. However, we believe the outlook remains uncertain. COVID-19 is still looming large and the potential for a second wave of infections is never far away.

However, as patient, long-term investors, we are extremely excited about the opportunities that can be found in the market currently. The crisis has accelerated the trend for investing in perceived 'safe' companies that are expected to offer reliable growth and profits. In our view, the valuations of many of these stocks are extremely elevated and there is likely to be a reversal at some point. In this situation the potential returns from investing in cheaply valued, out-of-favour stocks could be very attractive. We also need to be even more aware of the balance sheet strength of the companies we invest in and be aware of the structural changes happening in the economy as our lives begin to normalise.

While it is difficult to say how the pandemic will affect economies and markets in the shorter term, over the long term we continue to believe a disciplined approach that seeks to identify mispriced opportunities can deliver attractive returns in the European stockmarket.

Richard Halle Fund manager

An employee of M&G FA Limited (formerly 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 Select Fund

Authorised Corporate Director's Report

Portfolio statement

as at 31 August		2020	2020	2019
Holding		€'000	%	%
EQUITIES		139,335	94.82	95.92
Technology hardware & equipment		3,377	2.30	2.83
342,072	Ericsson	3,377	2.30	
Telecommunications equipment		2,653	1.80	0.00
634,924	Nokia	2,653	1.80	
Medical equipment & services		0	0.00	2.16
Pharmaceuticals & biotechnology		28,218	19.20	19.22
83,081	Bayer	4,565	3.11	
40,661	Ipsen	3,546	2.41	
108,429	Novartis	7,912	5.38	
22,492	Roche	6,597	4.49	
56,669	UCB	5,598	3.81	
Banks		11,372	7.74	9.59
1,455,999	AIB	1,533	1.04	
867,311	Bank of Ireland	1,697	1.16	
764,578	Bankia	828	0.56	
156,269	Erste Group Bank	3,299	2.25	
80,813	KBC	4,015	2.73	
Non-life insurance		5,300	3.61	4.42
1,503,875	Mapfre	2,457	1.67	
4,599	Munich Re	1,136	0.78	
329,163	Storebrand	1,707	1.16	
Automobiles & parts		4,378	2.98	3.74
55,642	Nokian Renkaat	1,315	0.90	
21,849	Volkswagen Preference Shares	3,063	2.08	
Personal goods		1,714	1.17	3.57
34,759	Unilever	1,714	1.17	
Media		3,521	2.40	2.13
146,655	Vivendi	3,521	2.40	
Retailers		4,300	2.93	0.51
340,656	CECONOMY	1,348	0.92	
15,952	Hornbach	1,490	1.01	
60,465	Inditex	1,462	1.00	
Travel & leisure		3,129	2.13	2.95
73,756	Deutsche Lufthansa	666	0.45	
192,761	Ryanair	2,463	1.68	
Food producers		10,491	7.14	7.10
87,115	Nestlé	8,861	6.03	
189,299	Orkla	1,630	1.11	
Personal care, drug & grocery stores		7,639	5.20	4.43
113,940	Kesko	2,145	1.46	
213,351	Koninklijke Ahold Delhaize	5,494	3.74	
Construction & materials		6,249	4.25	2.13
171,750	Buzzi Unicem	3,586	2.44	
77,980	Saint-Gobain	2,663	1.81	
Aerospace & defence		2,468	1.68	1.68
31,007	Rheinmetall	2,468	1.68	
Electronic & electrical equipment		0	0.00	1.42
General industrials		5,695	3.87	3.83
48,066	Siemens	5,695	3.87	
Industrial engineering		1,507	1.02	1.64
31,719	Alstom	1,507	1.02	
Industrial support services		7,935	5.40	5.23
68,196	Bilfinger	1,149	0.78	
54,161	Randstad	2,393	1.63	
360,443	Securitas	4,393	2.99	
Industrial transportation		4,278	2.91	0.62
2,115	AP Moller-Maersk	2,689	1.83	
204,472	Euronav	1,589	1.08	

M&G European Select Fund

Authorised Corporate Director's Report

Portfolio statement (continued)

as at 31 August Holding		2020 €'000	2020 %	2019 %
	EQUITIES (continued)			
	Industrial materials	3,758	2.56	2.34
148,906	UPM-Kymmene	3,758	2.56	
	Industrial metals & mining	4,508	3.07	1.67
130,861	APERAM	3,261	2.22	
254,227	Tenaris	1,247	0.85	
	Chemicals	4,493	3.06	3.23
56,067	BASF	2,887	1.97	
45,527	Yara International	1,606	1.09	
	Non-renewable energy	8,747	5.95	8.06
169,088	Eni	1,349	0.92	
734,476	PGS	224	0.15	
148,770	Repsol	1,029	0.70	
184,393	TOTAL	6,145	4.18	
	Gas, water & multi-utilities	3,605	2.45	1.42
361,048	E.ON	3,605	2.45	
Portfolio of investments		139,335	94.82	95.92
	CASH EQUIVALENTS	6,765	4.60	3.71
	'AAA' rated money market funds ^[a]	6,765	4.60	3.71
6,951,261	Northern Trust Global Fund - Euro	6,765	4.60	
Total portfolio (notes 2c & 2d on page 8)		146,100	99.42	99.63
Net other assets / (liabilities)		855	0.58	0.37
Net assets attributable to shareholders before fair value accounting adjustment		146,955	100.00	100.00
Total portfolio before fair value accounting adjustment		146,100	99.42	99.63
Fair value accounting adjustment		(1,750)	0.00	0.00
Total portfolio (notes 2c & 2d on page 8)		144,350	99.42	99.63
Net other assets / (liabilities)		855	0.58	0.37
Net assets attributable to shareholders		145,205	100.00	100.00

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

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

M&G European Select Fund

Authorised Corporate Director's Report

Top ten portfolio transactions

for the year to 31 August 2020	
Largest purchases	€'000
Ericsson	2,832
AP Moller-Maersk	2,313
Novartis	2,052
Tenaris	2,021
Saint-Gobain	1,921
Euronav	1,878
TOTAL	1,786
AIB	1,553
Nokia	1,396
Vivendi	1,344
Other purchases	21,492
Total purchases	40,588
Largest sales	€'000
ASML	5,304
Roche	4,973
Fresenius Medical Care	3,696
Unilever	3,165
Siemens	2,804
Legrand	2,083
Deutsche Lufthansa	1,601
Munich Re	1,593
Alstom	1,498
UCB	1,425
Other sales	9,631
Total sales	37,773

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.

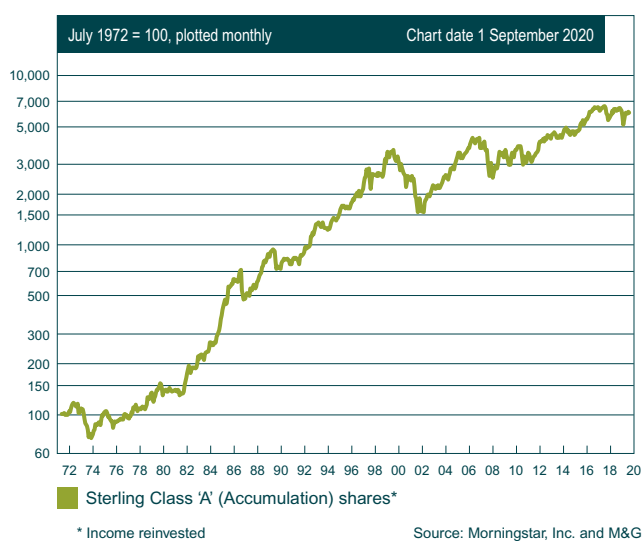
Fund level performance

Fund net asset value

	2020	2019	2018
as at 31 August	€'000	€'000	€'000
Fund net asset value (NAV)	145,205	144,736	144,483

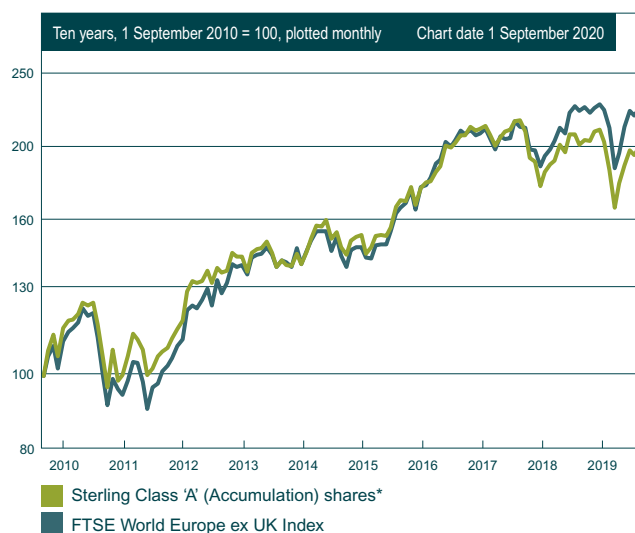
Performance since launch

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 the comparator benchmark's total return is not available from fund launch. Therefore a ten-year comparable performance chart is shown below.



* Income reinvested

Source: Morningstar, Inc. and M&G

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 02.09.19 % ^[a]	Three years 01.09.17 % pa	Five years 01.09.15 % pa	Since launch % pa
Euro^[b]				
Class 'A'	-0.7	-0.9	+2.1	+2.5 ^[c]
Class 'C'	+0.2	-0.1	+2.9	+3.3 ^[c]
Sterling^[d]				
Class 'A'	-2.2	-1.9	+6.2	+8.9 ^[e]
Class 'I'	-1.8	-1.2	+6.9	+8.7 ^[f]
Class 'PP'	-1.6	n/a	n/a	+0.4 ^[g]
Class 'R'	-2.0	-1.5	+6.6	+8.4 ^[f]
Class 'X'	-2.2	-1.9	+6.2	+9.4 ^[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.

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

M&G European Select Fund

Financial highlights

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 depository, 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 Trust 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.

Operating charges are 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.

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	2020	2019	2018	Average ^[a]
Direct portfolio transaction costs ^[b]	%	%	%	%
Broker commission	0.02	0.07	0.04	0.04
Taxes	0.02	0.10	0.07	0.06
Costs before dilution adjustments	0.04	0.17	0.11	0.10
Dilution adjustments ^[c]	(0.01)	(0.03)	(0.02)	(0.02)
Total direct portfolio transaction costs	0.03	0.14	0.09	0.08
as at 31 August	2020	2019	2018	Average ^[a]
Indirect portfolio transaction costs	%	%	%	%
Average portfolio dealing spread	0.06	0.05	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 11 September 2020.

Euro Class 'A' Accumulation share performance

The share class was launched on 26 November 2001. for the year to 31 August			
	2020	2019	2018
Change in NAV per share	Euro €	Euro €	Euro €
Opening NAV	1,600.38	1,742.73	1,624.92
Return before operating charges and after direct portfolio transaction costs	11.45	(115.56)	146.55
Operating charges	(26.71)	(26.79)	(28.74)
Return after operating charges	(15.26)	(142.35)	117.81
Distributions	(12.57)	(13.09)	(9.26)
Retained distributions	12.57	13.09	9.26
Closing NAV	1,585.12	1,600.38	1,742.73
Direct portfolio transaction costs	Euro €	Euro €	Euro €
Costs before dilution adjustments	0.71	2.76	1.82
Dilution adjustments ^[a]	(0.23)	(0.42)	(0.28)
Total direct portfolio transaction costs	0.48	2.34	1.54
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.03	0.14	0.09
Operating charges ^[c]	1.65	1.68	1.68
Return after operating charges	-0.95	-8.17	+7.25
Historic yield	0.79	0.56	0.54
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€'000)	408	813	1,190
Closing NAV percentage of total fund NAV (%)	0.28	0.56	0.82
Number of shares	25,739	50,822	68,262
Highest share price (Euro €)	1,802.52	1,744.16	1,763.12
Lowest share price (Euro €)	1,185.93	1,412.82	1,619.86

Euro Class 'C' Accumulation share performance

The share class was launched on 26 November 2001. for the year to 31 August			
	2020	2019	2018
Change in NAV per share	Euro €	Euro €	Euro €
Opening NAV	1,834.18	1,982.17	1,834.43
Return before operating charges and after direct portfolio transaction costs	12.63	(131.23)	165.61
Operating charges	(12.89)	(16.76)	(17.87)
Return after operating charges	(0.26)	(147.99)	147.74
Distributions	(32.03)	(28.89)	(25.03)
Retained distributions	32.03	28.89	25.03
Closing NAV	1,833.92	1,834.18	1,982.17
Direct portfolio transaction costs	Euro €	Euro €	Euro €
Costs before dilution adjustments	0.81	3.13	2.04
Dilution adjustments ^[a]	(0.27)	(0.48)	(0.31)
Total direct portfolio transaction costs	0.54	2.65	1.73
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.03	0.14	0.09
Operating charges ^[c]	0.70	0.92	0.93
Return after operating charges	-0.01	-7.47	+8.05
Historic yield	1.73	1.31	1.28
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€'000)	27	32	188
Closing NAV percentage of total fund NAV (%)	0.02	0.02	0.13
Number of shares	1,468	1,768	9,468
Highest share price (Euro €)	2,074.85	1,983.92	1,997.86
Lowest share price (Euro €)	1,366.23	1,610.83	1,836.17

Sterling Class 'A' Income share performance

The share class was launched on 27 June 1977. for the year to 31 August			
	2020	2019	2018
Change in NAV per share	UK p	UK p	UK p
Opening NAV	1,871.14	2,066.36	2,020.73
Return before operating charges and after direct portfolio transaction costs	(12.02)	(117.30)	125.25
Operating charges	(21.77)	(30.66)	(34.26)
Return after operating charges	(33.79)	(147.96)	90.99
Distributions	(45.12)	(47.26)	(45.36)
Closing NAV	1,792.23	1,871.14	2,066.36
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.80	3.22	2.17
Dilution adjustments ^[a]	(0.26)	(0.49)	(0.33)
Total direct portfolio transaction costs	0.54	2.73	1.84
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.03	0.14	0.09
Operating charges ^[c]	1.20	1.64	1.68
Return after operating charges	-1.81	-7.16	+4.50
Historic yield	2.51	2.31	2.22
Effect on yield of charges offset against capital	1.20	1.61	1.65
Other information			
Closing NAV (€'000)	40,347	44,085	52,434
Closing NAV percentage of total fund NAV (%)	27.79	30.46	36.29
Number of shares	2,014,377	2,136,153	2,276,657
Highest share price (UK p)	1,980.70	2,077.93	2,140.81
Lowest share price (UK p)	1,391.56	1,683.86	1,914.24

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			
	2020	2019	2018
Change in NAV per share	UK p	UK p	UK p
Opening NAV	2,999.49	3,230.95	3,092.21
Return before operating charges and after direct portfolio transaction costs	(19.44)	(183.52)	191.16
Operating charges	(34.89)	(47.94)	(52.42)
Return after operating charges	(54.33)	(231.46)	138.74
Distributions	(36.70)	(25.61)	(17.16)
Retained distributions	36.70	25.61	17.16
Closing NAV	2,945.16	2,999.49	3,230.95
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	1.28	5.04	3.32
Dilution adjustments ^[a]	(0.42)	(0.77)	(0.51)
Total direct portfolio transaction costs	0.86	4.27	2.81
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.03	0.14	0.09
Operating charges ^[c]	1.20	1.64	1.68
Return after operating charges	-1.81	-7.16	+4.49
Historic yield	1.24	0.54	0.54
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€000)	50,908	55,524	66,456
Closing NAV percentage of total fund NAV (%)	35.06	38.37	46.00
Number of shares	1,546,676	1,678,347	1,845,398
Highest share price (UK p)	3,174.90	3,248.92	3,275.47
Lowest share price (UK p)	2,230.56	2,632.78	2,928.82

Sterling Class 'I' Income share performance

The share class was launched on 3 August 2012. for the year to 31 August			
	2020	2019	2018
Change in NAV per share	UK p	UK p	UK p
Opening NAV	1,734.79	1,901.74	1,845.74
Return before operating charges and after direct portfolio transaction costs	(11.03)	(107.55)	115.00
Operating charges	(11.78)	(15.72)	(17.39)
Return after operating charges	(22.81)	(123.27)	97.61
Distributions	(41.95)	(43.68)	(41.61)
Closing NAV	1,670.03	1,734.79	1,901.74
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.74	2.98	1.99
Dilution adjustments ^[a]	(0.24)	(0.46)	(0.30)
Total direct portfolio transaction costs	0.50	2.52	1.69
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.03	0.14	0.09
Operating charges ^[c]	0.70	0.91	0.93
Return after operating charges	-1.31	-6.48	+5.29
Historic yield	2.51	2.28	2.21
Effect on yield of charges offset against capital	0.70	0.88	0.90
Other information			
Closing NAV (€000)	6,842	7,346	8,470
Closing NAV percentage of total fund NAV (%)	4.71	5.08	5.86
Number of shares	366,607	383,921	399,585
Highest share price (UK p)	1,839.67	1,912.51	1,970.02
Lowest share price (UK p)	1,293.68	1,553.49	1,756.25

Sterling Class 'I' Accumulation share performance

The share class was launched on 3 August 2012. for the year to 31 August			
	2020	2019	2018
Change in NAV per share	UK p	UK p	UK p
Opening NAV	1,991.96	2,130.10	2,023.40
Return before operating charges and after direct portfolio transaction costs	(12.87)	(120.87)	125.79
Operating charges	(13.46)	(17.27)	(19.09)
Return after operating charges	(26.33)	(138.14)	106.70
Distributions	(34.34)	(31.42)	(26.90)
Retained distributions	34.34	31.42	26.90
Closing NAV	1,965.63	1,991.96	2,130.10
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.85	3.34	2.19
Dilution adjustments ^[a]	(0.28)	(0.51)	(0.33)
Total direct portfolio transaction costs	0.57	2.83	1.86
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.03	0.14	0.09
Operating charges ^[c]	0.70	0.89	0.93
Return after operating charges	-1.32	-6.49	+5.27
Historic yield	1.74	1.29	1.28
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€000)	40,008	30,382	8,804
Closing NAV percentage of total fund NAV (%)	27.55	20.99	6.09
Number of shares	1,821,265	1,382,888	370,839
Highest share price (UK p)	2,112.24	2,142.08	2,159.32
Lowest share price (UK p)	1,485.35	1,739.96	1,925.02

Sterling Class 'PP' Income share performance

The share class was launched on 5 August 2019. for the year to 31 August			
	2020	2019	2018
Change in NAV per share	UK p	UK p	UK p
Opening NAV	97.79	100.00	n/a
Return before operating charges and after direct portfolio transaction costs	(0.62)	0.24	n/a
Operating charges	(0.52)	(0.04)	n/a
Return after operating charges	(1.14)	0.20	n/a
Distributions	(2.37)	(2.41)	n/a
Closing NAV	94.28	97.79	n/a
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.04	0.01	n/a
Dilution adjustments ^[a]	(0.01)	0.00	n/a
Total direct portfolio transaction costs	0.03	0.01	n/a
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.03	0.14	n/a
Operating charges	0.55	0.55	n/a
Return after operating charges	-1.17	+0.20	n/a
Historic yield	2.50	2.34	n/a
Effect on yield of charges offset against capital	0.55	0.55	n/a
Other information			
Closing NAV (€000)	21	22	n/a
Closing NAV percentage of total fund NAV (%)	0.01	0.02	n/a
Number of shares	20,000	20,000	n/a
Highest share price (UK p)	103.76	101.27	n/a
Lowest share price (UK p)	72.98	97.39	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			
	2020	2019	2018
Change in NAV per share	UK p	UK p	UK p
Opening NAV	101.67	100.00	n/a
Return before operating charges and after direct portfolio transaction costs	(0.67)	1.97	n/a
Operating charges	(0.53)	(0.30)	n/a
Return after operating charges	(1.20)	1.67	n/a
Distributions	(1.91)	(1.67)	n/a
Retained distributions	1.91	1.67	n/a
Closing NAV	100.47	101.67	n/a
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.04	0.07	n/a
Dilution adjustments ^[a]	(0.01)	(0.01)	n/a
Total direct portfolio transaction costs	0.03	0.06	n/a
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.03	0.14	n/a
Operating charges ^[c]	0.55	0.61	n/a
Return after operating charges	-1.18	+1.67	n/a
Historic yield	1.89	1.14	n/a
Effect on yield of charges offset against capital	0.00	0.00	n/a
Other information			
Closing NAV (€000)	93	56	n/a
Closing NAV percentage of total fund NAV (%)	0.06	0.04	n/a
Number of shares	83,030	49,636	n/a
Highest share price (UK p)	107.86	106.85	n/a
Lowest share price (UK p)	75.87	97.39	n/a

Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012. for the year to 31 August			
	2020	2019	2018
Change in NAV per share	UK p	UK p	UK p
Opening NAV	172.30	189.35	184.24
Return before operating charges and after direct portfolio transaction costs	(1.10)	(10.72)	11.47
Operating charges	(1.59)	(1.99)	(2.21)
Return after operating charges	(2.69)	(12.71)	9.26
Distributions	(4.16)	(4.34)	(4.15)
Closing NAV	165.45	172.30	189.35
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.07	0.30	0.20
Dilution adjustments ^[a]	(0.02)	(0.05)	(0.03)
Total direct portfolio transaction costs	0.05	0.25	0.17
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.03	0.14	0.09
Operating charges ^[c]	0.95	1.16	1.18
Return after operating charges	-1.56	-6.71	+5.03
Historic yield	2.51	2.29	2.22
Effect on yield of charges offset against capital	0.95	1.13	1.15
Other information			
Closing NAV (€000)	631	657	703
Closing NAV percentage of total fund NAV (%)	0.44	0.45	0.49
Number of shares	341,362	345,993	332,919
Highest share price (UK p)	182.55	190.42	196.16
Lowest share price (UK p)	128.31	154.55	175.05

Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012. for the year to 31 August			
	2020	2019	2018
Change in NAV per share	UK p	UK p	UK p
Opening NAV	195.78	209.87	199.87
Return before operating charges and after direct portfolio transaction costs	(1.28)	(11.88)	12.41
Operating charges	(1.80)	(2.21)	(2.41)
Return after operating charges	(3.08)	(14.09)	10.00
Distributions	(2.88)	(2.60)	(2.14)
Retained distributions	2.88	2.60	2.14
Closing NAV	192.70	195.78	209.87
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.08	0.33	0.22
Dilution adjustments ^[a]	(0.03)	(0.05)	(0.03)
Total direct portfolio transaction costs	0.05	0.28	0.19
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.03	0.14	0.09
Operating charges ^[c]	0.95	1.16	1.18
Return after operating charges	-1.57	-6.71	+5.00
Historic yield	1.49	1.04	1.03
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€000)	4,148	3,969	3,873
Closing NAV percentage of total fund NAV (%)	2.86	2.74	2.68
Number of shares	1,925,992	1,838,251	1,655,817
Highest share price (UK p)	207.41	211.06	212.76
Lowest share price (UK p)	145.79	171.30	189.86

Sterling Class 'X' Income share performance

The share class was launched on 1 October 2002. for the year to 31 August			
	2020	2019	2018
Change in NAV per share	UK p	UK p	UK p
Opening NAV	1,852.72	2,046.03	2,000.83
Return before operating charges and after direct portfolio transaction costs	(11.91)	(116.11)	124.00
Operating charges	(21.53)	(30.40)	(33.89)
Return after operating charges	(33.44)	(146.51)	90.11
Distributions	(44.67)	(46.80)	(44.91)
Closing NAV	1,774.61	1,852.72	2,046.03
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.79	3.19	2.15
Dilution adjustments ^[a]	(0.26)	(0.49)	(0.33)
Total direct portfolio transaction costs	0.53	2.70	1.82
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.03	0.14	0.09
Operating charges ^[c]	1.20	1.64	1.68
Return after operating charges	-1.80	-7.16	+4.50
Historic yield	2.51	2.31	2.22
Effect on yield of charges offset against capital	1.20	1.62	1.65
Other information			
Closing NAV (€000)	1,107	1,149	1,457
Closing NAV percentage of total fund NAV (%)	0.76	0.79	1.01
Number of shares	55,830	56,223	63,905
Highest share price (UK p)	1,961.19	2,057.47	2,119.74
Lowest share price (UK p)	1,377.85	1,667.28	1,895.40

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			
	2020	2019	2018
Change in NAV per share	UK p	UK p	UK p
Opening NAV	2,967.91	3,196.92	3,059.63
Return before operating charges and after direct portfolio transaction costs	(19.25)	(181.58)	189.16
Operating charges	(34.52)	(47.43)	(51.87)
Return after operating charges	(53.77)	(229.01)	137.29
Distributions	(36.31)	(25.34)	(16.98)
Retained distributions	36.31	25.34	16.98
Closing NAV	2,914.14	2,967.91	3,196.92
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	1.26	4.98	3.29
Dilution adjustments ^[a]	(0.42)	(0.76)	(0.50)
Total direct portfolio transaction costs	0.84	4.22	2.79
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.03	0.14	0.09
Operating charges ^[c]	1.20	1.64	1.68
Return after operating charges	-1.81	-7.16	+4.49
Historic yield	1.24	0.54	0.54
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€'000)	665	701	908
Closing NAV percentage of total fund NAV (%)	0.46	0.48	0.63
Number of shares	20,412	21,416	25,479
Highest share price (UK p)	3,141.46	3,214.71	3,240.98
Lowest share price (UK p)	2,207.07	2,605.06	2,897.97

^[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	2020		2019	
		€'000	€'000	€'000	€'000
Income					
Net capital gains / (losses)	3		(4,087)		(13,215)
Revenue	5	4,404		3,968	
Expenses	6	(1,580)		(2,073)	
Net revenue / (expense) before taxation		2,824		1,895	
Taxation	7	(540)		(431)	
Net revenue / (expense) after taxation			2,284		1,464
Total return before distributions			(1,803)		(11,751)
Distributions	8		(2,751)		(2,184)
Change in net assets attributable to shareholders from investment activities			(4,554)		(13,935)

Statement of change in net assets attributable to shareholders

for the year to 31 August	2020		2019	
	€'000	€'000	€'000	€'000
Opening net assets attributable to shareholders		144,736		144,483
Amounts received on issue of shares	17,598		26,510	
Amounts paid on cancellation of shares	(14,015)		(13,394)	
		3,583		13,116
Dilution adjustments		31		51
Change in net assets attributable to shareholders from investment activities (see above)		(4,554)		(13,935)
Retained distributions on Accumulation shares		1,409		1,020
Unclaimed distributions		0		1
Closing net assets attributable to shareholders		145,205		144,736

M&G European Select Fund

Financial statements and notes

Financial statements (continued)

Balance sheet

as at 31 August	Note	2020 €'000	2019 €'000
Assets			
Fixed assets			
Investments		137,585	138,836
Current assets			
Debtors	9	1,266	2,432
Cash and bank balances	10	1,114	1,242
Cash equivalents		6,765	5,371
Total assets		146,730	147,881
Liabilities			
Creditors			
Bank overdrafts		0	(170)
Distribution payable		(1,232)	(1,345)
Other creditors	11	(293)	(1,630)
Total liabilities		(1,525)	(3,145)
Net assets attributable to shareholders		145,205	144,736

M&G European Select Fund

Financial statements and notes

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 8 to 10.

The fund's functional and presentational currency is the euro 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)

	2020	2019
for the year to 31 August	€'000	€'000
Non-derivative securities	(4,129)	(13,163)
Currency gains / (losses)	39	(50)
Transaction charges	(2)	(2)
Rebate of ongoing charges from underlying funds taken to capital	5	0
Net capital gains / (losses)	(4,087)	(13,215)

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 59.

for the year to 31 August	2020 €'000	% of transaction	2019 €'000	% of transaction
a) Purchases				
Equities				
Equities before transaction costs	40,408		123,997	
Commissions	13	0.03	49	0.04
Taxes	40	0.10	140	0.11
Equities after transaction costs	40,461		124,186	
Other transaction types				
Corporate actions	127		0	
Total purchases after transaction costs	40,588		124,186	
b) Sales				
Equities				
Equities before transaction costs	37,786		117,380	
Taxes	(13)	0.03	(46)	0.04
Total sales after transaction costs	37,773		117,334	
	2020 €'000	% of average NAV	2019 €'000	% of average NAV
c) Direct portfolio transaction costs				
Commissions paid				
Equities	13	0.02	95	0.07
Taxes paid				
Equities	53	0.02	140	0.10
Total direct portfolio transaction costs ^[a]	66	0.04	235	0.17
d) Indirect portfolio transaction costs				
Portfolio dealing spread ^[b]		0.06		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	2020 €'000	2019 €'000
Bank interest	0	1
Dividends from equity investments: non-taxable	4,351	3,617
Dividends from equity investments: taxable	(70)	215
Stock dividends	123	135
Total revenue	4,404	3,968

Revenue includes currency gains/losses.

M&G European Select Fund

Financial statements and notes

Notes to the financial statements

6 Expenses

for the year to 31 August	2020 €'000	2019 €'000
Payable to the ACD or associate		
Annual charge	1,568	127
Annual management charge ^[a]	0	1,692
Administration charge ^[a]	0	187
	1,568	2,006
Payable to the Depositary or associate		
Depositary's charge (including VAT) ^[a]	0	11
Other expenses		
Audit fee (including VAT) ^[a] ^[b]	0	9
Interest payable	13	32
Safe custody charge ^[a]	(1)	15
	12	56
Total expenses	1,580	2,073

^[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 2020 were £9,000 (including VAT).

7 Taxation

for the year to 31 August	2020 €'000	2019 €'000
a) Analysis of charge in the year		
Corporation tax	0	0
Withholding tax	540	431
Deferred tax (note 7c)	0	0
Total taxation	540	431
b) Factors affecting taxation charge for the year		
Net revenue / (expense) before taxation	2,824	1,895
Corporation tax at 20%	565	379
Effects of:		
Dividends from equity investments: non-taxable	(870)	(723)
Stock dividends not taxable	(24)	(27)
Current year expenses not utilised	329	377
Withholding tax	540	431
Overseas tax expensed	0	(6)
Total tax charge (note 7a)	540	431
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 €6,563,000 (2019: €6,234,000) 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	2020		2019	
	Inc ^[a] €'000	Acc ^[b] €'000	Inc ^[a] €'000	Acc ^[b] €'000
Dividend distributions				
Final	1,232	1,409	1,345	1,020
Total net distributions		2,641		2,365
Income deducted on cancellation of shares		124		82
Income received on issue of shares		(14)		(263)
Distributions		2,751		2,184
Net revenue / (expense) per statement of total return		2,285		1,464
Expenses offset against capital		590		855
Stock dividends not distributed		(124)		(135)
Distributions		2,751		2,184

^[a] Distributions payable on Income shares.

^[b] Retained distributions on Accumulation shares.

9 Debtors

as at 31 August	2020 €'000	2019 €'000
Currency deals outstanding	0	1,138
Dividends receivable	62	80
Withholding tax recoverable	1,204	1,214
Total debtors	1,266	2,432

10 Cash and bank balances

as at 31 August	2020 €'000	2019 €'000
Cash held as bank balances	1,114	1,242
Total cash and bank balances	1,114	1,242

11 Other creditors

as at 31 August	2020 €'000	2019 €'000
Amounts payable on cancellation of shares	54	151
Annual charge payable	75	74
Corporation tax payable	164	162
Currency deals outstanding	0	1,134
Expenses payable	0	15
Purchases awaiting settlement	0	94
Total other creditors	293	1,630

12 Contingent assets, liabilities and outstanding commitments

There were no contingent liabilities or outstanding commitments at the balance sheet date (2019: same).

The fund has recognised a contingent asset of €164,000 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	Movements		Closing
	01.09.19	Issued	Cancelled	31.08.20
Euro				
Class 'A' Accumulation	50,822	392	(25,475)	25,739
Class 'C' Accumulation	1,768	0	(300)	1,468
Sterling				
Class 'A' Income	2,136,153	38,662	(160,438)	2,014,377
Class 'A' Accumulation	1,678,347	4,250	(135,921)	1,546,676
Class 'T' Income	383,921	14,602	(31,916)	366,607
Class 'T' Accumulation	1,382,888	664,334	(225,957)	1,821,265
Class 'PP' Income	20,000	0	0	20,000
Class 'PP' Accumulation	49,636	34,395	(1,001)	83,030
Class 'R' Income	345,993	32,623	(37,254)	341,362
Class 'R' Accumulation	1,838,251	158,076	(70,335)	1,925,992
Class 'X' Income	56,223	440	(833)	55,830
Class 'X' Accumulation	21,416	600	(1,604)	20,412

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 'T'	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 in respect of the annual charge are disclosed in note 11.

At the balance sheet date, shareholders from within M&G plc, of which M&G Securities Limited is a wholly owned subsidiary, have holdings totalling 39.65% (2019: 36.47%) of the fund's shares.

16 Events after the balance sheet date

Between 31 August 2020 and 30 October 2020 the value of investments has fallen. For further details on the share class movements, please refer to the below table:

Net asset	31.08.20	30.10.20	% Change
Euro			
Class 'A' Accumulation	1,585.12	1,453.10	-8.33
Class 'C' Accumulation	1,833.92	1,683.92	-8.18
Sterling			
Class 'A' Income	1,792.23	1,652.31	-7.81
Class 'A' Accumulation	2,945.16	2,714.84	-7.82
Class 'T' Income	1,670.03	1,540.97	-7.73
Class 'T' Accumulation	1,965.63	1,813.48	-7.74
Class 'PP' Income	94.28	87.02	-7.70
Class 'PP' Accumulation	100.47	92.72	-7.71
Class 'R' Income	165.45	152.59	-7.77
Class 'R' Accumulation	192.70	177.72	-7.78
Class 'X' Income	1,774.61	1,636.05	-7.81
Class 'X' Accumulation	2,914.14	2,686.25	-7.82

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.

M&G European Select Fund

Financial statements and notes

Notes to the financial statements

17 Fair value analysis (continued)

as at 31 August	Assets 2020	Liabilities 2020	Assets 2019	Liabilities 2019
Basis of valuation	€'000	€'000	€'000	€'000
Level 1	137,585	0	138,836	0
Level 2	0	0	0	0
Level 3	0	0	0	0
	137,585	0	138,836	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 10 to 11.

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 €6,879,000 (2019: €6,942,000). 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 €1,856,000 (2019: €1,746,000)*. A five per cent decrease would have an equal and opposite effect.

*Restated.

as at 31 August	2020 €'000	2019 €'000
Currency exposure in respect of the fund		
Danish krone	2,796	1,004
Euro	108,088	109,808
Norwegian krone	5,168	5,546
Sterling	(1,286)	(1,481)
Swedish krona	7,770	3,799
Swiss franc	24,329	26,060
US dollar	90	0
Fair value accounting adjustment	(1,750)	0
Total	145,205	144,736

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 as there are no counterparty or derivative balances 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	01.09.19	31.08.20	01.09.20	31.10.20

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	Equalisation	2020	2019
	2020	2020	2020	2019
	Euro €	Euro €	Euro €	Euro €
Final	9.3219	3.2517	12.5736	13.0876

Euro Class 'C' Accumulation shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income	Equalisation	2020	2019
	2020	2020	2020	2019
	Euro €	Euro €	Euro €	Euro €
Final	32.0343	0.0000	32.0343	28.8938

Sterling Class 'A' Income shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income	Equalisation	2020	2019
	2020	2020	2020	2019
	UK p	UK p	UK p	UK p
Final	38.0093	7.1080	45.1173	47.2612

Sterling Class 'A' Accumulation shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income	Equalisation	2020	2019
	2020	2020	2020	2019
	UK p	UK p	UK p	UK p
Final	27.1982	9.5021	36.7003	25.6122

M&G European Select Fund

Financial statements and notes

Notes to the financial statements

23 Dividend distribution tables (continued)

Sterling Class 'T' Income shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2	
	Income	Equalisation	Distribution	
	2020	2020	2020	2019
	UK p	UK p	UK p	UK p
Final	36.6571	5.2971	41.9542	43.6803

Sterling Class 'T' Accumulation shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2	
	Income	Equalisation	Distribution	
	2020	2020	2020	2019
	UK p	UK p	UK p	UK p
Final	33.5186	0.8192	34.3378	31.4238

Sterling Class 'PP' Income shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2	
	Income	Equalisation	Distribution	
	2020	2020	2020	2019
	UK p	UK p	UK p	UK p
Final	2.3670	0.0000	2.3670	2.4069

Sterling Class 'PP' Accumulation shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2	
	Income	Equalisation	Distribution	
	2020	2020	2020	2019
	UK p	UK p	UK p	UK p
Final	1.8271	0.0785	1.9056	1.6666

Sterling Class 'R' Income shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2	
	Income	Equalisation	Distribution	
	2020	2020	2020	2019
	UK p	UK p	UK p	UK p
Final	1.0682	3.0923	4.1605	4.3432

Sterling Class 'R' Accumulation shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2	
	Income	Equalisation	Distribution	
	2020	2020	2020	2019
	UK p	UK p	UK p	UK p
Final	1.7779	1.1066	2.8845	2.6043

Sterling Class 'X' Income shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2	
	Income	Equalisation	Distribution	
	2020	2020	2020	2019
	UK p	UK p	UK p	UK p
Final	42.0006	2.6724	44.6730	46.7956

Sterling Class 'X' Accumulation shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2	
	Income	Equalisation	Distribution	
	2020	2020	2020	2019
	UK p	UK p	UK p	UK p
Final	17.7059	18.6082	36.3141	25.3435

M&G Global Select Fund

Authorised Corporate Director's Report

Investment objective up to 28 November 2019

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

Investment objective from 29 November 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 World Index over any five-year period.

Investment policy up to 28 November 2019

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 policy from 29 November 2019

At least 80% of the fund is invested in equity securities and equity-related securities of companies across any sector and market capitalisation that are domiciled in any country, including emerging markets. The fund has a concentrated portfolio and usually holds fewer than 40 companies.

Sustainability considerations play an important role in determining the investment universe and assessing business models. The fund excludes securities issued by companies that are assessed to be in breach of the United Nations Global Compact principles on human rights, labour, environment and anti-corruption and companies involved in the production of tobacco and controversial weapons.

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 up to 28 November 2019

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.

Investment approach from 29 November 2019

The fund is a focused core global equity fund.

The fund is based on an investment process that uses fundamental analysis to identify companies with sustainable business models and competitively advantageous characteristics to protect their profitability. The fund makes long-term investments in these companies and 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 up to 28 November 2019

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.

M&G Global Select Fund

Authorised Corporate Director's Report

Benchmark from 29 November 2019

Benchmark: MSCI World Index.

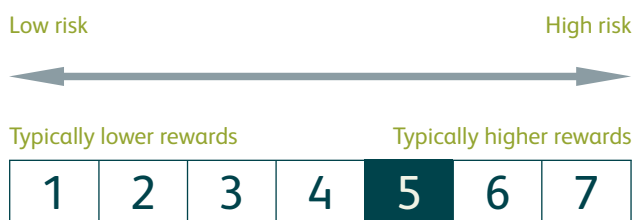
The fund is actively managed. The benchmark is a target which the fund seeks to outperform. The index has been chosen as the fund's target benchmark as it best reflects the scope of the fund's investment policy. The target benchmark is used solely to measure the fund's performance and does not constrain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

For unhedged share classes, the benchmark is shown in the share class currency.

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 1 September 2020, for the year ended 31 August 2020

Performance against objective

Between 2 September 2019 (the start of the review period) and 1 September 2020, the sterling share classes of the M&G Global Select Fund delivered positive total returns (the combination of income and growth of capital), but lagged its benchmark, the MSCI World Index, which rose by 5.9% for the period in sterling terms.

Over five years, the fund has delivered positive total returns, however, it has not finished ahead of the benchmark for the period. The benchmark returned 14.7% pa in sterling terms over five years. Therefore, the fund's performance has not met its 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 'Financial highlights' section of this report.

Performance review

Stockmarkets in developed countries delivered positive returns for the 12 months under review, but the ride was far from smooth, at points experiencing levels of volatility, or market turbulence, that surpassed that of the financial crisis in 2008.

As we entered the review period, market sentiment was dominated by a number of repeat themes, 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 both euphoria and risk aversion, depending on how those negotiations were perceived to be progressing. 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, geopolitical tensions in the Middle East and weakness in the oil price, amid potential declining demand in the face of reduced economic activity.

Despite these difficulties, markets maintained a generally upward trajectory, and as we entered the new year investors appeared upbeat. The Brexit situation had relatively stabilised, following a majority conservative government win in the UK's December general election, trade tensions between the US and China appeared to be cooling, and concerns over declining global economic activity were being ameliorated by central bank intervention in both Europe and China.

This positive sentiment, however, was to prove short-lived. The mood darkened as news of the new coronavirus outbreak spreading from China took a detrimental toll. As we moved through the review period, initial hopes that COVID-19 might be contained faded as new outbreaks were reported beyond China, notably in Iran, Italy and South Korea. Fearful of the emergence of a global pandemic and its potential negative effects on the global economy, stocks sold off in dramatic fashion at the end of February, resulting in the largest weekly stockmarket fall since 2008. The World Health Organisation subsequently confirmed those fears, declaring a full-blown pandemic, which led to a rapid acceleration of the sell-off. This prompted the worst quarter for global markets since the 2008 financial crisis, and for some the worst first quarter on record.

Investor sentiment then turned for the better, and we experienced the strongest second quarter since 2009, driven by central bank stimulus measures and efforts to reopen some areas of major economies, both of which fuelled the positive mood. This broad recovery extended through the summer, and, by the end of the period under review, developed market equities had risen by over 30% in sterling terms from their March lows.

M&G Global Select Fund

Authorised Corporate Director's Report

Performance review (continued)

Against this background, the standout sector for the period was information technology, particularly given that widespread lockdowns saw the adoption of technology solutions for those vast swathes of the workforce able to work from home. The consumer discretionary and healthcare sectors also put in strong performance, the former rising as risk aversion subsided, and the latter given the role of healthcare companies in providing solutions to the global health crisis. Conversely, far-and-away the worst performing sector for the period was energy, in light of reduced demand for oil amid lockdowns and travel restrictions, while real estate, financials and utilities all declined for the period as well.

For the fund, underperformance was driven by stock selection, most clearly in the consumer discretionary, financial and information technology sectors. At a stock level, it is worth noting that a primary source of relative underperformance came from two stocks that we do not own – US tech giants Apple and Amazon. Both companies make up a large percentage of the benchmark, and both delivered extremely strong returns for the review period. (It was a similar case for US electric vehicle maker Tesla, which rose by over 900% in sterling terms for the period under review.)

In terms of stocks that we do own, the key detractor for the period was UK retailer WH Smith. Given widespread travel bans and country lockdowns, WH Smith saw a major drop in shoppers at both its airport and high street outlets. In May the company reported that April revenue was down 85% on the previous year, with the UK high street business recording a 74% drop in sales and the travel business a 91% drop. While its shares picked up to a degree in June as lockdowns were eased, they again declined through July, exacerbated by news of store closures and staff redundancies, including in the company's head office.

Other detractors included US financial services companies Discover Financial Services and American Express, as investors weighed the potential for transaction volumes to slow considerably in the event of a prolonged recession, as well as the potential for loan defaults as customers losing their livelihoods in the lockdown environment were unable to make payments.

On the upside, stockpicking within the communication services and industrial sectors was supportive, as was the fund's below-index positioning in energy and utilities. The largest individual contributor for the period was another US tech giant, namely Microsoft. The company has produced solid returns, boosted by its cloud-based solution Azure and its Office 365 subscription service. Sentiment in the company was further boosted by news that it was seeking to buy the US business of Chinese video sharing site TikTok, as this could allow Microsoft to become a major social media presence overnight.

Other supportive holdings included US engineering simulation software developer Ansys, Chinese internet company Tencent, and multinational energy management company Schneider Electric.

Engagement activities

Responsible investors can effect change by engaging with investee companies on a number of issues, not least supporting responsible corporate behaviour and long-term thinking, but also pushing companies to improve disclosure or set more testing sustainability objectives. We maintain ongoing dialogue with our investee companies, as well as companies on our watchlist of stocks that we would like to own when the timing and price are right.

As a few examples of engagements from the period under review, we can look at WH Smith, mentioned above, and a new holding for the period, Danish allergy immunotherapy specialist ALK-Abelló, as well as fluid handling systems maker Graco and medical equipment maker Becton Dickinson, both US companies.

With WH Smith we wanted to understand how the business was positioned in light of COVID-19, as its exposure to both high street retail and travel meant it had been particularly vulnerable in the lockdown situation. This included discussing any government schemes in which the company was taking part, and how it was looking after staff.

For ALK-Abelló, we had a specific call on sustainability. This included a discussion on Access to Medicine and the new methodology that is being considered for the foundation's index, the company's experience and actions in light of the pandemic, the sustainability of materials (for example those used in vials, injectors, tests, etc), and product quality governance. We also encouraged the company to implement an integrated framework for sustainability reporting.

With Graco we discussed both governance and environmental issues. On the governance side, we had some concerns that five of Graco's board members had tenure of over 15 years – raising questions over their independence – while in terms of the environment, we believed the company's emissions disclosures were poor. Graco explained that three new board members had joined in the last four years, and that as they gained experience it would look to cycle the board. In terms of environmental disclosures, the company was identifying which framework to adopt and said we would see better disclosure in the 2020 report – we will continue to monitor both issues.

For Becton, meanwhile, we talked through the Alaris pump issue. Alaris pumps are used for infusing drugs into patients, and early in 2019 the company recalled some of the pumps over concerns that they could lead to quicker, slower or accidental delivery of medicine. Fixing the issue mainly required a change to the pumps' software, which Becton did not believe would require a new trial to be undertaken. The US Food and Drug Administration (FDA) disagreed, saying the pump had changed to such a degree from the original that a new trial would be necessary. The result was a loss of some US\$450 million in sales for 2020. Becton assured us that it was working through this, and that it had changed procedures to ensure it doesn't have miscommunications with the FDA again.

M&G Global Select Fund

Authorised Corporate Director's Report

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, three such opportunities presented themselves. The first was allergy immunotherapy specialist ALK-Abelló (mentioned above). ALK specialises in autoimmune therapy for dust mite and grass allergies. These treatments were traditionally injectable, which could result in sometimes fatal allergic reactions, but ALK has developed much safer, and easier to administer, pills. We believe that ALK has a unique, well-protected, skill set, having developed its research and development capabilities since the early 1900s, and we see strong growth potential for the business if its distribution strategy plays out, particularly in the US.

We invested in Indian financial institution Housing Development Finance Corporation (HDFC). HDFC provides housing finance to individuals and corporate customers across India, with its main business being to provide long-term housing loans to low and middle-income individuals, aiming to promote home ownership. It offers loans for the purchase and construction of a house, as well as loans to corporate customers for the purchase and construction of commercial real estate. In addition to loans, HDFC offers life insurance, general insurance and asset management services. It was founded in 1977 and has over 4,800 branches across India.

Finally, we bought shares in US workwear and textile service company UniFirst. UniFirst's business is the rental, lease and sale of work clothing, uniforms, protective apparel, career wear, and facility service products to businesses in virtually all industrial categories. It operates 260 facilities, serves over 300,000 customer locations throughout North America and employs over 14,000 people. We think the company has a strong brand, that it has built over half a century, and a distribution network that is difficult to replicate. It also operates in areas of speciality garments, such as nuclear clothing decontamination, which are specifically regulated and difficult to enter. The company is vertically integrated, in that it rents, cleans, delivers and manufactures for a customer's needs. This circular model produces environmental efficiencies versus home laundering, including 90% less chemical usage, 64% less water usage and 73% less energy usage.

Conversely, at the beginning of the review period, we closed our small remaining position in Israeli pharmaceutical company Teva, having lost faith in the investment case for the business.

Outlook

Events like the extreme market reaction to the COVID-19 outbreak are difficult to predict, and while, from an investment viewpoint, such events can be painful in the short term, they can also create opportunities for long-term investors. We believe that

investing in quality companies when they are being undervalued can help to deliver long-term benefits for our customers, as markets return to more normal levels.

In the current environment, we have seen a high level of investor 'clustering' around companies that have moved through the COVID-19 crisis and thrived – for example, some large US technology companies. As these areas of the market have attracted increasing numbers of investors, we believe there are signs of market exuberance; ie that the shares of some of these companies are becoming overvalued. We think there is now an elevated risk of disappointment in cyclical stocks (those more closely aligned with cycles in the wider economy) that have high levels of debt, and growth stocks that have become very highly valued, particularly given the extraordinarily uncertain macroeconomic environment.

We have remained consistent as regards our fundamental positioning and balanced approach. We continue to divide the portfolio between 'stable growth' companies – those that have a proven track record of producing stable earnings – and 'opportunities' companies – which tend to be less predictable, but have what we believe to be significant upside potential. We think this approach provides good diversification, which should help the portfolio perform in different market conditions. We are now keeping an eye out for relative value in the stable growth part of the market, as well as in higher quality opportunities companies.

In terms of the current fund, we remain confident in the quality of the stocks within the 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 customers, and we continue to be optimistic about their prospects.

John William Olsen

Fund manager

An employee of M&G FA Limited (formerly 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

Portfolio statement

as at 31 August		2020	2020	2019
Holding		\$'000	%	%
	EQUITIES	721,667	97.94	98.11
	Energy equipment & services	4,502	0.61	1.13
373,274	National Oilwell Varco	4,502	0.61	
	Chemicals	23,176	3.15	2.86
91,877	Linde	23,176	3.15	
	Containers & packaging	24,227	3.29	4.82
305,401	Ball	24,227	3.29	
	Building products	19,156	2.60	3.27
468,468	Johnson Controls International	19,156	2.60	
	Electrical equipment	32,225	4.37	3.29
258,430	Schneider Electric	32,225	4.37	
	Machinery	16,208	2.20	2.33
279,012	Graco	16,208	2.20	
	Commercial services & supplies	18,423	2.50	2.20
574,282	ISS	8,863	1.20	
48,858	UniFirst	9,560	1.30	
	Marine	18,343	2.49	2.09
94,608	Kuehne & Nagel	18,343	2.49	
	Specialty retail	55,031	7.47	7.93
204,551	Tiffany	25,207	3.42	
1,916,120	WH Smith	29,824	4.05	
	Food products	23,761	3.22	3.34
196,237	Nestlé	23,761	3.22	
	Household products	18,955	2.57	2.23
188,918	Reckitt Benckiser	18,955	2.57	
	Personal products	23,305	3.16	3.46
397,020	Unilever	23,305	3.16	
	Health care equipment & supplies	31,093	4.22	5.08
126,179	Becton Dickinson	31,093	4.22	
	Health care providers & services	44,008	5.97	5.45
141,169	UnitedHealth	44,008	5.97	
	Pharmaceuticals	50,321	6.83	4.87
67,062	ALK-Abelló	21,878	2.97	
427,900	Novo-Nordisk	28,443	3.86	
	Banks	17,217	2.34	3.26
1,152,453	ING	9,720	1.32	
70,781	M&T Bank	7,497	1.02	
	Thriffs & mortgage finance	13,222	1.79	0.00
515,905	Housing Development Finance	13,222	1.79	
	Consumer finance	32,585	4.42	6.47
187,521	American Express	19,039	2.58	
252,213	Discover Financial Services	13,546	1.84	
	Capital markets	14,183	1.93	2.86
310,092	Bank of New York Mellon	11,644	1.58	
495,765	Georgia Capital	2,539	0.35	
	Insurance	21,486	2.92	3.81
458,700	Tokio Marine	21,486	2.92	
	IT services	27,034	3.67	3.51
128,107	Visa	27,034	3.67	
	Software	116,499	15.81	14.95
71,343	ANSYS	23,710	3.22	
405,520	Manhattan Associates	39,680	5.38	
234,395	Microsoft	53,109	7.21	
	Entertainment	18,835	2.56	1.87
132,854	Electronic Arts	18,835	2.56	

M&G Global Select Fund

Authorised Corporate Director's Report

Portfolio statement (continued)

as at 31 August		2020	2020	2019
Holding		\$'000	%	%
	EQUITIES (continued)			
	Interactive media & services	57,872	7.85	7.03
19,400	Alphabet	31,593	4.29	
376,800	Tencent	26,279	3.56	
Portfolio of investments		721,667	97.94	98.11
	CASH EQUIVALENTS	21,804	2.96	2.30
	'AAA' rated money market funds ^[a]	21,804	2.96	2.30
21,804,000	Northern Trust Global Fund - US dollar	21,804	2.96	
Total portfolio (notes 2c & 2d on page 8)		743,471	100.90	100.41
Net other assets / (liabilities)		(6,608)	(0.90)	(0.41)
Net assets attributable to shareholders		736,863	100.00	100.00

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

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

Top portfolio transactions

for the year to 31 August 2020		
Purchases		\$'000
	ALK-Abelló	14,560
	Housing Development Finance	12,732
	WH Smith	11,848
	UniFirst	8,465
	Unilever	1,478
Total purchases		49,083
Largest sales		\$'000
	Microsoft	17,802
	Alphabet	10,098
	Nova-Nordisk	8,618
	ANSYS	8,196
	Ball	7,971
	WH Smith	7,339
	UnitedHealth	7,084
	Graco	3,787
	Teva Pharmaceuticals ADR	3,744
	Becton Dickinson	3,407
	Other sales	27,694
Total sales		105,740

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.

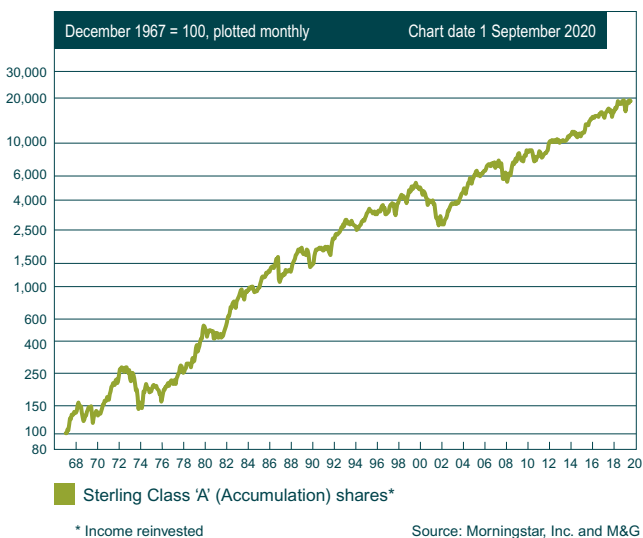
Fund level performance

Fund net asset value

	2020	2019	2018
as at 31 August	\$'000	\$'000	\$'000
Fund net asset value (NAV)	736,863	697,719	971,265

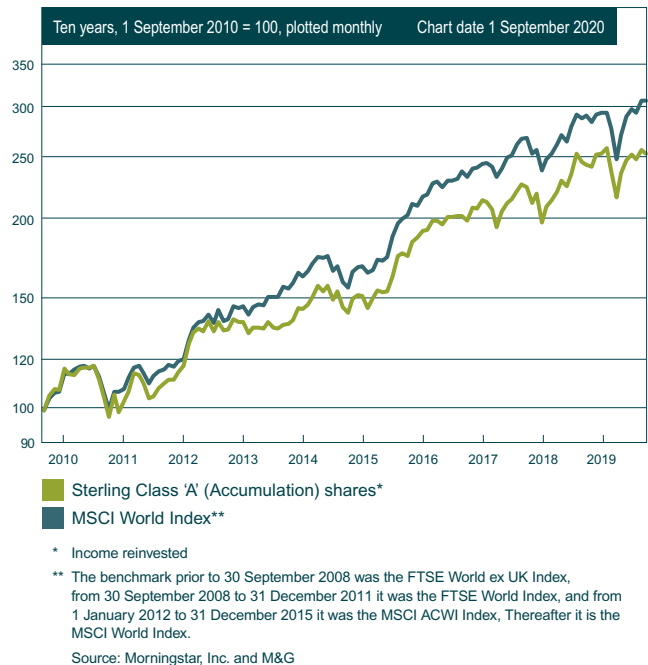
Performance since launch

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 the comparator benchmark's total return 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.

Long-term performance by share class

	One year 02.09.19 % [a]	Three years 01.09.17 % pa	Five years 01.09.15 % pa	Since launch % pa
Sterling [b]				
Class 'A'	+2.1	+8.1	+12.0	+10.5 [c]
Class 'I'	+2.6	+8.9	+12.8	+11.9 [d]
Class 'R'	+2.3	+8.6	+12.5	+11.7 [d]
Class 'X'	+2.1	+8.1	+12.0	+15.3 [e]

[a] Absolute basis.

[b] Price to price with income reinvested.

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

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

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

M&G Global Select Fund

Financial highlights

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 depository, 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 Trust 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.

Operating charges are 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.

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	2020	2019	2018	Average ^[a]
Direct portfolio transaction costs ^[b]	%	%	%	%
Broker commission	0.01	0.02	0.01	0.01
Taxes	0.00	0.00	0.02	0.01
Costs before dilution adjustments	0.01	0.02	0.03	0.02
Dilution adjustments ^[c]	(0.01)	(0.01)	(0.01)	(0.01)
Total direct portfolio transaction costs	0.00	0.01	0.02	0.01

as at 31 August	2020	2019	2018	Average ^[a]
Indirect portfolio transaction costs	%	%	%	%
Average portfolio dealing spread	0.05	0.04	0.03	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 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.

Historic yields for the current year are calculated as at 11 September 2020.

Sterling Class 'A' Income share performance

The share class was launched on 19 December 1967. for the year to 31 August			
	2020	2019	2018
Change in NAV per share	UK p	UK p	UK p
Opening NAV	445.72	417.51	378.07
Return before operating charges and after direct portfolio transaction costs	25.62	42.28	52.34
Operating charges	(6.17)	(6.33)	(6.50)
Return after operating charges	19.45	35.95	45.84
Distributions	(5.66)	(7.74)	(6.40)
Closing NAV	459.51	445.72	417.51
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.07	0.09	0.10
Dilution adjustments ^[a]	(0.04)	(0.07)	(0.06)
Total direct portfolio transaction costs	0.03	0.02	0.04
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.01	0.02
Operating charges ^[c]	1.40	1.65	1.66
Return after operating charges	+4.36	+8.61	+12.12
Historic yield	1.27	1.40	1.56
Effect on yield of charges offset against capital	1.40	1.63	1.65
Other information			
Closing NAV (\$'000)	281,449	264,576	446,672
Closing NAV percentage of total fund NAV (%)	38.19	37.92	45.99
Number of shares	46,040,094	48,742,517	82,262,177
Highest share price (UK p)	487.00	466.80	428.55
Lowest share price (UK p)	361.19	359.45	358.74

Sterling Sterling Class 'A' Accumulation share performance

The share class was launched on 19 December 1967. for the year to 31 August			
	2020	2019	2018
Change in NAV per share	UK p	UK p	UK p
Opening NAV	911.27	839.00	748.20
Return before operating charges and after direct portfolio transaction costs	52.39	85.74	103.61
Operating charges	(12.62)	(13.47)	(12.81)
Return after operating charges	39.77	72.27	90.80
Distributions	0.00	(1.45)	0.00
Retained distributions	0.00	1.45	0.00
Closing NAV	951.04	911.27	839.00
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.13	0.17	0.20
Dilution adjustments ^[a]	(0.09)	(0.15)	(0.11)
Total direct portfolio transaction costs	0.04	0.02	0.09
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.01	0.02
Operating charges ^[c]	1.40	1.64	1.66
Return after operating charges	+4.36	+8.61	+12.14
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)	164,681	147,531	115,527
Closing NAV percentage of total fund NAV (%)	22.35	21.14	11.89
Number of shares	13,016,075	13,293,991	10,587,533
Highest share price (UK p)	995.67	938.08	848.18
Lowest share price (UK p)	738.45	722.35	710.03

Sterling Class 'I' Income share performance

The share class was launched on 3 August 2012. for the year to 31 August			
	2020	2019	2018
Change in NAV per share	UK p	UK p	UK p
Opening NAV	2,177.47	2,024.71	1,819.69
Return before operating charges and after direct portfolio transaction costs	125.68	207.12	253.26
Operating charges	(19.36)	(16.69)	(17.29)
Return after operating charges	106.32	190.43	235.97
Distributions	(27.74)	(37.67)	(30.95)
Closing NAV	2,256.05	2,177.47	2,024.71
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.32	0.42	0.50
Dilution adjustments ^[a]	(0.21)	(0.36)	(0.27)
Total direct portfolio transaction costs	0.11	0.06	0.23
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.01	0.02
Operating charges ^[c]	0.90	0.92	0.91
Return after operating charges	+4.88	+9.41	+12.97
Historic yield	1.27	1.38	1.55
Effect on yield of charges offset against capital	0.90	0.90	0.90
Other information			
Closing NAV (\$'000)	37,211	27,426	27,970
Closing NAV percentage of total fund NAV (%)	5.05	3.93	2.88
Number of shares	1,239,831	1,034,286	1,062,204
Highest share price (UK p)	2,384.77	2,279.31	2,078.07
Lowest share price (UK p)	1,769.48	1,747.30	1,734.35

M&G Global Select Fund

Financial highlights

Specific share class performance

Sterling Class 'T' Accumulation share performance

The share class was launched on 3 August 2012. for the year to 31 August			
	2020	2019	2018
Change in NAV per share	UK p	UK p	UK p
Opening NAV	2,409.49	2,202.35	1,949.35
Return before operating charges and after direct portfolio transaction costs	139.18	227.04	271.50
Operating charges	(21.51)	(19.90)	(18.50)
Return after operating charges	117.67	207.14	253.00
Distributions	(10.16)	(20.44)	(14.29)
Retained distributions	10.16	20.44	14.29
Closing NAV	2,527.16	2,409.49	2,202.35
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.36	0.46	0.54
Dilution adjustments ^[a]	(0.23)	(0.40)	(0.29)
Total direct portfolio transaction costs	0.13	0.06	0.25
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.01	0.02
Operating charges ^[c]	0.90	0.92	0.91
Return after operating charges	+4.88	+9.41	+12.98
Historic yield	0.42	0.58	0.68
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	219,590	229,078	101,913
Closing NAV percentage of total fund NAV (%)	29.80	32.83	10.49
Number of shares	6,531,513	7,806,934	3,558,078
Highest share price (UK p)	2,638.91	2,479.30	2,226.36
Lowest share price (UK p)	1,958.05	1,900.61	1,858.10

Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012. for the year to 31 August			
	2020	2019	2018
Change in NAV per share	UK p	UK p	UK p
Opening NAV	216.10	201.45	181.51
Return before operating charges and after direct portfolio transaction costs	12.45	20.48	25.24
Operating charges	(2.46)	(2.09)	(2.22)
Return after operating charges	9.99	18.39	23.02
Distributions	(2.75)	(3.74)	(3.08)
Closing NAV	223.34	216.10	201.45
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.03	0.04	0.05
Dilution adjustments ^[a]	(0.02)	(0.04)	(0.03)
Total direct portfolio transaction costs	0.01	0.00	0.02
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.01	0.02
Operating charges ^[c]	1.15	1.17	1.16
Return after operating charges	+4.62	+9.13	+12.68
Historic yield	1.27	1.39	1.55
Effect on yield of charges offset against capital	1.15	1.15	1.15
Other information			
Closing NAV (\$'000)	4,107	2,853	2,236
Closing NAV percentage of total fund NAV (%)	0.56	0.41	0.23
Number of shares	1,382,346	1,084,153	853,347
Highest share price (UK p)	236.40	226.26	206.77
Lowest share price (UK p)	175.36	173.71	172.74

Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012. for the year to 31 August			
	2020	2019	2018
Change in NAV per share	UK p	UK p	UK p
Opening NAV	236.69	216.88	192.44
Return before operating charges and after direct portfolio transaction costs	13.63	22.30	26.80
Operating charges	(2.69)	(2.49)	(2.36)
Return after operating charges	10.94	19.81	24.44
Distributions	(0.44)	(1.45)	(0.89)
Retained distributions	0.44	1.45	0.89
Closing NAV	247.63	236.69	216.88
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.03	0.05	0.05
Dilution adjustments ^[a]	(0.02)	(0.04)	(0.03)
Total direct portfolio transaction costs	0.01	0.01	0.02
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.01	0.02
Operating charges ^[c]	1.15	1.17	1.16
Return after operating charges	+4.62	+9.13	+12.70
Historic yield	0.18	0.37	0.44
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	16,143	13,239	10,932
Closing NAV percentage of total fund NAV (%)	2.19	1.90	1.13
Number of shares	4,900,020	4,592,924	3,875,753
Highest share price (UK p)	258.92	243.60	219.24
Lowest share price (UK p)	192.07	187.02	183.16

Sterling Class 'X' Income share performance

The share class was launched on 1 October 2002. for the year to 31 August			
	2020	2019	2018
Change in NAV per share	UK p	UK p	UK p
Opening NAV	445.69	417.48	378.04
Return before operating charges and after direct portfolio transaction costs	25.62	42.21	52.33
Operating charges	(6.18)	(6.26)	(6.49)
Return after operating charges	19.44	35.95	45.84
Distributions	(5.66)	(7.74)	(6.40)
Closing NAV	459.47	445.69	417.48
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.07	0.09	0.10
Dilution adjustments ^[a]	(0.04)	(0.07)	(0.06)
Total direct portfolio transaction costs	0.03	0.02	0.04
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.01	0.02
Operating charges ^[c]	1.40	1.64	1.66
Return after operating charges	+4.36	+8.61	+12.13
Historic yield	1.27	1.40	1.56
Effect on yield of charges offset against capital	1.40	1.63	1.65
Other information			
Closing NAV (\$'000)	7,887	7,673	8,555
Closing NAV percentage of total fund NAV (%)	1.07	1.10	0.88
Number of shares	1,290,306	1,413,602	1,575,647
Highest share price (UK p)	486.96	466.77	428.52
Lowest share price (UK p)	361.17	359.43	358.72

M&G Global 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			
	2020	2019	2018
Change in NAV per share	UK p	UK p	UK p
Opening NAV	903.62	831.96	741.92
Return before operating charges and after direct portfolio transaction costs	51.95	85.06	102.79
Operating charges	(12.52)	(13.40)	(12.75)
Return after operating charges	39.43	71.66	90.04
Distributions	0.00	(1.44)	0.00
Retained distributions	0.00	1.44	0.00
Closing NAV	943.05	903.62	831.96
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.13	0.17	0.20
Dilution adjustments ^[a]	(0.09)	(0.15)	(0.11)
Total direct portfolio transaction costs	0.04	0.02	0.09
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.01	0.02
Operating charges ^[c]	1.40	1.64	1.66
Return after operating charges	+4.36	+8.61	+12.14
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)	5,795	5,343	6,284
Closing NAV percentage of total fund NAV (%)	0.79	0.77	0.65
Number of shares	461,928	485,528	580,758
Highest share price (UK p)	987.31	930.20	841.06
Lowest share price (UK p)	732.24	716.28	704.06

^[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	2020		2019	
		\$'000	\$'000	\$'000	\$'000
Income					
Net capital gains / (losses)	3		93,413		(1,132)
Revenue	5	10,435		14,479	
Expenses	6	(8,455)		(10,154)	
Net revenue / (expense) before taxation		1,980		4,325	
Taxation	7	(1,137)		(1,396)	
Net revenue / (expense) after taxation			843		2,929
Total return before distributions			94,256		1,797
Distributions	8		(5,128)		(8,640)
Change in net assets attributable to shareholders from investment activities			89,128		(6,843)

Statement of change in net assets attributable to shareholders

for the year to 31 August		2020		2019	
		\$'000	\$'000	\$'000	\$'000
Opening net assets attributable to shareholders			697,719		971,265
Amounts received on issue of shares		37,927		186,516	
Amounts paid on cancellation of shares		(88,919)		(370,623)	
Transferred to M&G (Lux) Global Select Fund		0		(85,056)	
			(50,992)		(269,163)
Dilution adjustments			91		170
Change in net assets attributable to shareholders from investment activities (see above)			89,128		(6,843)
Retained distributions on Accumulation shares			911		2,285
Unclaimed distributions			6		5
Closing net assets attributable to shareholders			736,863		697,719

M&G Global Select Fund

Financial statements and notes

Financial statements (continued)

Balance sheet

as at 31 August	Note	2020 \$'000	2019 \$'000
Assets			
Fixed assets			
Investments		721,667	684,513
Current assets			
Debtors	9	3,156	2,933
Cash and bank balances	10	4,420	4,192
Cash equivalents		21,804	16,044
Total assets		751,047	707,682
Liabilities			
Creditors			
Distribution payable		(4,073)	(5,249)
Other creditors	11	(10,111)	(4,714)
Total liabilities		(14,184)	(9,963)
Net assets attributable to shareholders		736,863	697,719

M&G Global Select Fund

Financial statements and notes

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 8 to 10.

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)

	2020	2019
for the year to 31 August	\$'000	\$'000
Non-derivative securities	93,802	(561)
Currency gains / (losses)	(389)	(571)
Management charge rebates	0	1
Transaction charges	0	(1)
Net capital gains / (losses)	93,413	(1,132)

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 78.

	2020	% of	2019	% of
for the year to 31 August	\$'000	transaction	\$'000	transaction
a) Purchases				
Equities				
Equities before transaction costs	49,016		68,022	
Commissions	25	0.05	33	0.05
Taxes	42	0.09	23	0.03
Total purchases after transaction costs	49,083		68,078	
b) Sales				
Equities				
Equities before transaction costs	105,776		267,444	
Commissions	(33)	0.03	(98)	0.04
Taxes	(3)	0.00	(3)	0.00
Total sales after transaction costs	105,740		267,343	
c) Direct portfolio transaction costs				
	2020	% of	2019	% of
	\$'000	average NAV	\$'000	average NAV
Commissions paid				
Equities	58	0.01	131	0.02
Taxes paid				
Equities	45	0.00	26	0.00
Total direct portfolio transaction costs ^[a]	103	0.01	157	0.02
d) Indirect portfolio transaction costs				
	%		%	
Portfolio dealing spread ^[b]		0.05		0.04

^[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

	2020	2019
for the year to 31 August	\$'000	\$'000
Bank interest	1	4
Distributions from collective investment schemes: taxable	0	133
Dividends from equity investments: non-taxable	10,426	13,838
Dividends from equity investments: taxable	(119)	286
Interest distributions	120	217
Rebate of ongoing charges from underlying funds	7	1
Total revenue	10,435	14,479

Revenue includes currency gains/losses.

M&G Global Select Fund

Financial statements and notes

Notes to the financial statements

6 Expenses

for the year to 31 August	2020 \$'000	2019 \$'000
Payable to the ACD or associate		
Annual charge	8,450	704
Annual management charge ^[a]	0	8,323
Administration charge ^[a]	0	1,014
	8,450	10,041
Payable to the Depository or associate		
Depository's charge (including VAT) ^[a]	0	46
Other expenses		
Audit fee (including VAT) ^[a] ^[b]	0	10
Interest payable	6	4
Legal fees	0	3
Safe custody charge ^[a]	(1)	34
Tax fees (including VAT)	0	16
	5	67
Total expenses	8,455	10,154

^[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 2020 were £9,000 (including VAT).

7 Taxation

for the year to 31 August	2020 \$'000	2019 \$'000
a) Analysis of charge in the year		
Corporation tax	0	0
Withholding tax	1,137	1,396
Deferred tax (note 7c)	0	0
Total taxation	1,137	1,396
b) Factors affecting taxation charge for the year		
Net revenue / (expense) before taxation	1,980	4,325
Corporation tax at 20%	396	865
Effects of:		
Dividends from equity investments: non-taxable	(2,085)	(2,768)
Current year expenses not utilised	1,689	1,903
Withholding tax	1,137	1,396
Total tax charge (note 7a)	1,137	1,396
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 \$33,553,000 (2019: \$31,864,000) 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	2020		2019	
	Inc ^[a] \$'000	Acc ^[b] \$'000	Inc ^[a] \$'000	Acc ^[b] \$'000
Dividend distributions				
Final	4,073	911	5,249	2,285
Total net distributions		4,984		7,534
Income deducted on cancellation of shares		264		1,415
Income received on issue of shares		(120)		(309)
Distributions		5,128		8,640
Net revenue / (expense) per statement of total return		843		2,929
Expenses offset against capital		4,200		5,639
Income deficit transferred to capital		85		72
Distributions		5,128		8,640

^[a] Distributions payable on Income shares.

^[b] Retained distributions on Accumulation shares.

9 Debtors

as at 31 August	2020 \$'000	2019 \$'000
Amounts receivable on issues of shares	0	12
Currency deals outstanding	428	0
Distributions receivable	2	24
Dividends receivable	592	689
Rebate of ongoing charges from underlying funds	1	1
Withholding tax recoverable	2,133	2,207
Total debtors	3,156	2,933

10 Cash and bank balances

as at 31 August	2020 \$'000	2019 \$'000
Cash held as bank balances	4,420	4,192
Total cash and bank balances	4,420	4,192

11 Other creditors

as at 31 August	2020 \$'000	2019 \$'000
Amounts payable on cancellation of shares	8,617	93
Annual charge payable	440	419
Corporation tax payable	457	423
Currency deals outstanding	424	0
Expenses payable	0	22
Purchases awaiting settlement	0	3,563
Payable to M&G (Lux) Global Select Fund	173	194
Total other creditors	10,111	4,714

12 Contingent assets, liabilities and outstanding commitments

There were no contingent liabilities or outstanding commitments at the balance sheet date (2019: same).

The fund has recognised a contingent asset of \$461,000 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

M&G Global Select Fund

Financial statements and notes

Notes to the financial statements

12 Contingent assets, liabilities and outstanding commitments (continued)

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	Movements		Closing
	01.09.19	Issued	Cancelled	31.08.20
Sterling				
Class 'A' Income	48,742,517	400,755	(3,103,178)	46,040,094
Class 'A' Accumulation	13,293,991	370,701	(648,617)	13,016,075
Class 'I' Income	1,034,286	353,133	(147,588)	1,239,831
Class 'I' Accumulation	7,806,934	616,224	(1,891,645)	6,531,513
Class 'R' Income	1,084,153	436,459	(138,266)	1,382,346
Class 'R' Accumulation	4,592,924	739,707	(432,611)	4,900,020
Class 'X' Income	1,413,602	29,845	(153,141)	1,290,306
Class 'X' Accumulation	485,528	28,867	(52,467)	461,928

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] %
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 in respect of the annual charge are disclosed in note 11.

At the balance sheet date, shareholders from within M&G plc, of which M&G Securities Limited is a wholly owned subsidiary, have holdings totalling 38.55% (2019: 38.71%) 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.

	Assets 2020	Liabilities 2020	Assets 2019	Liabilities 2019
as at 31 August	\$'000	\$'000	\$'000	\$'000
Basis of valuation				
Level 1	721,667	0	684,513	0
Level 2	0	0	0	0
Level 3	0	0	0	0
	721,667	0	684,513	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 10 to 11.

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 \$36,083,000 (2019: \$34,226,000). A five per cent decrease would have an equal and opposite effect.

M&G Global 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 \$14,797,000 (2019: \$13,129,000)*. A five per cent decrease would have an equal and opposite effect.

*Restated.

as at 31 August	2020 \$'000	2019 \$'000
Currency exposure in respect of the fund		
Danish krone	60,622	47,191
Euro	89,454	79,503
Hong Kong dollar	27,032	16,432
Indian rupee	13,222	0
Japanese yen	22,142	26,597
Sterling	39,326	53,808
Swiss franc	44,149	39,061
US dollar	440,916	435,127
Total	736,863	697,719

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 as there are no counterparty or derivative balances 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	01.09.19	31.08.20	01.09.20	31.10.20

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.

Sterling Class 'A' Income shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income	Equalisation	2020	2019
	2020 UK p	2020 UK p	2020 UK p	2019 UK p
Final	3.9079	1.7546	5.6625	7.7357

Sterling Class 'A' Accumulation shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income	Equalisation	2020	2019
	2020 UK p	2020 UK p	2020 UK p	2019 UK p
Final	0.0000	0.0000	0.0000	1.4493

Sterling Class 'I' Income shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income	Equalisation	2020	2019
	2020 UK p	2020 UK p	2020 UK p	2019 UK p
Final	14.8820	12.8530	27.7350	37.6656

Sterling Class 'I' Accumulation shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income	Equalisation	2020	2019
	2020 UK p	2020 UK p	2020 UK p	2019 UK p
Final	4.2876	5.8688	10.1564	20.4382

Sterling Class 'R' Income shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income	Equalisation	2020	2019
	2020 UK p	2020 UK p	2020 UK p	2019 UK p
Final	1.4022	1.3468	2.7490	3.7428

Sterling Class 'R' Accumulation shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income	Equalisation	2020	2019
	2020 UK p	2020 UK p	2020 UK p	2019 UK p
Final	0.3034	0.1333	0.4367	1.4496

Sterling Class 'X' Income shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income	Equalisation	2020	2019
	2020 UK p	2020 UK p	2020 UK p	2019 UK p
Final	4.4167	1.2453	5.6620	7.7355

Sterling Class 'X' Accumulation shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income	Equalisation	2020	2019
	2020 UK p	2020 UK p	2020 UK p	2019 UK p
Final	0.0000	0.0000	0.0000	1.4371

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.

For unhedged share classes, the benchmark is shown in the share class currency.

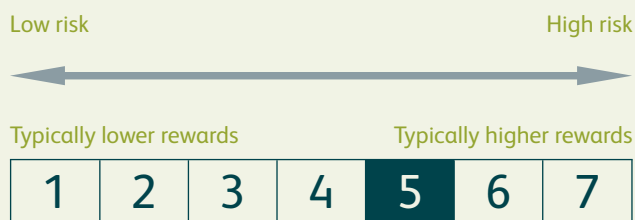
Risk profile

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 1 September 2020, for the year ended 31 August 2020

Performance against objective

Between 2 September 2019 (the start of the review period) and 1 September 2020, the M&G Global Themes Fund delivered a positive total return (the combination of income and growth of capital) across all its share classes, but underperformed the MSCI ACWI Index which returned 5.8% in sterling, 8.1% in euros and 18.0% in US dollars. Consequently, over this 12-month review period, the fund did not meet its objective of providing a higher total return than that of the MSCI ACWI Index, which was introduced on 17 November 2017.

M&G Global Themes Fund

Authorised Corporate Director's Report

Performance against objective (continued)

Over five years, the fund generated a positive total return across all its share classes but lagged its benchmark, which was the FTSE Global Basics Composite Index (comprising all subsectors of the FTSE World Index except media, IT, telecommunications, financials and healthcare) until 17 November 2017 and the MSCI ACWI Index thereafter. The benchmark returned 14.4% pa, 10.1% pa and 11.5% pa in sterling, euros and US dollars, respectively 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 'Financial highlights' section of this report.

Performance review

Global stockmarkets generated a positive return during the 12 months under review, in a year characterised by extreme swings. Stockmarkets rallied in the first six months of the review period, with the MSCI ACWI Index reaching a peak in mid-February, before reversing abruptly as COVID-19 morphed into a global pandemic. Fears of an imminent recession led to a sharp spike in market volatility which rose to levels not seen since the financial crisis. From its February peak to the March low, the MSCI ACWI Index lost a third of its value. Stockmarkets rebounded strongly thereafter as governments around the world announced stimulus packages to kick-start the economy. The MSCI ACWI Index recouped all of its losses and ended the review period at an all-time high.

The US led the gains, helped by its technology bias, with the S&P 500 Index and the Nasdaq Composite reaching record highs in August. Asia Pacific ex Japan outperformed, boosted by the strength of China. Emerging markets underperformed, not helped by the losses in Latin America. Japan made little progress, but Europe was the leading laggard as the weakness in the UK took its toll.

Narrowness of market leadership was the dominant feature of the year as 'new economy' stocks gathered increasing momentum, while the rest of the market made little progress. Technology was the standout sector as Apple and Microsoft surged to record highs, followed by consumer discretionary which moved higher on the euphoria around Amazon.com and Tesla. Healthcare outperformed the MSCI ACWI Index, but was an outlier among defensive sectors as utilities and consumer staples struggled. (Defensive stocks are companies that tend to have stable earnings and are less affected by peaks and troughs in the economy.) Cyclical areas such as industrials and financials were also out of favour, with energy bringing up the rear. (Cyclicals are companies which tend to be more sensitive to the economic cycle.)

The fund underperformed the MSCI ACWI Index in this polarised market. Sector allocation was the key reason behind the shortfall, not helped by the fund's overweight position relative to the MSCI ACWI Index in energy. Stock selection added value with strong contributions from real estate, financials and materials.

Franco-Nevada in materials made the biggest positive contribution during the review period. The Canadian royalty company, which owns rights to cashflows from mineral landholdings, benefited from a higher gold price. The company remains financially solid with a debt-free balance sheet and continues to provide diversification benefits for the portfolio.

Infineon Technologies, Nokia and Tencent outperformed in a buoyant technology sector. Shares of Shimano, the Japanese specialist in bicycle components, reached all-time highs as travel restrictions in the face of lockdown prompted changes in consumer behaviour. Ørsted, the world leader in offshore wind power generation, benefited from the structural growth in renewable energy.

Shares of Weyerhaeuser, which is structured as a real estate investment trust, rallied more than 50% in US dollars from their initial purchase for the fund in April. The world's largest private owner of timberlands reported better-than-expected results for the second quarter.

Siemens in industrials also benefited from solid fundamentals. First Republic Bank and London Stock Exchange bucked the trend in a lacklustre financials sector.

Energy stocks led the list of detractors as our holdings became embroiled in a broader sector malaise during the market turmoil in March. The sell-off was remarkable not only for its indiscriminate nature, but more notably the speed and severity of the share price declines as the dual shock of increased supply from Saudi Arabia and lower demand in the wake of COVID-19 weighed on sentiment. PrairieSky, a Canadian company which receives royalties from oil & gas bearing lands, and ONEOK, an infrastructure business which owns and operates pipelines and storage terminals in the US, were the worst affected. We added to both holdings on share price weakness.

Royalty companies offer cashflows running into perpetuity with minimal operating costs, capital requirement or environmental liabilities – favourable characteristics, we believe, for long-term investors. The cashflows generated by energy infrastructure businesses have different characteristics to those of oil & gas producers; they have limited direct exposure to the underlying commodity price, although fundamentals gave way to sentiment in an environment of extreme uncertainty. We continue to believe that energy infrastructure offers attractive long-term prospects, driven by the exposure of companies such as ONEOK to some of the most prolific basins in North America.

Vinci came under similar pressure in the immediate aftermath of the global health crisis. The transportation infrastructure company, which owns and operates toll roads and airports, experienced an extremely difficult operating environment, particularly in airports as international travel came to a grinding halt. We are optimistic about the prospects for the toll-road business which is well placed for a recovery in traffic volumes, in our view, given the behavioural changes we are already observing. We continue to have conviction in the long-term attraction of these strategic assets and the stock remains a core holding.

M&G Global Themes Fund

Authorised Corporate Director's Report

Performance review (continued)

Manulife Financial underperformed with the weakness in financials. We continue to have confidence in the international insurer's long-term prospects, driven by the structural growth in the savings industry in Asia. We took advantage of the share price weakness to add to our holding.

Investment activities

After a relatively quiet period for portfolio activity during the first six months of the review period, we were more active from March onwards as the increase in market volatility created buying opportunities, in our view, for selected companies with excellent long-term growth prospects. We established four new holdings and sold five positions during the past year – a level of turnover consistent with our long-term investment horizon of three to five years.

We initiated a holding in Nokia in January before the market turmoil. The technology company, based in Finland, is a leading manufacturer of telecoms equipment and a long-term beneficiary of structural growth trends, including 5G deployment. Expectations were undemanding and the valuation, at a five-year low, provided an attractive entry point. Our legacy holding in Hutchison China MediTech was sold, owing to our greater conviction in other healthcare holdings such as Bristol-Myers Squibb.

We received Bristol Myers shares for our original holding in Celgene, following the successful completion of the merger between the two companies. Celgene shareholders also received cash as part of the transaction, as well as a contingent value right (CVR) which entitles the holder to an additional cash payment depending on certain regulatory milestones being reached. The CVRs are traded separately on the New York Stock Exchange and are classified as a new holding in the portfolio.

Brookfield Asset Management and Weyerhaeuser were added to the portfolio in April after the market's indiscriminate selling provided an attractive entry point, we believe, for two companies with leading market positions. Brookfield Asset Management is a world-class asset manager benefiting from institutional investors increasing their allocation to alternative strategies. Weyerhaeuser is the world's largest private owner of timberlands and has a unique asset base with strong credentials for sustainability.

Henkel, Yum! Brands and Bunge, all inherited holdings from the previous manager, provided a source of cash.

Martin Marietta was the final purchase during the review period. The US building materials company is strategically positioned in high-growth geographies benefiting from population growth as well as robust fiscal initiatives to support public infrastructure investment. The company has an exemplary track record of capital discipline for a cyclical business, and is well placed for profitable long-term growth, in our view.

Our legacy holding in US industrial conglomerate Honeywell was sold to fund the purchase. We also decreased our holdings in strong performers such as Franco-Nevada and Shimano.

The number of holdings remained at 61 (due to the addition of the Bristol-Myers Squibb CVR), with the number of active investments lower at 59. We expect the number to range between 40 and 60 over the long term.

Outlook

The rebound in stockmarkets following the downturn in March has taken many investors by surprise given the lack of visibility around the shape of the economic recovery. While the much touted 'V-shaped' recovery is far from guaranteed, we have much greater conviction in the long-term trends that underpin our thematic approach. We remain undeterred in our belief that the fund's four themes – demographics, environment, infrastructure and innovation – will persist for many decades to come and that the beneficiaries of these powerful tailwinds can generate profitable growth for a variety of stakeholders, including employees, customers, shareholders and broader society.

The ability to generate cashflow is absolutely critical in our company analysis. History is littered with examples of blue sky concepts which never turned a profit. Fleeting fads and speculative manias are seldom rewarding over the long term. Persistent loss makers are usually cast aside and forgotten in the annals of history.

Valuation is another crucial aspect of our stock selection process and we believe that the opportunities presented by the market downturn will sow the seeds for future performance. We remain as optimistic as ever about the long-term prospects of the companies we are invested in and remain committed to our investment mantra: themes grounded in reality.

Alex Araujo Fund manager

An employee of M&G FA Limited (formerly 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 Themes Fund

Authorised Corporate Director's Report

Portfolio statement

as at 31 August		2020	2020	2019
Holding		\$'000	%	%
	EQUITIES	2,894,458	99.19	99.37
	United Kingdom	128,378	4.40	6.15
246,881	AstraZeneca	27,631	0.95	
240,565	London Stock Exchange	28,426	0.97	
452,059	Unilever	27,099	0.93	
3,508,032	UNITE REIT	45,222	1.55	
	Austria	33,983	1.16	1.17
1,352,337	Erste Group Bank	33,983	1.16	
	Belgium	36,062	1.24	1.10
609,786	KBC	36,062	1.24	
	Denmark	48,478	1.66	1.60
339,917	Ørsted	48,478	1.66	
	Finland	61,359	2.10	0.00
12,335,653	Nokia	61,359	2.10	
	France	58,507	2.01	2.08
603,501	Vinci	58,507	2.01	
	Germany	179,464	6.15	6.34
2,625,277	Infineon Technologies	72,331	2.48	
122,953	Linde	31,014	1.06	
539,702	Siemens	76,119	2.61	
	Ireland	27,983	0.96	1.00
209,326	Kerry	27,983	0.96	
	Italy	28,603	0.98	1.05
3,135,142	Enel	28,603	0.98	
	Netherlands	29,745	1.02	1.03
235,955	NXP Semiconductors	29,745	1.02	
	Spain	82,692	2.83	2.86
1,991,536	Ferrovial	54,693	1.87	
1,474,190	Naturgy Energy	27,999	0.96	
	Sweden	29,160	1.00	1.01
1,945,442	Epiroc	29,160	1.00	
	Switzerland	108,109	3.71	3.78
557,935	Garmin	57,238	1.96	
145,701	Roche	50,871	1.75	
	United States	1,201,104	41.16	42.89
212,723	Air Products & Chemicals	62,275	2.13	
100,897	American Tower REIT	25,012	0.86	
202,534	American Water Works	28,622	0.98	
200,351	Becton Dickinson	49,371	1.69	
718,734	Bristol-Myers Squibb	44,928	1.54	
275,332	Bristol-Myers Squibb Rights 31/03/2021	757	0.03	
894,325	Cheniere Energy	44,940	1.54	
1,346,924	Comcast	59,992	2.06	
344,920	CoreSite Realty REIT	42,463	1.45	
304,730	Crown Castle International REIT	49,769	1.70	
771,715	CSX	58,789	2.01	
1,003,674	CVS Health	63,613	2.18	
527,638	Edison International	27,311	0.94	
39,183	Equinix REIT	30,949	1.06	
852,685	First Republic Bank	97,922	3.36	
225,724	Johnson & Johnson	34,524	1.18	
139,789	Martin Marietta Materials	29,227	1.00	
391,353	Microsoft	88,673	3.04	
214,593	Motorola Solutions	32,564	1.12	
105,357	NextEra Energy	29,366	1.01	
1,983,551	ONEOK	53,615	1.84	
282,391	PepsiCo	39,055	1.34	
649,662	Republic Services	60,204	2.06	
139,429	Visa	29,424	1.01	
338,919	Walt Disney	45,327	1.55	
2,400,929	Weyerhaeuser REIT	72,412	2.48	

M&G Global Themes Fund

Authorised Corporate Director's Report

Portfolio statement (continued)

as at 31 August		2020	2020	2019
Holding		\$'000	%	%
	EQUITIES (continued)			
	Canada	342,767	11.75	9.59
1,323,482	Brookfield Asset Management	45,925	1.57	
471,882	Franco-Nevada	70,339	2.41	
4,360,562	Manulife Financial	66,411	2.28	
14,221,584	PrairieSky Royalty	103,072	3.53	
1,193,882	TC Energy	57,020	1.96	
	Japan	131,331	4.50	6.03
295,900	Shimano	62,351	2.14	
1,032,300	Toyota Motor	68,980	2.36	
	Australia	95,244	3.26	3.09
326,423	Erinbarr ^[a]	0	0.00	
37,504,686	Starpharma	38,311	1.31	
5,854,761	Transurban	56,933	1.95	
	Hong Kong	161,793	5.54	4.06
5,827,368	AIA	60,567	2.07	
56,710,000	Kunlun Energy	41,709	1.43	
853,400	Tencent	59,517	2.04	
	Singapore	39,874	1.37	1.78
2,612,633	DBS	39,874	1.37	
	South Korea	69,822	2.39	2.76
1,492,739	Samsung Electronics	69,822	2.39	
Total portfolio (notes 2c & 2d on page 8)		2,894,458	99.19	99.37
Net other assets / (liabilities)		23,722	0.81	0.63
Net assets attributable to shareholders before fair value accounting adjustment		2,918,180	100.00	100.00
Total portfolio before fair value accounting adjustment		2,894,458	99.19	99.37
Fair value accounting adjustment		(13,136)	0.00	0.00
Total portfolio (notes 2c & 2d on page 8)		2,881,322	99.19	99.37
Net other assets / (liabilities)		23,722	0.81	0.63
Net assets attributable to shareholders		2,905,044	100.00	100.00

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

[a] Unlisted/unquoted.

M&G Global Themes Fund

Authorised Corporate Director's Report

Top ten portfolio transactions

for the year to 31 August 2020	
Largest purchases	\$'000
PrairieSky Royalty	62,382
Bristol-Myers Squibb	52,439
Nokia	51,943
Weyerhaeuser	47,685
Brookfield Asset Management	41,719
Kunlun Energy	38,133
ONEOK	37,871
Martin Marietta Materials	29,963
Tencent	27,148
Siemens	21,498
Other purchases	389,306
Total purchases	800,087
Largest sales	\$'000
Shimano	48,322
Franco-Nevada	41,435
London Stock Exchange	41,375
Celgene	40,848
Henkel Preference Shares	33,965
Microsoft	33,563
Samsung Electronics	30,948
Siemens	30,202
Honeywell International	29,394
Toyota Motor	24,740
Other sales	532,103
Total sales	886,895

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.

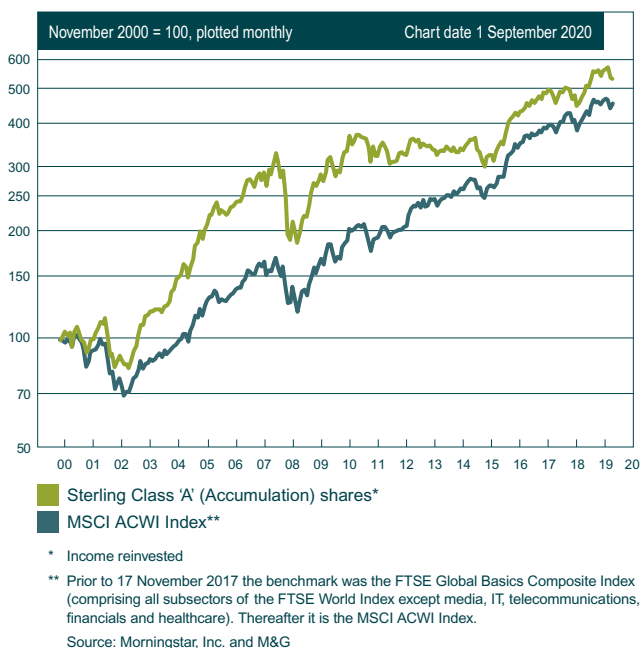
Fund level performance

Fund net asset value

	2020	2019	2018
as at 31 August	\$'000	\$'000	\$'000
Fund net asset value (NAV)	2,905,044	2,678,721	3,077,684

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 comparator benchmark 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 02.09.19 % ^[a]	Three years 01.09.17 % pa	Five years 01.09.15 % pa	Since launch % pa
Euro ^[b]				
Class 'A'	+2.7	+7.0	+8.1	+7.2 ^[c]
Class 'C'	+3.7	+8.1	+9.2	+8.3 ^[c]
Sterling ^[d]				
Class 'A'	+1.2	+6.2	+12.7	+7.7 ^[e]
Class 'I'	+1.7	+6.9	+13.5	+8.5 ^[f]
Class 'PP'	+1.9	n/a	n/a	+10.6 ^[g]
Class 'R'	+1.4	+6.6	+13.2	+8.2 ^[f]
Class 'X'	+1.2	+6.2	+12.7	+13.5 ^[h]
US dollar ^[b]				
Class 'A'	+12.3	+7.3	+9.4	+3.4 ^[i]
Class 'C'	+13.4	+8.3	+10.5	+4.5 ^[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.

^[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

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 depository, 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 Trust 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.

Operating charges are 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.

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	2020	2019	2018	Average ^[a]
Direct portfolio transaction costs ^[b]	%	%	%	%
Broker commission	0.02	0.07	0.04	0.04
Taxes	0.02	0.04	0.02	0.03
Costs before dilution adjustments	0.04	0.11	0.06	0.07
Dilution adjustments ^[c]	(0.02)	(0.01)	(0.01)	(0.01)
Total direct portfolio transaction costs	0.02	0.10	0.05	0.06

as at 31 August	2020	2019	2018	Average ^[a]
Indirect portfolio transaction costs	%	%	%	%
Average portfolio dealing spread	0.19	0.25	0.17	0.20

^[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 11 September 2020.

Euro Class 'A' Income share performance

The share class was launched on 12 July 2013. for the year to 31 August			
	2020	2019	2018
Change in NAV per share	Euro €	Euro €	Euro €
Opening NAV	3,355.12	3,119.11	2,922.01
Return before operating charges and after direct portfolio transaction costs	187.73	360.58	314.66
Operating charges	(63.38)	(59.62)	(59.73)
Return after operating charges	124.35	300.96	254.93
Distributions	(66.47)	(64.95)	(57.83)
Closing NAV	3,413.00	3,355.12	3,119.11
Direct portfolio transaction costs	Euro €	Euro €	Euro €
Costs before dilution adjustments	1.32	3.46	1.89
Dilution adjustments ^[a]	(0.54)	(0.40)	(0.27)
Total direct portfolio transaction costs	0.78	3.06	1.62
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.02	0.10	0.05
Operating charges ^[c]	1.86	1.92	1.92
Return after operating charges	+3.71	+9.65	+8.72
Historic yield	1.99	1.69	1.86
Effect on yield of charges offset against capital	1.86	1.90	1.90
Other information			
Closing NAV (\$'000)	6,579	5,258	5,968
Closing NAV percentage of total fund NAV (%)	0.23	0.20	0.19
Number of shares	161,938	141,928	163,979
Highest share price (Euro €)	3,871.78	3,432.94	3,268.60
Lowest share price (Euro €)	2,601.16	2,729.51	2,928.48

Euro Class 'A' Accumulation share performance

The share class was launched on 28 November 2001. for the year to 31 August			
	2020	2019	2018
Change in NAV per share	Euro €	Euro €	Euro €
Opening NAV	3,580.57	3,265.29	3,003.89
Return before operating charges and after direct portfolio transaction costs	200.26	377.68	322.62
Operating charges	(67.61)	(62.40)	(61.22)
Return after operating charges	132.65	315.28	261.40
Distributions	(7.71)	(4.46)	0.00
Retained distributions	7.71	4.46	0.00
Closing NAV	3,713.22	3,580.57	3,265.29
Direct portfolio transaction costs	Euro €	Euro €	Euro €
Costs before dilution adjustments	1.41	3.62	1.93
Dilution adjustments ^[a]	(0.57)	(0.42)	(0.28)
Total direct portfolio transaction costs	0.84	3.20	1.65
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.02	0.10	0.05
Operating charges ^[c]	1.86	1.92	1.92
Return after operating charges	+3.70	+9.66	+8.70
Historic yield	0.21	0.00	0.00
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	1,732,940	1,711,878	2,027,137
Closing NAV percentage of total fund NAV (%)	59.65	63.90	65.88
Number of shares	39,204,905	43,300,407	53,204,357
Highest share price (Euro €)	4,131.89	3,594.06	3,359.41
Lowest share price (Euro €)	2,775.91	2,857.61	3,009.84

Euro Class 'C' Income share performance

The share class was launched on 8 August 2014. for the year to 31 August			
	2020	2019	2018
Change in NAV per share	Euro €	Euro €	Euro €
Opening NAV	3,874.79	3,566.16	3,307.75
Return before operating charges and after direct portfolio transaction costs	217.75	416.12	357.05
Operating charges	(33.99)	(32.82)	(32.55)
Return after operating charges	183.76	383.30	324.50
Distributions	(77.16)	(74.67)	(66.09)
Closing NAV	3,981.39	3,874.79	3,566.16
Direct portfolio transaction costs	Euro €	Euro €	Euro €
Costs before dilution adjustments	1.54	3.98	2.15
Dilution adjustments ^[a]	(0.62)	(0.46)	(0.31)
Total direct portfolio transaction costs	0.92	3.52	1.84
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.02	0.10	0.05
Operating charges ^[c]	0.86	0.92	0.92
Return after operating charges	+4.74	+10.75	+9.81
Historic yield	1.98	1.67	1.86
Effect on yield of charges offset against capital	0.86	0.90	0.90
Other information			
Closing NAV (\$'000)	1,536	1,386	1,485
Closing NAV percentage of total fund NAV (%)	0.05	0.05	0.05
Number of shares	32,405	32,405	35,695
Highest share price (Euro €)	4,492.38	3,960.40	3,713.16
Lowest share price (Euro €)	3,021.05	3,130.84	3,317.13

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			
	2020	2019	2018
Change in NAV per share	Euro €	Euro €	Euro €
Opening NAV	4,246.28	3,834.19	3,492.19
Return before operating charges and after direct portfolio transaction costs	238.94	447.19	376.32
Operating charges	(37.38)	(35.10)	(34.32)
Return after operating charges	201.56	412.09	342.00
Distributions	(49.70)	(44.93)	(35.11)
Retained distributions	49.70	44.93	35.11
Closing NAV	4,447.84	4,246.28	3,834.19
Direct portfolio transaction costs	Euro €	Euro €	Euro €
Costs before dilution adjustments	1.69	4.25	2.26
Dilution adjustments ^[a]	(0.69)	(0.50)	(0.32)
Total direct portfolio transaction costs	1.00	3.75	1.94
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.02	0.10	0.05
Operating charges ^[c]	0.86	0.92	0.92
Return after operating charges	+4.75	+10.75	+9.79
Historic yield	1.14	0.81	0.92
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	184,696	13,397	16,151
Closing NAV percentage of total fund NAV (%)	6.36	0.50	0.52
Number of shares	3,488,303	285,735	361,002
Highest share price (Euro €)	4,923.28	4,258.34	3,919.55
Lowest share price (Euro €)	3,310.84	3,366.37	3,501.73

Sterling Class 'A' Income share performance

The share class was launched on 28 February 1973. for the year to 31 August			
	2020	2019	2018
Change in NAV per share	UK p	UK p	UK p
Opening NAV	993.10	911.11	873.84
Return before operating charges and after direct portfolio transaction costs	41.69	115.97	68.93
Operating charges	(13.30)	(14.78)	(14.79)
Return after operating charges	28.39	101.19	54.14
Distributions	(19.47)	(19.20)	(16.87)
Closing NAV	1,002.02	993.10	911.11
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.38	1.00	0.54
Dilution adjustments ^[a]	(0.15)	(0.12)	(0.08)
Total direct portfolio transaction costs	0.23	0.88	0.46
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.02	0.10	0.05
Operating charges ^[c]	1.36	1.65	1.67
Return after operating charges	+2.86	+11.11	+6.20
Historic yield	2.00	1.64	1.85
Effect on yield of charges offset against capital	1.36	1.63	1.65
Other information			
Closing NAV (\$'000)	149,845	144,504	156,489
Closing NAV percentage of total fund NAV (%)	5.16	5.39	5.08
Number of shares	11,240,858	11,948,404	13,206,458
Highest share price (UK p)	1,060.73	1,018.69	944.06
Lowest share price (UK p)	790.66	802.05	833.29

Sterling Class 'A' Accumulation share performance

The share class was launched on 28 February 1973. for the year to 31 August			
	2020	2019	2018
Change in NAV per share	UK p	UK p	UK p
Opening NAV	1,602.82	1,442.51	1,358.67
Return before operating charges and after direct portfolio transaction costs	67.25	183.71	106.95
Operating charges	(21.45)	(23.40)	(23.11)
Return after operating charges	45.80	160.31	83.84
Distributions	(10.94)	(6.07)	(2.45)
Retained distributions	10.94	6.07	2.45
Closing NAV	1,648.62	1,602.82	1,442.51
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.61	1.58	0.84
Dilution adjustments ^[a]	(0.25)	(0.18)	(0.12)
Total direct portfolio transaction costs	0.36	1.40	0.72
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.02	0.10	0.05
Operating charges ^[c]	1.36	1.65	1.67
Return after operating charges	+2.86	+11.11	+6.17
Historic yield	0.68	0.15	0.17
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	291,237	295,883	322,760
Closing NAV percentage of total fund NAV (%)	10.02	11.05	10.50
Number of shares	13,278,877	15,158,538	17,204,174
Highest share price (UK p)	1,711.95	1,612.96	1,467.51
Lowest share price (UK p)	1,276.07	1,269.93	1,295.40

Sterling Class 'I' Income share performance

The share class was launched on 3 August 2012. for the year to 31 August			
	2020	2019	2018
Change in NAV per share	UK p	UK p	UK p
Opening NAV	1,687.32	1,536.70	1,462.82
Return before operating charges and after direct portfolio transaction costs	71.21	197.07	115.98
Operating charges	(14.32)	(13.93)	(13.74)
Return after operating charges	56.89	183.14	102.24
Distributions	(33.16)	(32.52)	(28.36)
Closing NAV	1,711.05	1,687.32	1,536.70
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.65	1.69	0.91
Dilution adjustments ^[a]	(0.26)	(0.20)	(0.13)
Total direct portfolio transaction costs	0.39	1.49	0.78
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.02	0.10	0.05
Operating charges ^[c]	0.86	0.92	0.92
Return after operating charges	+3.37	+11.92	+6.99
Historic yield	2.00	1.62	1.84
Effect on yield of charges offset against capital	0.86	0.90	0.90
Other information			
Closing NAV (\$'000)	60,292	60,204	68,915
Closing NAV percentage of total fund NAV (%)	2.08	2.25	2.24
Number of shares	2,648,682	2,929,887	3,448,246
Highest share price (UK p)	1,806.51	1,729.96	1,591.42
Lowest share price (UK p)	1,347.16	1,356.06	1,401.16

M&G Global Themes Fund

Financial highlights

Specific share class performance

Sterling Class 'T' Accumulation share performance

The share class was launched on 3 August 2012. for the year to 31 August			
	2020	2019	2018
Change in NAV per share	UK p	UK p	UK p
Opening NAV	1,879.96	1,679.67	1,570.26
Return before operating charges and after direct portfolio transaction costs	79.31	215.52	124.19
Operating charges	(15.96)	(15.23)	(14.78)
Return after operating charges	63.35	200.29	109.41
Distributions	(21.71)	(19.85)	(15.38)
Retained distributions	21.71	19.85	15.38
Closing NAV	1,943.31	1,879.96	1,679.67
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.72	1.85	0.97
Dilution adjustments ^[a]	(0.29)	(0.22)	(0.14)
Total direct portfolio transaction costs	0.43	1.63	0.83
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.02	0.10	0.05
Operating charges ^[c]	0.86	0.92	0.92
Return after operating charges	+3.37	+11.92	+6.97
Historic yield	1.15	0.79	0.91
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	297,667	267,712	283,442
Closing NAV percentage of total fund NAV (%)	10.25	9.99	9.21
Number of shares	11,513,938	11,693,471	12,975,200
Highest share price (UK p)	2,012.73	1,891.03	1,707.96
Lowest share price (UK p)	1,500.94	1,482.31	1,503.81

Sterling Class 'PP' Income share performance

The share class was launched on 5 August 2019. for the year to 31 August			
	2020	2019	2018
Change in NAV per share	UK p	UK p	UK p
Opening NAV	100.15	100.00	n/a
Return before operating charges and after direct portfolio transaction costs	4.23	2.10	n/a
Operating charges	(0.65)	(0.05)	n/a
Return after operating charges	3.58	2.05	n/a
Distributions	(1.97)	(1.90)	n/a
Closing NAV	101.76	100.15	n/a
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.04	0.01	n/a
Dilution adjustments ^[a]	(0.02)	0.00	n/a
Total direct portfolio transaction costs	0.02	0.01	n/a
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.02	0.10	n/a
Operating charges	0.66	0.66	n/a
Return after operating charges	+3.57	+2.05	n/a
Historic yield	2.00	1.69	n/a
Effect on yield of charges offset against capital	0.66	0.70	n/a
Other information			
Closing NAV (\$'000)	203	169	n/a
Closing NAV percentage of total fund NAV (%)	0.01	0.01	n/a
Number of shares	149,885	138,924	n/a
Highest share price (UK p)	107.33	102.60	n/a
Lowest share price (UK p)	80.05	99.24	n/a

Sterling Class 'PP' Accumulation share performance

The share class was launched on 8 April 2019. for the year to 31 August			
	2020	2019	2018
Change in NAV per share	UK p	UK p	UK p
Opening NAV	111.72	100.00	n/a
Return before operating charges and after direct portfolio transaction costs	4.73	12.02	n/a
Operating charges	(0.73)	(0.30)	n/a
Return after operating charges	4.00	11.72	n/a
Distributions	(1.50)	(1.27)	n/a
Retained distributions	1.50	1.27	n/a
Closing NAV	115.72	111.72	n/a
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.04	0.05	n/a
Dilution adjustments ^[a]	(0.02)	(0.01)	n/a
Total direct portfolio transaction costs	0.02	0.04	n/a
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.02	0.10	n/a
Operating charges ^[c]	0.66	0.67	n/a
Return after operating charges	+3.58	+11.72	n/a
Historic yield	1.34	0.60	n/a
Effect on yield of charges offset against capital	0.00	0.00	n/a
Other information			
Closing NAV (\$'000)	536	188	n/a
Closing NAV percentage of total fund NAV (%)	0.02	0.01	n/a
Number of shares	348,033	138,014	n/a
Highest share price (UK p)	119.72	112.36	n/a
Lowest share price (UK p)	89.30	99.20	n/a

Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012. for the year to 31 August			
	2020	2019	2018
Change in NAV per share	UK p	UK p	UK p
Opening NAV	167.58	153.00	146.02
Return before operating charges and after direct portfolio transaction costs	7.05	19.58	11.55
Operating charges	(1.83)	(1.77)	(1.74)
Return after operating charges	5.22	17.81	9.81
Distributions	(3.29)	(3.23)	(2.83)
Closing NAV	169.51	167.58	153.00
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.06	0.17	0.09
Dilution adjustments ^[a]	(0.03)	(0.02)	(0.01)
Total direct portfolio transaction costs	0.03	0.15	0.08
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.02	0.10	0.05
Operating charges ^[c]	1.11	1.17	1.17
Return after operating charges	+3.11	+11.64	+6.72
Historic yield	2.00	1.63	1.84
Effect on yield of charges offset against capital	1.11	1.15	1.15
Other information			
Closing NAV (\$'000)	4,738	4,206	3,913
Closing NAV percentage of total fund NAV (%)	0.16	0.16	0.13
Number of shares	2,101,303	2,061,137	1,966,484
Highest share price (UK p)	179.20	171.86	158.48
Lowest share price (UK p)	133.60	134.91	139.65

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			
	2020	2019	2018
Change in NAV per share	UK p	UK p	UK p
Opening NAV	184.73	165.47	155.07
Return before operating charges and after direct portfolio transaction costs	7.77	21.17	12.26
Operating charges	(2.02)	(1.91)	(1.86)
Return after operating charges	5.75	19.26	10.40
Distributions	(1.70)	(1.52)	(1.11)
Retained distributions	1.70	1.52	1.11
Closing NAV	190.48	184.73	165.47
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.07	0.18	0.10
Dilution adjustments ^[a]	(0.03)	(0.02)	(0.01)
Total direct portfolio transaction costs	0.04	0.16	0.09
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.02	0.10	0.05
Operating charges ^[c]	1.11	1.17	1.17
Return after operating charges	+3.11	+11.64	+6.71
Historic yield	0.92	0.58	0.67
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	22,124	19,127	16,709
Closing NAV percentage of total fund NAV (%)	0.76	0.71	0.54
Number of shares	8,730,287	8,502,016	7,764,839
Highest share price (UK p)	197.55	185.87	168.28
Lowest share price (UK p)	147.28	145.90	148.29

Sterling Class 'X' Income share performance

The share class was launched on 1 October 2002. for the year to 31 August			
	2020	2019	2018
Change in NAV per share	UK p	UK p	UK p
Opening NAV	996.34	914.07	876.72
Return before operating charges and after direct portfolio transaction costs	41.81	116.36	69.20
Operating charges	(13.34)	(14.83)	(14.92)
Return after operating charges	28.47	101.53	54.28
Distributions	(19.53)	(19.26)	(16.93)
Closing NAV	1,005.28	996.34	914.07
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.38	1.00	0.54
Dilution adjustments ^[a]	(0.15)	(0.12)	(0.08)
Total direct portfolio transaction costs	0.23	0.88	0.46
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.02	0.10	0.05
Operating charges ^[c]	1.36	1.65	1.67
Return after operating charges	+2.86	+11.11	+6.19
Historic yield	2.00	1.64	1.85
Effect on yield of charges offset against capital	1.36	1.63	1.65
Other information			
Closing NAV (\$'000)	45,963	44,642	47,744
Closing NAV percentage of total fund NAV (%)	1.58	1.67	1.55
Number of shares	3,436,769	3,679,292	4,016,128
Highest share price (UK p)	1,064.19	1,022.01	947.14
Lowest share price (UK p)	793.24	804.66	836.06

Sterling Class 'X' Accumulation share performance

The share class was launched on 1 October 2002. for the year to 31 August			
	2020	2019	2018
Change in NAV per share	UK p	UK p	UK p
Opening NAV	1,587.10	1,428.35	1,345.33
Return before operating charges and after direct portfolio transaction costs	66.58	181.92	105.91
Operating charges	(21.25)	(23.17)	(22.89)
Return after operating charges	45.33	158.75	83.02
Distributions	(10.83)	(6.01)	(2.41)
Retained distributions	10.83	6.01	2.41
Closing NAV	1,632.43	1,587.10	1,428.35
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.61	1.56	0.83
Dilution adjustments ^[a]	(0.25)	(0.18)	(0.12)
Total direct portfolio transaction costs	0.36	1.38	0.71
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.02	0.10	0.05
Operating charges ^[c]	1.36	1.65	1.67
Return after operating charges	+2.86	+11.11	+6.17
Historic yield	0.68	0.15	0.17
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	87,924	89,535	102,920
Closing NAV percentage of total fund NAV (%)	3.03	3.34	3.34
Number of shares	4,048,615	4,632,482	5,540,367
Highest share price (UK p)	1,695.14	1,597.12	1,453.10
Lowest share price (UK p)	1,263.54	1,257.47	1,282.70

US dollar Class 'A' Income share performance

The share class was launched on 8 August 2014. for the year to 31 August			
	2020	2019	2018
Change in NAV per share	US €	US €	US €
Opening NAV	1,317.67	1,294.54	1,232.44
Return before operating charges and after direct portfolio transaction costs	180.77	72.60	111.54
Operating charges	(25.19)	(23.95)	(25.43)
Return after operating charges	155.58	48.65	86.11
Distributions	(28.04)	(25.52)	(24.01)
Closing NAV	1,445.21	1,317.67	1,294.54
Direct portfolio transaction costs	US €	US €	US €
Costs before dilution adjustments	0.53	1.39	0.80
Dilution adjustments ^[a]	(0.21)	(0.16)	(0.11)
Total direct portfolio transaction costs	0.32	1.23	0.69
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.02	0.10	0.05
Operating charges ^[c]	1.86	1.92	1.92
Return after operating charges	+11.81	+3.76	+6.99
Historic yield	1.99	1.77	1.88
Effect on yield of charges offset against capital	1.86	1.90	1.90
Other information			
Closing NAV (\$'000)	17	56	89
Closing NAV percentage of total fund NAV (%)	0.00	0.00	0.00
Number of shares	1,204	4,215	6,874
Highest share price (US €)	1,492.68	1,366.55	1,426.87
Lowest share price (US €)	990.52	1,105.71	1,242.08

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			
	2020	2019	2018
Change in NAV per share	US €	US €	US €
Opening NAV	1,401.98	1,351.12	1,263.06
Return before operating charges and after direct portfolio transaction costs	192.33	75.95	113.98
Operating charges	(26.81)	(25.09)	(25.92)
Return after operating charges	165.52	50.86	88.06
Distributions	(3.21)	(1.75)	0.00
Retained distributions	3.21	1.75	0.00
Closing NAV	1,567.50	1,401.98	1,351.12
Direct portfolio transaction costs	US €	US €	US €
Costs before dilution adjustments	0.56	1.46	0.82
Dilution adjustments ^[a]	(0.23)	(0.17)	(0.12)
Total direct portfolio transaction costs	0.33	1.29	0.70
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.02	0.10	0.05
Operating charges ^[c]	1.86	1.92	1.92
Return after operating charges	+11.81	+3.76	+6.97
Historic yield	0.21	0.00	0.00
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	18,686	20,522	23,215
Closing NAV percentage of total fund NAV (%)	0.64	0.77	0.75
Number of shares	1,192,076	1,463,766	1,718,205
Highest share price (US €)	1,588.17	1,426.36	1,462.09
Lowest share price (US €)	1,053.89	1,154.11	1,272.76

US dollar Class 'C' Income share performance

The share class was launched on 8 August 2014. for the year to 31 August			
	2020	2019	2018
Change in NAV per share	US €	US €	US €
Opening NAV	1,445.32	1,405.70	1,324.82
Return before operating charges and after direct portfolio transaction costs	199.45	79.84	119.70
Operating charges	(12.54)	(12.27)	(12.80)
Return after operating charges	186.91	67.57	106.90
Distributions	(31.01)	(27.95)	(26.02)
Closing NAV	1,601.22	1,445.32	1,405.70
Direct portfolio transaction costs	US €	US €	US €
Costs before dilution adjustments	0.58	1.53	0.87
Dilution adjustments ^[a]	(0.23)	(0.18)	(0.12)
Total direct portfolio transaction costs	0.35	1.35	0.75
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.02	0.10	0.05
Operating charges ^[c]	0.84 ^[d]	0.90	0.90
Return after operating charges	+12.93	+4.81	+8.07
Historic yield	1.99	1.75	1.87
Effect on yield of charges offset against capital	0.84	0.90	0.90
Other information			
Closing NAV (\$'000)	6	6	6
Closing NAV percentage of total fund NAV (%)	0.00	0.00	0.00
Number of shares	401	401	401
Highest share price (US €)	1,645.02	1,496.45	1,540.18
Lowest share price (US €)	1,092.69	1,204.50	1,335.35

US dollar Class 'C' Accumulation share performance

The share class was launched on 9 March 2007. for the year to 31 August			
	2020	2019	2018
Change in NAV per share	US €	US €	US €
Opening NAV	1,584.37	1,511.73	1,394.18
Return before operating charges and after direct portfolio transaction costs	218.77	86.25	131.23
Operating charges	(14.01)	(13.61)	(13.68)
Return after operating charges	204.76	72.64	117.55
Distributions	(19.99)	(16.66)	(13.85)
Retained distributions	19.99	16.66	13.85
Closing NAV	1,789.13	1,584.37	1,511.73
Direct portfolio transaction costs	US €	US €	US €
Costs before dilution adjustments	0.63	1.64	0.90
Dilution adjustments ^[a]	(0.26)	(0.19)	(0.13)
Total direct portfolio transaction costs	0.37	1.45	0.77
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.02	0.10	0.05
Operating charges ^[c]	0.86	0.92	0.92
Return after operating charges	+12.92	+4.81	+8.43
Historic yield	1.15	0.85	0.93
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	55	48	741
Closing NAV percentage of total fund NAV (%)	0.00	0.00	0.02
Number of shares	3,051	3,051	48,995
Highest share price (US €)	1,803.19	1,609.39	1,626.31
Lowest share price (US €)	1,197.74	1,295.48	1,410.11

^[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.

^[d] As the annual management charge has been calculated on an average NAV basis during the period, 0.86% is a more reliable estimate of the ongoing charges for this share class.

M&G Global Themes Fund

Financial statements and notes

Financial statements

Statement of total return

for the year to 31 August	Note	2020		2019	
		\$'000	\$'000	\$'000	\$'000
Income					
Net capital gains / (losses)	3		308,027		80,265
Revenue	5	61,641		61,950	
Expenses	6	(42,648)		(47,791)	
Net revenue / (expense) before taxation		18,993		14,159	
Taxation	7	(6,273)		(6,024)	
Net revenue / (expense) after taxation			12,720		8,135
Total return before distributions			320,747		88,400
Distributions	8		(15,973)		(11,932)
Change in net assets attributable to shareholders from investment activities			304,774		76,468

Statement of change in net assets attributable to shareholders

for the year to 31 August	2020		2019	
	\$'000	\$'000	\$'000	\$'000
Opening net assets attributable to shareholders		2,678,721		3,077,684
Amounts received on issue of shares	293,714		57,142	
Amounts paid on cancellation of shares	(384,727)		(539,896)	
		(91,013)		(482,754)
Dilution adjustments		811		563
Change in net assets attributable to shareholders from investment activities (see above)		304,774		76,468
Retained distributions on Accumulation shares		11,744		6,745
Unclaimed distributions		7		15
Closing net assets attributable to shareholders		2,905,044		2,678,721

M&G Global Themes Fund

Financial statements and notes

Financial statements (continued)

Balance sheet

as at 31 August	Note	2020 \$'000	2019 \$'000
Assets			
Fixed assets			
Investments		2,881,322	2,661,734
Current assets			
Debtors	9	7,031	14,144
Cash and bank balances	10	26,702	17,433
Total assets		2,915,055	2,693,311
Liabilities			
Creditors			
Distribution payable		(5,227)	(5,031)
Other creditors	11	(4,784)	(9,559)
Total liabilities		(10,011)	(14,590)
Net assets attributable to shareholders		2,905,044	2,678,721

M&G Global Themes Fund

Financial statements and notes

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 8 to 10.

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)

	2020	2019
for the year to 31 August	\$'000	\$'000
Non-derivative securities	307,155	80,772
Capital gains on US REIT	0	21
Currency gains / (losses)	867	(505)
Transaction charges	5	(23)
Net capital gains / (losses)	308,027	80,265

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 95.

	2020	% of	2019	% of
for the year to 31 August	\$'000	transaction	\$'000	transaction
a) Purchases				
Equities				
Equities before transaction costs	799,501		2,102,263	
Commissions	300	0.04	932	0.04
Taxes	286	0.04	944	0.04
Total purchases after transaction costs	800,087		2,104,139	
b) Sales				
Equities				
Equities before transaction costs	887,342		2,566,646	
Commissions	(318)	0.04	(1,109)	0.04
Taxes	(129)	0.01	(83)	0.00
Total sales after transaction costs	886,895		2,565,454	
c) Direct portfolio transaction costs				
	2020	% of	2019	% of
	\$'000	average NAV	\$'000	average NAV
Commissions paid				
Equities	618	0.02	2,041	0.07
Taxes paid				
Equities	415	0.02	1,027	0.04
Total direct portfolio transaction costs ^[a]	1,033	0.04	3,068	0.11
d) Indirect portfolio transaction costs				
		%		%
Portfolio dealing spread ^[b]		0.19		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

	2020	2019
for the year to 31 August	\$'000	\$'000
Bank interest	10	21
Distributions from collective investment schemes: property income dividends	251	0
Dividends from equity investments: non-taxable	56,449	56,855
Dividends from equity investments: taxable	4,931	4,928
Interest distributions	0	146
Total revenue	61,641	61,950

Revenue includes currency gains/losses.

M&G Global Themes Fund

Financial statements and notes

Notes to the financial statements

6 Expenses

	2020	2019
for the year to 31 August	\$'000	\$'000
Payable to the ACD or associate		
Annual charge	42,632	3,547
Annual management charge ^[a]	0	39,873
Administration charge ^[a]	0	3,809
	42,632	47,229
Payable to the Depository or associate		
Depository's charge (including VAT) ^[a]	0	104
Other expenses		
Audit fee (including VAT) ^[a] ^[b]	0	10
Interest payable	41	20
Legal fees	0	3
Safe custody charge ^[a]	(25)	337
Tax fees (including VAT)	0	88
	16	458
Total expenses	42,648	47,791

^[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 2020 were £9,000 (including VAT).

7 Taxation

	2020	2019
for the year to 31 August	\$'000	\$'000
a) Analysis of charge in the year		
Corporation tax	0	0
Withholding tax	6,273	6,024
Deferred tax (note 7c)	0	0
Total taxation	6,273	6,024
b) Factors affecting taxation charge for the year		
Net revenue / (expense) before taxation	18,993	14,159
Corporation tax at 20%	3,799	2,832
Effects of:		
Dividends from equity investments: non-taxable	(11,290)	(11,371)
Current year expenses not utilised	7,603	8,607
Withholding tax	6,273	6,020
Withholding tax expensed	(112)	(67)
Capital gains tax (US)	0	3
Total tax charge (note 7a)	6,273	6,024
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 \$185,344,000 (2019: \$177,741,000) arising as a result of having excess management expenses. We do not expect this asset to be utilised in the foreseeable future.

8 Distributions

	2020		2019	
for the year to 31 August	Inc ^[a]	Acc ^[b]	Inc ^[a]	Acc ^[b]
Dividend distributions	\$'000	\$'000	\$'000	\$'000
Final	5,227	11,744	5,031	6,745
Total net distributions		16,971		11,776
Income deducted on cancellation of shares		976		308
Income received on issue of shares		(1,974)		(152)
Distributions		15,973		11,932
Net revenue / (expense) per statement of total return		12,720		8,135
Expenses offset against capital		3,253		3,794
Capital gains tax offset against capital		0		3
Distributions		15,973		11,932

^[a] Distributions payable on Income shares.

^[b] Retained distributions on Accumulation shares.

9 Debtors

	2020	2019
as at 31 August	\$'000	\$'000
Amounts receivable from M&G Global Leaders Fund	511	511
Amounts receivable on issues of shares	164	1,213
Currency deals outstanding	149	1,714
Dividends receivable	2,771	3,747
Sales awaiting settlement	1,644	4,488
Withholding tax recoverable	1,792	2,471
Total debtors	7,031	14,144

10 Cash and bank balances

	2020	2019
as at 31 August	\$'000	\$'000
Cash held as bank balances	26,702	17,433
Total cash and bank balances	26,702	17,433

11 Other creditors

	2020	2019
as at 31 August	\$'000	\$'000
Amounts payable on cancellation of shares	2,397	2,583
Annual charge payable	2,237	2,126
Bank overdraft interest payable	1	0
Currency deals outstanding	149	1,709
Expenses payable	0	105
Purchases awaiting settlement	0	3,036
Total other creditors	4,784	9,559

12 Contingent assets, liabilities and outstanding commitments

There were no contingent assets, liabilities or outstanding commitments at the balance sheet date (2019: same).

M&G Global Themes 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	Movements		Closing
	01.09.19	Issued	Cancelled	31.08.20
Euro				
Class 'A' Income	141,928	62,798	(42,788)	161,938
Class 'A' Accumulation	43,300,407	287,567	(4,383,069)	39,204,905
Class 'C' Income	32,405	0	0	32,405
Class 'C' Accumulation	285,735	5,042,559	(1,839,991)	3,488,303
Sterling				
Class 'A' Income	11,948,404	142,897	(850,443)	11,240,858
Class 'A' Accumulation	15,158,538	254,422	(2,134,083)	13,278,877
Class 'T' Income	2,929,887	68,244	(349,449)	2,648,682
Class 'T' Accumulation	11,693,471	981,220	(1,160,753)	11,513,938
Class 'PP' Income	138,924	13,486	(2,525)	149,885
Class 'PP' Accumulation	138,014	241,523	(31,504)	348,033
Class 'R' Income	2,061,137	233,156	(192,990)	2,101,303
Class 'R' Accumulation	8,502,016	967,170	(738,899)	8,730,287
Class 'X' Income	3,679,292	81,871	(324,394)	3,436,769
Class 'X' Accumulation	4,632,482	48,814	(632,681)	4,048,615
US dollar				
Class 'A' Income	4,215	363	(3,374)	1,204
Class 'A' Accumulation	1,463,766	585,072	(856,762)	1,192,076
Class 'C' Income	401	0	0	401
Class 'C' Accumulation	3,051	0	0	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 'T'	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 in respect of the annual charge are disclosed in note 11.

At the balance sheet date, shareholders from within M&G plc, of which M&G Securities Limited is a wholly owned subsidiary, have holdings totalling 5.16% (2019: 4.77%) 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
	2020	2020	2019	2019
Basis of valuation	\$'000	\$'000	\$'000	\$'000
Level 1	2,881,322	0	2,661,734	0
Level 2	0	0	0	0
Level 3	0	0	0	0
	2,881,322	0	2,661,734	0

M&G Global Themes Fund

Financial statements and notes

Notes to the financial statements

17 Fair value analysis (continued)

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 10 to 11.

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 \$144,066,000 (2019: \$133,087,000). 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 \$72,327,000 (2019: \$66,623,000)*. A five per cent decrease would have an equal and opposite effect.

*Restated.

as at 31 August	2020 \$'000	2019 \$'000
Currency exposure in respect of the fund		
Australian dollar	96,612	83,125
Canadian dollar	174,205	152,753
Danish krone	50,156	43,463
Euro	508,346	422,341
Hong Kong dollar	163,160	100,690
Japanese yen	135,785	162,665
Singapore dollar	40,220	47,934
South Korean won	69,823	73,993
Sterling	138,182	165,244
Swedish krona	31,804	27,248
Swiss franc	51,386	53,001
US dollar	1,458,501	1,346,264
Fair value accounting adjustment	(13,136)	0
Total	2,905,044	2,678,721

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 as there are no counterparty or derivative balances 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	01.09.19	31.08.20	01.09.20	31.10.20

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 2020	Equalisation 2020	2020	2019
	Euro €	Euro €	Euro €	Euro €
Final	53.4273	13.0428	66.4701	64.9481

Euro Class 'A' Accumulation shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income 2020	Equalisation 2020	2020	2019
	Euro €	Euro €	Euro €	Euro €
Final	4.7086	2.9971	7.7057	4.4602

Euro Class 'C' Income shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income 2020	Equalisation 2020	2020	2019
	Euro €	Euro €	Euro €	Euro €
Final	77.1586	0.0000	77.1586	74.6698

Euro Class 'C' Accumulation shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income 2020	Equalisation 2020	2020	2019
	Euro €	Euro €	Euro €	Euro €
Final	19.2447	30.4537	49.6984	44.9257

Sterling Class 'A' Income shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income 2020	Equalisation 2020	2020	2019
	UK p	UK p	UK p	UK p
Final	12.5351	6.9311	19.4662	19.1975

M&G Global Themes 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	Group 2		Group 1 & 2 Distribution	
	Income	Equalisation	2020	2019
	2020 UK p	2020 UK p	2020 UK p	2019 UK p
Final	6.7708	4.1682	10.9390	6.0668

Sterling Class 'T' Income shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income	Equalisation	2020	2019
	2020 UK p	2020 UK p	2020 UK p	2019 UK p
Final	19.5146	13.6426	33.1572	32.5163

Sterling Class 'T' Accumulation shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income	Equalisation	2020	2019
	2020 UK p	2020 UK p	2020 UK p	2019 UK p
Final	10.1375	11.5738	21.7113	19.8498

Sterling Class 'PP' Income shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income	Equalisation	2020	2019
	2020 UK p	2020 UK p	2020 UK p	2019 UK p
Final	0.7293	1.2408	1.9701	1.9046

Sterling Class 'PP' Accumulation shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income	Equalisation	2020	2019
	2020 UK p	2020 UK p	2020 UK p	2019 UK p
Final	1.0772	0.4252	1.5024	1.2664

Sterling Class 'R' Income shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income	Equalisation	2020	2019
	2020 UK p	2020 UK p	2020 UK p	2019 UK p
Final	1.6493	1.6400	3.2893	3.2331

Sterling Class 'R' Accumulation shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income	Equalisation	2020	2019
	2020 UK p	2020 UK p	2020 UK p	2019 UK p
Final	0.6862	1.0105	1.6967	1.5223

Sterling Class 'X' Income shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income	Equalisation	2020	2019
	2020 UK p	2020 UK p	2020 UK p	2019 UK p
Final	16.3235	3.2061	19.5296	19.2605

Sterling Class 'X' Accumulation shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income	Equalisation	2020	2019
	2020 UK p	2020 UK p	2020 UK p	2019 UK p
Final	4.8317	5.9970	10.8287	6.0077

US dollar Class 'A' Income shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income	Equalisation	2020	2019
	2020 US €	2020 US €	2020 US €	2019 US €
Final	19.1730	8.8707	28.0437	25.5166

US dollar Class 'A' Accumulation shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income	Equalisation	2020	2019
	2020 US €	2020 US €	2020 US €	2019 US €
Final	2.8855	0.3214	3.2069	1.7510

US dollar Class 'C' Income shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income	Equalisation	2020	2019
	2020 US €	2020 US €	2020 US €	2019 US €
Final	31.0105	0.0000	31.0105	27.9491

US dollar Class 'C' Accumulation shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income	Equalisation	2020	2019
	2020 US €	2020 US €	2020 US €	2019 US €
Final	19.9862	0.0000	19.9862	16.6585

M&G Japan Fund

Authorised Corporate Director's Report

Investment objective

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

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

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 stock market 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: 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.

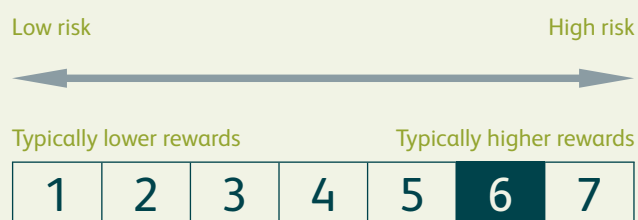
For unhedged share classes, the benchmark is shown in the share class currency.

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 1 September 2020, for the year ended 31 August 2020

Performance against objective

Between 2 September 2019 (the start of the review period) and 1 September 2020, the fund's sterling share classes produced a negative total return (the combination of income and growth of capital). Fund returns were behind the benchmark, the MSCI Japan Index, which fell by -0.5% over the 12 months.

Over five years, the fund's sterling share classes produced positive returns but underperformed its benchmark, which returned 9.6% pa over this period. 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 'Financial highlights' section of this report.

M&G Japan Fund

Authorised Corporate Director's Report

Performance review

The 12 months under review has been an extraordinary period for both the Japanese stockmarket and the fund. Towards the beginning of the period, a new fund manager was appointed which resulted in a comprehensive portfolio repositioning as detailed further below. As this repositioning process was reaching its final phases in the middle of the review period, stockmarkets, driven by COVID-19, then entered one of the most volatile and dramatic periods in financial market history. The last two weeks of March 2020 marked one of the most extraordinary periods of 'intra-market volatility' in living memory. Simultaneous liquidations of assets throughout global capital markets resulted in nothing short of market chaos.

In the three-month period ending March 2020, the Japanese stockmarket fell more than 30% intra-quarter, peak to trough. Following unprecedented government policy, the market then rallied some 35% from the late-March lows to mid-June and has since been broadly flat. Within this dramatic swing in broad market returns, internal market behaviour has been even more severe.

Perhaps unsurprisingly then, returns in the year have been heavily influenced by events linked to COVID-19. The intention of trying to inject more stock-specific risk into the drivers of fund performance has been overwhelmed by how portfolio holdings were equipped to deal with a global pandemic and unprecedented lockdown. The places in the market where we had found company-specific opportunity and mispricing pre-COVID, were as it turned out, ill-equipped in the short term to deal with the pandemic.

Our real estate holdings found themselves in the eye of the storm, as did some non-bank financials and industrial holdings. These stocks have recovered from the lows, but are still at depressed levels. On the other hand, the market lurched towards quality and growth companies in this period. This helped many of the fund's holdings, as we discuss further below. (Quality companies are ones which have the ability to generate high returns and margins. Growth companies are ones that can grow revenues and/or earnings faster than the market as a whole.)

The fund's largest detractor was Mitsui Fudosan. Mitsui Fudosan is one of Japan's biggest owners of prime commercial real estate. Founded some 80 years ago, the company has weathered many financial and economic storms. In the last decade, the company has shown solid growth and the current development pipeline suggests encouraging prospects. We were attracted to the stock thanks to its deeply discounted valuation being at odds with its strong track record, high-quality management team and plausible growth prospects. Unfortunately, with COVID-19 developments, the stock's valuation has weakened further, with the market obviously concerned about commercial real estate in a work-from-home scenario. We feel the stock today reflects an overly pessimistic view of the future, and are engaged with the company, pressing for significant capital returns funded by the sale of non-core stock investments. We believe progress is being made.

Some holdings in the financial sector also detracted, including credit services provider Credit Saison and ORIX.

Credit Saison's share price has been volatile during the review period. We sold our shareholding in the fourth quarter of 2019, but having gained a fresh perspective into the pace of transformation at the company, we reinvested in the first quarter of 2020. A steep fall in the share price amid the pandemic-induced market sell-off enabled us to invest at an attractive level. Credit Saison's shares currently trade on a very low multiple of its recurring earnings and a large percentage of its market capitalisation is accounted for by its cross-holdings. Adjusting for these cross-holdings, we believe the market capitalisation is a little more than £1 billion. In our view, this is an attractive value for a company that has one of Japan's largest credit card franchises and has several other growing consumer-facing businesses. We also believe the market is missing the impressive reinvigoration of the company's commercial strategy taking place under the leadership of Masahiro Yamashita. Furthermore, at this very depressed valuation, we would not be surprised to see merger and acquisition activity, which could release value.

ORIX sold off along with other financials on broad-based concerns over balance sheet risks, given the rapid economic deterioration. However, we feel the knee-jerk reaction of the market is at odds with the fact that ORIX is better capitalised today than at any point in its history. It has been running, intentionally, well below its risk capacity for some years, waiting for an economic event to provide an opportunity to invest for growth at good prices. The prospective risk-reward associated with ORIX today is extremely interesting; on the one hand, we have a depressed share price because of market sentiment. On the other, we have a management team that has been preparing for economic disruption for several years, and who are finally excited at having the opportunity to create value. We believe this bodes well for future returns.

Within the industrial sector, transportation stocks were very weak – a reflection of the near-term implications of people making fewer journeys because of COVID-19.

East Japan Railway and Kesei Electric Railway were new holdings in the review period. We invested in Keisei on the belief that our engagement efforts will help to release the significant value locked up in the company's shareholding of Oriental Land, the owner of Toyko Disney Land. COVID-19 has introduced weakness to the core business which is understandably troubling the share price. However, we continue to believe our efforts to unlock value will drive upside in this investment and remain committed to our thesis.

The fund's top contributor was technology-materials business JSR. We held the stock throughout the review period in the belief that the market was wrongly pricing the stock as a commodity-chemical company, when in fact the company's profits are derived from dominant positions in high-margin, growing niche products serving the world's leading semiconductor companies. In addition, we believed that a second source of high-growth earnings was emerging in the company's biotechnology materials

M&G Japan Fund

Authorised Corporate Director's Report

Performance review (continued)

business. The stock rose approximately 50% in local currency terms during the review period. We have trimmed our holding, but remain committed to what we feel remains a compelling investment opportunity for the medium term. We have been pressing management to restructure and exit less profitable businesses and to engage in value-added mergers and acquisitions, in some cases with other holdings in the portfolio. The chief executive is receptive to our suggestions and we believe the company is in capable hands under his stewardship.

In the communication services sector, Z Holdings (formerly Yahoo Japan) was also a very strong performer for the fund. We invested in the stock in the summer of 2019 at what was considered to be depressed valuations. From that point several positive corporate developments contributed to a share price rise of approximately 150% in the review period, in local currency terms. Firstly, the company announced the acquisition of Zozo in 2019. This was followed by the acquisition of Line. Both activities were a strong indication that its position as a leading internet company in Japan had been meaningfully solidified. This was then reinforced post COVID-19 by a general revaluation of internet businesses perceived to benefit from accelerating digitisation trends.

Elsewhere, the addition of Fujimi to the portfolio early in the review period was helpful for performance. Fujimi is a world-leading supplier of slurries used in the manufacture of silicon wafers and semiconductor devices. In its target product niches, the company boasts global market shares of between 30% and 90%. The business is well run by an owner-manager chief executive who we rate highly. We invested in the company when its market capitalisation was very well supported by a strong net cash position, offering a margin of safety, and when the market was unduly focused on short-term business weakness and ignoring secular growth trends. The stock performed strongly shortly after we invested as earnings continued to positively surprise. In the COVID-19 sell-off in March 2020 we added to the holding, before the share price swiftly recovered and went on to set a new record high. The stock has risen by some 50% since the March lows, but remains attractively valued. We are actively engaged with management regarding its merger and acquisition plans and are encouraging more efficient capital allocation.

Investment activities

To recap from the interim report, in September 2019, M&G recruited a dedicated Asia Pacific Equities team – a clear reflection of its strategic commitment to the region. Based in Asia and London, the team members bring significant expertise to M&G's investment capabilities in the region. Co-headed by Carl Vine and David Perrett, the team has since assumed management of M&G's Japanese and Asian equity strategies. Carl Vine took over the M&G Japan Fund on 20 September 2019.

Following the fund manager change in September, we have been making two key changes to portfolio construction. Firstly, we have been gradually shifting the portfolio away from a concentrated exposure to risk factors (these can be thought of as stocks exhibiting particular characteristics, for example value, growth, quality) towards a portfolio where stock-specific features drive performance. At the same time, we insist on a compelling valuation and a margin of safety behind our investment decisions. Our desire is for future portfolio returns to be driven by our stockpicking ability, rather than the portfolio's exposure to one or more investment styles.

Secondly, we have been paying close attention to the portfolio's below-index positions. The performance gap between the portfolio and the benchmark over time is affected not just by what we invest in, but also what we do not invest in, and is included in the benchmark index.

As a result of this, and when an opportunity has presented itself, we have invested in a few companies where we have determined that while an over-index position is not warranted, a below-index position could create a significant performance drag.

In addition, with the team's increased resources, we are enhancing our engagement with the management of the companies we invest in and where we feel value is being unduly trapped. Given the sweeping set of institutional reforms we have seen in Japan, we believe constructive corporate engagement can lead to superior investment returns. Given the reform backdrop, we have been keen to include in the portfolio companies where we perceive there are significant opportunities from improved capital allocation.

The stocks we have added to the portfolio all have a high stock-specific investment rationale. They do not necessarily fit neatly into thematic buckets. However, broadly speaking, the additions fall into one of three categories: quality stocks with cyclical exposure; stocks where we believe quality or growth is highly misunderstood or mispriced; and stocks where we believe a change in corporate behaviour can unlock significant upside potential.

In the first half, in the quality cyclicals category, we added new names such as Isuzu Motors and SUMCO. Isuzu is a world-leading commercial vehicle manufacturer and SUMCO is a leading supplier of silicon wafers. We were able to buy the shares in these companies at prices which we believe are very attractive.

In terms of adding mispriced quality and growth to the portfolio, we added Mitsui Fudosan (previously mentioned) and Fuji Electric as core holdings.

In our opinion, Fuji Electric is another case of a high-quality business trading at discounted valuations despite significant business resilience and earnings growth potential. The stable core business (power supplies) sits alongside the company's high-growth power semiconductor business, where Fuji is leading the world in automotive applications. With the rising penetration of electric vehicles and long-term contracts with Toyota, the

M&G Japan Fund

Authorised Corporate Director's Report

Investment activities (continued)

growth outlook for the business is compelling. These factors, combined with a strong balance sheet and sensible strategy, are at odds with a valuation well below its long-term average.

Finally, we have added stocks where we believe either corporate action or some form of corporate reform is expected to lead to a material release of value. Companies such as Fujimi, Keisei Railways and Tokyo Broadcasting have significant latent value hidden in net cash or cross-holdings. Through the efforts of both ourselves and others, we believe this value has a strong chance of being unlocked amidst this new atmosphere of reform in Japan.

We exited several positions in the review period. These included companies such as United Arrows, Shimamura and Onward Holdings. In each case, we felt the underlying businesses faced structural headwinds and valuations were not especially attractive compared to other opportunities where our conviction is higher.

In March, we took advantage of the chaotic market conditions and accelerated the rebalancing of the portfolio. Some holdings were sold at a loss, so we could take advantage of the exceptional opportunities to re-deploy the proceeds towards new, more exciting investment opportunities. In addition, we made incremental changes to increase our exposure to some core holdings.

We also added exposure to the Japanese real estate investment trust sector (JREITs), whose share prices were driven down by forced selling from Japanese regional banks and selectively introduced to the portfolio some large-cap names that we (and the market) believe to be long-term structural winners. In the past, the fund has not held these stocks on valuation grounds. However, we used the extreme market conditions as a chance to establish ownership at unusually depressed valuations. Examples include Fast Retailing, Tokyo Electron and Recruit.

Separately, we took the opportunity to broaden our exposure to the auto sector. At the start of the pandemic, we were mainly exposed to Toyota and Honda, companies whose stock prices outperformed on the way down. We used the collapse in sector share prices to diversify our holdings away from Honda and Toyota, to names we thought had been unduly punished in the March sell-off. We bought shares in companies we considered are long-term winners with balance sheets strong enough to weather the recession. They include Hino Motors, Subaru, Toyo Tire and Suzuki Motor; all have performed well in the short period since we established the positions.

In the middle of 2020, we added to our JREITs positions and initiated a holding in Taiyo Yuden, an electronic components manufacturer. We believe the market is overlooking the potential for a significant improvement in the quality of Taiyo Yuden's earnings and the better outlook for earnings growth. These are expected to be driven by company-specific technology achievements and accelerating digitisation trends in the company's core markets.

We also initiated a holding in DIP, an online recruitment platform. Having tripled operating profits in the past five years, we feel this owner-managed business is well placed for ongoing structural growth, given its strong market position and ongoing digitisation trends. We believe the current share price offers a compelling entry point for a growth company.

Elsewhere, we sought to take advantage of share price weakness to add to SUMCO, a semiconductor company. We feel that supply and demand conditions in the semiconductor wafer market will start to tighten in the next 18-24 months, which has the potential to deliver strong upside from SUMCO's current share price.

We sold our holding in Tokyo Electron following significant outperformance. We also fully exited Mitsui OSK Lines. Mitsui continues to look undervalued to us, but we have allocated proceeds to what are, in our view, more compelling risk/reward opportunities elsewhere in the portfolio. We also closed the fund's position in T&D Holdings, as we see better risk-adjusted opportunities elsewhere in the market, particularly in non-bank financials.

Outlook

Notwithstanding the uncertainties caused by the coronavirus, we believe current valuations in Japanese companies are undemanding and, economic policy is now extremely supportive and interest rates are at very low levels.

As active managers, we are increasingly excited by the investment opportunities we see in the stockmarket today. Not only do we believe we can add value as stockpickers, but we can also leverage M&G's long tradition of engaging with management, which can be its own catalyst for value realisation.

The Abe administration has presided over an unprecedented state-led campaign to cajole corporate Japan into raising returns on capital. While Shinzo Abe is stepping down as the prime minister of Japan, his departure does not leave us unduly concerned that his work will suddenly be undone.

Profit margin improvement has been under way for some time, but the love affair with cash and assets has remained firmly entrenched. The Corporate Governance Code, the Stewardship Code, the revamped Companies Act, and the revised Fair Merger & Acquisition guidelines are all now bearing down upon corporate Japan, forcing behavioural change. A tipping point has now been reached. We believe we are in the early stages of a process in which long-trapped value is being released from balance sheets.

Company engagement is encouraged and rewarded. Regular meetings with company directors allow us to identify whether a company's strategy is aligned with our interests as long-term shareholders. Our active engagement with companies helps us to encourage positive change. Constructive dialogue, during which suggestions on the best ways to unlock value for shareholders emerge, takes place regularly.

M&G Japan Fund

Authorised Corporate Director's Report

Outlook (continued)

We continue to see valuations in Japanese companies as highly supportive for prospective returns. More importantly, the significant variation in valuation between stocks, combined with continued restructuring at the company level, leaves us excited about the opportunity to add additional value through our stockpicking approach.

Carl Vine

Fund manager

An employee of M&G FA Limited (formerly M&G Limited) which is an associate of M&G Securities Limited. At the start of the review period, Johan du Preez 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 Japan Fund

Authorised Corporate Director's Report

Portfolio statement

as at 31 August		2020	2020	2019
Holding		¥'000	%	%
	EQUITIES	21,146,395	99.74	100.54
	Chemicals	993,106	4.68	7.89
117,100	Fujimi	411,607	1.94	
258,100	JSR	581,499	2.74	
	Building products	0	0.00	3.17
	Construction & engineering	445,000	2.10	0.00
125,000	Taisei	445,000	2.10	
	Electrical equipment	823,760	3.89	3.78
252,300	Fuji Electric	823,760	3.89	
	Machinery	1,131,945	5.34	8.31
384,300	Hino Motors	266,704	1.26	
2,100,100	Hitachi Zosen	865,241	4.08	
	Trading companies & distributors	714,560	3.37	0.00
401,100	Mitsui	714,560	3.37	
	Airlines	388,752	1.83	0.00
186,900	Japan Airlines	388,752	1.83	
	Marine	0	0.00	3.63
	Road & rail	977,240	4.61	0.00
73,000	East Japan Railway	495,889	2.34	
158,600	Keisei Electric Railway	481,351	2.27	
	Transportation infrastructure	218,960	1.03	0.00
101,700	Kamigumi	218,960	1.03	
	Auto components	890,476	4.20	3.51
148,400	Toyo Tire	256,435	1.21	
102,100	Toyota Industries	634,041	2.99	
	Automobiles	1,722,115	8.12	8.42
173,400	Honda Motor	469,827	2.21	
274,600	Isuzu Motors	279,406	1.32	
124,600	Subaru	272,936	1.29	
60,800	Suzuki Motor	260,650	1.23	
62,400	Toyota Motor	439,296	2.07	
	Household durables	1,462,584	6.90	6.42
426,800	Haseko	615,019	2.90	
102,400	Sony	847,565	4.00	
	Textiles, apparel & luxury goods	0	0.00	0.10
	Specialty retail	165,510	0.78	4.41
2,700	Fast Retailing	165,510	0.78	
	Food & staples retailing	528,573	2.49	3.54
155,600	Seven & i	528,573	2.49	
	Beverages	369,936	1.75	0.00
100,800	Asahi	369,936	1.75	
	Food products	0	0.00	2.80
	Personal products	177,667	0.84	0.00
22,200	Kao	177,667	0.84	
	Health care providers & services	0	0.00	3.77
	Pharmaceuticals	1,133,321	5.35	3.50
17,600	Daiichi Sankyo	164,842	0.78	
50,700	Shionogi	298,065	1.41	
168,700	Takeda Pharmaceutical	670,414	3.16	
	Banks	852,383	4.02	11.82
954,300	Mitsubishi UFJ Financial	419,987	1.98	
138,900	Sumitomo Mitsui Financial	432,396	2.04	
	Diversified financial services	630,465	2.97	0.00
483,300	ORIX	630,465	2.97	
	Consumer finance	841,587	3.97	0.00
710,800	Credit Saison	841,587	3.97	
	Capital markets	179,923	0.85	4.36
333,500	Nomura	179,923	0.85	

M&G Japan Fund

Authorised Corporate Director's Report

Portfolio statement (continued)

as at 31 August Holding		2020 ¥'000	2020 %	2019 %
	EQUITIES (continued)			
	Insurance	130,049	0.61	3.94
165,900	Japan Post	130,049	0.61	
	IT services	324,710	1.53	0.00
268,800	NTT Data	324,710	1.53	
	Technology hardware, storage & peripherals	0	0.00	5.01
	Electronic equipment, instruments & components	963,921	4.55	4.49
187,800	Hitachi	661,619	3.12	
105,700	Taiyo Yuden	302,302	1.43	
	Semiconductors & semiconductor equipment	626,878	2.96	0.00
23,500	Rohm	158,860	0.75	
326,600	SUMCO	468,018	2.21	
	Diversified telecommunication services	581,889	2.74	0.00
229,000	Nippon Telegraph & Telephone	581,889	2.74	
	Wireless telecommunication services	479,060	2.26	0.00
74,900	SoftBank	479,060	2.26	
	Media	687,002	3.24	3.83
380,400	Tokyo Broadcasting System	687,002	3.24	
	Interactive media & services	396,115	1.87	1.25
174,500	Dip	396,115	1.87	
	Equity real estate investment trusts (REITs)	890,256	4.20	0.00
10,558	Invincible Investment	332,577	1.57	
1,611	Japan Retail Fund Investment	228,923	1.08	
1,583	Nomura Real Estate Master Fund	215,763	1.02	
739	Orix JREIT	112,993	0.53	
	Real estate management & development	1,418,652	6.69	2.59
494,400	Mitsui Fudosan	923,045	4.35	
248,300	Nomura Real Estate	495,607	2.34	
	EQUITY DERIVATIVES	0	0.00	(0.03)
	Equity futures contracts	0	0.00	(0.03)
	Portfolio of Investments (notes 2c & 2d on page 8)	21,146,395	99.74	100.51
	Net other assets / (liabilities)	55,276	0.26	(0.51)
	Net assets attributable to shareholders before fair value accounting adjustment	21,201,671	100.00	100.00
	Portfolio of investments before fair value accounting adjustment	21,146,395	99.74	100.51
	Fair value accounting adjustment	260,646	0.00	0.00
	Portfolio of Investments (notes 2c & 2d on page 8)	21,407,041	99.74	100.51
	Net other assets / (liabilities)	55,276	0.26	(0.51)
	Net assets attributable to shareholders	21,462,317	100.00	100.00

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

M&G Japan Fund

Authorised Corporate Director's Report

Top ten portfolio transactions

for the year to 31 August 2020	
Largest purchases	¥'000
Mitsui Fudosan	2,406,501
Toyota Industries	2,369,043
Fuji Electric	1,825,073
East Japan Railway	1,644,959
Isuzu Motors	1,615,089
ORIX	1,569,888
Toyota Motor	1,564,154
Nippon Telegraph & Telephone	1,537,552
Credit Saison	1,437,362
SUMCO	1,298,903
Other purchases	25,674,188
Total purchases	42,942,712
Largest sales	¥'000
JSR	2,109,884
Honda Motor	1,883,935
Nomura	1,797,161
Panasonic	1,683,379
Miraca	1,653,470
Dentsu	1,627,857
Mitsubishi UFJ Financial	1,582,930
Lawson	1,580,406
Mitsubishi Electric	1,576,984
Hitachi	1,575,903
Other sales	44,234,282
Total sales	61,306,191

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

	2020	2019	2018
as at 31 August	¥'000	¥'000	¥'000
Fund net asset value (NAV)	21,462,317	39,372,800	69,230,521

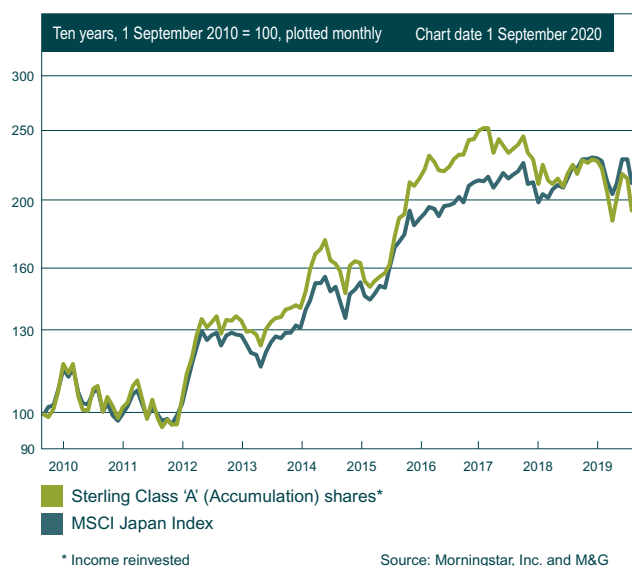
Performance since launch

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 the comparator benchmark's total return 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.

Long-term performance by share class

	One year 02.09.19 % ^[a]	Three years 01.09.17 % pa	Five years 01.09.15 % pa	Since launch % pa
Sterling^[b]				
Class 'A'	-6.4	-4.2	+5.9	+6.7 ^[c]
Class 'I'	-6.0	-3.5	+6.7	+10.3 ^[d]
Class 'PP'	-5.8	n/a	n/a	-3.4 ^[e]
Class 'R'	-6.2	-3.8	+6.4	+10.0 ^[d]
Class 'X'	-6.5	-4.1	+5.9	+6.5 ^[f]

^[a] Absolute basis.

^[b] Price to price with income reinvested.

^[c] 6 April 1971, the end of the initial offer period of the predecessor unit trust.

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

^[e] 8 April 2019, the launch date of the share class.

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

M&G Japan Fund

Financial highlights

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 depository, 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 Trust 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.

Operating charges are 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.

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	2020	2019	2018	Average ^[a]
Direct portfolio transaction costs ^[b]	%	%	%	%
Broker commission	0.13	0.03	0.05	0.07
Taxes	0.00	0.00	0.00	0.00
Costs before dilution adjustments	0.13	0.03	0.05	0.07
Dilution adjustments ^[c]	(0.03)	(0.01)	(0.03)	(0.02)
Total direct portfolio transaction costs	0.10	0.02	0.02	0.05

as at 31 August	2020	2019	2018	Average ^[a]
Indirect portfolio transaction costs	%	%	%	%
Average portfolio dealing spread	0.30	0.18	0.18	0.22

^[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.

Historic yields for the current year are calculated as at 11 September 2020.

Sterling Class 'A' Income share performance

The share class was launched on 9 May 1977. for the year to 31 August			
	2020	2019	2018
Change in NAV per share	UK p	UK p	UK p
Opening NAV	52.24	59.26	58.35
Return before operating charges and after direct portfolio transaction costs	(1.38)	(4.56)	3.19
Operating charges	(0.72)	(0.91)	(1.02)
Return after operating charges	(2.10)	(5.47)	2.17
Distributions	(1.35)	(1.55)	(1.26)
Closing NAV	48.79	52.24	59.26
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.06	0.02	0.03
Dilution adjustments ^[a]	(0.01)	(0.01)	(0.02)
Total direct portfolio transaction costs	0.05	0.01	0.01
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.10	0.02	0.02
Operating charges ^[c]	1.40	1.66	1.67
Return after operating charges	-4.02	-9.23	+3.72
Historic yield	2.76	2.20	2.12
Effect on yield of charges offset against capital	1.40	1.64	1.65
Other information			
Closing NAV (¥'000)	12,916,402	12,899,625	36,540,625
Closing NAV percentage of total fund NAV (%)	60.18	32.76	52.78
Number of shares	188,897,091	190,577,938	428,024,896
Highest share price (UK p)	56.35	61.36	66.93
Lowest share price (UK p)	40.28	50.62	56.17

Sterling Class 'A' Accumulation share performance

The share class was launched on 6 April 1971. for the year to 31 August			
	2020	2019	2018
Change in NAV per share	UK p	UK p	UK p
Opening NAV	61.41	67.65	65.24
Return before operating charges and after direct portfolio transaction costs	(1.62)	(5.20)	3.50
Operating charges	(0.85)	(1.04)	(1.09)
Return after operating charges	(2.47)	(6.24)	2.41
Distributions	(0.76)	(0.66)	(0.25)
Retained distributions	0.76	0.66	0.25
Closing NAV	58.94	61.41	67.65
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.08	0.03	0.03
Dilution adjustments ^[a]	(0.02)	(0.01)	(0.02)
Total direct portfolio transaction costs	0.06	0.02	0.01
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.10	0.02	0.02
Operating charges ^[c]	1.40	1.65	1.68
Return after operating charges	-4.02	-9.22	+3.69
Historic yield	1.29	0.37	0.37
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (¥'000)	874,576	925,712	1,290,198
Closing NAV percentage of total fund NAV (%)	4.07	2.35	1.86
Number of shares	10,586,036	11,634,097	13,238,470
Highest share price (UK p)	66.24	70.07	74.82
Lowest share price (UK p)	47.35	57.80	62.80

Sterling Class 'I' Income share performance

The share class was launched on 3 August 2012. for the year to 31 August			
	2020	2019	2018
Change in NAV per share	UK p	UK p	UK p
Opening NAV	2,105.24	2,370.67	2,316.61
Return before operating charges and after direct portfolio transaction costs	(55.82)	(185.60)	126.68
Operating charges	(19.00)	(17.75)	(22.35)
Return after operating charges	(74.82)	(203.35)	104.33
Distributions	(54.57)	(62.08)	(50.27)
Closing NAV	1,975.85	2,105.24	2,370.67
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	2.64	0.80	1.22
Dilution adjustments ^[a]	(0.61)	(0.23)	(0.72)
Total direct portfolio transaction costs	2.03	0.57	0.50
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.10	0.02	0.02
Operating charges ^[c]	0.90	0.93	0.92
Return after operating charges	-3.55	-8.58	+4.50
Historic yield	2.75	2.18	2.11
Effect on yield of charges offset against capital	0.90	0.90	0.90
Other information			
Closing NAV (¥'000)	196,985	13,271,529	441,753
Closing NAV percentage of total fund NAV (%)	0.92	33.71	0.64
Number of shares	71,131	4,865,680	129,354
Highest share price (UK p)	2,272.99	2,456.36	2,664.55
Lowest share price (UK p)	1,627.28	2,035.73	2,230.54

M&G Japan Fund

Financial highlights

Specific share class performance

Sterling Class 'T' Accumulation share performance

The share class was launched on 3 August 2012. for the year to 31 August			
	2020	2019	2018
Change in NAV per share	UK p	UK p	UK p
Opening NAV	2,339.60	2,558.57	2,448.49
Return before operating charges and after direct portfolio transaction costs	(62.00)	(197.45)	133.67
Operating charges	(20.95)	(21.52)	(23.59)
Return after operating charges	(82.95)	(218.97)	110.08
Distributions	(40.35)	(43.79)	(29.31)
Retained distributions	40.35	43.79	29.31
Closing NAV	2,256.65	2,339.60	2,558.57
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	2.91	0.95	1.29
Dilution adjustments ^[a]	(0.68)	(0.28)	(0.76)
Total direct portfolio transaction costs	2.23	0.67	0.53
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.10	0.02	0.02
Operating charges ^[c]	0.90	0.92	0.92
Return after operating charges	-3.55	-8.56	+4.50
Historic yield	1.78	1.14	1.14
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (¥000)	7,089,795	11,853,097	5,749,878
Closing NAV percentage of total fund NAV (%)	33.03	30.10	8.30
Number of shares	2,241,547	3,910,336	1,560,025
Highest share price (UK p)	2,526.19	2,651.62	2,816.03
Lowest share price (UK p)	1,808.55	2,197.55	2,357.39

Sterling Class 'PP' Income share performance

The share class was launched on 5 August 2019. for the year to 31 August			
	2020	2019	2018
Change in NAV per share	UK p	UK p	UK p
Opening NAV	96.43	100.00	n/a
Return before operating charges and after direct portfolio transaction costs	(2.58)	(0.74)	n/a
Operating charges	(0.66)	(0.05)	n/a
Return after operating charges	(3.24)	(0.79)	n/a
Distributions	(2.50)	(2.78)	n/a
Closing NAV	90.69	96.43	n/a
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.12	0.00	n/a
Dilution adjustments ^[a]	(0.03)	0.00	n/a
Total direct portfolio transaction costs	0.09	0.00	n/a
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.10	0.02	n/a
Operating charges	0.70	0.70	n/a
Return after operating charges	-3.36	-0.79	n/a
Historic yield	2.75	2.30	n/a
Effect on yield of charges offset against capital	0.70	0.70	n/a
Other information			
Closing NAV (¥000)	2,542	2,499	n/a
Closing NAV percentage of total fund NAV (%)	0.01	0.01	n/a
Number of shares	20,000	20,000	n/a
Highest share price (UK p)	104.16	100.68	n/a
Lowest share price (UK p)	74.62	97.17	n/a

Sterling Class 'PP' Accumulation share performance

The share class was launched on 8 April 2019. for the year to 31 August			
	2020	2019	2018
Change in NAV per share	UK p	UK p	UK p
Opening NAV	100.62	100.00	n/a
Return before operating charges and after direct portfolio transaction costs	(2.69)	0.91	n/a
Operating charges	(0.69)	(0.29)	n/a
Return after operating charges	(3.38)	0.62	n/a
Distributions	(1.93)	(1.97)	n/a
Retained distributions	1.93	1.97	n/a
Closing NAV	97.24	100.62	n/a
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.12	0.02	n/a
Dilution adjustments ^[a]	(0.03)	0.00	n/a
Total direct portfolio transaction costs	0.09	0.02	n/a
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.10	0.02	n/a
Operating charges ^[c]	0.70	0.68	n/a
Return after operating charges	-3.36	+0.62	n/a
Historic yield	1.98	0.95	n/a
Effect on yield of charges offset against capital	0.00	0.00	n/a
Other information			
Closing NAV (¥000)	14,123	13,688	n/a
Closing NAV percentage of total fund NAV (%)	0.07	0.03	n/a
Number of shares	103,627	105,000	n/a
Highest share price (UK p)	108.69	104.26	n/a
Lowest share price (UK p)	77.86	94.45	n/a

Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012. for the year to 31 August			
	2020	2019	2018
Change in NAV per share	UK p	UK p	UK p
Opening NAV	208.58	235.48	230.70
Return before operating charges and after direct portfolio transaction costs	(5.55)	(18.21)	12.59
Operating charges	(2.36)	(2.53)	(2.81)
Return after operating charges	(7.91)	(20.74)	9.78
Distributions	(5.40)	(6.16)	(5.00)
Closing NAV	195.27	208.58	235.48
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.26	0.09	0.12
Dilution adjustments ^[a]	(0.06)	(0.03)	(0.07)
Total direct portfolio transaction costs	0.20	0.06	0.05
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.10	0.02	0.02
Operating charges ^[c]	1.15	1.17	1.17
Return after operating charges	-3.79	-8.81	+4.24
Historic yield	2.75	2.19	2.11
Effect on yield of charges offset against capital	1.15	1.15	1.15
Other information			
Closing NAV (¥000)	28,685	30,720	30,336
Closing NAV percentage of total fund NAV (%)	0.13	0.08	0.04
Number of shares	104,806	113,675	89,428
Highest share price (UK p)	225.09	243.94	265.10
Lowest share price (UK p)	161.01	201.85	222.10

M&G Japan 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			
	2020	2019	2018
Change in NAV per share	UK p	UK p	UK p
Opening NAV	229.97	252.12	241.88
Return before operating charges and after direct portfolio transaction costs	(6.10)	(19.44)	13.22
Operating charges	(2.60)	(2.71)	(2.98)
Return after operating charges	(8.70)	(22.15)	10.24
Distributions	(3.41)	(3.68)	(2.24)
Retained distributions	3.41	3.68	2.24
Closing NAV	221.27	229.97	252.12
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.28	0.09	0.13
Dilution adjustments ^[a]	(0.07)	(0.03)	(0.08)
Total direct portfolio transaction costs	0.21	0.06	0.05
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.10	0.02	0.02
Operating charges ^[c]	1.15	1.17	1.17
Return after operating charges	-3.78	-8.79	+4.23
Historic yield	1.53	0.89	0.88
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (¥000)	203,422	195,644	207,493
Closing NAV percentage of total fund NAV (%)	0.95	0.50	0.30
Number of shares	655,926	656,618	571,291
Highest share price (UK p)	248.19	261.24	277.94
Lowest share price (UK p)	177.53	216.17	232.86

Sterling Class 'X' Income share performance

The share class was launched on 1 October 2002. for the year to 31 August			
	2020	2019	2018
Change in NAV per share	UK p	UK p	UK p
Opening NAV	51.50	58.42	57.53
Return before operating charges and after direct portfolio transaction costs	(1.37)	(4.50)	3.13
Operating charges	(0.71)	(0.89)	(1.00)
Return after operating charges	(2.08)	(5.39)	2.13
Distributions	(1.33)	(1.53)	(1.24)
Closing NAV	48.09	51.50	58.42
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.06	0.02	0.03
Dilution adjustments ^[a]	(0.01)	(0.01)	(0.02)
Total direct portfolio transaction costs	0.05	0.01	0.01
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.10	0.02	0.02
Operating charges ^[c]	1.40	1.65	1.67
Return after operating charges	-4.04	-9.23	+3.70
Historic yield	2.76	2.20	2.12
Effect on yield of charges offset against capital	1.40	1.63	1.65
Other information			
Closing NAV (¥000)	80,922	85,946	125,640
Closing NAV percentage of total fund NAV (%)	0.38	0.22	0.18
Number of shares	1,200,555	1,288,120	1,492,862
Highest share price (UK p)	55.55	60.49	65.99
Lowest share price (UK p)	39.70	49.90	55.37

Sterling Class 'X' Accumulation share performance

The share class was launched on 1 October 2002. for the year to 31 August			
	2020	2019	2018
Change in NAV per share	UK p	UK p	UK p
Opening NAV	60.60	66.75	64.36
Return before operating charges and after direct portfolio transaction costs	(1.60)	(5.13)	3.51
Operating charges	(0.84)	(1.02)	(1.12)
Return after operating charges	(2.44)	(6.15)	2.39
Distributions	(0.75)	(0.65)	(0.25)
Retained distributions	0.75	0.65	0.25
Closing NAV	58.16	60.60	66.75
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.08	0.03	0.03
Dilution adjustments ^[a]	(0.02)	(0.01)	(0.02)
Total direct portfolio transaction costs	0.06	0.02	0.01
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.10	0.02	0.02
Operating charges ^[c]	1.40	1.65	1.67
Return after operating charges	-4.03	-9.21	+3.71
Historic yield	1.29	0.37	0.37
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (¥000)	54,865	94,340	163,612
Closing NAV percentage of total fund NAV (%)	0.26	0.24	0.24
Number of shares	673,075	1,201,666	1,701,486
Highest share price (UK p)	65.36	69.14	73.82
Lowest share price (UK p)	46.71	57.03	61.95

^[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	2020		2019	
		¥'000	¥'000	¥'000	¥'000
Income					
Net capital gains / (losses)	3		(96,573)		(10,502,022)
Revenue	5	1,119,304		1,498,947	
Expenses	6	(399,765)		(676,939)	
Net revenue / (expense) before taxation		719,539		822,008	
Taxation	7	(118,319)		(149,378)	
Net revenue / (expense) after taxation			601,220		672,630
Total return before distributions			504,647		(9,829,392)
Distributions	8		(892,981)		(1,161,896)
Change in net assets attributable to shareholders from investment activities			(388,334)		(10,991,288)

Statement of change in net assets attributable to shareholders

for the year to 31 August	2020		2019	
	¥'000	¥'000	¥'000	¥'000
Opening net assets attributable to shareholders		39,372,800		69,230,521
Amounts received on issue of shares	775,180		33,282,302	
Amounts paid on cancellation of shares	(18,475,821)		(35,593,401)	
Transfer to M&G (Lux) Japan Fund	0		(16,935,827)	
		(17,700,641)		(19,246,926)
Dilution adjustments		36,297		15,532
Change in net assets attributable to shareholders from investment activities (see above)		(388,334)		(10,991,288)
Retained distributions on Accumulation shares		142,195		364,854
Unclaimed distributions		0		107
Closing net assets attributable to shareholders		21,462,317		39,372,800

M&G Japan Fund

Financial statements and notes

Financial statements (continued)

Balance sheet

as at 31 August	Note	2020 ¥'000	2019 ¥'000
Assets			
Fixed assets			
Investments		21,407,041	39,585,086
Current assets			
Debtors	9	50,069	113,390
Cash and bank balances	10	402,626	530,092
Total assets		21,859,736	40,228,568
Liabilities			
Investment liabilities		0	(13,063)
Creditors			
Distribution payable		(366,364)	(776,982)
Other creditors	11	(31,055)	(65,723)
Total liabilities		(397,419)	(855,768)
Net assets attributable to shareholders		21,462,317	39,372,800

M&G Japan Fund

Financial statements and notes

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 8 to 10.

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, the 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)

	2020	2019
for the year to 31 August	¥000	¥000
Non-derivative securities	185,433	(10,436,156)
Derivative contracts	(240,323)	(62,767)
Currency gains / (losses)	(41,583)	(2,489)
Transaction charges	(100)	(610)
Net capital gains / (losses)	(96,573)	(10,502,022)

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 117.

	2020	% of	2019	% of
for the year to 31 August	¥000	transaction	¥000	transaction
a) Purchases				
Equities				
Equities before transaction costs	42,942,712		15,409,573	
Commissions	19,320	0.04	8,820	0.06
Total purchases after transaction costs	42,962,032		15,418,393	
b) Sales				
Equities				
Equities before transaction costs	61,306,191		17,616,842	
Commissions	(24,994)	0.04	(9,971)	0.06
Equities after transaction costs	61,281,197		17,606,871	
Other transaction types				
Corporate actions	0		1,222,536	
Total sales after transaction costs	61,281,197		18,829,407	
c) Direct portfolio transaction costs				
Commissions paid				
Equities	44,314	0.13	18,791	0.03
Derivatives	101	0.00	111	0.00
Total commissions paid	44,415	0.13	18,902	0.03
Taxes paid				
Derivatives	351	0.00	386	0.00
Total direct portfolio transaction costs ^[a]	44,766	0.13	19,288	0.03
d) Indirect portfolio transaction costs				
Portfolio dealing spread ^[b]		0.30		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

	2020	2019
for the year to 31 August	¥000	¥000
Bank interest	4	49
Derivative revenue	(88)	(88)
Dividends from equity investments: non-taxable	1,166,719	1,498,013
Dividends from equity investments: taxable	(47,331)	973
Total revenue	1,119,304	1,498,947

Revenue includes currency gains/losses.

M&G Japan Fund

Financial statements and notes

Notes to the financial statements

6 Expenses

	2020	2019
for the year to 31 August	¥000	¥000
Payable to the ACD or associate		
Annual charge	395,482	35,844
Annual management charge ^[a]	0	562,384
Administration charge ^[a]	0	67,339
	395,482	665,567
Payable to the Depositary or associate		
Depositary's charge (including VAT) ^[a]	0	3,282
Other expenses		
Audit fee (including VAT) ^[a] ^[b]	0	1,118
Interest payable	4,652	2,841
Safe custody charge ^[a]	(369)	4,131
	4,283	8,090
Total expenses	399,765	676,939

^[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 2020 were £9,000 (including VAT).

7 Taxation

	2020	2019
for the year to 31 August	¥000	¥000
a) Analysis of charge in the year		
Corporation tax	0	0
Withholding tax	118,319	149,378
Deferred tax (note 7c)	0	0
Total taxation	118,319	149,378
b) Factors affecting taxation charge for the year		
Net revenue / (expense) before taxation	719,539	822,008
Corporation tax at 20%	143,908	164,402
Effects of:		
Dividends from equity investments: non-taxable	(233,344)	(299,603)
Current year expenses not utilised	89,436	135,201
Withholding tax	118,319	149,378
Total tax charge (note 7a)	118,319	149,378
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 ¥1,186,791,000 (2019: ¥1,097,355,000) arising as a result of having excess management expenses. We do not expect this asset to be utilised in the foreseeable future.

8 Distributions

	2020		2019	
for the year to 31 August	Inc ^[a]	Acc ^[b]	Inc ^[a]	Acc ^[b]
Dividend distributions	¥000	¥000	¥000	¥000
Final	366,364	142,195	776,982	364,854
Total net distributions		508,559		1,141,836
Income deducted on cancellation of shares		393,578		558,671
Income received on issue of shares		(9,156)		(538,611)
Distributions		892,981		1,161,896
Net revenue / (expense) per statement of total return		601,220		672,630
Expenses offset against capital		291,766		489,214
Undistributed income brought forward		6		58
Undistributed income carried forward		(11)		(6)
Distributions		892,981		1,161,896

^[a] Distributions payable on Income shares.

^[b] Retained distributions on Accumulation shares.

9 Debtors

	2020	2019
as at 31 August	¥000	¥000
Amounts receivable on issues of shares	0	319
Currency deals outstanding	3,149	9,855
Dividends receivable	46,633	103,216
Sales awaiting settlement	287	0
Total debtors	50,069	113,390

10 Cash and bank balances

	2020	2019
as at 31 August	¥000	¥000
Amounts held at futures clearing houses and collateral manager	0	28,562
Cash held as bank balances	402,626	501,530
Total cash and bank balances	402,626	530,092

11 Other creditors

	2020	2019
as at 31 August	¥000	¥000
Amounts payable on cancellation of shares	6,759	23,818
Annual charge payable	13,022	21,206
Currency deals outstanding	3,142	9,866
Expenses payable	0	2,701
Payable to M&G (Lux) Japan Fund	8,132	8,132
Total other creditors	31,055	65,723

12 Contingent assets, liabilities and outstanding commitments

There were no contingent assets, liabilities or outstanding commitments at the balance sheet date (2019: same).

M&G Japan 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	Movements		Closing
	01.09.19	Issued	Cancelled	31.08.20
Sterling				
Class 'A' Income	190,577,938	4,507,247	(6,188,094)	188,897,091
Class 'A' Accumulation	11,634,097	3,075,979	(4,124,040)	10,586,036
Class 'I' Income	4,865,680	5,152	(4,799,701)	71,131
Class 'I' Accumulation	3,910,336	40,041	(1,708,830)	2,241,547
Class 'PP' Income	20,000	0	0	20,000
Class 'PP' Accumulation	105,000	43,002	(44,375)	103,627
Class 'R' Income	113,675	15,701	(24,570)	104,806
Class 'R' Accumulation	656,618	120,029	(120,721)	655,926
Class 'X' Income	1,288,120	102,021	(189,586)	1,200,555
Class 'X' Accumulation	1,201,666	78,579	(607,170)	673,075

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] %
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 in respect of the annual charge are disclosed in note 11.

At the balance sheet date, shareholders from within M&G plc, of which M&G Securities Limited is a wholly owned subsidiary, have holdings totalling 92.70% (2019: 92.15%) 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
	2020	2020	2019	2019
	¥'000	¥'000	¥'000	¥'000
Level 1	21,407,041	0	39,585,086	(13,063)
Level 2	0	0	0	0
Level 3	0	0	0	0
	21,407,041	0	39,585,086	(13,063)

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 10 to 11.

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 ¥1,070,352,000 (2019: ¥1,978,601,000). A five per cent decrease would have an equal and opposite effect.

M&G Japan Fund

Financial statements and notes

Notes to the financial statements

20 Currency risk sensitivity and exposure

Currency risk is not considered significant for the fund as the currency exposure does not have a material impact on net assets 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 as there are no counterparty or derivative balances and is therefore not disclosed.

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

As at 31 August 2020 there was no exposure to counterparties.

as at 31 August 2019	Futures ¥'000
Bank of America Merrill Lynch	(13,063)
Total	(13,063)

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	01.09.19	31.08.20	01.09.20	31.10.20

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.

Sterling Class 'A' Income shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income	Equalisation	2020	2019
	2020 UK p	2020 UK p	2020 UK p	2019 UK p
Final	0.3966	0.9549	1.3515	1.5474

Sterling Class 'A' Accumulation shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income	Equalisation	2020	2019
	2020 UK p	2020 UK p	2020 UK p	2019 UK p
Final	0.3495	0.4125	0.7620	0.6576

Sterling Class 'I' Income shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income	Equalisation	2020	2019
	2020 UK p	2020 UK p	2020 UK p	2019 UK p
Final	20.7730	33.7960	54.5690	62.0836

Sterling Class 'I' Accumulation shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income	Equalisation	2020	2019
	2020 UK p	2020 UK p	2020 UK p	2019 UK p
Final	23.6270	16.7218	40.3488	43.7943

Sterling Class 'PP' Income shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income	Equalisation	2020	2019
	2020 UK p	2020 UK p	2020 UK p	2019 UK p
Final	2.5016	0.0000	2.5016	2.7833

Sterling Class 'PP' Accumulation shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income	Equalisation	2020	2019
	2020 UK p	2020 UK p	2020 UK p	2019 UK p
Final	1.0865	0.8441	1.9306	1.9671

Sterling Class 'R' Income shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income	Equalisation	2020	2019
	2020 UK p	2020 UK p	2020 UK p	2019 UK p
Final	1.2161	4.1852	5.4013	6.1605

Sterling Class 'R' Accumulation shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income	Equalisation	2020	2019
	2020 UK p	2020 UK p	2020 UK p	2019 UK p
Final	0.2123	3.1968	3.4091	3.6767

Sterling Class 'X' Income shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income	Equalisation	2020	2019
	2020 UK p	2020 UK p	2020 UK p	2019 UK p
Final	0.5626	0.7696	1.3322	1.5254

Sterling Class 'X' Accumulation shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income	Equalisation	2020	2019
	2020 UK p	2020 UK p	2020 UK p	2019 UK p
Final	0.5300	0.2219	0.7519	0.6488

M&G Japan 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), net of the ongoing charge figure, than that of the Russell/Nomura Mid-Small Cap Index over any five-year period.

Investment policy

At least 80% of the fund is invested in the 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

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 stock market mispricing can and often does 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.

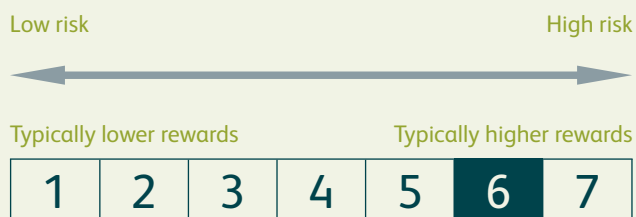
For unhedged share classes, the benchmark is shown in the share class currency.

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 1 September 2020, for the year ended 31 August 2020

Performance against objective

Between 2 September 2019 (the start of the review period) and 1 September 2020, the fund's sterling share classes produced a negative total return (the combination of income and growth of capital). Fund returns were marginally behind the benchmark, the Russell/Nomura Mid-Small Cap Index, which fell by -1.6% over the 12 months.

M&G Japan Smaller Companies Fund

Authorised Corporate Director's Report

Performance against objective (continued)

Over five years, the fund's sterling share classes produced positive returns but underperformed its benchmark, which returned 9.4% pa over this period. 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 'Financial highlights' section of this report.

Performance review

The 12 months under review has been an extraordinary period for both the Japanese stockmarket and the fund. Towards the beginning of the period, a new fund manager was appointed which resulted in a comprehensive portfolio repositioning as detailed further below. As this repositioning process was reaching its final phases in the middle of the review period, stockmarkets, driven by COVID-19, then entered one of the most volatile and dramatic periods in financial market history. The last two weeks of March 2020, in particular, marked one of the most extraordinary periods of 'intra-market volatility' in living memory. Simultaneous liquidations of assets throughout global capital markets resulted in nothing short of market chaos.

In the three-month period ending March 2020, the Japanese stockmarket fell more than 30% intra-quarter, peak to trough. Following unprecedented government policy, the market then rallied some 35% from the late-March lows to mid-June and has since been broadly flat. Within this dramatic swing in broad market returns, internal market behaviour has been even more severe.

Perhaps unsurprisingly then, returns in the year have been heavily influenced by events linked to COVID-19. The intention of trying to inject more stock-specific risk into the drivers of fund performance has been overwhelmed by how portfolio holdings were equipped to deal with a global pandemic and unprecedented lockdown. The places in the market where we had found company-specific opportunity and mispricing pre-COVID, were as it turned out, ill-equipped in the short term to deal with the pandemic.

Our real estate holdings found themselves in the eye of the storm, as did some non-bank financials and industrial holdings. These stocks have recovered from the lows, but are still at depressed levels. On the other hand, the market lurched towards quality and growth companies in this period. This helped many of the fund's holdings, as we discuss further below. (Quality companies are ones which have the ability to generate high returns and margins. Growth companies are ones that can grow revenues and/or earnings faster than the market as a whole.)

In the first half of the review period, the fund was performing well versus its benchmark, led in large part by new positions added to the portfolio. At the height of the COVID-19 sell-off in March, the fund underperformed significantly. Since then, it has been outperforming once again and has now regained much of the performance lost during that exceptional February and March period. For the review period as a whole though, the fund lagged

behind the Russell/Nomura Mid-Small Cap Index and recorded a negative total return due to the strength of sterling relative to the Japanese yen over the 12 months.

Forum Engineering was the fund's largest detractor. Forum is a business that dispatches specialist engineers as contract workers and was listed at the end of February 2020. We invested believing that the company occupies an interesting space in a consolidating market and has the prospect of modest structural growth, neither of which were reflected in the valuation, which was well supported by significant net cash. As it turns out, dispatching temporary workers is a tough business in a global lockdown. With significant net cash holdings, however, we feel the company can weather this period of economic disruption. We added at the recent lows and we remain holders.

Another industrial stock, Nippon Thompson, also hurt returns. Despite signs of recovery early in the year, it now seems likely that following the outbreak of COVID-19, the company's near-term earnings will remain under pressure for longer than we initially anticipated. Nonetheless, we feel strongly that the next upturn in the economic cycle should see record earnings thanks to an improvement in margin structure and because the company has ample capacity to satisfy growing end markets without the need for further investment.

Some holdings in the financial sector also detracted, including credit services provider Credit Saison and asset manager Sparx Group. Despite significant evidence of cultural change, Credit Saison shares currently trade on a very low multiple of its recurring earnings. Moreover, a large percentage of its market capitalisation is accounted for by its cross-holdings. If we adjust for these cross-holdings, we believe the market capitalisation is a little more than £1 billion. This makes for an attractive investment in our view, for a company that has one of Japan's largest credit card franchises and has several other growing consumer-facing businesses. We believe the market is missing the impressive re-energisation of the company's commercial strategy taking place under the leadership of Masahiro Yamashita. At this very depressed valuation, we would not be surprised to see merger and acquisition activity, which could release value. Shares in the company rallied towards the end of the review period and we remain invested.

Sparx Group was added in the fourth quarter of 2019. We believe the medium-term earnings power of this company is under-appreciated by the market. In addition, the company has financial investments worth, we believe, in excess of its entire market capitalisation. We also believe the venture business has unrealised performance fees worth another 50% of its current market capitalisation. Meanwhile, the company's business platform is scalable and offers long-run growth prospects. We think the stock remains a well-managed, undiscovered gem in the small-cap universe in Japan.

M&G Japan Smaller Companies Fund

Authorised Corporate Director's Report

Performance review (continued)

Several of the fund's top contributors, including JMDC, Fujimi, Kintetsu World Express and StemRIM were additions to the portfolio following the fund manager change in September 2019. At the point of entry, each of these companies offered growth, discounted valuations and a quality management team.

We took part in the initial public offering (IPO) of technology company JMDC in December 2019. JMDC is a high-growth company and perhaps not, by historic standards, a typical holding for the fund. However, having followed JMDC before it was listed, we were positive on the management team and the business fundamentals. We believed that poor market conditions were resulting in a depressed IPO valuation, allowing us to invest at initial listing at close to a 50% discount to comparable companies. The stock has more than doubled since its IPO.

Fujimi is a world-leading supplier of slurries used in the manufacture of silicon wafers and semiconductor devices. In its target product niches, the company boasts global market shares of between 30% and 90%. The business is well run by an owner-manager chief executive who we rate highly. We invested in the company when its market capitalisation was very well supported by a strong net cash position, offering margin of safety, and when the market was unduly focused on short-term business weakness and ignoring secular growth trends. The stock performed strongly shortly after we invested as earnings continued to positively surprise. In the COVID-19 sell-off in March 2020 we added to the holding, before it swiftly recovered and went on to set a new record high in its share price. The stock has risen by some 50% since the March lows, but remains attractively valued. We are actively engaged with management regarding their merger and acquisition plans and are encouraging more assertive capital allocation.

Kintetsu World Express is a company we have covered for many years. The genesis of this recent investment dates to 2015 when the company acquired APL Logistics. The transaction made some strategic sense, but put the balance sheet under stress. Following a few integration difficulties, the market punished the stock, sending it down by some 50% from the pre-acquisition levels. In 2017 and 2018, the share price recovered as APL was gradually being absorbed. In 2019, some near-term profit issues caused the shares to revisit their five-year lows. We took this opportunity to invest, happy with structural improvements under the new chief executive and comforted by the fact that the company had largely executed its goals since the APL acquisition. Having added further to the position following the market lows in March, the stock has been a key performer for the fund.

We have been following the stem-cell space for several years and have been excited by StemRIM's novel approach to stem-cell therapy. Following a significant sell-off amidst general market weakness in March and April, we added the stock to the portfolio in May. At our entry price, the company's net cash balance represented nearly half of its market capitalisation, offering an unusual margin of safety in this high-growth area. Furthermore, we took additional comfort from the fact that StemRIM's JV

partner, Shionogi, a company that features StemRIM's technology prominently in its own long-term pipeline, was also buying additional shares at similar prices to us.

Other significant contributors were CKD Corporation and JSR Corporation, both of which were held throughout the review period. CKD, a manufacturer of components used in factory automation-machinery, enjoyed very strong performance as investors have started to realise that the company is not purely a cyclical, but a growth cyclical. Success in penetrating the US market provides the company with international growth opportunities for several years, in our view.

Meanwhile, technology materials business JSR outperformed as investors have focused on the structural growth part of the business, and ongoing reform under the stewardship of a new chief executive and chief financial officer. JSR is another example of a company on an attractive valuation, strong balance sheet, quality management and product franchises, and a credible long-term growth outlook. We see this as a core holding.

Investment activities

To recap from the interim report, in September 2019, M&G recruited a dedicated Asia Pacific Equities team – a clear reflection of its strategic commitment to the region. Based in Asia and London, the team members bring significant expertise to M&G's investment capabilities in the region. Co-headed by Carl Vine and David Perrett, the team has since assumed management of M&G's Japanese and Asian equity strategies. Carl Vine took over the M&G Japan Smaller Companies Fund on 20 September 2019.

Following the fund manager change in September, we have been increasing exposure to what we believe are mispriced business franchises, where we see a disproportionate probability that either corporate action or M&G engagement can unlock significant value.

The aim of the changes is so the portfolio can benefit from the company-specific balance sheet and operational restructuring trends that are accelerating across the Japanese corporate landscape, especially in the small to medium-sized company space.

The stocks we added to the portfolio in the first half do not necessarily fit neatly into thematic buckets, however, they can broadly be split into three categories. The first is cyclicals (that is, companies whose earnings are sensitive to the economic cycle), including Nippon Thompson, Isuzu Motors, and SUMCO. Isuzu is a world-leading commercial vehicle manufacturer and SUMCO is a leading supplier of silicon wafers. We were able to buy the shares in these companies at prices which we believe are very attractive.

We also identified some mispriced growth and quality names such as JMDC (which has now been sold), Sparx and Fuji Electric. In each case, we feel the future growth story is poorly understood, mispriced or that the quality and resilience of the business is not reflected in current valuations.

M&G Japan Smaller Companies Fund

Authorised Corporate Director's Report

Investment activities (continued)

Finally, we added stocks we believe are going through corporate reforms that can unlock significant value for investors. These are companies such as Mitsubishi Logisnext, Tokyo Broadcasting System, and Fujimi; we are looking to engage with such companies to unlock value for our investors.

Holdings that were sold included OKI Electric, Sankyo Tateyama, Hamakyorex and United Arrows. In each case, we felt the underlying businesses faced structural headwinds and valuations were not especially attractive versus other opportunities where our conviction is higher.

In March, we took advantage of the chaotic market conditions and accelerated the exit of some micro-cap, less liquid names, and reinvested in larger, more liquid, higher quality stocks that had also been heavily sold off. This is in addition to incremental changes we made to increase our exposure to some core holdings.

We were particularly excited to add to our real estate exposure. This includes purchases of Japanese real estate investment trusts (JREITs) whose share prices were driven down by forced selling from Japanese regional banks.

In March and April, when auto industry valuations reached the lows of the global financial crisis, we started to add companies we thought had been unduly punished by the market. We bought shares in companies that we considered are structurally attractive, long-term winners with balance sheets strong enough to weather the recession. These new names include Hino Motors, Subaru, Toyo Tire and Suzuki Motor. The panic sell-off caused by COVID-19 also gave us an opportunity to invest in biotechnology company StemRIM.

Other new holdings we added included Orix JREIT, Musashi Seimitsu Industry and Taiyo Yuden. The investment in Orix JREIT is based on our view that the current share price reflects an overly pessimistic market perception of future earnings potential.

In the case of Musashi, we believe exciting growth drivers are in the early stages of emerging. The market believes the core business will shrink over time, but we think it will, in fact, grow. Moreover, the company's venture holdings hold some highly attractive assets that, if marked-to-market, are worth a significant portion of the company's market capitalisation, providing support for the share price.

The investment in electronic components manufacturer Taiyo Yuden reflects our belief that the market is overlooking the potential for a significant improvement in the quality of the company's earnings and the brighter outlook for earnings growth. These are expected to be driven by company-specific technology achievements and accelerating digitisation trends in the company's core markets.

In the final months of the period under review, we initiated new positions in Sanrio, DIP, Modalis and Sakai Moving Service. Sanrio owns the intellectual property for the Hello Kitty franchise. We intend to work with the company to encourage improved commercialisation of its character IP.

DIP is an online recruitment platform. Having tripled operating profits in the past five years, we feel this owner-managed business is well placed for ongoing structural growth, given its strong market position and the trend in increasing digitisation. We believe the current share price offers a compelling entry point for a growth company.

Modalis Therapeutics was bought at the time of its IPO. This is one of only two examples globally of a listed gene-editing franchise. The stock came to market with imminent milestone payments equivalent to its market capitalisation, offering unusual margin of safety for investors and yet another example of mispriced growth in Japan's small-cap IPO market. The stock's share price promptly doubled following its debut.

While Sakai's share price has been very weak following the COVID-19 pandemic, we feel its business is primed to rebound quickly and its core earnings power remains intact. As the most efficient, largest player in a highly fragmented market, we feel the longer term prospects for structural growth is appealing.

Outlook

Notwithstanding the uncertainties caused by the coronavirus, we believe current valuations in Japanese companies are undemanding and economic policy is now extremely supportive and interest rates are at very low levels.

As active managers, we are increasingly excited by the investment opportunities we see in the stockmarket today. Not only do we believe we can add value as stock pickers, but we can also leverage M&G's long tradition of engaging with management, which can be its own catalyst for value realisation.

The Abe administration has presided over an unprecedented state-led campaign to cajole corporate Japan into raising returns on capital. Whilst we saw recently that Shinzo Abe is stepping down as the prime minister of Japan, his departure does not leave us unduly concerned that his work will suddenly be undone.

Profit margin improvement has been under way for some time, but the love affair with cash and assets has remained firmly entrenched. The Corporate Governance Code, the Stewardship Code, the revamped Companies Act, and the revised Fair Merger & Acquisition guidelines are all now bearing down upon corporate Japan, forcing behavioural change. A tipping point has now been reached. We believe we are in the early stages of a process in which long-trapped value is being released from balance sheets.

Company engagement is encouraged and rewarded. Regular meetings with company directors allow us to identify whether a company's strategy is aligned with our interests as long-term shareholders. Our active engagement with companies helps us to encourage positive change. Constructive dialogue, during which suggestions on the best ways to unlock value for shareholders emerge, takes place regularly.

M&G Japan Smaller Companies Fund

Authorised Corporate Director's Report

Outlook (continued)

We continue to see valuations in smaller Japanese companies as highly supportive for prospective returns. More importantly, the significant variation in valuation between stocks, combined with continued restructuring at the company level, leaves us excited about the opportunity to add additional value through our stockpicking approach.

Carl Vine

Fund manager

An employee of M&G FA Limited (formerly M&G Limited) which is an associate of M&G Securities Limited. At the start of the review period, Johan du Preez 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 Japan Smaller Companies Fund

Authorised Corporate Director's Report

Portfolio statement

as at 31 August		2020	2020	2019
Holding		¥'000	%	%
	EQUITIES	9,102,499	100.07	100.68
	Technology hardware & equipment	320,092	3.52	8.58
67,400	DKK	156,300	1.72	
114,300	SUMCO	163,792	1.80	
	Medical equipment & services	0	0.00	4.36
	Pharmaceuticals & biotechnology	103,835	1.14	0.00
8,028	Modalis Therapeutics	25,609	0.28	
96,100	StemRIM	78,226	0.86	
	Banks	121,889	1.34	4.02
39,600	Sumitomo Mitsui Trust	121,889	1.34	
	Finance & credit services	792,491	8.71	5.70
83,200	Aruhi	139,111	1.53	
293,000	Credit Saison	346,912	3.81	
1,555,677	Sparx	306,468	3.37	
	Real estate investment & services	359,679	3.95	0.00
180,200	Nomura Real Estate	359,679	3.95	
	Real estate investment trusts	317,477	3.49	0.00
4,603	Invincible Investment	144,994	1.59	
773	Nomura Real Estate Master Fund	105,360	1.16	
439	Orix JREIT	67,123	0.74	
	Automobiles & parts	1,097,680	12.07	9.40
336,100	Musashi Seimitsu Industry	347,527	3.82	
59,200	Subaru	129,678	1.43	
26,000	Suzuki Motor	111,462	1.22	
66,700	Toyo Tire	115,258	1.27	
30,200	Toyota Industries	187,542	2.06	
124,600	Yamaha Motor	206,213	2.27	
	Household goods & home construction	91,757	1.01	4.97
53,100	Sanrio	91,757	1.01	
	Leisure goods	0	0.00	2.98
	Personal goods	0	0.00	0.55
	Media	486,451	5.35	2.67
185,600	Relia	224,762	2.47	
144,900	Tokyo Broadcasting System	261,689	2.88	
	Retailers	0	0.00	3.05 [a]
	Travel & leisure	532,696	5.86	0.00
71,400	Japan Airlines	148,512	1.64	
56,700	Keisei Electric Railway	172,084	1.89	
101,000	Sun	212,100	2.33	
	Beverages	161,847	1.78	3.29 [a]
44,100	Asahi	161,847	1.78	
	Food producers	0	0.00	3.18
	Personal care, drug & grocery stores	0	0.00	4.25
	Construction & materials	1,035,846	11.39	12.40 [a]
195,300	Haseko	281,427	3.09	
957,400	Hitachi Zosen	394,449	4.34	
619,300	OSJB	139,962	1.54	
61,800	Taisei	220,008	2.42	
	Electronic & electrical equipment	454,193	4.99	2.70
107,400	Fuji Electric	350,661	3.85	
36,200	Taiyo Yuden	103,532	1.14	
	General Industrials	283,942	3.12	0.00
183,900	Noritsu Koki	283,942	3.12	
	Industrial engineering	1,197,141	13.16	6.98 [a]
233,700	Aichi	187,194	2.06	
54,000	CKD	78,354	0.86	
272,600	Isuzu Motors	277,370	3.05	
36,900	METAWATER	165,496	1.82	
112,800	Mitsubishi Logisnext	113,364	1.24	
1,048,500	Nippon Thompson	375,363	4.13	

M&G Japan Smaller Companies Fund

Authorised Corporate Director's Report

Portfolio statement (continued)

as at 31 August		2020	2020	2019
Holding		¥'000	%	%
EQUITIES (continued)				
Industrial support services		700,720	7.70	5.35
51,600	Dip	117,132	1.29	
305,356	Forum Engineering	227,490	2.50	
51,500	Hamakyorex	171,238	1.88	
23,400	JMDC	184,860	2.03	
Industrial transportation		447,465	4.92	3.86
64,100	Kamigumi	138,007	1.52	
143,800	Kintetsu World Express	309,458	3.40	
Industrial metals & mining		0	0.00	4.04
Chemicals		597,298	6.57	8.35
68,500	Fujimi	240,777	2.65	
99,900	JSR	225,075	2.47	
153,200	Shin-Etsu Polymer	131,446	1.45	
Portfolio of investments (notes 2c & 2d on page 8)		9,102,499	100.07	100.68
Net other assets / (liabilities)		(6,657)	(0.07)	(0.68)
Net assets attributable to shareholders before fair value accounting adjustment		9,095,842	100.00	100.00
Portfolio of investments before fair value accounting adjustment		9,102,499	100.07	100.68
Fair value accounting adjustment		130,386	0.00	0.00
Portfolio of investments (notes 2c & 2d on page 8)		9,232,885	100.07	100.68
Net other assets / (liabilities)		(6,657)	(0.07)	(0.68)
Net assets attributable to shareholders		9,226,228	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.

M&G Japan Smaller Companies Fund

Authorised Corporate Director's Report

Top ten portfolio transactions

for the year to 31 August 2020	
Largest purchases	¥000
Nippon Thompson	632,182
Fuji Electric	452,172
Isuzu Motors	404,173
Sparx	401,261
JMDC	398,397
Credit Saison	378,889
Forum Engineering	378,287
Nomura Real Estate	375,905
SUMCO	367,454
Fujimi	351,729
Other purchases	6,471,566
Total purchases	10,612,015
Largest sales	¥000
Miraca	499,864
Credit Saison	474,032
Lawson	467,207
Dowa	452,990
Mazda Motor	448,549
OKI Electric Industry	446,680
DIC	397,785
JMDC	395,559
Iida	388,528
Sumitomo Riko	368,847
Other sales	7,874,345
Total sales	12,214,386

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.

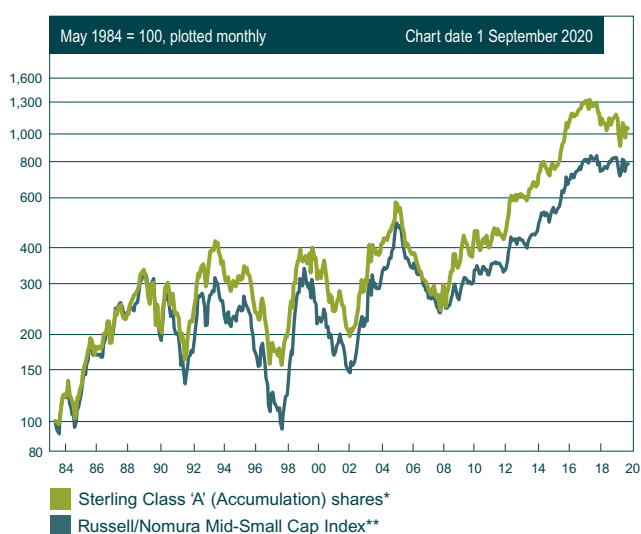
Fund level performance

Fund net asset value

as at 31 August	2020 ¥'000	2019 ¥'000	2018 ¥'000
Fund net asset value (NAV)	9,226,228	10,191,282	34,438,426

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

** Prior to 27 March 2013 the benchmark was the Japan TSE Second Section Index. Thereafter it is the Russell/Nomura Mid-Small Cap Index.

Source: Morningstar, Inc. and M&G

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 02.09.19 % ^[a]	Three years 01.09.17 % pa	Five years 01.09.15 % pa	Since launch % pa
Sterling^[b]				
Class 'A'	-2.9	-5.3	+7.9	+6.7 ^[c]
Class 'I'	-2.5	-4.6	+8.7	+11.9 ^[d]
Class 'R'	-2.7	-4.9	+8.4	+11.6 ^[d]
Class 'X'	-2.9	-5.3	+7.9	+8.9 ^[e]

^[a] Absolute basis.

^[b] Price to price with income reinvested.

^[c] 15 May 1984, the end of the initial offer period of the predecessor unit trust.

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

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

M&G Japan Smaller Companies Fund

Financial highlights

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 Trust 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.

Operating charges are 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.

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	2020	2019	2018	Average ^[a]
Direct portfolio transaction costs ^[b]	%	%	%	%
Broker commission	0.10	0.02	0.05	0.06
Taxes	0.00	0.00	0.00	0.00
Costs before dilution adjustments	0.10	0.02	0.05	0.06
Dilution adjustments ^[c]	(0.01)	(0.02)	(0.02)	(0.02)
Total direct portfolio transaction costs	0.09	0.00	0.03	0.04

as at 31 August	2020	2019	2018	Average ^[a]
Indirect portfolio transaction costs	%	%	%	%
Average portfolio dealing spread	0.45	0.24	0.25	0.31

^[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.

Historic yields for the current year are calculated as at 11 September 2020.

Sterling Class 'A' Income share performance

The share class was launched on 15 May 1984. for the year to 31 August			
	2020	2019	2018
Change in NAV per share	UK p	UK p	UK p
Opening NAV	458.90	551.72	544.14
Return before operating charges and after direct portfolio transaction costs	1.37	(72.36)	27.54
Operating charges	(6.36)	(8.19)	(9.44)
Return after operating charges	(4.99)	(80.55)	18.10
Distributions	(10.49)	(12.27)	(10.52)
Closing NAV	443.42	458.90	551.72
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.46	0.21	0.26
Dilution adjustments ^[a]	(0.06)	(0.21)	(0.14)
Total direct portfolio transaction costs	0.40	0.00	0.12
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.09	0.00	0.03
Operating charges ^[c]	1.40	1.67	1.68
Return after operating charges	-1.09	-14.60	+3.33
Historic yield	2.33	2.12	1.92
Effect on yield of charges offset against capital	1.40	1.63	1.65
Other information			
Closing NAV (¥000)	2,612,570	2,524,860	3,407,122
Closing NAV percentage of total fund NAV (%)	28.31	24.77	9.89
Number of shares	4,203,733	4,246,569	4,286,995
Highest share price (UK p)	502.79	563.71	603.88
Lowest share price (UK p)	339.56	441.44	519.30

Sterling Class 'A' Accumulation share performance

The share class was launched on 15 May 1984. for the year to 31 August			
	2020	2019	2018
Change in NAV per share	UK p	UK p	UK p
Opening NAV	514.41	602.18	582.86
Return before operating charges and after direct portfolio transaction costs	1.64	(78.78)	29.43
Operating charges	(7.15)	(8.99)	(10.11)
Return after operating charges	(5.51)	(87.77)	19.32
Distributions	(4.78)	(3.84)	(0.99)
Retained distributions	4.78	3.84	0.99
Closing NAV	508.90	514.41	602.18
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.52	0.24	0.28
Dilution adjustments ^[a]	(0.06)	(0.24)	(0.15)
Total direct portfolio transaction costs	0.46	0.00	0.13
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.09	0.00	0.03
Operating charges ^[c]	1.40	1.67	1.68
Return after operating charges	-1.07	-14.58	+3.31
Historic yield	0.92	0.18	0.17
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (¥000)	821,695	935,664	1,500,595
Closing NAV percentage of total fund NAV (%)	8.90	9.18	4.36
Number of shares	1,152,023	1,403,903	1,729,898
Highest share price (UK p)	563.69	615.44	646.78
Lowest share price (UK p)	380.70	481.95	556.19

Sterling Class 'I' Income share performance

The share class was launched on 3 August 2012. for the year to 31 August			
	2020	2019	2018
Change in NAV per share	UK p	UK p	UK p
Opening NAV	2,295.69	2,739.70	2,681.63
Return before operating charges and after direct portfolio transaction costs	6.88	(359.88)	135.92
Operating charges	(20.54)	(23.01)	(25.85)
Return after operating charges	(13.66)	(382.89)	110.07
Distributions	(52.61)	(61.12)	(52.00)
Closing NAV	2,229.42	2,295.69	2,739.70
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	2.32	1.08	1.31
Dilution adjustments ^[a]	(0.28)	(1.08)	(0.69)
Total direct portfolio transaction costs	2.04	0.00	0.62
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.09	0.00	0.03
Operating charges ^[c]	0.90	0.93	0.93
Return after operating charges	-0.60	-13.98	+4.10
Historic yield	2.32	2.09	1.91
Effect on yield of charges offset against capital	0.90	0.90	0.90
Other information			
Closing NAV (¥000)	474,000	1,002,372	1,801,695
Closing NAV percentage of total fund NAV (%)	5.14	9.84	5.23
Number of shares	151,693	337,007	456,523
Highest share price (UK p)	2,520.18	2,801.10	2,984.21
Lowest share price (UK p)	1,703.32	2,204.55	2,560.94

M&G Japan Smaller Companies Fund

Financial highlights

Specific share class performance

Sterling Class 'T' Accumulation share performance

The share class was launched on 3 August 2012. for the year to 31 August			
	2020	2019	2018
Change in NAV per share	UK p	UK p	UK p
Opening NAV	2,537.79	2,949.28	2,833.31
Return before operating charges and after direct portfolio transaction costs	8.01	(386.64)	143.28
Operating charges	(22.66)	(24.85)	(27.31)
Return after operating charges	(14.65)	(411.49)	115.97
Distributions	(35.97)	(39.91)	(27.60)
Retained distributions	35.97	39.91	27.60
Closing NAV	2,523.14	2,537.79	2,949.28
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	2.57	1.16	1.38
Dilution adjustments ^[a]	(0.31)	(1.16)	(0.73)
Total direct portfolio transaction costs	2.26	0.00	0.65
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.09	0.00	0.03
Operating charges ^[c]	0.90	0.93	0.93
Return after operating charges	-0.58	-13.95	+4.09
Historic yield	1.40	1.00	0.94
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (¥000)	4,426,516	4,783,506	9,187,415
Closing NAV percentage of total fund NAV (%)	47.98	46.94	26.68
Number of shares	1,251,696	1,454,835	2,162,527
Highest share price (UK p)	2,786.43	3,016.20	3,152.66
Lowest share price (UK p)	1,883.28	2,373.84	2,705.55

Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012. for the year to 31 August			
	2020	2019	2018
Change in NAV per share	UK p	UK p	UK p
Opening NAV	227.76	272.50	267.40
Return before operating charges and after direct portfolio transaction costs	0.67	(35.77)	13.56
Operating charges	(2.59)	(2.90)	(3.28)
Return after operating charges	(1.92)	(38.67)	10.28
Distributions	(5.21)	(6.07)	(5.18)
Closing NAV	220.63	227.76	272.50
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.23	0.11	0.13
Dilution adjustments ^[a]	(0.03)	(0.11)	(0.07)
Total direct portfolio transaction costs	0.20	0.00	0.06
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.09	0.00	0.03
Operating charges ^[c]	1.15	1.18	1.18
Return after operating charges	-0.84	-14.19	+3.84
Historic yield	2.32	2.10	1.91
Effect on yield of charges offset against capital	1.15	1.15	1.15
Other information			
Closing NAV (¥000)	30,474	34,452	59,898
Closing NAV percentage of total fund NAV (%)	0.33	0.34	0.17
Number of shares	98,547	116,750	152,590
Highest share price (UK p)	249.78	278.55	297.30
Lowest share price (UK p)	168.76	218.86	255.34

Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012. for the year to 31 August			
	2020	2019	2018
Change in NAV per share	UK p	UK p	UK p
Opening NAV	249.27	290.41	279.69
Return before operating charges and after direct portfolio transaction costs	0.78	(38.06)	14.15
Operating charges	(2.84)	(3.08)	(3.43)
Return after operating charges	(2.06)	(41.14)	10.72
Distributions	(2.92)	(3.22)	(1.97)
Retained distributions	2.92	3.22	1.97
Closing NAV	247.21	249.27	290.41
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.25	0.11	0.14
Dilution adjustments ^[a]	(0.03)	(0.11)	(0.07)
Total direct portfolio transaction costs	0.22	0.00	0.07
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.09	0.00	0.03
Operating charges ^[c]	1.15	1.18	1.18
Return after operating charges	-0.83	-14.17	+3.83
Historic yield	1.16	0.73	0.68
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (¥000)	240,598	234,168	324,130
Closing NAV percentage of total fund NAV (%)	2.61	2.30	0.94
Number of shares	694,378	725,069	774,798
Highest share price (UK p)	273.42	296.94	310.93
Lowest share price (UK p)	184.73	233.31	267.05

Sterling Class 'X' Income share performance

The share class was launched on 1 October 2002. for the year to 31 August			
	2020	2019	2018
Change in NAV per share	UK p	UK p	UK p
Opening NAV	456.08	548.32	540.79
Return before operating charges and after direct portfolio transaction costs	1.36	(71.85)	27.37
Operating charges	(6.33)	(8.20)	(9.38)
Return after operating charges	(4.97)	(80.05)	17.99
Distributions	(10.43)	(12.19)	(10.46)
Closing NAV	440.68	456.08	548.32
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.46	0.21	0.26
Dilution adjustments ^[a]	(0.06)	(0.21)	(0.14)
Total direct portfolio transaction costs	0.40	0.00	0.12
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.09	0.00	0.03
Operating charges ^[c]	1.40	1.67	1.68
Return after operating charges	-1.09	-14.60	+3.33
Historic yield	2.33	2.12	1.92
Effect on yield of charges offset against capital	1.40	1.63	1.65
Other information			
Closing NAV (¥000)	138,063	145,225	241,369
Closing NAV percentage of total fund NAV (%)	1.50	1.42	0.70
Number of shares	223,527	245,768	305,584
Highest share price (UK p)	499.68	560.24	600.16
Lowest share price (UK p)	337.47	438.72	516.10

M&G Japan Smaller Companies 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			
	2020	2019	2018
Change in NAV per share	UK p	UK p	UK p
Opening NAV	510.51	597.62	578.44
Return before operating charges and after direct portfolio transaction costs	1.61	(78.14)	29.22
Operating charges	(7.08)	(8.97)	(10.04)
Return after operating charges	(5.47)	(87.11)	19.18
Distributions	(4.75)	(3.81)	(0.99)
Retained distributions	4.75	3.81	0.99
Closing NAV	505.04	510.51	597.62
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.51	0.23	0.28
Dilution adjustments ^[a]	(0.06)	(0.23)	(0.15)
Total direct portfolio transaction costs	0.45	0.00	0.13
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.09	0.00	0.03
Operating charges ^[c]	1.40	1.67	1.68
Return after operating charges	-1.07	-14.58	+3.32
Historic yield	0.92	0.18	0.17
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (¥000)	482,312	531,035	974,723
Closing NAV percentage of total fund NAV (%)	5.23	5.21	2.83
Number of shares	681,367	802,867	1,132,246
Highest share price (UK p)	559.42	610.78	641.88
Lowest share price (UK p)	377.81	478.30	551.98

^[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	2020		2019	
		¥'000	¥'000	¥'000	¥'000
Income					
Net capital gains / (losses)	3		581,297		(5,731,165)
Revenue	5	260,021		458,353	
Expenses	6	(110,822)		(207,748)	
Net revenue / (expense) before taxation		149,199		250,605	
Taxation	7	(26,830)		(45,978)	
Net revenue / (expense) after taxation			122,369		204,627
Total return before distributions			703,666		(5,526,538)
Distributions	8		(167,087)		(270,750)
Change in net assets attributable to shareholders from investment activities			536,579		(5,797,288)

Statement of change in net assets attributable to shareholders

for the year to 31 August	2020		2019	
	¥'000	¥'000	¥'000	¥'000
Opening net assets attributable to shareholders		10,191,282		34,438,426
Amounts received on issue of shares	595,610		7,584,248	
Amounts paid on cancellation of shares	(2,180,473)		(7,496,363)	
Transfer to M&G (Lux) Japan Smaller Companies Fund	0		(18,724,626)	
		(1,584,863)		(18,636,741)
Dilution adjustments		5,034		23,762
Change in net assets attributable to shareholders from investment activities (see above)		536,579		(5,797,288)
Retained distributions on Accumulation shares		78,196		163,110
Unclaimed distributions		0		13
Closing net assets attributable to shareholders		9,226,228		10,191,282

M&G Japan Smaller Companies Fund

Financial statements and notes

Financial statements (continued)

Balance sheet

as at 31 August	Note	2020 ¥'000	2019 ¥'000
Assets			
Fixed assets			
Investments		9,232,885	10,260,761
Current assets			
Debtors	9	24,187	36,085
Cash and bank balances	10	95,140	44,726
Total assets		9,352,212	10,341,572
Liabilities			
Creditors			
Distribution payable		(76,996)	(98,982)
Other creditors	11	(48,988)	(51,308)
Total liabilities		(125,984)	(150,290)
Net assets attributable to shareholders		9,226,228	10,191,282

M&G Japan Smaller Companies Fund

Financial statements and notes

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 8 to 10.

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)

	2020	2019
for the year to 31 August	¥000	¥000
Non-derivative securities	574,938	(5,669,951)
Derivative contracts	4,395	(64,062)
Currency gains / (losses)	1,769	4,285
Transaction charges	195	(1,437)
Net capital gains / (losses)	581,297	(5,731,165)

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 136.

for the year to 31 August	2020 ¥000	% of transaction	2019 ¥000	% of transaction
a) Purchases				
Equities				
Equities before transaction costs	10,607,317		9,362,065	
Commissions	4,698	0.04	3,196	0.03
Total purchases after transaction costs	10,612,015		9,365,261	
b) Sales				
Equities				
Equities before transaction costs	12,219,493		8,238,552	
Commissions	(5,107)	0.04	(3,835)	0.05
Equities after transaction costs	12,214,386		8,234,717	
Other transaction types				
Corporate actions	0		874,776	
Total sales after transaction costs	12,214,386		9,109,493	
c) Direct portfolio transaction costs				
Commissions paid				
Equities	9,805	0.10	7,031	0.02
Derivatives	24	0.00	71	0.00
Total commissions paid	9,829	0.10	7,102	0.02
Taxes paid				
Equities	0	0.00	245	0.00
Derivatives	82	0.00	0	0.00
Total taxes paid	82	0.00	245	0.00
Total direct portfolio transaction costs ^[a]	9,911	0.10	7,347	0.02
d) Indirect portfolio transaction costs				
Portfolio dealing spread ^[b]				
		0.45		0.24

^[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	2020 ¥000	2019 ¥000
Bank interest	7	42
Derivative revenue	(28)	(31)
Dividends from equity investments: non-taxable	263,892	458,200
Dividends from equity investments: taxable	(3,850)	142
Total revenue	260,021	458,353

Revenue includes currency gains/losses.

M&G Japan Smaller Companies Fund

Financial statements and notes

Notes to the financial statements

6 Expenses

	2020	2019
for the year to 31 August	¥000	¥000
Payable to the ACD or associate		
Annual charge	109,534	9,675
Annual management charge ^[a]	0	169,278
Administration charge ^[a]	0	23,761
	109,534	202,714
Payable to the Depository or associate		
Depository's charge (including VAT) ^[a]	0	1,357
Other expenses		
Audit fee (including VAT) ^[a] ^[b]	0	1,118
Interest payable	1,487	1,179
Safe custody charge ^[a]	(199)	1,380
	1,288	3,677
Total expenses	110,822	207,748

^[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 2020 were £9,000 (including VAT).

7 Taxation

	2020	2019
for the year to 31 August	¥000	¥000
a) Analysis of charge in the year		
Corporation tax	0	0
Withholding tax	26,830	45,978
Deferred tax (note 7c)	0	0
Total taxation	26,830	45,978
b) Factors affecting taxation charge for the year		
Net revenue / (expense) before taxation	149,199	250,605
Corporation tax at 20%	29,840	50,121
Effects of:		
Dividends from equity investments: non-taxable	(52,779)	(91,640)
Current year expenses not utilised	22,939	41,519
Withholding tax	26,830	45,978
Total tax charge (note 7a)	26,830	45,978
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 ¥590,748,000 (2019: ¥567,809,000) arising as a result of having excess management expenses. We do not expect this asset to be utilised in the foreseeable future.

8 Distributions

	2020		2019	
for the year to 31 August	Inc ^[a]	Acc ^[b]	Inc ^[a]	Acc ^[b]
Dividend distributions	¥000	¥000	¥000	¥000
Final	76,996	78,196	98,982	163,110
Total net distributions		155,192		262,092
Income deducted on cancellation of shares		14,314		43,173
Income received on issue of shares		(2,419)		(34,515)
Distributions		167,087		270,750
Net revenue / (expense) per statement of total return		122,369		204,627
Expenses offset against capital		44,719		66,124
Undistributed income brought forward		2		1
Undistributed income carried forward		(3)		(2)
Distributions		167,087		270,750

^[a] Distributions payable on Income shares.

^[b] Retained distributions on Accumulation shares.

9 Debtors

	2020	2019
as at 31 August	¥000	¥000
Amounts receivable on issues of shares	2,746	0
Currency deals outstanding	11,666	10,475
Dividends receivable	9,634	19,131
Sales awaiting settlement	141	6,479
Total debtors	24,187	36,085

10 Cash and bank balances

	2020	2019
as at 31 August	¥000	¥000
Amounts held at futures clearing houses and collateral manager	0	535
Cash held as bank balances	95,140	44,191
Total cash and bank balances	95,140	44,726

11 Other creditors

	2020	2019
as at 31 August	¥000	¥000
Amounts payable on cancellation of shares	19,237	20,128
Annual charge payable	5,085	5,677
Currency deals outstanding	11,640	10,487
Expenses payable	0	1,990
Payable to M&G (Lux) Japan Smaller Companies Fund	13,026	13,026
Total other creditors	48,988	51,308

12 Contingent assets, liabilities and outstanding commitments

There were no contingent assets, liabilities or outstanding commitments at the balance sheet date (2019: same).

M&G Japan Smaller Companies 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	Movements		Closing
	01.09.19	Issued	Cancelled	31.08.20
Sterling				
Class 'A' Income	4,246,569	25,465	(68,301)	4,203,733
Class 'A' Accumulation	1,403,903	14,354	(266,234)	1,152,023
Class 'T' Income	337,007	14,230	(199,544)	151,693
Class 'T' Accumulation	1,454,835	118,435	(321,574)	1,251,696
Class 'R' Income	116,750	20,299	(38,502)	98,547
Class 'R' Accumulation	725,069	188,012	(218,703)	694,378
Class 'X' Income	245,768	8,560	(30,801)	223,527
Class 'X' Accumulation	802,867	31,837	(153,337)	681,367

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]
	%	%	%
Sterling			
Class 'A'	n/a	n/a	1.40
Class 'T'	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 in respect of the annual charge are disclosed in note 11.

At the balance sheet date, shareholders from within M&G plc, of which M&G Securities Limited is a wholly owned subsidiary, have holdings totalling 43.70% (2019: 39.60%) 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
	2020	2020	2019	2019
	¥'000	¥'000	¥'000	¥'000
Level 1	9,232,885	0	10,260,761	0
Level 2	0	0	0	0
Level 3	0	0	0	0
	9,232,885	0	10,260,761	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 10 to 11.

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 ¥461,644,000 (2019: ¥513,038,000). A five per cent decrease would have an equal and opposite effect.

M&G Japan Smaller Companies Fund

Financial statements and notes

Notes to the financial statements

20 Currency risk sensitivity and exposure

Currency risk is not considered significant for the fund as the currency exposure does not have a material impact on net assets 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 as there are no counterparty or derivative balances and is therefore not disclosed.

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

As at 31 August 2020 there was no exposure to counterparties.

as at 31 August 2019	Futures ¥'000
Bank of America Merrill Lynch	85
Total	85

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	01.09.19	31.08.20	01.09.20	31.10.20

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.

Sterling Class 'A' Income shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income 2020 UK p	Equalisation 2020 UK p	2020 UK p	2019 UK p
Final	3.9339	6.5591	10.4930	12.2672

Sterling Class 'A' Accumulation shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income 2020 UK p	Equalisation 2020 UK p	2020 UK p	2019 UK p
Final	2.6347	2.1465	4.7812	3.8350

Sterling Class 'I' Income shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income 2020 UK p	Equalisation 2020 UK p	2020 UK p	2019 UK p
Final	30.6985	21.9098	52.6083	61.1218

Sterling Class 'I' Accumulation shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income 2020 UK p	Equalisation 2020 UK p	2020 UK p	2019 UK p
Final	21.8718	14.0946	35.9664	39.9060

Sterling Class 'R' Income shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income 2020 UK p	Equalisation 2020 UK p	2020 UK p	2019 UK p
Final	0.3767	4.8369	5.2136	6.0726

Sterling Class 'R' Accumulation shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income 2020 UK p	Equalisation 2020 UK p	2020 UK p	2019 UK p
Final	1.7775	1.1465	2.9240	3.2173

Sterling Class 'X' Income shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income 2020 UK p	Equalisation 2020 UK p	2020 UK p	2019 UK p
Final	7.4352	2.9933	10.4285	12.1915

Sterling Class 'X' Accumulation shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income 2020 UK p	Equalisation 2020 UK p	2020 UK p	2019 UK p
Final	3.3661	1.3789	4.7450	3.8060

M&G North American Dividend Fund

Authorised Corporate Director's Report

Investment objective up to 28 November 2019

The fund aims to maximise total return (the combination of capital growth and income) whilst aiming to grow distributions over the long term.

Investment objective from 29 November 2019

The fund has two 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 and;
- To provide an income stream that increases every year in USD terms.

Investment policy up to 28 November 2019

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 policy from 29 November 2019

At least 80% of the fund is invested directly in equity securities and equity-related securities of companies across any sector and market capitalisation that are incorporated, domiciled or do most of their business in the US and Canada. 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 up to 28 November 2019

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.

Investment approach from 29 November 2019

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

The fund manager aims to create a diversified portfolio with exposure to a broad range of sectors.

Companies with different drivers of dividend growth are selected to construct a portfolio that has the potential to cope in a variety of market conditions.

Benchmark up to 28 November 2019

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.

Benchmark from 29 November 2019

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.

For unhedged share classes, the benchmark is shown in the share class currency.

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.

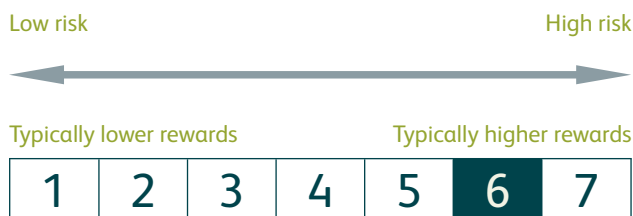
The fund's focus is on shares of companies that have the potential to grow their dividends over the long term. Income distributions from the fund's holdings, however, are not guaranteed and may vary. Diversification across industries and market capitalisation is key in managing liquidity risk and reducing market risk. The fund's risks are measured and managed as an integral part of the investment process.

M&G North American Dividend Fund

Authorised Corporate Director's Report

Risk profile (continued)

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 changed during this period. From 1 September 2019 to 9 July 2020 the risk number was 5.

Investment review

As at 1 September 2020, for the year ended 31 August 2020

Distribution summary

Over the 12-month review period, the fund distributed income of 41.2095 pence per Sterling Class 'A' (Income) share, compared to 42.1515 pence in the same period in the previous financial year. This represents a decline of 2.2%. The Sterling Class 'I' (Income) share distributed 50.1122 pence, which is 1.7% lower than the 50.9534 pence paid a year ago. The shortfall in distributions paid by the fund's Sterling share classes was due to the strength of sterling. In US dollars, the currency in which the fund's income objective is determined, the distribution rose 0.5% from last year for the Sterling Class 'A' (Income) share and 1.1% for the Sterling Class 'I' (Income) share.

Dividend growth continued across the portfolio despite the severe pressure on corporate cashflows resulting from the onset of COVID-19. (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 majority of holdings delivered dividend increases in the region of 5% to 15% in US dollars, in line with previous years.

The technology sector accounted for the fastest dividend growth. Broadcom, which operates in the semiconductor industry, led the pack with a 23% increase, closely followed by MasterCard and Visa in digital payments. Among the heavyweights, Microsoft raised its dividend by 11% and Apple by 6%.

Healthcare was another source of reliable growth, led by the managed care organisations (MCOs) Anthem and UnitedHealth which boosted their dividends by 19% and 16%, respectively. Merck, Bristol-Myers Squibb and Agilent Technologies also reported double-digit increases. In consumer staples, Mondelez accelerated its pace of dividend growth with an 11% hike for the year ahead.

Dividend growth was also prevalent in more economically sensitive sectors. S&P Global stood out in financials with an 18% increase, while Tractor Supply rewarded investors with a 14% increase in consumer discretionary. Air Products and Chemicals raised its dividend by 16% in materials. ONEOK and Gibson Energy reported higher dividends in an unfashionable energy sector.

The fund was not immune to dividend cuts, however, as two holdings reduced their payments in the wake of the pandemic. Methanex (materials) lowered its dividend as the methanol producer stepped up its efforts to strengthen the balance sheet. We understand the importance of retaining cash, particularly for a cyclical business, and we fully expect dividends to grow when circumstances allow. Las Vegas Sands (consumer discretionary) eliminated its dividend completely. We strongly believe that the gaming company's decision was a temporary measure and we expect the dividend to be reinstated at the appropriate time.

While disappointing, these two dividend cuts were the exceptions rather than the rule in a 40-stock portfolio. We are taking a pragmatic approach in these unprecedented times.

Performance against objective

Between 2 September 2019 (the start of the review period) and 1 September 2020, the fund delivered a positive total return (the combination of income and growth of capital) across all its share classes, but underperformed the S&P 500 Index which returned 10.2% in sterling.

Over five years, the fund generated a positive total return across all its share classes, but lagged the S&P 500 Index which returned 18.4% pa in sterling. Therefore the fund did not meet the objective of providing a higher total return, net of the ongoing charge figure, than that of the S&P 500 Index over any five-year period.

The fund delivered on the objective of growing the distribution every year in US dollars. The growth in distributed income for the Sterling Class 'A' (Income) share and the Sterling Class 'I' (Income) share was 0.5% and 1.1% in US dollars, respectively, during the 12 months under review.

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

Performance review

The US stockmarket ended the 12 months under review with solid gains, in a year characterised by extreme swings. The market rallied in the first six months of the review period, with the S&P 500 Index reaching a peak in mid-February, before reversing abruptly as COVID-19 morphed into a global pandemic. Fears of an imminent recession led to a sharp spike in market volatility which rose to levels not seen since the financial crisis. From its February peak to the March low, the S&P 500 Index lost a third of its value. Stockmarkets rebounded strongly thereafter as governments around the world announced stimulus packages to kick-start the economy. The S&P 500 Index recouped all of its losses and ended the review period at an all-time high.

M&G North American Dividend Fund

Authorised Corporate Director's Report

Performance review (continued)

Narrowness of market leadership was the dominant feature of the year as 'new economy' stocks gathered increasing momentum, while the rest of the market made little progress. Technology was the standout sector as Apple and Microsoft surged to record highs, followed by consumer discretionary and communication services which were propelled higher by Amazon.com and Facebook, respectively. Healthcare outperformed the S&P 500 Index but was an outlier among defensive sectors as utilities and consumer staples struggled. (Defensive stocks are companies that tend to have stable earnings and are less affected by peaks and troughs in the economy.) Cyclical areas such as industrials and financials were also out of favour, with energy bringing up the rear. (Cyclicals are companies which tend to be more sensitive to the economic cycle.)

The fund underperformed the S&P 500 Index in this polarised market. Not owning Amazon.com and Facebook provided a significant headwind. Both companies benefited from genuine demand growth during the period of lockdown, but do not pay dividends and are therefore ineligible for our dividend growth strategy.

ONEOK and Methanex were prominent among the detractors against a difficult backdrop for energy-related businesses. ONEOK, an energy infrastructure company that operates pipelines and storage terminals, bore the brunt of negative sentiment which came to a head in March when the dual shock of an OPEC supply increase and the pandemic-induced pressure on demand resulted in indiscriminate selling across the energy sector. Methanex, a methanol producer, became embroiled in the broader malaise. Despite the immediate challenges, we continue to believe that both companies are well placed for long-term growth.

Constellation Brands underperformed in consumer staples despite reassurances about operational resilience in the face of lockdown. The beverage company, which owns the Mexican beer brands Corona, Modelo and Pacifico, has seen demand shift from bars and restaurants to grocery and convenience stores, with strong growth in the latter. The long-term investment case remains unchanged and we added to the holding on weakness.

Turning to the positive contributors, Tractor Supply and Lowe's added the most value. The retailers continued to report better-than-expected results despite the challenges posed by COVID-19, helped by the specialist nature of their businesses. Tractor Supply serves rural and agricultural communities, while Lowe's is a leader in home improvement. Both stocks reached record highs. We reduced the holdings to manage their weightings in the portfolio.

Microsoft and Lam Research outperformed in a buoyant technology sector, while Equinix was a beneficiary of the 'stay at home' environment. Although classified as a real estate investment trust, Equinix is a data centre company which is a beneficiary of a powerful long-term growth trend. The importance of digital infrastructure came to the fore recently, when millions of

people around the world were forced to work remotely and entertain themselves at home, but we believe the proliferation of data is a multi-decade theme in our increasingly digital world.

Investment activities

There were 11 new purchases and 14 complete sales during the 12 months under review. Portfolio turnover was low for most of the year, consistent with our long-term investment horizon of three to five years, but investment activity increased in February and March as we sought to take advantage of buying opportunities created by the market downturn. The number of holdings reduced to 40.

Tractor Supply (consumer discretionary) and Bristol-Myers Squibb (healthcare) were added to the portfolio in October followed by L3Harris Technologies (industrials) in January. Johnson & Johnson (healthcare) and Cognizant (technology) were sold in September and October, respectively. Six Flags Entertainment (consumer discretionary) exited the portfolio in January after we lost faith in the management team.

We started buying shares in KLA Corp (semiconductors) in February as market jitters provided an attractive entry point for a cyclical business with strong capital discipline. We established positions in Nike (consumer discretionary), Automatic Data Processing and Apple (both technology) in March as the market's declines accelerated. All three stocks are successful investments from the past and we were delighted to have the opportunity to buy them back at reasonable valuations.

The majority of sales took place during this time, including three energy stocks: EOG Resources, Pembina Pipeline and PrairieSky Royalty. Wells Fargo and Intercontinental Exchange provided a source of cash in financials. Yum China, the restaurant company which is expanding KFC and Pizza Hut in the world's most populated country, was sold at a profit. We would be happy to invest in Yum China (consumer discretionary) again at lower prices. Altria (consumer staples) and Boeing (industrials) were also sold. All these stocks were relatively small holdings, the proceeds being recycled into higher conviction ideas.

Emerson Electric (industrials) and American Express (financials) made their way out of the portfolio in subsequent months. We also reduced our holding in Comcast (communication services) after the media stock proved resilient during the market turmoil.

We invested in two utilities, Sempra Energy and NextEra Energy, in June as we sought to improve the quality of the defensive segment of the portfolio. The sector's underperformance provided a buying opportunity for reliable dividends with attractive long-term growth prospects.

Activision Blizzard (communication services) was the final purchase during the review period. The publisher of interactive games is a market leader in a growth industry with a compelling growth trajectory over the long term.

Outlook

The rebound in stockmarkets, and the strength of the US in particular, took many investors by surprise given the lack of visibility around the shape of an economic recovery following the

M&G North American Dividend Fund

Authorised Corporate Director's Report

Outlook (continued)

devastating effects of COVID-19. Governments around the world took decisive action with stimulus packages to kick-start the economy, but many uncertainties remain, not least the presidential election in November.

Whatever the outcome, there is a harsh reality that is unlikely to change: dividends are under pressure and are likely to remain so for the foreseeable future. It would be reasonable to expect more dividend cuts, if not more eliminations, in the 12 months ahead. Being selective will be paramount.

The political pressure on certain sectors is likely to persist, in our view, particularly those that relied on government support to pay staff. It is difficult to foresee a swift resumption of dividends in the travel or auto industries which were among the first to succumb to dividend cuts. We continue to have zero exposure to these areas. Retailers were another casualty of a sudden halt in trading, but our holdings were rewarded in the stockmarket for their operational resilience. Lowe's (home improvement) and Tractor Supply (rural and agricultural communities) have the customer base and balance sheet strength to weather the storm, in our view.

Banking remains an industry under the spotlight, demonstrated by the Federal Reserve's review of regulatory capital. Dividends have been capped for the third quarter and share buybacks have been suspended to preserve capital – which leaves little room for manoeuvre during the short term. We remain underweight in banks relative to the S&P 500 Index. Our two holdings JPMorgan Chase and First Republic Bank are among the best capitalised and both have been robust in their defence of the dividend. They remain core holdings.

Balance sheet strength is a key consideration in our company research to ensure that dividends are sustainable in the current climate. We cannot dismiss the potential for more dividend cuts, but we have an established process to cope with those scenarios in our endeavour to deliver a favourable outcome for our clients.

We continue to believe that the majority of our holdings can sustain dividend growth at 5-15% over the long term. The immediate outlook is more difficult to determine, but we continue to have confidence in the long-term prospects of the fund's holdings.

We remain undeterred in our pursuit of dividend growth and remain resolutely committed to its viability not only as a source of rising income, but also as a total return strategy in the US market.

John Weavers

Fund manager

An employee of M&G FA Limited (formerly 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

Portfolio statement

as at 31 August		2020	2020	2019
Holding		\$'000	%	%
	EQUITIES	889,664	99.71	96.84
	Oil, gas & consumable fuels	38,480	4.31	7.52
979,978	Gibson Energy	18,157	2.03	
751,865	ONEOK	20,323	2.28	
	Chemicals	27,596	3.09	4.08
54,381	Air Products and Chemicals	15,920	1.78	
537,798	Methanex	11,676	1.31	
	Aerospace & defence	27,090	3.04	1.50
149,529	L3Harris Technologies	27,090	3.04	
	Electrical equipment	0	0.00	1.81
	Road & rail	26,587	2.98	1.39
136,737	Union Pacific	26,587	2.98	
	Textiles, apparel & luxury goods	6,543	0.73	0.00
59,032	NIKE	6,543	0.73	
	Hotels, restaurants & leisure	18,407	2.06	4.91
364,287	Las Vegas Sands	18,407	2.06	
	Specialty retail	54,926	6.16	3.13
211,839	Lowe's	35,231	3.95	
130,416	Tractor Supply	19,695	2.21	
	Beverages	32,722	3.67	4.41
179,149	Constellation Brands	32,722	3.67	
	Food products	26,367	2.95	4.14
453,591	Mondelēz International	26,367	2.95	
	Tobacco	0	0.00	0.70
	Health care equipment & supplies	10,710	1.20	3.17 ^[a]
43,462	Becton Dickinson	10,710	1.20	
	Health care providers & services	66,671	7.47	6.43 ^[a]
121,497	Anthem	33,362	3.74	
106,850	UnitedHealth	33,309	3.73	
	Pharmaceuticals	50,999	5.72	4.16
389,533	Bristol-Myers Squibb	24,350	2.73	
310,489	Merck	26,649	2.99	
	Life sciences tools & services	10,111	1.13	0.98
102,079	Agilent Technologies	10,111	1.13	
	Banks	30,027	3.37	5.76
78,498	First Republic Bank	9,015	1.01	
205,358	JPMorgan Chase	21,012	2.36	
	Consumer finance	0	0.00	2.32
	Capital markets	46,276	5.19	5.01
41,835	Blackrock	24,891	2.79	
58,753	S&P Global	21,385	2.40	
	Insurance	28,018	3.14	4.73
141,008	Marsh & McLennan	16,171	1.81	
126,940	Progressive	11,847	1.33	
	IT services	154,454	17.31	12.38
112,547	Automatic Data Processing	15,870	1.78	
163,683	Broadridge Financial Solutions	22,710	2.54	
250,644	FIS	37,897	4.25	
70,860	MasterCard	25,227	2.83	
249,965	Visa	52,750	5.91	
	Software	80,289	9.00	6.60
354,352	Microsoft	80,289	9.00	
	Technology hardware, storage & peripherals	19,273	2.16	0.00
38,543	Apple	19,273	2.16	
	Semiconductors & semiconductor equipment	78,289	8.77	1.90
107,688	Broadcom	36,523	4.09	
56,259	KLA	11,502	1.29	
88,650	Lam Research	30,264	3.39	

M&G North American Dividend Fund

Authorised Corporate Director's Report

Portfolio statement (continued)

as at 31 August		2020	2020	2019
Holding		\$'000	%	%
	EQUITIES (continued)			
	Media	12,669	1.42	5.66
284,438	Comcast	12,669	1.42	
	Entertainment	4,964	0.56	0.00
59,168	Activision Blizzard	4,964	0.56	
	Electric utilities	9,070	1.02	0.00
32,541	NextEra Energy	9,070	1.02	
	Multi-utilities	9,589	1.07	0.00
77,585	Sempra Energy	9,589	1.07	
	Equity real estate investment trusts (REITs)	19,537	2.19	4.15
52,243	Crown Castle International	8,532	0.96	
13,932	Equinix	11,005	1.23	
Portfolio of investments		889,664	99.71	96.84
	CASH EQUIVALENTS	5,013	0.56	2.73
	'AAA' rated money market funds ^[b]	5,013	0.56	2.73
5,013,000	Northern Trust Global Fund - US dollar	5,013	0.56	
	SHARE CLASS HEDGING	5	0.00	0.00
	Forward currency contracts for share class hedging	5	0.00	0.00
£10,015	Bought for C\$17,398 (expires 23.09.20)	0	0.00	
£494,711	Bought for \$653,607 (expires 23.09.20)	5	0.00	
Total portfolio (notes 2c & 2d on page 8)		894,682	100.27	99.57
Net other assets / (liabilities)		(2,452)	(0.27)	0.43
Net assets attributable to shareholders		892,230	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.

M&G North American Dividend Fund

Authorised Corporate Director's Report

Top ten portfolio transactions

for the year to 31 August 2020	
Largest purchases	\$'000
L3Harris Technologies	34,100
Broadcom	26,143
Visa	24,706
Bristol-Myers Squibb	23,734
ONEOK	18,720
Tractor Supply	17,854
Apple	17,015
Union Pacific	15,086
Automatic Data Processing	14,355
Comcast	13,215
Other purchases	218,256
Total purchases	423,184
Largest sales	\$'000
Comcast	38,000
Intercontinental Exchange	23,741
Becton Dickinson	19,791
American Express	19,189
Wells Fargo	16,812
Mondelez International	16,091
Equinix	16,073
Progressive	16,071
Emerson Electric	14,815
Boeing	13,610
Other sales	193,051
Total sales	387,244

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

	2020	2019	2018
as at 31 August	\$'000	\$'000	\$'000
Fund net asset value (NAV)	892,230	796,408	827,633

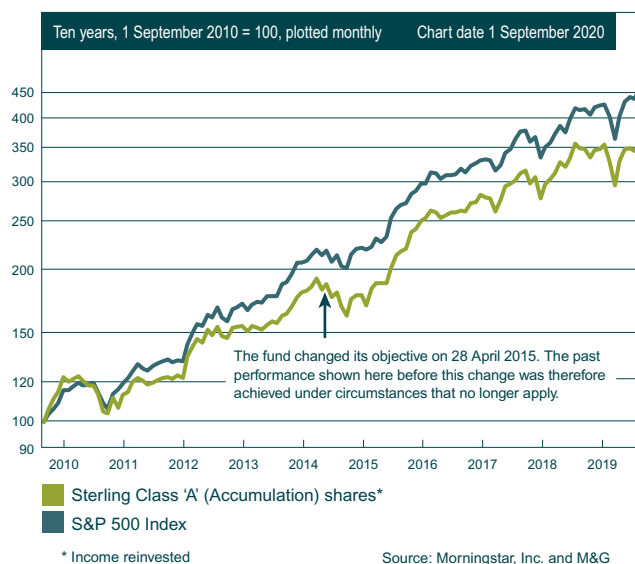
Performance since launch

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 the comparator benchmark's total return 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.

Long-term performance by share class

	One year 02.09.19 % [a]	Three years 01.09.17 % pa	Five years 01.09.15 % pa	Since launch % pa
Sterling [b]				
Class 'A'	+0.5	+10.3	+16.2	+9.2 [c]
Class 'I'	+1.0	+11.0	+17.0	+15.1 [d]
Class 'I-H'	n/a	n/a	n/a	+6.7 [e]
Class 'PP'	+1.1	n/a	n/a	+7.8 [f]
Class 'PP-H'	n/a	n/a	n/a	+6.9 [e]
Class 'R'	+0.7	+10.7	+16.7	+14.9 [d]
Class 'X'	+0.5	+10.3	+16.2	+11.8 [g]

[a] Absolute basis.

[b] Price to price with income reinvested.

[c] 18 December 1972, the end of the initial offer period of the predecessor unit trust.

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

[e] 6 December 2019, the launch date of the share class. Not annualised.

[f] 8 April 2019, the launch date of the share class.

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

M&G North American Dividend Fund

Financial highlights

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 depository, 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 Trust 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.

Operating charges are 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.

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	2020	2019	2018	Average ^[a]
Direct portfolio transaction costs ^[b]	%	%	%	%
Broker commission	0.03	0.02	0.02	0.02
Taxes	0.00	0.00	0.00	0.00
Costs before dilution adjustments	0.03	0.02	0.02	0.02
Dilution adjustments ^[c]	(0.02)	(0.02)	(0.02)	(0.02)
Total direct portfolio transaction costs	0.01	0.00	0.00	0.00

as at 31 August	2020	2019	2018	Average ^[a]
Indirect portfolio transaction costs	%	%	%	%
Average portfolio dealing spread	0.04	0.05	0.03	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.

Historic yields for the current year are calculated as at 11 September 2020.

Sterling Class 'A' Income share performance

The share class was launched on 28 March 1977. for the year to 31 August			
	2020	2019	2018
Change in NAV per share	UK p	UK p	UK p
Opening NAV	2,268.86	2,063.65	1,769.36
Return before operating charges and after direct portfolio transaction costs	84.99	280.90	357.60
Operating charges	(26.21)	(33.54)	(31.12)
Return after operating charges	58.78	247.36	326.48
Distributions	(41.21)	(42.15)	(32.19)
Closing NAV	2,286.43	2,268.86	2,063.65
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.74	0.57	0.37
Dilution adjustments ^[a]	(0.37)	(0.44)	(0.37)
Total direct portfolio transaction costs	0.37	0.13	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.00	0.00
Operating charges ^[c]	1.20	1.62	1.66
Return after operating charges	+2.59	+11.99	+18.45
Historic yield	1.88	1.60	1.53
Effect on yield of charges offset against capital	1.20	1.62	1.66
Other information			
Closing NAV (\$'000)	93,279	88,039	89,128
Closing NAV percentage of total fund NAV (%)	10.45	11.05	10.77
Number of shares	3,066,620	3,186,315	3,320,870
Highest share price (UK p)	2,413.52	2,334.57	2,097.21
Lowest share price (UK p)	1,699.17	1,803.87	1,722.95

Sterling Class 'A' Accumulation share performance

The share class was launched on 18 December 1972. for the year to 31 August			
	2020	2019	2018
Change in NAV per share	UK p	UK p	UK p
Opening NAV	3,187.64	2,842.81	2,397.74
Return before operating charges and after direct portfolio transaction costs	121.75	391.29	487.50
Operating charges	(37.04)	(46.46)	(42.43)
Return after operating charges	84.71	344.83	445.07
Distributions	(21.93)	(11.38)	(1.13)
Retained distributions	21.93	11.38	1.13
Closing NAV	3,272.35	3,187.64	2,842.81
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	1.04	0.79	0.50
Dilution adjustments ^[a]	(0.52)	(0.61)	(0.50)
Total direct portfolio transaction costs	0.52	0.18	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.00	0.00
Operating charges ^[c]	1.20	1.62	1.66
Return after operating charges	+2.66	+12.13	+18.56
Historic yield	0.70	0.22	0.04
Effect on yield of charges offset against capital	0.00	0.01	0.01
Other information			
Closing NAV (\$'000)	105,120	105,025	109,569
Closing NAV percentage of total fund NAV (%)	11.78	13.19	13.23
Number of shares	2,414,691	2,705,508	2,963,566
Highest share price (UK p)	3,403.39	3,253.92	2,870.80
Lowest share price (UK p)	2,405.65	2,494.58	2,334.63

Sterling Class 'I' Income share performance

The share class was launched on 3 August 2012. for the year to 31 August			
	2020	2019	2018
Change in NAV per share	UK p	UK p	UK p
Opening NAV	2,752.60	2,485.40	2,114.95
Return before operating charges and after direct portfolio transaction costs	103.87	340.41	429.58
Operating charges	(18.56)	(22.26)	(20.60)
Return after operating charges	85.31	318.15	408.98
Distributions	(50.11)	(50.95)	(38.53)
Closing NAV	2,787.80	2,752.60	2,485.40
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.90	0.69	0.44
Dilution adjustments ^[a]	(0.45)	(0.53)	(0.44)
Total direct portfolio transaction costs	0.45	0.16	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.00	0.00
Operating charges ^[c]	0.70	0.89	0.91
Return after operating charges	+3.10	+12.80	+19.34
Historic yield	1.88	1.59	1.52
Effect on yield of charges offset against capital	0.70	0.89	0.91
Other information			
Closing NAV (\$'000)	267,340	216,276	129,164
Closing NAV percentage of total fund NAV (%)	29.97	27.16	15.61
Number of shares	7,208,368	6,451,931	3,995,939
Highest share price (UK p)	2,935.06	2,831.05	2,525.61
Lowest share price (UK p)	2,067.28	2,177.71	2,060.11

M&G North American Dividend 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			
	2020	2019	2018
Change in NAV per share	UK p	UK p	UK p
Opening NAV	3,068.30	2,716.56	2,274.15
Return before operating charges and after direct portfolio transaction costs	118.07	376.33	464.65
Operating charges	(20.83)	(24.59)	(22.24)
Return after operating charges	97.24	351.74	442.41
Distributions	(35.74)	(31.31)	(19.49)
Retained distributions	35.74	31.31	19.49
Closing NAV	3,165.54	3,068.30	2,716.56
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	1.01	0.77	0.48
Dilution adjustments ^[a]	(0.51)	(0.59)	(0.48)
Total direct portfolio transaction costs	0.50	0.18	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.00	0.00
Operating charges ^[c]	0.70	0.89	0.91
Return after operating charges	+3.17	+12.95	+19.45
Historic yield	1.18	0.82	0.70
Effect on yield of charges offset against capital	0.00	0.01	0.01
Other information			
Closing NAV (\$'000)	316,182	310,167	206,692
Closing NAV percentage of total fund NAV (%)	35.45	38.95	24.96
Number of shares	7,507,995	8,300,842	5,850,298
Highest share price (UK p)	3,283.76	3,130.75	2,743.19
Lowest share price (UK p)	2,322.13	2,389.45	2,214.98

Sterling Class 'I-H' Income share performance

The share class was launched on 6 December 2019. for the year to 31 August			
	2020	2019	2018
Change in NAV per share	UK p	UK p	UK p
Opening NAV	100.00	n/a	n/a
Return before operating charges and after direct portfolio transaction costs	6.92	n/a	n/a
Operating charges	(0.51)	n/a	n/a
Return after operating charges	6.41	n/a	n/a
Distributions	(1.39)	n/a	n/a
Closing NAV	105.02	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]	(0.01)	n/a	n/a
Total direct portfolio transaction costs	0.01	n/a	n/a
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	n/a	n/a
Operating charges	0.73	n/a	n/a
Return after operating charges	+6.41	n/a	n/a
Historic yield	1.96	n/a	n/a
Effect on yield of charges offset against capital	0.00	n/a	n/a
Other information			
Closing NAV (\$'000)	74	n/a	n/a
Closing NAV percentage of total fund NAV (%)	0.01	n/a	n/a
Number of shares	52,984	n/a	n/a
Highest share price (UK p)	108.23	n/a	n/a
Lowest share price (UK p)	67.20	n/a	n/a

Sterling Class 'I-H' Accumulation share performance

The share class was launched on 6 December 2019. for the year to 31 August			
	2020	2019	2018
Change in NAV per share	UK p	UK p	UK p
Opening NAV	100.00	n/a	n/a
Return before operating charges and after direct portfolio transaction costs	7.28	n/a	n/a
Operating charges	(0.51)	n/a	n/a
Return after operating charges	6.77	n/a	n/a
Distributions	(0.87)	n/a	n/a
Retained distributions	0.87	n/a	n/a
Closing NAV	106.77	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]	(0.01)	n/a	n/a
Total direct portfolio transaction costs	0.01	n/a	n/a
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	n/a	n/a
Operating charges	0.73	n/a	n/a
Return after operating charges	+6.77	n/a	n/a
Historic yield	1.20	n/a	n/a
Effect on yield of charges offset against capital	0.00	n/a	n/a
Other information			
Closing NAV (\$'000)	550	n/a	n/a
Closing NAV percentage of total fund NAV (%)	0.06	n/a	n/a
Number of shares	387,032	n/a	n/a
Highest share price (UK p)	108.23	n/a	n/a
Lowest share price (UK p)	67.37	n/a	n/a

Sterling Class 'PP' Income share performance

The share class was launched on 5 August 2019. for the year to 31 August			
	2020	2019	2018
Change in NAV per share	UK p	UK p	UK p
Opening NAV	100.71	100.00	n/a
Return before operating charges and after direct portfolio transaction costs	3.80	1.55	n/a
Operating charges	(0.53)	(0.04)	n/a
Return after operating charges	3.27	1.51	n/a
Distributions	(1.83)	(0.80)	n/a
Closing NAV	102.15	100.71	n/a
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.03	0.00	n/a
Dilution adjustments ^[a]	(0.02)	0.00	n/a
Total direct portfolio transaction costs	0.01	0.00	n/a
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.00	n/a
Operating charges	0.55	0.55	n/a
Return after operating charges	+3.25	+1.51	n/a
Historic yield	1.88	1.66	n/a
Effect on yield of charges offset against capital	0.55	0.55	n/a
Other information			
Closing NAV (\$'000)	282	147	n/a
Closing NAV percentage of total fund NAV (%)	0.03	0.02	n/a
Number of shares	207,337	120,000	n/a
Highest share price (UK p)	107.47	102.51	n/a
Lowest share price (UK p)	75.70	98.21	n/a

M&G North American Dividend 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			
	2020	2019	2018
Change in NAV per share	UK p	UK p	UK p
Opening NAV	108.93	100.00	n/a
Return before operating charges and after direct portfolio transaction costs	4.20	9.21	n/a
Operating charges	(0.58)	(0.28)	n/a
Return after operating charges	3.62	8.93	n/a
Distributions	(1.42)	(0.76)	n/a
Retained distributions	1.42	0.76	n/a
Closing NAV	112.55	108.93	n/a
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.04	0.01	n/a
Dilution adjustments ^[a]	(0.02)	(0.01)	n/a
Total direct portfolio transaction costs	0.02	0.00	n/a
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.00	n/a
Operating charges ^[c]	0.55	0.32	n/a
Return after operating charges	+3.32	+8.93	n/a
Historic yield	1.40	0.68	n/a
Effect on yield of charges offset against capital	0.00	0.00	n/a
Other information			
Closing NAV (\$'000)	44,912	11,106	n/a
Closing NAV percentage of total fund NAV (%)	5.03	1.39	n/a
Number of shares	29,995,878	8,371,659	n/a
Highest share price (UK p)	116.66	111.13	n/a
Lowest share price (UK p)	82.51	98.26	n/a

Sterling Class 'PP-H' Income share performance

The share class was launched on 6 December 2019. for the year to 31 August			
	2020	2019	2018
Change in NAV per share	UK p	UK p	UK p
Opening NAV	100.00	n/a	n/a
Return before operating charges and after direct portfolio transaction costs	7.22	n/a	n/a
Operating charges	(0.41)	n/a	n/a
Return after operating charges	6.81	n/a	n/a
Distributions	(1.39)	n/a	n/a
Closing NAV	105.42	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]	(0.01)	n/a	n/a
Total direct portfolio transaction costs	0.01	n/a	n/a
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	n/a	n/a
Operating charges	0.58	n/a	n/a
Return after operating charges	+6.81	n/a	n/a
Historic yield	1.96	n/a	n/a
Effect on yield of charges offset against capital	0.00	n/a	n/a
Other information			
Closing NAV (\$'000)	28	n/a	n/a
Closing NAV percentage of total fund NAV (%)	0.00	n/a	n/a
Number of shares	20,150	n/a	n/a
Highest share price (UK p)	108.26	n/a	n/a
Lowest share price (UK p)	67.18	n/a	n/a

Sterling Class 'PP-H' Accumulation share performance

The share class was launched on 6 December 2019. for the year to 31 August			
	2020	2019	2018
Change in NAV per share	UK p	UK p	UK p
Opening NAV	100.00	n/a	n/a
Return before operating charges and after direct portfolio transaction costs	7.31	n/a	n/a
Operating charges	(0.42)	n/a	n/a
Return after operating charges	6.89	n/a	n/a
Distributions	(0.98)	n/a	n/a
Retained distributions	0.98	n/a	n/a
Closing NAV	106.89	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]	(0.01)	n/a	n/a
Total direct portfolio transaction costs	0.01	n/a	n/a
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	n/a	n/a
Operating charges	0.58	n/a	n/a
Return after operating charges	+6.89	n/a	n/a
Historic yield	1.42	n/a	n/a
Effect on yield of charges offset against capital	0.00	n/a	n/a
Other information			
Closing NAV (\$'000)	29	n/a	n/a
Closing NAV percentage of total fund NAV (%)	0.00	n/a	n/a
Number of shares	20,100	n/a	n/a
Highest share price (UK p)	108.26	n/a	n/a
Lowest share price (UK p)	67.40	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			
	2020	2019	2018
Change in NAV per share	UK p	UK p	UK p
Opening NAV	272.28	246.46	210.24
Return before operating charges and after direct portfolio transaction costs	10.23	33.69	42.69
Operating charges	(2.49)	(2.82)	(2.65)
Return after operating charges	7.74	30.87	40.04
Distributions	(4.95)	(5.05)	(3.82)
Closing NAV	275.07	272.28	246.46
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.09	0.07	0.04
Dilution adjustments ^[a]	(0.04)	(0.05)	(0.04)
Total direct portfolio transaction costs	0.05	0.02	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.00	0.00
Operating charges ^[c]	0.95	1.14	1.16
Return after operating charges	+2.84	+12.53	+19.04
Historic yield	1.88	1.59	1.52
Effect on yield of charges offset against capital	0.95	1.14	1.16
Other information			
Closing NAV (\$'000)	2,106	2,048	1,993
Closing NAV percentage of total fund NAV (%)	0.24	0.26	0.24
Number of shares	575,619	617,767	621,722
Highest share price (UK p)	289.98	280.09	250.45
Lowest share price (UK p)	204.20	215.78	204.78

M&G North American Dividend Fund

Financial highlights

Specific share class performance

Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012. for the year to 31 August			
	2020	2019	2018
Change in NAV per share	UK p	UK p	UK p
Opening NAV	301.38	267.49	224.50
Return before operating charges and after direct portfolio transaction costs	11.55	36.98	45.85
Operating charges	(2.77)	(3.09)	(2.86)
Return after operating charges	8.78	33.89	42.99
Distributions	(2.79)	(2.39)	(1.31)
Retained distributions	2.79	2.39	1.31
Closing NAV	310.16	301.38	267.49
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.10	0.08	0.05
Dilution adjustments ^[a]	(0.05)	(0.06)	(0.05)
Total direct portfolio transaction costs	0.05	0.02	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.00	0.00
Operating charges ^[c]	0.95	1.14	1.16
Return after operating charges	+2.91	+12.67	+19.15
Historic yield	0.94	0.62	0.48
Effect on yield of charges offset against capital	0.00	0.01	0.01
Other information			
Closing NAV (\$'000)	10,799	9,464	7,499
Closing NAV percentage of total fund NAV (%)	1.21	1.19	0.91
Number of shares	2,617,134	2,578,719	2,155,539
Highest share price (UK p)	322.16	307.58	270.13
Lowest share price (UK p)	227.77	235.10	218.63

Sterling Class 'X' Income share performance

The share class was launched on 1 October 2002. for the year to 31 August			
	2020	2019	2018
Change in NAV per share	UK p	UK p	UK p
Opening NAV	2,265.62	2,060.68	1,766.79
Return before operating charges and after direct portfolio transaction costs	84.86	280.53	357.08
Operating charges	(26.18)	(33.50)	(31.10)
Return after operating charges	58.68	247.03	325.98
Distributions	(41.15)	(42.09)	(32.09)
Closing NAV	2,283.15	2,265.62	2,060.68
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.74	0.57	0.37
Dilution adjustments ^[a]	(0.37)	(0.44)	(0.37)
Total direct portfolio transaction costs	0.37	0.13	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.00	0.00
Operating charges ^[c]	1.20	1.62	1.66
Return after operating charges	+2.59	+11.99	+18.45
Historic yield	1.88	1.60	1.52
Effect on yield of charges offset against capital	1.20	1.63	1.66
Other information			
Closing NAV (\$'000)	10,125	9,992	11,771
Closing NAV percentage of total fund NAV (%)	1.13	1.25	1.42
Number of shares	333,345	362,164	439,209
Highest share price (UK p)	2,410.06	2,331.24	2,094.15
Lowest share price (UK p)	1,696.73	1,801.30	1,720.44

Sterling Class 'X' Accumulation share performance

The share class was launched on 1 October 2002. for the year to 31 August			
	2020	2019	2018
Change in NAV per share	UK p	UK p	UK p
Opening NAV	3,141.21	2,801.41	2,362.82
Return before operating charges and after direct portfolio transaction costs	120.05	385.60	480.46
Operating charges	(36.49)	(45.80)	(41.87)
Return after operating charges	83.56	339.80	438.59
Distributions	(21.61)	(11.22)	(1.10)
Retained distributions	21.61	11.22	1.10
Closing NAV	3,224.77	3,141.21	2,801.41
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	1.03	0.78	0.49
Dilution adjustments ^[a]	(0.52)	(0.60)	(0.49)
Total direct portfolio transaction costs	0.51	0.18	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.00	0.00
Operating charges ^[c]	1.20	1.62	1.66
Return after operating charges	+2.66	+12.13	+18.56
Historic yield	0.70	0.22	0.04
Effect on yield of charges offset against capital	0.00	0.01	0.01
Other information			
Closing NAV (\$'000)	41,404	44,144	47,567
Closing NAV percentage of total fund NAV (%)	4.64	5.54	5.75
Number of shares	965,105	1,153,968	1,305,579
Highest share price (UK p)	3,353.83	3,206.53	2,828.99
Lowest share price (UK p)	2,370.62	2,458.25	2,300.64

^[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	2020		2019	
		\$'000	\$'000	\$'000	\$'000
Income					
Net capital gains / (losses)	3		82,910		31,742
Revenue	5	18,580		16,183	
Expenses	6	(6,979)		(8,241)	
Net revenue / (expense) before taxation		11,601		7,942	
Taxation	7	(2,627)		(2,133)	
Net revenue / (expense) after taxation			8,974		5,809
Total return before distributions			91,884		37,551
Distributions	8		(11,783)		(8,865)
Change in net assets attributable to shareholders from investment activities			80,101		28,686

Statement of change in net assets attributable to shareholders

for the year to 31 August	2020		2019	
	\$'000	\$'000	\$'000	\$'000
Opening net assets attributable to shareholders		796,408		827,633
Amounts received on issue of shares	189,071		246,929	
Amounts paid on cancellation of shares	(178,880)		(168,788)	
Transfer to M&G (Lux) North American Dividend Fund	0		(142,139)	
		10,191		(63,998)
Dilution adjustments		195		208
Change in net assets attributable to shareholders from investment activities (see above)		80,101		28,686
Retained distributions on Accumulation shares		5,335		3,879
Closing net assets attributable to shareholders		892,230		796,408

M&G North American Dividend Fund

Financial statements and notes

Financial statements (continued)

Balance sheet

as at 31 August	Note	2020 \$'000	2019 \$'000
Assets			
Fixed assets			
Investments		889,669	771,190
Current assets			
Debtors	9	2,135	14,458
Cash and bank balances	10	1,904	1,742
Cash equivalents		5,013	21,766
Total assets		898,721	809,156
Liabilities			
Creditors			
Bank overdrafts		0	(843)
Distribution payable		(2,613)	(2,529)
Other creditors	11	(3,878)	(9,376)
Total liabilities		(6,491)	(12,748)
Net assets attributable to shareholders		892,230	796,408

M&G North American Dividend Fund

Financial statements and notes

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 8 to 10.

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 order to conduct a controlled dividend flow to shareholders, interim distributions will be at the fund manager's discretion, up to the maximum of the distributable income available for the period.

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

3 Net capital gains / (losses)

	2020	2019
for the year to 31 August	\$'000	\$'000
Non-derivative securities	82,691	32,519
Derivative contracts	25	(801)
Capital gains on US REIT	0	15
Currency gains / (losses)	194	16
Transaction charges	0	(7)
Net capital gains / (losses)	82,910	31,742

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 154.

for the year to 31 August	2020 \$'000	% of transaction	2019 \$'000	% of transaction
a) Purchases				
Equities				
Equities before transaction costs	423,047		338,168	
Commissions	137	0.03	103	0.03
Total purchases after transaction costs	423,184		338,271	
b) Sales				
Equities				
Equities before transaction costs	387,386		281,390	
Commissions	(134)	0.03	(89)	0.03
Taxes	(8)	0.00	(4)	0.00
Total sales after transaction costs	387,244		281,297	
for the year to 31 August	2020 \$'000	% of average NAV	2019 \$'000	% of average NAV
c) Direct portfolio transaction costs				
Commissions paid				
Equities	271	0.03	192	0.02
Taxes paid				
Equities	8	0.00	4	0.00
Total direct portfolio transaction costs ^[a]	279	0.03	196	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	2020 \$'000	2019 \$'000
Bank interest	2	5
Dividends from equity investments: non-taxable	18,101	14,943
Dividends from equity investments: taxable	239	886
Interest distributions	227	347
Rebate of ongoing charges from underlying funds	11	2
Total revenue	18,580	16,183

Revenue includes currency gains/losses.

M&G North American Dividend Fund

Financial statements and notes

Notes to the financial statements

6 Expenses

	2020	2019
for the year to 31 August	\$'000	\$'000
Payable to the ACD or associate		
Annual charge	6,980	555
Annual management charge ^[a]	0	6,657
Administration charge ^[a]	0	957
Share class hedging charge ^[a]	0	1
	6,980	8,170
Payable to the Depository or associate		
Depository's charge (including VAT) ^[a]	0	44
Other expenses		
Audit fee (including VAT) ^[a] ^[b]	0	11
Interest payable	0	1
Safe custody charge ^[a]	(1)	15
	(1)	27
Total expenses	6,979	8,241

^[a] The segregated charges shown above for annual management, administration, depository, audit, share class hedging 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 2020 were £9,000 (including VAT).

7 Taxation

	2020	2019
for the year to 31 August	\$'000	\$'000
a) Analysis of charge in the year		
Corporation tax	0	0
Withholding tax	2,627	2,133
Deferred tax (note 7c)	0	0
Total taxation	2,627	2,133
b) Factors affecting taxation charge for the year		
Net revenue / (expense) before taxation	11,601	7,942
Corporation tax at 20%	2,320	1,588
Effects of:		
Dividends from equity investments: non-taxable	(3,620)	(2,989)
Current year expenses not utilised	1,314	1,420
Withholding tax	2,627	2,133
Withholding tax expensed	(14)	(22)
Capital gains tax (US REIT)	0	3
Total tax charge (note 7a)	2,627	2,133
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 \$41,851,000 (2019: \$40,537,000) arising as a result of having excess management expenses. We do not expect this asset to be utilised in the foreseeable future.

8 Distributions

	2020		2019	
for the year to 31 August	Inc ^[a]	Acc ^[b]	Inc ^[a]	Acc ^[b]
Dividend distributions	\$'000	\$'000	\$'000	\$'000
First interim	1,260	1,062	991	686
Second interim	1,294	1,249	1,022	737
Third interim	1,282	1,101	998	730
Final	2,613	1,923	2,529	1,726
Total net distributions		11,784		9,419
Income deducted on cancellation of shares		642		345
Income received on issue of shares		(643)		(899)
Distributions		11,783		8,865
Net revenue / (expense) per statement of total return		8,974		5,809
Expenses offset against capital		2,809		3,054
Capital gains tax offset against capital		0		2
Distributions		11,783		8,865

^[a] Distributions payable on Income shares.

^[b] Retained distributions on Accumulation shares.

9 Debtors

	2020	2019
as at 31 August	\$'000	\$'000
Amounts receivable on issues of shares	270	7,039
Currency deals outstanding	403	6,495
Distributions receivable	0	42
Dividends receivable	403	724
Annual charge rebates due	0	1
Sales awaiting settlement	894	0
Withholding tax recoverable	165	157
Total debtors	2,135	14,458

10 Cash and bank balances

	2020	2019
as at 31 August	\$'000	\$'000
Cash held as bank balances	1,904	1,742
Total cash and bank balances	1,904	1,742

11 Other creditors

	2020	2019
as at 31 August	\$'000	\$'000
Amounts payable on cancellation of shares	2,130	2,519
Annual charge payable	362	333
Currency deals outstanding	399	6,477
Expenses payable	0	19
Payable to M&G (Lux) North American Dividend Fund	28	28
Purchases awaiting settlement	959	0
Total other creditors	3,878	9,376

12 Contingent assets, liabilities and outstanding commitments

There were no contingent assets, liabilities or outstanding commitments at the balance sheet date (2019: same).

M&G North American Dividend 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	Movements		Closing
	01.09.19	Issued	Cancelled	31.08.20
Sterling				
Class 'A' Income	3,186,315	393,582	(513,277)	3,066,620
Class 'A' Accumulation	2,705,508	302,590	(593,407)	2,414,691
Class 'I' Income	6,451,931	1,808,927	(1,052,490)	7,208,368
Class 'I' Accumulation	8,300,842	1,620,805	(2,413,652)	7,507,995
Class 'I-H' Income	0	62,816	(9,832)	52,984
Class 'I-H' Accumulation	0	490,106	(103,074)	387,032
Class 'PP' Income	120,000	106,292	(18,955)	207,337
Class 'PP' Accumulation	8,371,659	27,779,517	(6,155,298)	29,995,878
Class 'PP-H' Income	0	20,150	0	20,150
Class 'PP-H' Accumulation	0	20,100	0	20,100
Class 'R' Income	617,767	110,438	(152,586)	575,619
Class 'R' Accumulation	2,578,719	581,770	(543,355)	2,617,134
Class 'X' Income	362,164	14,237	(43,056)	333,345
Class 'X' Accumulation	1,153,968	15,904	(204,767)	965,105

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] %
Sterling			
Class 'A'	n/a	n/a	1.20
Class 'I'	n/a	n/a	0.70
Class 'I-H'	n/a	n/a	0.73
Class 'PP'	n/a	n/a	0.55
Class 'PP-H'	n/a	n/a	0.58
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, 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.

At the balance sheet date, shareholders from within M&G plc, of which M&G Securities Limited is a wholly owned subsidiary, have holdings totalling 3.34% (2019: 4.17%) 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
	2020	2020	2019	2019
Basis of valuation	\$'000	\$'000	\$'000	\$'000
Level 1	889,664	0	771,190	0
Level 2	5	0	0	0
Level 3	0	0	0	0
	889,669	0	771,190	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 10 to 11.

M&G North American Dividend Fund

Financial statements and notes

Notes to the financial statements

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 \$44,483,000 (2019: \$38,560,000). 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 \$1,008,000 (2019: \$1,019,000)*. A five per cent decrease would have an equal and opposite effect.

*Restated.

as at 31 August	2020 \$'000	2019 \$'000
Currency exposure in respect of the fund		
Canadian dollar	18,094	25,808
Sterling	1,400	(5,421)
US dollar	872,731	776,021
Currency exposures in respect of share class hedging		
Canadian dollar	(13)	0
Sterling	672	0
US dollar	(654)	0
Total	892,230	796,408

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 in regards to derivative balances is not considered significant 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 2020	Forward currency contracts \$'000
State Street Bank	5
Total	5

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

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 is monitored using reporting from the outsourced provider of the hedged share class service. On an ongoing basis the size of the hedged share classes is monitored to ensure that unforeseen exchange rate volatility could adequately managed without significantly impacting all shareholders.

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	01.09.19	30.11.19	02.12.19	31.01.20
Second interim	01.12.19	29.02.20	02.03.20	30.04.20
Third interim	01.03.20	31.05.20	01.06.20	31.07.20
Final	01.06.20	31.08.20	01.09.20	31.10.20

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.

Sterling Class 'A' Income shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income	Equalisation	2020	2019
	2020 UK p	2020 UK p	2020 UK p	2019 UK p
First interim	0.7871	7.4758	8.2629	8.0000
Second interim	0.3878	7.8873	8.2751	8.0000
Third interim	0.0000	8.6498	8.6498	8.0000
Final	2.9610	13.0607	16.0217	18.1515

Sterling Class 'A' Accumulation shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income	Equalisation	2020	2019
	2020 UK p	2020 UK p	2020 UK p	2019 UK p
First interim	0.0000	3.9540	3.9540	1.6350
Second interim	0.4547	4.6569	5.1116	2.5318
Third interim	0.0000	5.3716	5.3716	1.8614
Final	0.0000	7.4953	7.4953	5.3567

Sterling Class 'I' Income shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income	Equalisation	2020	2019
	2020 UK p	2020 UK p	2020 UK p	2019 UK p
First interim	1.7852	8.2443	10.0295	9.6423
Second interim	0.0000	10.0553	10.0553	9.6571
Third interim	0.0000	10.5211	10.5211	9.6727
Final	5.4022	14.1041	19.5063	21.9813

M&G North American Dividend Fund

Financial statements and notes

Notes to the financial statements

24 Dividend distribution tables (continued)

Sterling Class 'I' Accumulation shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income	Equalisation	2020	2019
	2020 UK p	2020 UK p	2020 UK p	2019 UK p
First interim	0.9304	5.9486	6.8790	5.6425
Second interim	0.0000	7.5594	7.5594	6.1339
Third interim	0.0000	7.9411	7.9411	5.8129
Final	2.0977	11.2673	13.3650	13.7229

Sterling Class 'I-H' Income shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income	Equalisation	2020	2019
	2020 UK p	2020 UK p	2020 UK p	2019 UK p
First interim	0.0000	0.0000	0.0000	n/a
Second interim	0.0087	0.3012	0.3099	n/a
Third interim	0.0000	0.3510	0.3510	n/a
Final	0.3418	0.3827	0.7245	n/a

Sterling Class 'I-H' Accumulation shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income	Equalisation	2020	2019
	2020 UK p	2020 UK p	2020 UK p	2019 UK p
First interim	0.0000	0.0000	0.0000	n/a
Second interim	0.0388	0.1690	0.2078	n/a
Third interim	0.0000	0.2366	0.2366	n/a
Final	0.1242	0.3051	0.4293	n/a

Sterling Class 'PP' Income shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income	Equalisation	2020	2019
	2020 UK p	2020 UK p	2020 UK p	2019 UK p
First interim	0.0733	0.2937	0.3670	n/a
Second interim	0.3681	0.0000	0.3681	n/a
Third interim	0.3853	0.0000	0.3853	n/a
Final	0.7143	0.0000	0.7143	0.7968

Sterling Class 'PP' Accumulation shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income	Equalisation	2020	2019
	2020 UK p	2020 UK p	2020 UK p	2019 UK p
First interim	0.0000	0.2770	0.2770	n/a
Second interim	0.0000	0.2965	0.2965	n/a
Third interim	0.0000	0.3118	0.3118	0.2194
Final	0.1284	0.4107	0.5391	0.5392

Sterling Class 'PP-H' Income shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income	Equalisation	2020	2019
	2020 UK p	2020 UK p	2020 UK p	2019 UK p
First interim	0.0000	0.0000	0.0000	n/a
Second interim	0.3098	0.0000	0.3098	n/a
Third interim	0.3526	0.0000	0.3526	n/a
Final	0.7270	0.0000	0.7270	n/a

Sterling Class 'PP-H' Accumulation shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income	Equalisation	2020	2019
	2020 UK p	2020 UK p	2020 UK p	2019 UK p
First interim	0.0000	0.0000	0.0000	n/a
Second interim	0.2294	0.0000	0.2294	n/a
Third interim	0.2606	0.0000	0.2606	n/a
Final	0.4949	0.0000	0.4949	n/a

Sterling Class 'R' Income shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income	Equalisation	2020	2019
	2020 UK p	2020 UK p	2020 UK p	2019 UK p
First interim	0.2213	0.7705	0.9918	0.9559
Second interim	0.0000	0.9939	0.9939	0.9569
Third interim	0.0000	1.0393	1.0393	0.9577
Final	0.3834	1.5427	1.9261	2.1760

Sterling Class 'R' Accumulation shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income	Equalisation	2020	2019
	2020 UK p	2020 UK p	2020 UK p	2019 UK p
First interim	0.0733	0.4515	0.5248	0.4217
Second interim	0.0000	0.6127	0.6127	0.4819
Third interim	0.0000	0.6439	0.6439	0.4394
Final	0.2020	0.8083	1.0103	1.0470

Sterling Class 'X' Income shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income	Equalisation	2020	2019
	2020 UK p	2020 UK p	2020 UK p	2019 UK p
First interim	1.7588	6.4923	8.2511	7.9885
Second interim	0.0000	8.2632	8.2632	7.9886
Third interim	0.0000	8.6374	8.6374	7.9885
Final	3.2434	12.7553	15.9987	18.1254

Sterling Class 'X' Accumulation shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income	Equalisation	2020	2019
	2020 UK p	2020 UK p	2020 UK p	2019 UK p
First interim	0.3616	3.5347	3.8963	1.6112
Second interim	0.0000	5.0372	5.0372	2.4949
Third interim	0.0000	5.2944	5.2944	1.8351
Final	0.8526	6.5344	7.3870	5.2789

M&G North American Value Fund

Authorised Corporate Director's Report

Investment objective

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

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

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.

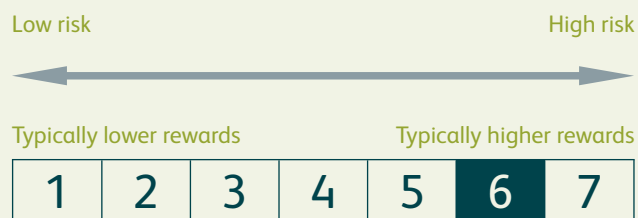
For unhedged share classes, the benchmark is shown in the share class currency.

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 changed during this period. From 1 September 2019 to 9 July 2020 the risk number was 5.

M&G North American Value Fund

Authorised Corporate Director's Report

Investment review

As at 1 September 2020, for the year ended 31 August 2020

Performance against objective

Between 2 September 2019 (the start of the review period) and 1 September 2020, the fund's sterling share classes delivered a negative total return (the combination of income and growth of capital) and underperformed the benchmark S&P 500 Index, which rose 10.2% in the review period.

Over five years, the fund has delivered a positive return, but is behind the S&P 500 Index, which returned 18.4% pa over this period. Therefore the fund did not meet the objective of providing a higher total return, net of the ongoing charge figure, than the S&P 500 Index over any five-year period.

Over the past five years, the 'value' style (investing in cheap, out-of-favour stocks) has struggled to keep pace with the broader market and the fund's underperformance can be attributed largely to this trend. To put this in context, the underperformance of the value style compared to the S&P 500 in 2020 has been the largest by far of any year since Daniel White was appointed fund manager in September 2013.

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

Performance review

The coronavirus pandemic had a dramatic impact on financial markets (and every other aspect of life) during the review period. And yet, despite extreme stockmarket turbulence and considerable disruption to global economic activity, US equities (company shares) delivered positive returns over the 12 months, mostly led by a handful of large technology-related stocks.

The period started positively, with the S&P 500 Index rallying to a new record high in mid-February. However, as COVID-19 spread around the world, there was a sudden reversal. In March, fears of a global economic recession and falling company profits sparked one of the fastest and steepest stockmarket falls since the global financial crisis of 2008/9. The S&P 500 tumbled more than 30% from its February peak to its March lows.

This was followed by an equally rapid rebound as policymakers globally introduced unprecedented economic stimulus measures to cushion the impact of COVID-19. In the US, a historic US\$2 trillion aid package was introduced, providing financial support to businesses and individuals. By the end of the period, the S&P 500 had recouped all of its earlier losses and rallied to a new all-time high, but led by a small section of the market.

A notable feature of the review period was the dominance of a handful of large technology and internet-related companies. Facebook, Apple, Amazon.com, Netflix and Google (often referred to as the FAANGs) performed extremely well and were major contributors to the market's rise. This was in part because of the genuine earning power they demonstrated during the pandemic. It was also due to extreme risk aversion that arguably led market

participants to seek stocks that provide a sense of safety, be that companies that can demonstrate growth, steady income, or industries with structural tailwinds such as electric vehicles.

As a result of this trend, the technology sector was the standout performer; shares in Apple and Microsoft surged to record highs. Consumer discretionary, which includes stocks like Amazon, and communication services registered strong gains as well. Healthcare stocks also performed well against the backdrop of a global health crisis.

On the other hand, cyclical areas such as energy, financials and real estate, were the weakest. (Cyclicals are companies which tend to be more sensitive to the economic cycle.) Companies in these industries were shunned by investors as they are considered to be the most affected by the severe coronavirus-induced economic downturn. Utilities were also notable laggards.

In terms of style, so-called 'growth' stocks which typically offer higher expected increases in earnings and profits, and includes many of the large tech firms, outperformed the broader market. In contrast, cheaper out-of-favour 'value' companies were shunned and underperformed by a significant margin.

This style headwind represented a challenge for the fund's value investment strategy and played a significant part in the fund's underperformance relative to its benchmark.

At the portfolio level, our below-index weighting in information technology held back returns as the sector outperformed. In particular, not owning Apple or Microsoft proved costly as both stocks powered ahead. In consumer discretionary, not holding Amazon was a drag on performance too. While we recognise that these are great businesses, we believe investors have flocked to them because they are deemed to be 'safe' in uncertain times. In our view, though, they have reached extremely elevated valuations and are susceptible to possible negative surprises ahead.

Among the stocks we hold, energy firm Chevron was a notable detractor as oil prices plunged on concerns that the pandemic would hit demand for crude oil. The company has been restructuring its business and cutting costs; we believe its assets are attractively valued and that the balance sheet is strong enough to cope in this challenging environment.

As financials struggled amid concerns about the economic impact of COVID-19 and the potential for bad debts, our holding in Hartford Financial Services held back performance.

These detractors outweighed the positive contribution from a number of holdings, particularly healthcare stocks. Our shares in drugmaker Biogen advanced amid optimism about the prospects of its Alzheimer's drug Aducanumab, which had previously been considered unpromising. Following a period of robust gains, we closed our position as we believe the degree of uncertainty associated with Alzheimer's drugs has not been priced in.

Drugmaker Bristol-Myers Squibb and consumer healthcare firm Johnson & Johnson were also leading contributors.

M&G North American Value Fund

Authorised Corporate Director's Report

Performance review (continued)

Our relatively large position in supermarket chain Kroger added value too. Food retailers experienced a surge in demand during the pandemic, as people stocked up and ate more meals at home. Online retailer eBay, in which we invested when the share price dipped during the period, also thrived during the lockdown. eBay's stock price climbed to a record high as it performed more in line with other internet retailers.

In addition, our holding in gold miner Newmont benefited from higher gold prices as investors sought safe assets in the uncertain economic environment.

Investment activities

We took advantage of turbulent market conditions during the period, especially in March 2020, to invest in a number of new holdings that we believe can weather the current challenging environment and potentially thrive in the recovery.

The investments were in a variety of different sectors and included medical devices firm Stryker, online retailer eBay and aerospace and defence conglomerate General Dynamics. The market has concerns about the growth prospects of General Dynamics' defence business and the vulnerability of its corporate jet division to the economic cycle. However, the company has delivered reasonable profits even in challenging market conditions and therefore we think the shares are attractively valued.

In technology, we started positions in network security provider Check Point Software Technologies and database software company Oracle. It was pleasing to be able to add a large-cap name such as Oracle in the IT sector as it gives the fund a more balanced exposure. Meanwhile, Check Point has made a promising start as the increase in home-working amid the coronavirus crisis has boosted demand for its cyber security services.

Following a sharp drop in price, we also bought shares in Southwest Airlines. We believe the airline has one of the strongest balance sheets in the US market and could emerge from the crisis in a better competitive environment. Southwest replaced cruise operator Carnival, which we sold as we believe the company's fortunes, unfortunately, have been severely impaired by COVID-19.

Drugmaker Biogen left the portfolio after a period of impressive performance. We also sold our entire stakes in aircraft parts firm Spirit AeroSystems, Canadian oil firm Suncor Energy, paper-based consumer products company Kimberly-Clark and pharmacy chain Walgreen Boots Alliance as we see better opportunities elsewhere.

Outlook

The resilience of US stockmarkets during the coronavirus pandemic is remarkable. Few investors could have imagined that the S&P 500 would rebound so fast from such steep falls in March. Despite the optimism, the outlook remains uncertain, in our view. The full economic fallout from the pandemic is still to be revealed,

while COVID-19 is still looming large and the potential for a second wave of infections is never far away. The upcoming US presidential election represents another source of potential market turbulence.

One of our main concerns, as value investors, is the market's focus on a narrow group of internet-related 'growth' stocks. The dominance of the FAANGs has been a large factor in the fund's underperformance in the review period. We see growing challenges for these huge businesses, both regulatory and competitive. In our view, 'growth' stocks have now reached valuations that are not sustainable and there is likely to be a reversal at some point. In this situation, the potential long-term returns from investing in cheaply valued, out-of-favour stocks with strong balance sheets could be very attractive.

Unfortunately, we are unable to predict when the trend for investing in these perceived 'safe' companies might change. We have seen some style reversals during the period but they have been short-lived. However, the speed of the reversal indicates how quickly sentiment can change and we are optimistic that investors will eventually recognise the wide range of exciting opportunities that exist among the cheaper 'value' stocks that have been shunned for so long. Encouragingly, the fund performed well when investors favoured the value style.

Throughout this challenging period for value investing, we have consistently focused on buying cheap stocks that we consider mispriced. In our view, the market sell-off provided the opportunity to invest in a number of promising stocks at prices that we think are attractive. As a result, we believe the fund is well placed to take advantage of any value recovery.

At the same time, by paying close attention to the underlying qualities of our investments, in particular, their financial strength, we think that the fund has the potential to cope with any market turbulence in the medium term.

We are conscious of new 'norms' resulting from the coronavirus pandemic and aware that we need to be nimble to take into consideration the structural changes that are happening. Although the short-term outlook is uncertain, over the longer term we believe a careful, selective value-focused approach can be a rewarding strategy for investing in the US stockmarket, especially given the attractively valued opportunities in the market currently.

Daniel White

Fund manager

An employee of M&G FA Limited (formerly 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 Value Fund

Authorised Corporate Director's Report

Portfolio statement

as at 31 August		2020	2020	2019
Holding		\$'000	%	%
	EQUITIES	254,593	96.51	95.04
	Energy equipment & services	0	0.00	0.48
	Oil, gas & consumable fuels	13,803	5.23	8.03
76,831	Chevron	6,524	2.47	
41,594	Cobalt International Energy [a]	0	0.00	
76,343	ConocoPhillips	2,912	1.10	
235,711	Euronav	2,145	0.81	
36,729	Hess	1,705	0.65	
356,575	Kosmos Energy	517	0.20	
	Construction materials	2,860	1.08	1.08
34,429	Eagle Materials	2,860	1.08	
	Containers & packaging	2,377	0.90	1.02
77,075	Westrock	2,377	0.90	
	Metals & mining	5,521	2.09	1.88
51,389	Newmont	3,328	1.26	
73,619	Steel Dynamics	2,193	0.83	
	Paper & forest products	1,274	0.48	0.27
43,810	Domtar	1,274	0.48	
	Aerospace & defence	2,990	1.13	1.36
19,614	General Dynamics	2,990	1.13	
	Building products	4,202	1.59	0.00
60,857	Owens Corning	4,202	1.59	
	Industrial conglomerates	2,070	0.79	0.00
319,512	General Electric	2,070	0.79	
	Machinery	5,808	2.20	1.62
13,272	Caterpillar	1,903	0.72	
25,819	Oshkosh	2,021	0.77	
42,400	SPX FLOW	1,884	0.71	
	Professional services	1,685	0.64	0.71
22,659	ManpowerGroup	1,685	0.64	
	Air freight & logistics	4,771	1.81	1.55
21,860	FedEx	4,771	1.81	
	Airlines	2,402	0.91	0.00
63,843	Southwest Airlines	2,402	0.91	
	Road & rail	3,045	1.15	0.00
39,974	CSX	3,045	1.15	
	Auto components	1,816	0.69	0.62
36,129	Magna International	1,816	0.69	
	Automobiles	2,562	0.97	0.75
86,284	General Motors	2,562	0.97	
	Textiles, apparel & luxury goods	5,251	1.99	2.24
18,726	Columbia Sportswear	1,612	0.61	
77,839	Kontoor Brands	1,777	0.67	
125,074	Tapstry	1,862	0.71	
	Hotels, restaurants & leisure	2,267	0.86	1.93
183,560	Extended Stay America	2,267	0.86	
	Internet & direct marketing retail	4,787	1.82	0.00
85,004	eBay	4,787	1.82	
	Multiline retail	2,645	1.00	0.50
17,600	Target	2,645	1.00	
	Specialty retail	2,127	0.81	0.92
71,419	Foot Locker	2,127	0.81	
	Food & staples retailing	6,955	2.64	4.21
160,498	Kroger	5,803	2.20	
23,227	Weis Markets	1,152	0.44	
	Beverages	8,777	3.33	3.58
122,864	Coca-Cola European Partners	5,099	1.93	
97,899	Molson Coors Beverage	3,678	1.40	

M&G North American Value Fund

Authorised Corporate Director's Report

Portfolio statement (continued)

as at 31 August Holding		2020 \$'000	2020 %	2019 %
EQUITIES (continued)				
Food products				
37,989	Tyson Foods	2,430	0.92	0.58
Household products				
43,418	Energizer	2,045	0.78	1.56
Personal products				
306,377	Coty	1,081	0.41	0.00
Health care equipment & supplies				
28,468	Stryker	5,585	2.12	0.00
Health care providers & services				
26,818	Anthem	7,364	2.79	3.02
Biotechnology				
Pharmaceuticals				
141,618	Bristol-Myers Squibb	32,900	12.47	11.51
61,659	Johnson & Johnson	8,852	3.36	
74,821	Merck	9,431	3.57	
216,399	Pfizer	6,422	2.43	
		8,195	3.11	
Banks				
69,661	Citigroup	16,982	6.44	7.92
79,821	JPMorgan Chase	3,603	1.37	
26,827	PNC Financial Services	8,167	3.10	
34,410	Truist Financial	3,018	1.14	
34,381	Wells Fargo	1,349	0.51	
		845	0.32	
Thrifts & mortgage finance				
100,166	Capitol Federal Financial	3,198	1.21	1.58
247,659	New York Community Bancorp	942	0.36	
		2,256	0.85	
Diversified financial services				
50,260	Voya Financial	2,620	0.99	1.02
		2,620	0.99	
Capital markets				
Insurance				
100,443	Hartford Financial Services	8,830	3.35	3.91
70,440	Loews	4,168	1.58	
52,974	MetLife	2,592	0.98	
		2,070	0.79	
IT services				
83,373	Cognizant Technology Solutions	7,900	3.00	2.31
115,375	DXC Technology	5,620	2.13	
		2,280	0.87	
Software				
37,035	Check Point Software Technologies	12,787	4.85	0.00
141,032	Oracle	4,724	1.79	
		8,063	3.06	
Communications equipment				
164,315	Cisco Systems	6,950	2.64	2.22
		6,950	2.64	
Technology hardware, storage & peripherals				
345,380	Hewlett Packard Enterprise	4,351	1.65	2.07
29,779	Western Digital	3,302	1.25	
		1,049	0.40	
Electronic equipment, instruments & components				
78,929	Vishay Intertechnology	1,268	0.48	0.94
		1,268	0.48	
Semiconductors & semiconductor equipment				
75,879	Intel	5,705	2.16	3.92
43,858	Micron Technology	3,748	1.42	
		1,957	0.74	
Diversified telecommunication services				
125,238	AT&T	12,331	4.67	4.72
126,179	CenturyLink	3,743	1.42	
120,429	Verizon Communications	1,431	0.54	
		7,157	2.71	
Wireless telecommunication services				
44,414	Telephone and Data Systems	2,173	0.82	0.74
30,350	U.S. Cellular	1,052	0.40	
		1,121	0.42	
Media				
192,446	Comcast	10,280	3.90	4.64
113,494	News	8,572	3.25	
		1,708	0.65	

M&G North American Value Fund

Authorised Corporate Director's Report

Portfolio statement (continued)

as at 31 August		2020	2020	2019
Holding		\$'000	%	%
	EQUITIES (continued)			
	Interactive media & services	10,721	4.06	2.86
6,583	Alphabet	10,721	4.06	
	Electric utilities	7,097	2.69	3.24
192,386	Exelon	7,097	2.69	
Portfolio of investments		254,593	96.51	95.04
	CASH EQUIVALENTS	11,122	4.22	4.59
	'AAA' rated money market funds ^[b]	11,122	4.22	4.59
11,122,108	Northern Trust Global Fund - US dollar	11,122	4.22	
Total portfolio (notes 2c & 2d on page 8)		265,715	100.73	99.63
Net other assets / (liabilities)		(1,920)	(0.73)	0.37
Net assets attributable to shareholders before fair value accounting adjustment		263,795	100.00	100.00
Total portfolio before fair value accounting adjustment		265,715	100.73	99.63
Fair value accounting adjustment		(991)	0.00	0.00
Total portfolio (notes 2c & 2d on page 8)		264,724	100.73	99.63
Net other assets / (liabilities)		(1,920)	(0.73)	0.37
Net assets attributable to shareholders		262,804	100.00	100.00

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

^[b] Delisted.

^[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 2020		\$'000
Largest purchases		
	Oracle	9,484
	General Dynamics	5,944
	Merck	5,466
	Stryker	5,379
	Owens Corning	4,154
	Verizon Communications	4,131
	Alphabet	4,092
	Check Point Software Technologies	4,019
	eBay	3,350
	CSX	3,282
	Other purchases	66,609
Total purchases		115,910
Largest sales		
	Johnson & Johnson	11,278
	Biogen	10,419
	Alphabet	7,877
	Comcast	7,868
	Pfizer	7,667
	Intel	7,601
	Bristol-Myers Squibb	7,445
	Kroger	7,226
	JPMorgan Chase	6,230
	Anthem	6,072
	Other sales	148,147
Total sales		227,830

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.

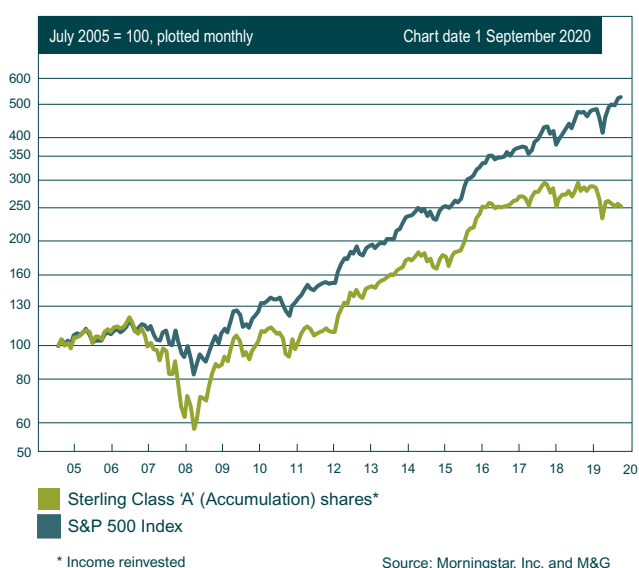
Fund level performance

Fund net asset value

as at 31 August	2020 \$'000	2019 \$'000	2018 \$'000
Fund net asset value (NAV)	262,804	382,362	790,900

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 02.09.19 % ^[a]	Three years 01.09.17 % pa	Five years 01.09.15 % pa	Since launch % pa
Sterling^[b]				
Class 'A'	-10.4	-0.3	+8.6	+6.4 ^[c]
Class 'I'	-10.0	+0.4	+9.4	+12.0 ^[d]
Class 'PP'	-9.8	n/a	n/a	-6.6 ^[e]
Class 'R'	-10.2	+0.1	+9.1	+11.7 ^[d]
Class 'X'	-10.4	-0.3	+8.7	+6.4 ^[c]

^[a] Absolute basis.

^[b] Price to price with income reinvested.

^[c] 1 July 2005, the launch date of the fund.

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

^[e] 8 April 2019, the launch date of the share class.

M&G North American Value Fund

Financial highlights

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 depository, 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 Trust 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.

Operating charges are 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.

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	2020	2019	2018	Average ^[a]
Direct portfolio transaction costs ^[b]	%	%	%	%
Broker commission	0.03	0.02	0.02	0.02
Taxes	0.00	0.00	0.00	0.00
Costs before dilution adjustments	0.03	0.02	0.02	0.02
Dilution adjustments ^[c]	(0.03)	(0.01)	(0.02)	(0.02)
Total direct portfolio transaction costs	0.00	0.01	0.00	0.00

as at 31 August	2020	2019	2018	Average ^[a]
Indirect portfolio transaction costs	%	%	%	%
Average portfolio dealing spread	0.03	0.04	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.

Historic yields for the current year are calculated as at 11 September 2020.

Sterling Class 'A' Income share performance

The share class was launched on 1 July 2005. for the year to 31 August			
	2020	2019	2018
Change in NAV per share	UK p	UK p	UK p
Opening NAV	129.96	140.72	123.21
Return before operating charges and after direct portfolio transaction costs	(9.33)	(5.48)	21.82
Operating charges	(1.50)	(2.15)	(2.16)
Return after operating charges	(10.83)	(7.63)	19.66
Distributions	(2.73)	(3.13)	(2.15)
Closing NAV	116.40	129.96	140.72
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.03	0.04	0.03
Dilution adjustments ^[a]	(0.03)	(0.04)	(0.03)
Total direct portfolio transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.01	0.00
Operating charges ^[c]	1.20	1.62	1.66
Return after operating charges	-8.33	-5.42	+15.96
Historic yield	2.42	1.55	1.52
Effect on yield of charges offset against capital	1.20	1.61	1.65
Other information			
Closing NAV (\$'000)	109,988	140,267	165,099
Closing NAV percentage of total fund NAV (%)	41.85	36.68	20.87
Number of shares	71,027,778	88,623,981	90,207,146
Highest share price (UK p)	138.91	142.58	144.59
Lowest share price (UK p)	100.33	119.15	119.17

Sterling Class 'A' Accumulation share performance

The share class was launched on 1 July 2005. for the year to 31 August			
	2020	2019	2018
Change in NAV per share	UK p	UK p	UK p
Opening NAV	141.48	149.58	129.02
Return before operating charges and after direct portfolio transaction costs	(10.18)	(5.81)	22.83
Operating charges	(1.63)	(2.29)	(2.27)
Return after operating charges	(11.81)	(8.10)	20.56
Distributions	(1.42)	(0.94)	0.00
Retained distributions	1.42	0.94	0.00
Closing NAV	129.67	141.48	149.58
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.04	0.04	0.03
Dilution adjustments ^[a]	(0.04)	(0.04)	(0.03)
Total direct portfolio transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.01	0.00
Operating charges ^[c]	1.20	1.63	1.66
Return after operating charges	-8.35	-5.42	+15.94
Historic yield	1.13	0.00	0.00
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	1,840	2,215	2,659
Closing NAV percentage of total fund NAV (%)	0.70	0.58	0.34
Number of shares	1,066,393	1,285,337	1,366,825
Highest share price (UK p)	151.21	151.56	151.38
Lowest share price (UK p)	109.21	126.65	124.76

Sterling Class 'I' Income share performance

The share class was launched on 3 August 2012. for the year to 31 August			
	2020	2019	2018
Change in NAV per share	UK p	UK p	UK p
Opening NAV	2,484.99	2,671.02	2,321.06
Return before operating charges and after direct portfolio transaction costs	(179.11)	(103.49)	413.33
Operating charges	(16.72)	(22.90)	(22.67)
Return after operating charges	(195.83)	(126.39)	390.66
Distributions	(52.33)	(59.64)	(40.70)
Closing NAV	2,236.83	2,484.99	2,671.02
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.66	0.74	0.52
Dilution adjustments ^[a]	(0.66)	(0.70)	(0.52)
Total direct portfolio transaction costs	0.00	0.04	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.01	0.00
Operating charges ^[c]	0.70	0.90	0.91
Return after operating charges	-7.88	-4.73	+16.83
Historic yield	2.41	1.53	1.52
Effect on yield of charges offset against capital	0.70	0.89	0.90
Other information			
Closing NAV (\$'000)	17,066	20,972	46,677
Closing NAV percentage of total fund NAV (%)	6.50	5.48	5.90
Number of shares	573,492	692,995	1,343,686
Highest share price (UK p)	2,661.33	2,706.35	2,744.03
Lowest share price (UK p)	1,923.79	2,267.01	2,245.58

M&G North American Value Fund

Financial highlights

Specific share class performance

Sterling Class 'T' Accumulation share performance

The share class was launched on 3 August 2012. for the year to 31 August			
	2020	2019	2018
Change in NAV per share	UK p	UK p	UK p
Opening NAV	2,743.64	2,879.86	2,465.25
Return before operating charges and after direct portfolio transaction costs	(197.68)	(112.12)	438.60
Operating charges	(18.65)	(24.10)	(23.99)
Return after operating charges	(216.33)	(136.22)	414.61
Distributions	(40.13)	(39.03)	(18.79)
Retained distributions	40.13	39.03	18.79
Closing NAV	2,527.31	2,743.64	2,879.86
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.74	0.79	0.55
Dilution adjustments ^[a]	(0.74)	(0.75)	(0.55)
Total direct portfolio transaction costs	0.00	0.04	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.01	0.00
Operating charges ^[c]	0.70	0.89	0.91
Return after operating charges	-7.88	-4.73	+16.82
Historic yield	1.64	0.64	0.65
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	83,552	212,609	64,104
Closing NAV percentage of total fund NAV (%)	31.79	55.61	8.11
Number of shares	2,485,038	6,363,265	1,711,549
Highest share price (UK p)	2,938.09	2,918.01	2,914.16
Lowest share price (UK p)	2,123.84	2,444.30	2,384.81

Sterling Class 'PP' Income share performance

The share class was launched on 5 August 2019. for the year to 31 August			
	2020	2019	2018
Change in NAV per share	UK p	UK p	UK p
Opening NAV	96.33	100.00	n/a
Return before operating charges and after direct portfolio transaction costs	(6.96)	(1.38)	n/a
Operating charges	(0.50)	(0.04)	n/a
Return after operating charges	(7.46)	(1.42)	n/a
Distributions	(2.03)	(2.25)	n/a
Closing NAV	86.84	96.33	n/a
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.03	0.00	n/a
Dilution adjustments ^[a]	(0.03)	0.00	n/a
Total direct portfolio transaction costs	0.00	0.00	n/a
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.01	n/a
Operating charges	0.55	0.55	n/a
Return after operating charges	-7.74	-1.42	n/a
Historic yield	2.41	1.60	n/a
Effect on yield of charges offset against capital	0.55	0.55	n/a
Other information			
Closing NAV (\$'000)	109	54	n/a
Closing NAV percentage of total fund NAV (%)	0.04	0.01	n/a
Number of shares	94,866	46,000	n/a
Highest share price (UK p)	103.23	101.74	n/a
Lowest share price (UK p)	74.64	96.40	n/a

Sterling Class 'PP' Accumulation share performance

The share class was launched on 8 April 2019. for the year to 31 August			
	2020	2019	2018
Change in NAV per share	UK p	UK p	UK p
Opening NAV	99.61	100.00	n/a
Return before operating charges and after direct portfolio transaction costs	(7.23)	(0.10)	n/a
Operating charges	(0.49)	(0.29)	n/a
Return after operating charges	(7.72)	(0.39)	n/a
Distributions	(1.59)	(1.48)	n/a
Retained distributions	1.59	1.48	n/a
Closing NAV	91.89	99.61	n/a
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.02	0.01	n/a
Dilution adjustments ^[a]	(0.02)	(0.01)	n/a
Total direct portfolio transaction costs	0.00	0.00	n/a
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.01	n/a
Operating charges ^[c]	0.55	0.61	n/a
Return after operating charges	-7.75	-0.39	n/a
Historic yield	1.79	0.49	n/a
Effect on yield of charges offset against capital	0.00	0.00	n/a
Other information			
Closing NAV (\$'000)	44,541	24	n/a
Closing NAV percentage of total fund NAV (%)	16.95	0.01	n/a
Number of shares	36,433,920	20,000	n/a
Highest share price (UK p)	106.72	105.81	n/a
Lowest share price (UK p)	77.17	95.20	n/a

Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012. for the year to 31 August			
	2020	2019	2018
Change in NAV per share	UK p	UK p	UK p
Opening NAV	246.53	265.66	231.44
Return before operating charges and after direct portfolio transaction costs	(17.73)	(10.34)	41.14
Operating charges	(2.25)	(2.87)	(2.87)
Return after operating charges	(19.98)	(13.21)	38.27
Distributions	(5.19)	(5.92)	(4.05)
Closing NAV	221.36	246.53	265.66
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.07	0.07	0.05
Dilution adjustments ^[a]	(0.07)	(0.07)	(0.05)
Total direct portfolio transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.01	0.00
Operating charges ^[c]	0.95	1.15	1.16
Return after operating charges	-8.10	-4.97	+16.54
Historic yield	2.41	1.54	1.52
Effect on yield of charges offset against capital	0.95	1.13	1.15
Other information			
Closing NAV (\$'000)	345	390	445
Closing NAV percentage of total fund NAV (%)	0.13	0.10	0.06
Number of shares	117,193	129,927	128,829
Highest share price (UK p)	263.77	269.17	272.93
Lowest share price (UK p)	190.59	225.30	223.88

M&G North American Value Fund

Financial highlights

Specific share class performance

Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012. for the year to 31 August			
	2020	2019	2018
Change in NAV per share	UK p	UK p	UK p
Opening NAV	269.43	283.46	243.26
Return before operating charges and after direct portfolio transaction costs	(19.44)	(10.97)	43.26
Operating charges	(2.46)	(3.06)	(3.06)
Return after operating charges	(21.90)	(14.03)	40.20
Distributions	(3.32)	(3.14)	(1.18)
Retained distributions	3.32	3.14	1.18
Closing NAV	247.53	269.43	283.46
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.07	0.08	0.06
Dilution adjustments ^[a]	(0.07)	(0.07)	(0.06)
Total direct portfolio transaction costs	0.00	0.01	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.01	0.00
Operating charges ^[c]	0.95	1.14	1.16
Return after operating charges	-8.13	-4.95	+16.53
Historic yield	1.38	0.41	0.42
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	2,776	2,942	3,005
Closing NAV percentage of total fund NAV (%)	1.06	0.77	0.38
Number of shares	842,906	896,706	815,033
Highest share price (UK p)	288.20	287.21	286.85
Lowest share price (UK p)	208.24	240.40	235.30

Sterling Class 'X' Income share performance

The share class was launched on 1 July 2005. for the year to 31 August			
	2020	2019	2018
Change in NAV per share	UK p	UK p	UK p
Opening NAV	130.00	140.76	123.25
Return before operating charges and after direct portfolio transaction costs	(9.33)	(5.47)	21.82
Operating charges	(1.50)	(2.16)	(2.16)
Return after operating charges	(10.83)	(7.63)	19.66
Distributions	(2.73)	(3.13)	(2.15)
Closing NAV	116.44	130.00	140.76
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.03	0.04	0.03
Dilution adjustments ^[a]	(0.03)	(0.04)	(0.03)
Total direct portfolio transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.01	0.00
Operating charges ^[c]	1.20	1.63	1.66
Return after operating charges	-8.33	-5.42	+15.95
Historic yield	2.42	1.55	1.52
Effect on yield of charges offset against capital	1.20	1.62	1.65
Other information			
Closing NAV (\$'000)	1,290	1,444	1,922
Closing NAV percentage of total fund NAV (%)	0.49	0.38	0.24
Number of shares	833,185	912,135	1,049,940
Highest share price (UK p)	138.95	142.62	144.63
Lowest share price (UK p)	100.36	119.19	119.20

Sterling Class 'X' Accumulation share performance

The share class was launched on 1 July 2005. for the year to 31 August			
	2020	2019	2018
Change in NAV per share	UK p	UK p	UK p
Opening NAV	141.86	150.00	129.27
Return before operating charges and after direct portfolio transaction costs	(10.23)	(5.83)	22.78
Operating charges	(1.63)	(2.31)	(2.05)
Return after operating charges	(11.86)	(8.14)	20.73
Distributions	(1.42)	(0.94)	0.00
Retained distributions	1.42	0.94	0.00
Closing NAV	130.00	141.86	150.00
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.04	0.04	0.03
Dilution adjustments ^[a]	(0.04)	(0.04)	(0.03)
Total direct portfolio transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.01	0.00
Operating charges ^[c]	1.20	1.63	1.63
Return after operating charges	-8.36	-5.43	+16.04
Historic yield	1.13	0.00	0.00
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	1,297	1,445	2,527
Closing NAV percentage of total fund NAV (%)	0.49	0.38	0.32
Number of shares	749,789	836,491	1,295,556
Highest share price (UK p)	151.63	151.97	151.79
Lowest share price (UK p)	109.50	127.01	125.01

^[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	2020		2019	
		\$'000	\$'000	\$'000	\$'000
Income					
Net capital gains / (losses)	3		1,753		(65,319)
Revenue	5	8,123		11,935	
Expenses	6	(2,853)		(5,708)	
Net revenue / (expense) before taxation		5,270		6,227	
Taxation	7	(1,186)		(1,389)	
Net revenue / (expense) after taxation			4,084		4,838
Total return before distributions			5,837		(60,481)
Distributions	8		(5,893)		(7,718)
Change in net assets attributable to shareholders from investment activities			(56)		(68,199)

Statement of change in net assets attributable to shareholders

for the year to 31 August	2020		2019	
	\$'000	\$'000	\$'000	\$'000
Opening net assets attributable to shareholders		382,362		790,900
Amounts received on issue of shares	69,486		278,437	
Amounts paid on cancellation of shares	(191,325)		(277,518)	
Transfer to M&G (Lux) North American Value Fund	0		(344,937)	
		(121,839)		(344,018)
Dilution adjustments		166		168
Change in net assets attributable to shareholders from investment activities (see above)		(56)		(68,199)
Retained distributions on Accumulation shares		2,171		3,511
Closing net assets attributable to shareholders		262,804		382,362

M&G North American Value Fund

Financial statements and notes

Financial statements (continued)

Balance sheet

as at 31 August	Note	2020 \$'000	2019 \$'000
Assets			
Fixed assets			
Investments		253,602	363,418
Current assets			
Debtors	9	1,905	2,162
Cash and bank balances	10	153	4,320
Cash equivalents		11,122	17,543
Total assets		266,782	387,443
Liabilities			
Creditors			
Distribution payable		(3,020)	(3,927)
Other creditors	11	(958)	(1,154)
Total liabilities		(3,978)	(5,081)
Net assets attributable to shareholders		262,804	382,362

M&G North American Value Fund

Financial statements and notes

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 8 to 10.

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, the 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)

	2020	2019
for the year to 31 August	\$'000	\$'000
Non-derivative securities	2,123	(65,266)
Currency gains / (losses)	(369)	(46)
Transaction charges	(1)	(7)
Net capital gains / (losses)	1,753	(65,319)

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 173.

for the year to 31 August	2020 \$'000	% of transaction	2019 \$'000	% of transaction
a) Purchases				
Equities				
Equities before transaction costs	115,884		244,451	
Commissions	26	0.02	65	0.03
Total purchases after transaction costs	115,910		244,516	
b) Sales				
Equities				
Equities before transaction costs	227,889		246,738	
Commissions	(54)	0.02	(67)	0.04
Taxes	(5)	0.00	(4)	0.00
Total sales after transaction costs	227,830		246,667	
for the year to 31 August	2020 \$'000	% of average NAV	2019 \$'000	% of average NAV
c) Direct portfolio transaction costs				
Commissions paid				
Equities	80	0.03	132	0.02
Taxes paid				
Equities	5	0.00	4	0.00
Total direct portfolio transaction costs ^[a]	85	0.03	136	0.02
d) Indirect portfolio transaction costs				
Portfolio dealing spread ^[b]				
		0.03		0.04

^[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	2020 \$'000	2019 \$'000
Bank interest	5	18
Dividends from equity investments: non-taxable	8,169	11,356
Dividends from equity investments: taxable	(253)	59
Interest distributions	191	501
Rebate of ongoing charges from underlying funds	11	1
Total revenue	8,123	11,935

Revenue includes currency gains/losses.

M&G North American Value Fund

Financial statements and notes

Notes to the financial statements

6 Expenses

for the year to 31 August	2020 \$'000	2019 \$'000
Payable to the ACD or associate		
Annual charge	2,853	290
Annual management charge ^[a]	0	4,696
Administration charge ^[a]	0	663
	2,853	5,649
Payable to the Depository or associate		
Depository's charge (including VAT) ^[a]	0	32
Audit fee (including VAT) ^[a] ^[b]	0	10
Interest payable	0	9
Safe custody charge ^[a]	0	8
Total expenses	2,853	5,708

^[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 2020 were £9,000 (including VAT).

7 Taxation

for the year to 31 August	2020 \$'000	2019 \$'000
a) Analysis of charge in the year		
Corporation tax	0	0
Withholding tax	1,186	1,389
Deferred tax (note 7c)	0	0
Total taxation	1,186	1,389
b) Factors affecting taxation charge for the year		
Net revenue / (expense) before taxation	5,270	6,227
Corporation tax at 20%	1,054	1,245
Effects of:		
Dividends from equity investments: non-taxable	(1,634)	(2,271)
Current year expenses not utilised	580	1,026
Withholding tax	1,186	1,389
Total tax charge (note 7a)	1,186	1,389
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 \$12,007,000 (2019: \$11,427,000) 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	2020		2019	
	Inc ^[a] \$'000	Acc ^[b] \$'000	Inc ^[a] \$'000	Acc ^[b] \$'000
Dividend distributions				
Final	3,020	2,171	3,927	3,511
Total net distributions		5,191		7,438
Income deducted on cancellation of shares		1,535		1,619
Income received on issue of shares		(833)		(1,339)
Distributions		5,893		7,718
Net revenue / (expense) per statement of total return		4,084		4,838
Expenses offset against capital		1,809		2,880
Distributions		5,893		7,718

^[a] Distributions payable on Income shares.

^[b] Retained distributions on Accumulation shares.

9 Debtors

as at 31 August	2020 \$'000	2019 \$'000
Amounts receivable on issues of shares	341	1,076
Currency deals outstanding	255	0
Distributions receivable	2	31
Dividends receivable	449	1,009
Rebate of ongoing charges from underlying funds	0	1
Sales awaiting settlement	732	0
Withholding tax recoverable	126	45
Total debtors	1,905	2,162

10 Cash and bank balances

as at 31 August	2020 \$'000	2019 \$'000
Cash held as bank balances	153	4,320
Total cash and bank balances	153	4,320

11 Other creditors

as at 31 August	2020 \$'000	2019 \$'000
Amounts payable on cancellation of shares	568	950
Annual charge payable	117	169
Currency deals outstanding	253	0
Expenses payable	1	16
Payable to M&G (Lux) North American Value Fund	19	19
Total other creditors	958	1,154

12 Contingent assets, liabilities and outstanding commitments

There were no contingent assets, liabilities or outstanding commitments at the balance sheet date (2019: 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.

M&G North American Value Fund

Financial statements and notes

Notes to the financial statements

13 Shares in issue (continued)

Share class	Opening	Movements		Closing
	01.09.19	Issued	Cancelled	31.08.20
Sterling				
Class 'A' Income	88,623,981	10,510,753	(28,106,956)	71,027,778
Class 'A' Accumulation	1,285,337	280,773	(499,717)	1,066,393
Class 'T' Income	692,995	233,690	(353,193)	573,492
Class 'T' Accumulation	6,363,265	119,289	(3,997,516)	2,485,038
Class 'PP' Income	46,000	54,964	(6,098)	94,866
Class 'PP' Accumulation	20,000	36,727,597	(313,677)	36,433,920
Class 'R' Income	129,927	12,180	(24,914)	117,193
Class 'R' Accumulation	896,706	188,778	(242,578)	842,906
Class 'X' Income	912,135	12,609	(91,559)	833,185
Class 'X' Accumulation	836,491	51,292	(137,994)	749,789

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] %
Sterling			
Class 'A'	n/a	n/a	1.20
Class 'T'	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 in respect of the annual charge are disclosed in note 11.

At the balance sheet date, shareholders from within M&G plc, of which M&G Securities Limited is a wholly owned subsidiary, have holdings totalling 53.64% (2019: 65.42%) 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
	2020	2020	2019	2019
	\$'000	\$'000	\$'000	\$'000
Level 1	253,602	0	363,418	0
Level 2	0	0	0	0
Level 3	0	0	0	0
	253,602	0	363,418	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 10 to 11.

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 \$12,680,000 (2019: \$18,171,000). A five per cent decrease would have an equal and opposite effect.

M&G North American Value Fund

Financial statements and notes

Notes to the financial statements

20 Currency risk sensitivity and exposure

Currency risk is not considered significant for the fund as the currency exposure does not have a material impact on net assets 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 as there are no counterparty or derivative balances 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	01.09.19	31.08.20	01.09.20	31.10.20

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.

Sterling Class 'A' Income shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income	Equalisation	2020	2019
	UK p	UK p	UK p	UK p
Final	1.6752	1.0548	2.7300	3.1302

Sterling Class 'A' Accumulation shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income	Equalisation	2020	2019
	UK p	UK p	UK p	UK p
Final	0.6499	0.7662	1.4161	0.9388

Sterling Class 'I' Income shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income	Equalisation	2020	2019
	UK p	UK p	UK p	UK p
Final	19.3501	32.9820	52.3321	59.6412

Sterling Class 'I' Accumulation shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income	Equalisation	2020	2019
	UK p	UK p	UK p	UK p
Final	20.1186	20.0153	40.1339	39.0269

Sterling Class 'PP' Income shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income	Equalisation	2020	2019
	UK p	UK p	UK p	UK p
Final	0.2129	1.8185	2.0314	2.2518

Sterling Class 'PP' Accumulation shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income	Equalisation	2020	2019
	UK p	UK p	UK p	UK p
Final	0.3636	1.2309	1.5945	1.4796

Sterling Class 'R' Income shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income	Equalisation	2020	2019
	UK p	UK p	UK p	UK p
Final	1.9411	3.2441	5.1852	5.9244

Sterling Class 'R' Accumulation shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income	Equalisation	2020	2019
	UK p	UK p	UK p	UK p
Final	2.0056	1.3122	3.3178	3.1358

Sterling Class 'X' Income shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income	Equalisation	2020	2019
	UK p	UK p	UK p	UK p
Final	2.0028	0.7280	2.7308	3.1311

Sterling Class 'X' Accumulation shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income	Equalisation	2020	2019
	UK p	UK p	UK p	UK p
Final	0.8544	0.5657	1.4201	0.9414

M&G Pan European Select Fund

Authorised Corporate Director's Report

Investment objective up to 28 November 2019

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

Investment objective from 29 November 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 Europe Index over any five-year period.

Investment policy up to 28 November 2019

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 policy from 29 November 2019

At least 80% of the fund is invested in equity securities and equity-related securities of companies across any sector and market capitalisation that are incorporated, domiciled or do most of their business in Europe, including the UK. The fund has a concentrated portfolio and usually holds fewer than 35 companies. Sustainability considerations play an important role in determining the investment universe and assessing business models.

The fund excludes securities issued by companies that are assessed to be in breach of the United Nations Global Compact principles on human rights, labour, environment and anti-corruption and companies involved in the production of tobacco and controversial weapons.

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

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

Derivatives may be used for efficient portfolio management and hedging.

Investment approach up to 28 November 2019

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.

Investment approach from 29 November 2019

The fund is a focused European equity fund. The fund is based on an investment process that uses fundamental analysis to identify companies with sustainable business models and competitively advantageous characteristics to protect their profitability. The fund makes long-term investments in these companies and 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 up to 28 November 2019

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.

For unhedged shares classes, the benchmark is shown in the share class currency.

M&G Pan European Select Fund

Authorised Corporate Director's Report

Benchmark from 29 November 2019

Benchmark: MSCI Europe 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.

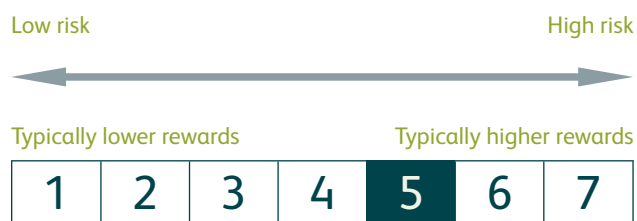
For unhedged share classes, the benchmark is shown in the share class currency.

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 1 September 2020, for the year ended 31 August 2020

Performance against objective

Between 2 September 2019 (the start of the review period) and 1 September 2020, the sterling share classes of the M&G Pan European Select Fund delivered negative total returns (the combination of income and growth of capital). However, the fund's sterling returns proved more resilient than its benchmark, the MSCI Europe Index, which declined by 5.2% for the period in sterling terms

Over five years, the fund has delivered positive total returns ahead of its benchmark across its sterling share classes, thus having achieved its objective over the specified timeframe of five years. The benchmark returned 7.8% pa in sterling terms over the period.

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

Performance review

European stockmarkets delivered negative returns for the 12 months under review, at points experiencing levels of volatility, or market turbulence, that surpassed that of the financial crisis in 2008.

As we entered the review period, market sentiment was dominated by a number of repeat themes, 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 both euphoria and risk aversion, depending on how those negotiations were perceived to be progressing. 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, geopolitical tensions in the Middle East and weakness in the oil price, amid potential declining demand in the face of reduced economic activity.

Despite these difficulties, markets maintained a generally upward trajectory, and as we entered the new year investors appeared upbeat. The Brexit situation had relatively stabilised, following a majority conservative government win in the UK's December general election, trade tensions between the US and China appeared to be cooling, and concerns over declining global economic activity were being ameliorated by central bank intervention in both Europe and China.

This positive sentiment, however, was to prove short-lived. The mood darkened as news of the new coronavirus outbreak spreading from China took a detrimental toll. As we moved through the review period, initial hopes that COVID-19 might be contained faded as new outbreaks were reported beyond China, notably in Iran, Italy and South Korea. Fearful of the emergence of a global pandemic and its potential negative effects on the global economy, stocks sold off in dramatic fashion at the end of February, resulting in the largest weekly stockmarket fall since 2008. The World Health Organisation subsequently confirmed

M&G Pan European Select Fund

Authorised Corporate Director's Report

Performance review (continued)

those fears, declaring a full-blown pandemic, which led to a rapid acceleration of the sell-off. This prompted the worst quarter for global markets since the 2008 financial crisis, and for some the worst first quarter on record.

Investor sentiment then turned for the better, and we experienced the strongest second quarter since 2009, driven by central bank stimulus measures and efforts to reopen some areas of major economies, both of which fuelled the positive mood. In global markets this broad recovery extended through the summer, however, the pace of recovery in Europe was slower, hampered by events including the introduction of tighter travel restrictions, particularly from the UK, as this added to concerns that a rise in coronavirus cases across Europe could stifle economic recovery if further widespread lockdowns became necessary.

Against this background, the standout sector for the period was information technology, particularly given that widespread lockdowns saw the adoption of technology solutions for those vast swathes of the workforce able to work from home, while utilities, materials and healthcare also outperformed. Conversely, far-and-away the worst performing sector for the period was energy, in light of reduced demand for oil amid lockdowns and travel restrictions. Other laggards included communication services, financials and consumer staples, all of which declined for the period in sterling terms.

For the fund, relative outperformance was driven by stock selection, particularly within industrials, healthcare, energy and consumer staples, while below-index positions in financials and energy and the above-index position in industrials were also supportive.

At an individual stock level, the largest contributor for the period under review was Danish transport and logistics company DSV Panalpina. The company has delivered ongoing operational success, and in June announced that the second quarter of the year had progressed better than expected, driven by those operational achievements, cost-cutting initiatives and the continued successful integration of Panalpina (a Swiss competitor acquired by DSV in August 2019).

Multinational energy management company Schneider Electric bolstered returns as well. Schneider is leading the digital transformation of the industrial automation market, and has been very successful in this area, including through the development of strategic partnerships to further this aim. During the review period the company announced a number of such partnerships, including one with green data centre company EcoDataCenter, to build an ultra-low-carbon-footprint centre in Sweden, and one with software company Aveva, to operate and maintain hyperscale data centres.

Other supportive holdings included Danish allergy immunotherapy specialist ALK-Abelló, German industrial gases producer Linde and Swiss freight-forwarding business Kuehne + Nagel.

On the downside, stockpicking within the financial, information technology and consumer discretionary sectors weighed on relative returns, with the largest individual detractor being UK retailer WH Smith. Given widespread travel bans and country lockdowns, WH Smith saw a major drop in shoppers at both its airport and high street outlets. In May the company reported that April revenue was down 85% on the previous year, with the UK high street business recording a 74% drop in sales and the travel business a 91% drop. While its shares picked up to a degree in June as lockdowns were eased, they again declined through July, exacerbated by news of store closures and staff redundancies, including in the company's head office.

Denmark-listed facility services business ISS and Spain-listed airline industry IT outsourcing business Amadeus were also victims of the turmoil caused by COVID-19. Amid lockdowns, with entire companies working from home and offices shuttered, investors perceived a large slowdown in ISS's operations. For Amadeus, a combination of trip cancellations and country-specific restrictions on international flights had a severe impact on the global airline industry, and hence Amadeus's volumes of bookings.

Other detractors included Irish bank AIB and UK insurer Hiscox, as financial companies generally fell out of favour during the period under review.

Engagement activities

Responsible investors can effect change by engaging with investee companies on a number of issues, not least supporting responsible corporate behaviour and long-term thinking, but also pushing companies to improve disclosure or set more testing sustainability objectives. We maintain ongoing dialogue with our investee companies, as well as companies on our watchlist of stocks that we would like to own when the timing and price are right.

In light of the COVID-19 pandemic, during the first quarter of the year we were involved in a number of discussions with companies concerning the outbreak, including how their businesses were being affected by the virus, what contingency plans they had in place and how they were interacting with stakeholders, including their employees and the communities in which they operate, among others.

With German industrial gases producer Linde, for example, we discussed the logistics of its continuing operation. The company said that new plant opening was continuing as planned in Asia, and that it was currently ensuring it could continue to service hospitals, which is of obvious importance as Linde supplies them with oxygen.

For WH Smith (mentioned above), meanwhile, we wanted to understand how the business was positioned in light of COVID-19, as its exposure to both high street retail and travel meant it was particularly vulnerable in the lockdown situation. This included discussing government schemes in which the company was taking part, and how it was looking after staff.

M&G Pan European Select Fund

Authorised Corporate Director's Report

Engagement activities (continued)

As a non-coronavirus example, we met with Austrian industrial company Andritz to develop a better understanding of the United Nations Global Compact (UNGC) 'amber flags' related to environmental and social impacts of hydropower dams in which Andritz is involved in Turkey, Brazil and Laos. The company does not manage or construct these projects, but its equipment is a fundamental part of the overall project, hence it recognises its responsibility for conducting due diligence alongside the other partners. The company has, among other precautions, developed new guidelines and has rewritten its code of conduct to be applied across all projects in which it is involved.

In a similar vein, with ALK-Abelló (also mentioned above), we had a specific call on sustainability. This included a discussion on Access to Medicine and the new methodology that is being considered for the foundation's index, the company's experience and actions in light of the pandemic, the sustainability of materials (for example those used in vials, injectors, tests, etc), and product quality governance. We also encouraged the company to implement an integrated framework for sustainability reporting.

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, there were no new purchases or complete sales. We took advantage of share price weakness to add to a number of holdings, including WH Smith, Hiscox and AIB, all mentioned in the commentary above. We also reduced some positions that had delivered strong performance, including UK retailer Pets at Home, multinational pharmaceutical business Novo Nordisk and French technology company SAP.

Outlook

Events like the extreme market reaction to the COVID-19 outbreak are difficult to predict, and while, from an investment viewpoint, such events can be painful in the short term, they can also create opportunities for long-term investors. We believe that investing in quality companies when they are being undervalued can help to deliver long-term benefits for our customers, as markets return to more normal levels.

In the current environment, we have seen a high level of investor 'clustering' around companies that have moved through the COVID-19 crisis and thrived – for example, on a global level, some large US technology companies. As these areas of the market have attracted increasing numbers of investors, we believe there are signs of market exuberance; i.e. that the shares of some of these companies are becoming overvalued. We think there is now an elevated risk of disappointment in cyclical stocks (those more

closely aligned with cycles in the wider economy) that have high levels of debt, and growth stocks that have become very highly valued, particularly given the extraordinarily uncertain macroeconomic environment.

We have remained consistent as regards our fundamental positioning and balanced approach. We continue to divide the portfolio between 'stable growth' companies – those that have a proven track record of producing stable earnings – and 'opportunities' companies – which tend to be less predictable, but have what we believe to be significant upside potential. We think this approach provides good diversification, which should help the portfolio perform in different market conditions. We are now keeping an eye out for relative value in the stable growth part of the market, as well as in higher quality opportunities companies.

In terms of the current fund, we remain confident in the quality of the stocks within the 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 customers, and we continue to be optimistic about their prospects.

John William Olsen

Fund manager

An employee of M&G FA Limited (formerly 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 Pan European Select Fund

Authorised Corporate Director's Report

Portfolio statement

as at 31 August		2020	2020	2019 [a]
Holding		€'000	%	%
	EQUITIES	144,780	99.05	97.86
	Oil, gas & consumable fuels	6,221	4.26	4.62
454,922	Equinor	6,221	4.26	
	Chemicals	14,279	9.77	7.79
86,421	Akzo Nobel	7,244	4.96	
33,199	Linde	7,035	4.81	
	Construction materials	1,930	1.32	1.37
48,102	LafargeHolcim	1,930	1.32	
	Electrical equipment	9,215	6.30	4.40
87,972	Schneider Electric	9,215	6.30	
	Machinery	2,899	1.98	2.12
101,709	Andritz	2,899	1.98	
	Commercial services & supplies	5,002	3.42	5.03
231,102	ISS	2,996	2.05	
40,659	Société BIC	2,006	1.37	
	Air freight & logistics	8,824	6.04	4.23
67,796	DSV PANALPINA	8,824	6.04	
	Marine	7,604	5.20	4.05
46,687	Kuehne & Nagel	7,604	5.20	
	Textiles, apparel & luxury goods	3,537	2.42	2.68
48,727	HUGO BOSS	1,094	0.75	
40,768	Pandora	2,443	1.67	
	Specialty retail	12,502	8.55	9.42
1,612,673	Pets at Home	5,353	3.66	
546,738	WH Smith	7,149	4.89	
	Food products	7,415	5.07	5.16
72,897	Nestlé	7,415	5.07	
	Household products	6,597	4.51	3.62
78,266	Reckitt Benckiser	6,597	4.51	
	Personal products	6,372	4.36	4.77
129,232	Unilever	6,372	4.36	
	Health care providers & services	7,179	4.91	4.40
100,943	Fresenius Medical Care	7,179	4.91	
	Pharmaceuticals	18,327	12.54	11.05
22,135	ALK-Abelló	6,066	4.15	
177,934	GlaxoSmithKline	2,964	2.03	
166,498	Novo-Nordisk	9,297	6.36	
	Banks	6,144	4.20	5.86
1,470,132	AIB	1,548	1.06	
93,008	Bank of Georgia	942	0.64	
515,754	ING	3,654	2.50	
	Capital markets	811	0.56	1.35
188,564	Georgia Capital	811	0.56	
	Insurance	2,263	1.55	2.31
254,770	Hiscox	2,263	1.55	
	IT services	5,022	3.44	4.59
103,841	Amadeus IT	5,022	3.44	
	Software	6,444	4.41	3.67
46,224	SAP	6,444	4.41	
	Entertainment	6,193	4.24	5.37
149,148	CTS Eventim	6,193	4.24	
Portfolio of investments		144,780	99.05	97.86

M&G Pan European Select Fund

Authorised Corporate Director's Report

Portfolio statement (continued)

as at 31 August		2020	2020	2019 ^[a]
Holding		€'000	%	%
	CASH EQUIVALENTS	1,340	0.92	2.93
	'AAA' rated money market funds ^[b]	1,340	0.92	2.93
1,376,728	Northern Trust Global Fund - Euro	1,340	0.92	
Total portfolio (notes 2c & 2d on page 8)		146,120	99.97	100.79
Net other assets / (liabilities)		39	0.03	(0.79)
Net assets attributable to shareholders before fair value accounting adjustment		146,159	100.00	100.00
Total portfolio before fair value accounting adjustment		146,120	99.97	100.79
Fair value accounting adjustment		(708)	0.00	0.00
Total portfolio (notes 2c & 2d on page 8)		145,412	99.97	100.79
Net other assets / (liabilities)		39	0.03	(0.79)
Net assets attributable to shareholders		145,451	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. 2019 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 2020	€'000
Purchases	
WH Smith	2,771
Akzo Nobel	628
AIB	406
ALK-Abelló	401
Hiscox	363
Total purchases	4,569
Sales	
WH Smith	2,068
Novo-Nordisk	1,992
Pets at Home	1,190
CTS Eventim	834
SAP	716
Fresenius Medical Care	716
DSV PANALPINA	424
Nestlé	422
Total sales	8,362

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

	2020	2019	2018
as at 31 August	€'000	€'000	€'000
Fund net asset value (NAV)	145,451	152,759	313,063

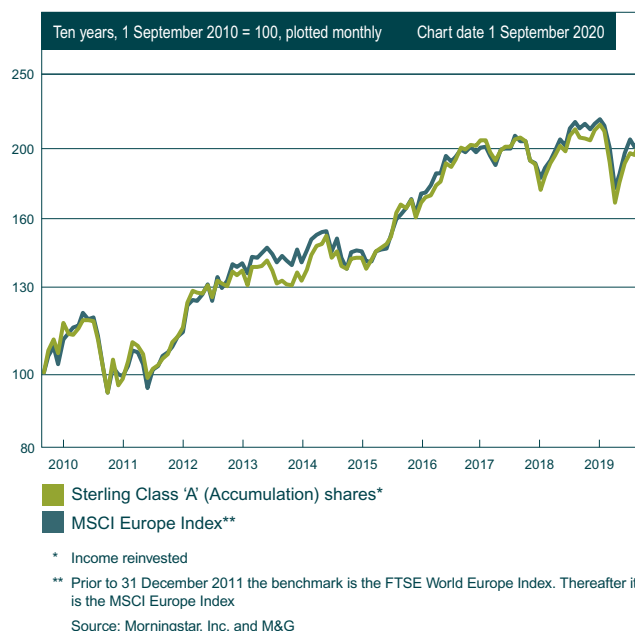
Performance since launch

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 the comparator benchmark's total return 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.

Long-term performance by share class

	One year 02.09.19 % [a]	Three years 01.09.17 % pa	Five years 01.09.15 % pa	Since launch % pa
Sterling [b]				
Class 'A'	-2.5	+0.7	+8.0	+7.7 [c]
Class 'I'	-2.1	+1.4	+8.7	+9.5 [d]
Class 'R'	-2.3	+1.1	+8.5	+9.2 [d]
Class 'X'	-2.5	+0.7	+8.0	+11.0 [e]

[a] Absolute basis.

[b] Price to price with income reinvested.

[c] 29 September 1989, the end of the initial offer period of the predecessor unit trust.

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

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

M&G Pan European Select Fund

Financial highlights

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 depository, 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 Trust 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.

Operating charges are 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.

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	2020	2019	2018	Average ^[a]
Direct portfolio transaction costs ^[b]	%	%	%	%
Broker commission	0.00	0.01	0.02	0.01
Taxes	0.01	0.00	0.04	0.02
Costs before dilution adjustments	0.01	0.01	0.06	0.03
Dilution adjustments ^[c]	0.00	(0.01)	(0.03)	(0.01)
Total direct portfolio transaction costs	0.01	0.00	0.03	0.02
as at 31 August	2020	2019	2018	Average ^[a]
Indirect portfolio transaction costs	%	%	%	%
Average portfolio dealing spread	0.08	0.06	0.07	0.07

^[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 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 11 September 2020.

Sterling Class 'A' Income share performance

The share class was launched on 29 September 1989. for the year to 31 August			
	2020	2019	2018
Change in NAV per share	UK p	UK p	UK p
Opening NAV	218.93	224.64	222.26
Return before operating charges and after direct portfolio transaction costs	(1.38)	3.41	11.68
Operating charges	(2.51)	(3.47)	(3.73)
Return after operating charges	(3.89)	(0.06)	7.95
Distributions	(3.47)	(5.65)	(5.57)
Closing NAV	211.57	218.93	224.64
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.02	0.03	0.13
Dilution adjustments ^[a]	(0.01)	(0.03)	(0.06)
Total direct portfolio transaction costs	0.01	0.00	0.07
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.00	0.03
Operating charges ^[c]	1.20	1.64	1.67
Return after operating charges	-1.78	-0.03	+3.58
Historic yield	1.59	2.39	2.49
Effect on yield of charges offset against capital	1.20	1.61	1.65
Other information			
Closing NAV (€000)	67,715	72,956	80,239
Closing NAV percentage of total fund NAV (%)	46.55	47.76	25.63
Number of shares	28,639,189	30,214,990	32,047,244
Highest share price (UK p)	232.78	230.70	232.36
Lowest share price (UK p)	157.54	190.14	208.38

Sterling Class 'A' Accumulation share performance

The share class was launched on 29 September 1989. for the year to 31 August			
	2020	2019	2018
Change in NAV per share	UK p	UK p	UK p
Opening NAV	475.71	475.69	459.06
Return before operating charges and after direct portfolio transaction costs	(2.89)	7.38	24.34
Operating charges	(5.46)	(7.36)	(7.71)
Return after operating charges	(8.35)	0.02	16.63
Distributions	(2.09)	(4.67)	(3.87)
Retained distributions	2.09	4.67	3.87
Closing NAV	467.36	475.71	475.69
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.04	0.07	0.27
Dilution adjustments ^[a]	(0.02)	(0.06)	(0.12)
Total direct portfolio transaction costs	0.02	0.01	0.15
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.00	0.03
Operating charges ^[c]	1.20	1.64	1.67
Return after operating charges	-1.76	0.00	+3.62
Historic yield	0.39	0.79	0.82
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€000)	43,309	46,812	51,071
Closing NAV percentage of total fund NAV (%)	29.78	30.64	16.31
Number of shares	8,292,045	8,921,950	9,632,302
Highest share price (UK p)	505.77	490.67	482.11
Lowest share price (UK p)	343.71	402.66	432.56

Sterling Class 'I' Income share performance

The share class was launched on 3 August 2012. for the year to 31 August			
	2020	2019	2018
Change in NAV per share	UK p	UK p	UK p
Opening NAV	1,748.52	1,781.09	1,749.00
Return before operating charges and after direct portfolio transaction costs	(10.75)	27.74	92.34
Operating charges	(11.71)	(15.33)	(16.24)
Return after operating charges	(22.46)	12.41	76.10
Distributions	(27.82)	(44.98)	(44.01)
Closing NAV	1,698.24	1,748.52	1,781.09
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.16	0.25	1.03
Dilution adjustments ^[a]	(0.08)	(0.22)	(0.45)
Total direct portfolio transaction costs	0.08	0.03	0.58
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.00	0.03
Operating charges ^[c]	0.70	0.91	0.92
Return after operating charges	-1.28	+0.70	+4.35
Historic yield	1.59	2.37	2.49
Effect on yield of charges offset against capital	0.70	0.89	0.90
Other information			
Closing NAV (€000)	9,911	11,127	12,397
Closing NAV percentage of total fund NAV (%)	6.81	7.29	3.96
Number of shares	522,208	576,992	624,464
Highest share price (UK p)	1,862.79	1,841.21	1,841.23
Lowest share price (UK p)	1,261.71	1,511.21	1,646.62

M&G Pan European Select Fund

Financial highlights

Specific share class performance

Sterling Class 'T' Accumulation share performance

The share class was launched on 3 August 2012. for the year to 31 August			
	2020	2019	2018
Change in NAV per share	UK p	UK p	UK p
Opening NAV	2,117.18	2,101.77	2,013.19
Return before operating charges and after direct portfolio transaction costs	(12.63)	33.51	107.31
Operating charges	(14.17)	(18.10)	(18.73)
Return after operating charges	(26.80)	15.41	88.58
Distributions	(19.67)	(35.68)	(32.49)
Retained distributions	19.67	35.68	32.49
Closing NAV	2,090.38	2,117.18	2,101.77
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.20	0.30	1.19
Dilution adjustments ^[a]	(0.10)	(0.26)	(0.52)
Total direct portfolio transaction costs	0.10	0.04	0.67
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.00	0.03
Operating charges ^[c]	0.70	0.91	0.92
Return after operating charges	-1.27	+0.73	+4.40
Historic yield	0.89	1.46	1.56
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€000)	14,135	11,900	9,735
Closing NAV percentage of total fund NAV (%)	9.72	7.79	3.11
Number of shares	605,067	509,596	415,546
Highest share price (UK p)	2,255.31	2,182.18	2,129.97
Lowest share price (UK p)	1,533.91	1,783.35	1,904.83

Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012. for the year to 31 August			
	2020	2019	2018
Change in NAV per share	UK p	UK p	UK p
Opening NAV	171.42	175.04	172.33
Return before operating charges and after direct portfolio transaction costs	(1.07)	2.71	9.08
Operating charges	(1.55)	(1.92)	(2.04)
Return after operating charges	(2.62)	0.79	7.04
Distributions	(2.72)	(4.41)	(4.33)
Closing NAV	166.08	171.42	175.04
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.02	0.02	0.10
Dilution adjustments ^[a]	(0.01)	(0.02)	(0.04)
Total direct portfolio transaction costs	0.01	0.00	0.06
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.00	0.03
Operating charges ^[c]	0.95	1.16	1.17
Return after operating charges	-1.53	+0.45	+4.09
Historic yield	1.59	2.38	2.49
Effect on yield of charges offset against capital	0.95	1.13	1.15
Other information			
Closing NAV (€000)	2,066	2,109	1,617
Closing NAV percentage of total fund NAV (%)	1.42	1.38	0.52
Number of shares	1,113,027	1,115,494	828,522
Highest share price (UK p)	182.44	180.56	180.96
Lowest share price (UK p)	123.52	148.40	162.01

Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012. for the year to 31 August			
	2020	2019	2018
Change in NAV per share	UK p	UK p	UK p
Opening NAV	207.84	206.84	198.62
Return before operating charges and after direct portfolio transaction costs	(1.26)	3.27	10.58
Operating charges	(1.89)	(2.27)	(2.36)
Return after operating charges	(3.15)	1.00	8.22
Distributions	(1.42)	(3.00)	(2.69)
Retained distributions	1.42	3.00	2.69
Closing NAV	204.69	207.84	206.84
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.02	0.03	0.12
Dilution adjustments ^[a]	(0.01)	(0.03)	(0.05)
Total direct portfolio transaction costs	0.01	0.00	0.07
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.00	0.03
Operating charges ^[c]	0.95	1.16	1.17
Return after operating charges	-1.52	+0.48	+4.14
Historic yield	0.64	1.25	1.31
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€000)	6,844	6,247	4,919
Closing NAV percentage of total fund NAV (%)	4.71	4.09	1.57
Number of shares	2,991,663	2,725,266	2,133,825
Highest share price (UK p)	221.18	214.28	209.62
Lowest share price (UK p)	150.37	175.36	187.67

Sterling Class 'X' Income share performance

The share class was launched on 1 October 2002. for the year to 31 August			
	2020	2019	2018
Change in NAV per share	UK p	UK p	UK p
Opening NAV	216.53	222.18	219.84
Return before operating charges and after direct portfolio transaction costs	(1.35)	3.36	11.53
Operating charges	(2.49)	(3.43)	(3.68)
Return after operating charges	(3.84)	(0.07)	7.85
Distributions	(3.43)	(5.58)	(5.51)
Closing NAV	209.26	216.53	222.18
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.02	0.03	0.13
Dilution adjustments ^[a]	(0.01)	(0.03)	(0.06)
Total direct portfolio transaction costs	0.01	0.00	0.07
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.00	0.03
Operating charges ^[c]	1.20	1.64	1.67
Return after operating charges	-1.77	-0.03	+3.57
Historic yield	1.59	2.39	2.49
Effect on yield of charges offset against capital	1.20	1.61	1.65
Other information			
Closing NAV (€000)	763	905	1,084
Closing NAV percentage of total fund NAV (%)	0.52	0.59	0.35
Number of shares	326,319	379,089	437,874
Highest share price (UK p)	230.23	228.18	229.82
Lowest share price (UK p)	155.81	188.06	206.10

M&G Pan 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			
	2020	2019	2018
Change in NAV per share	UK p	UK p	UK p
Opening NAV	470.11	470.10	453.67
Return before operating charges and after direct portfolio transaction costs	(2.87)	7.29	24.05
Operating charges	(5.38)	(7.28)	(7.62)
Return after operating charges	(8.25)	0.01	16.43
Distributions	(2.07)	(4.62)	(3.82)
Retained distributions	2.07	4.62	3.82
Closing NAV	461.86	470.11	470.10
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.04	0.07	0.27
Dilution adjustments ^[a]	(0.02)	(0.06)	(0.12)
Total direct portfolio transaction costs	0.02	0.01	0.15
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.00	0.03
Operating charges ^[c]	1.20	1.64	1.67
Return after operating charges	-1.75	0.00	+3.62
Historic yield	0.39	0.79	0.82
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€000)	708	703	796
Closing NAV percentage of total fund NAV (%)	0.49	0.46	0.25
Number of shares	137,229	135,504	151,966
Highest share price (UK p)	499.81	484.89	476.44
Lowest share price (UK p)	339.65	397.92	427.47

^[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	2020		2019	
		€'000	€'000	€'000	€'000
Income					
Net capital gains / (losses)	3		(1,102)		(10,474)
Revenue	5	2,631		4,777	
Expenses	6	(1,640)		(2,736)	
Net revenue / (expense) before taxation		991		2,041	
Taxation	7	(202)		(328)	
Net revenue / (expense) after taxation			789		1,713
Total return before distributions			(313)		(8,761)
Distributions	8		(1,733)		(3,066)
Change in net assets attributable to shareholders from investment activities			(2,046)		(11,827)

Statement of change in net assets attributable to shareholders

for the year to 31 August	2020		2019	
	€'000	€'000	€'000	€'000
Opening net assets attributable to shareholders		152,759		313,063
Amounts received on issue of shares	5,802		8,441	
Amounts paid on cancellation of shares	(11,455)		(34,637)	
Transfer to M&G (Lux) Pan European Select Fund	0		(123,081)	
		(5,653)		(149,277)
Dilution adjustments		11		33
Change in net assets attributable to shareholders from investment activities (see above)		(2,046)		(11,827)
Retained distributions on Accumulation shares		378		757
Unclaimed distributions		2		10
Closing net assets attributable to shareholders		145,451		152,759

M&G Pan European Select Fund

Financial statements and notes

Financial statements (continued)

Balance sheet

as at 31 August	Note	2020 €'000	2019 €'000
Assets			
Fixed assets			
Investments		144,072	149,501
Current assets			
Debtors	9	1,052	1,274
Cash and bank balances	10	375	184
Cash equivalents		1,340	4,469
Total assets		146,839	155,428
Liabilities			
Creditors			
Distribution payable		(1,005)	(1,889)
Other creditors	11	(383)	(780)
Total liabilities		(1,388)	(2,669)
Net assets attributable to shareholders		145,451	152,759

M&G Pan European Select Fund

Financial statements and notes

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 8 to 10.

The fund's functional and presentational currency is the euro 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)

	2020	2019
for the year to 31 August	€'000	€'000
Non-derivative securities	(1,052)	(9,982)
Currency gains / (losses)	(52)	(490)
Transaction charges	0	(2)
Rebate of ongoing charges from underlying funds taken to capital	2	0
Net capital gains / (losses)	(1,102)	(10,474)

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 190.

for the year to 31 August	2020 €'000	% of transaction	2019 €'000	% of transaction
a) Purchases				
Equities				
Equities before transaction costs	4,557		19,758	
Commissions	1	0.02	7	0.04
Taxes	11	0.24	0	0.00
Total purchases after transaction costs	4,569		19,765	
b) Sales				
Equities				
Equities before transaction costs	8,365		50,462	
Commissions	(3)	0.03	(20)	0.04
Total sales after transaction costs	8,362		50,442	
	2020 €'000	% of average NAV	2019 €'000	% of average NAV
c) Direct portfolio transaction costs				
Commissions paid				
Equities	4	0.00	27	0.01
Taxes paid				
Equities	11	0.01	0	0.00
Total direct portfolio transaction costs ^[a]	15	0.01	27	0.01
d) Indirect portfolio transaction costs				
Portfolio dealing spread ^[b]		0.08		0.06

^[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	2020 €'000	2019 €'000
Bank interest	0	11
Dividends from equity investments: non-taxable	2,642	4,302
Dividends from equity investments: taxable	(11)	464
Total revenue	2,631	4,777

Revenue includes currency gains/losses.

M&G Pan European Select Fund

Financial statements and notes

Notes to the financial statements

6 Expenses

	2020	2019
for the year to 31 August	€'000	€'000
Payable to the ACD or associate		
Annual charge	1,639	140
Annual management charge ^[a]	0	2,297
Administration charge ^[a]	0	253
	1,639	2,690
Payable to the Depositary or associate		
Depositary's charge (including VAT) ^[a]	0	15
Other expenses		
Audit fee (including VAT) ^[a] ^[b]	0	9
Interest payable	2	5
Safe custody charge ^[a]	(1)	17
	1	31
Total expenses	1,640	2,736

^[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 2020 were £9,000 (including VAT).

7 Taxation

	2020	2019
for the year to 31 August	€'000	€'000
a) Analysis of charge in the year		
Corporation tax	0	0
Withholding tax	202	328
Deferred tax (note 7c)	0	0
Total taxation	202	328
b) Factors affecting taxation charge for the year		
Net revenue / (expense) before taxation	991	2,041
Corporation tax at 20%	198	408
Effects of:		
Dividends from equity investments: non-taxable	(528)	(860)
Current year expenses not utilised	330	452
Withholding tax	202	328
Total tax charge (note 7a)	202	328
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 €7,885,000 (2019: €7,555,000) arising as a result of having excess management expenses. We do not expect this asset to be utilised in the foreseeable future.

8 Distributions

	2020		2019	
for the year to 31 August	Inc ^[a]	Acc ^[b]	Inc ^[a]	Acc ^[b]
	€'000	€'000	€'000	€'000
Dividend distributions				
Interim	339	5	393	1
Final	1,005	373	1,889	756
Total net distributions		1,722		3,039
Income deducted on cancellation of shares		21		43
Income received on issue of shares		(10)		(16)
Distributions		1,733		3,066
Net revenue / (expense) per statement of total return		789		1,713
Expenses offset against capital		944		1,353
Distributions		1,733		3,066

^[a] Distributions payable on Income shares.

^[b] Retained distributions on Accumulation shares.

9 Debtors

	2020	2019
as at 31 August	€'000	€'000
Amounts receivable on issues of shares	12	28
Currency deals outstanding	0	13
Dividends receivable	252	242
Withholding tax recoverable	788	991
Total debtors	1,052	1,274

10 Cash and bank balances

	2020	2019
as at 31 August	€'000	€'000
Cash held as bank balances	375	184
Total cash and bank balances	375	184

11 Other creditors

	2020	2019
as at 31 August	€'000	€'000
Amounts payable on cancellation of shares	0	179
Annual charge payable	78	83
Currency deals outstanding	0	13
Expenses payable	0	15
Payable to M&G (Lux) Pan European Select Fund	305	490
Total other creditors	383	780

12 Contingent assets, liabilities and outstanding commitments

There were no contingent assets, liabilities or outstanding commitments at the balance sheet date (2019: 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	Movements		Closing
	01.09.19	Issued	Cancelled	31.08.20
Sterling				
Class 'A' Income	30,214,990	312,256	(1,888,057)	28,639,189
Class 'A' Accumulation	8,921,950	4,693	(634,598)	8,292,045
Class 'T' Income	576,992	12,361	(67,145)	522,208
Class 'T' Accumulation	509,596	161,129	(65,658)	605,067
Class 'R' Income	1,115,494	99,297	(101,764)	1,113,027
Class 'R' Accumulation	2,725,266	400,697	(134,300)	2,991,663
Class 'X' Income	379,089	3,836	(56,606)	326,319
Class 'X' Accumulation	135,504	6,000	(4,275)	137,229

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]
Sterling			
Class 'A'	n/a	n/a	1.20
Class 'T'	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 in respect of the annual charge are disclosed in note 11.

At the balance sheet date, shareholders from within M&G plc, of which M&G Securities Limited is a wholly owned subsidiary, have holdings totalling 0.00% (2019: 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
	2020	2020	2019	2019
	€'000	€'000	€'000	€'000
Level 1	144,072	0	149,501	0
Level 2	0	0	0	0
Level 3	0	0	0	0
	144,072	0	149,501	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 10 to 11.

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 €7,204,000 (2019: €7,475,000). 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 €3,911,000 (2019: €3,971,000)*. A five per cent decrease would have an equal and opposite effect.

*Restated.

as at 31 August	2020 €'000	2019 €'000
Currency exposure in respect of the fund		
Danish krone	30,061	27,298
Euro	67,236	73,330
Norwegian krone	6,256	7,223
Sterling	25,382	28,372
Swiss franc	17,224	16,510
US dollar	0	26
Fair value accounting adjustment	(708)	0
Total	145,451	152,759

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 as there are no counterparty or derivative balances 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	01.09.19	29.02.20	02.03.20	30.04.20
Final	01.03.20	31.08.20	01.09.20	31.10.20

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.

Sterling Class 'A' Income shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income	Equalisation	2020	2019
	2020 UK p	2020 UK p	2020 UK p	2019 UK p
Interim	0.7830	0.0456	0.8286	0.8972
Final	1.7986	0.8449	2.6435	4.7489

Sterling Class 'A' Accumulation shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income	Equalisation	2020	2019
	2020 UK p	2020 UK p	2020 UK p	2019 UK p
Interim	0.0000	0.0000	0.0000	0.0000
Final	1.8996	0.1951	2.0947	4.6725

Sterling Class 'I' Income shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income	Equalisation	2020	2019
	2020 UK p	2020 UK p	2020 UK p	2019 UK p
Interim	4.4883	2.1416	6.6299	7.1308
Final	14.7709	6.4214	21.1923	37.8528

Sterling Class 'I' Accumulation shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income	Equalisation	2020	2019
	2020 UK p	2020 UK p	2020 UK p	2019 UK p
Interim	0.7746	0.0000	0.7746	0.2662
Final	10.0927	8.8053	18.8980	35.4092

Sterling Class 'R' Income shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income	Equalisation	2020	2019
	2020 UK p	2020 UK p	2020 UK p	2019 UK p
Interim	0.5382	0.1112	0.6494	0.7003
Final	0.8339	1.2398	2.0737	3.7137

Sterling Class 'R' Accumulation shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income	Equalisation	2020	2019
	2020 UK p	2020 UK p	2020 UK p	2019 UK p
Interim	0.0000	0.0000	0.0000	0.0000
Final	1.0208	0.4035	1.4243	3.0035

Sterling Class 'X' Income shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income	Equalisation	2020	2019
	2020 UK p	2020 UK p	2020 UK p	2019 UK p
Interim	0.8082	0.0114	0.8196	0.8874
Final	1.9043	0.7103	2.6146	4.6970

Sterling Class 'X' Accumulation shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income	Equalisation	2020	2019
	2020 UK p	2020 UK p	2020 UK p	2019 UK p
Interim	0.0000	0.0000	0.0000	0.0000
Final	1.8220	0.2482	2.0702	4.6174

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.

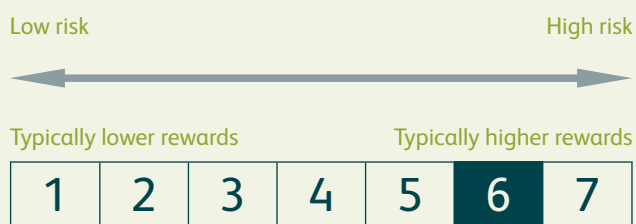
For unhedged share classes, the benchmark is shown in the share class currency.

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 changed during this period. From 1 September 2019 to 9 July 2020 the risk number was 5.

Investment review

As at 1 September 2020, for the year ended 31 August 2020

Performance against objective

Between 2 September 2019 (the start of the review period) and 1 September 2020, the fund delivered a positive total return (the combination of income and growth of capital) across all of its

M&G Pan European Select Smaller Companies Fund

Authorised Corporate Director's Report

Performance against objective (continued)

share classes. All share classes lagged the fund's benchmark, the EMIX Smaller European Companies Index, which returned 2.7%, 5.0% and 14.5% in sterling, euro and US dollar respectively over the 12 months.

Over five years, the fund has delivered positive total returns, however, it has not finished ahead of the benchmark for the period. The benchmark returned 9.6% pa, 5.5% pa and 6.8% pa in sterling, euros and US dollars, respectively over five years. Therefore, the fund's performance has not met its 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 'Financial highlights' section of this report.

Performance review

Broad European stockmarkets delivered negative returns for the 12 months under review, at points experiencing levels of volatility, or market turbulence, that surpassed that of the financial crisis in 2008. However, smaller European companies proved more resilient than the wider European market, delivering positive returns in sterling, euro and US dollar terms for the period.

As we entered the review period, market sentiment was dominated by a number of repeat themes, 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 both euphoria and risk aversion, depending on how those negotiations were perceived to be progressing. 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, geopolitical tensions in the Middle East and weakness in the oil price, amid potential declining demand in the face of reduced economic activity.

Despite these difficulties, markets maintained a generally upward trajectory, and as we entered the new year investors appeared upbeat. The Brexit situation had relatively stabilised, following a majority conservative government win in the UK's December general election, trade tensions between the US and China appeared to be cooling, and concerns over declining global economic activity were being ameliorated by central bank intervention in both Europe and China.

This positive sentiment, however, was to prove short-lived. The mood darkened as news of the new coronavirus outbreak spreading from China took a detrimental toll. As we moved through the review period, initial hopes that COVID-19 might be contained faded as new outbreaks were reported beyond China, notably in Iran, Italy and South Korea. Fearful of the emergence of a global pandemic and its potential negative effects on the global economy, stocks sold off in dramatic fashion at the end of February, resulting in the largest weekly stockmarket fall since 2008. The World Health Organisation subsequently confirmed

those fears, declaring a full-blown pandemic, which led to a rapid acceleration of the sell-off. This prompted the worst quarter for global markets since the 2008 financial crisis, and for some the worst first quarter on record.

Investor sentiment then turned for the better, and we experienced the strongest second quarter since 2009, driven by central bank stimulus measures and efforts to reopen some areas of major economies, both of which fuelled the positive mood. In global markets this broad recovery extended through the summer, however, the pace of recovery in Europe was slower, hampered by events including the introduction of tighter travel restrictions, particularly from the UK, as this added to concerns that a rise in coronavirus cases across Europe could stifle economic recovery if further widespread lockdowns became necessary.

Against this background, within the smaller European companies universe, the best-performing sector was information technology, particularly given that widespread lockdowns saw the adoption of technology solutions for those vast swathes of the workforce able to work from home, while utilities and healthcare also delivered strong returns. Conversely, far-and-away the worst-performing sector for the period was oil & gas, in light of reduced demand for oil amid lockdowns and travel restrictions. Other laggards included consumer services and financials, both of which declined for the period in sterling terms.

For the fund, relative underperformance was driven by stock selection within the consumer services sector, as well as the fund's above-index positions in oil & gas and consumer services, and below-index position in utilities. At an individual stock level, the largest detractor for the period was UK retailer WH Smith. Given widespread travel bans and country lockdowns, WH Smith saw a major drop in shoppers at both its airport and high street outlets. In May the company reported that April revenue was down 85% on the previous year, with the UK high street business recording a 74% drop in sales and the travel business a 91% drop. While its shares picked up to a degree in June as lockdowns were eased, they again declined through July, exacerbated by news of store closures and staff redundancies, including in the company's head office.

Georgian investment and development company Georgia Capital, meanwhile, saw its shares weaken amid soured sentiment in the country, on the back of a wave of mass protests against the government in Georgia's capital Tbilisi over what are believed to be failed promises on electoral system reform. This was against a backdrop of general investor malaise within the European financial sector.

Danish global services provider ISS dragged on returns as well. The company's shares fell sharply after it cut its earnings and cashflow guidance for the year, while warning that it might not reach its ambitious medium-term targets until 2022, a year later than previously forecast, with lower profits partly resulting from problems in France, Denmark and Hong Kong. ISS also suffered a major malware attack in February that disrupted its global

M&G Pan European Select Smaller Companies Fund

Authorised Corporate Director's Report

Performance review (continued)

operations. In addition, amid lockdowns, with entire companies working from home and offices shuttered, investors perceived a large slowdown in ISS's operations.

Other laggards included German ticketing and live entertainment business CTS Eventim, French petrochemical storage provider Rubis and German biotech company Magforce.

On the upside, stock selection within financials, industrials and healthcare was supportive, with the fund's largest contributor for the period being Swedish online stock broker Avanza, which saw a large increase in retail customers who began trading under lockdown.

Another key contributor was Danish allergy immunotherapy specialist ALK-Abelló. ALK's shares rallied on news that it had initiated a new Phase III trial in China for its house dust mite (HDM) allergy programme, with the study designed to secure approval for the therapy several years earlier than previously planned, and at a reduced cost. ALK subsequently said it could launch the product in China as early as 2023, opening up a lucrative new market for its treatments.

Other supportive holdings included Swedish software product producer Vitec Software, Swiss industrial valve maker VAT Group and French drinks company Remy Cointreau.

Investment activities

We run a concentrated portfolio of fewer than 50 holdings, maintaining a watch-list 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 watch-list closely, waiting patiently for short-term issues to create buying opportunities.

During the period under review, 14 such opportunities presented themselves. These included German chemical distribution company Brenntag, which has strong market positions in Central, Eastern and Western Europe, and provides scale and a well-established logistics network. Brenntag supplies 10,000 products to over 180,000 customers, with customised formulations and short lead-times. COVID disruptions provided a good entry point, but more importantly, we believe, is that a new chief executive joined at the beginning of January with a mandate to improve operational efficiency and growth. We were able to buy the shares at a discount, with any improvements from better execution as a bonus.

As another example, we bought shares in UK aviation company Dart Group, owner of Jet2 holidays and a leading airline focused on package holidays. We think the business has a strong culture and customer focus, which has fed its brand. Dart was set to have a bumper 2020, taking share from competitor Thomas Cook, but COVID-19 dashed travel plans. We participated in a rights issue (where a company issues shares at a special price to existing shareholders) at what we felt was an attractive price, which raised enough capital to see the company through the first quarter of

2021 with no commercial flights. In the longer term, we think its brand strength and customer service through the crisis should result in higher market share as weaker competitors struggle.

As a final example, we invested in German financial marketplace platform Hypoport. Hypoport's main product is a profitable and fast-growing mortgage platform in Germany, and the company has been expanding the platform into adjacent insurance, which should mean continued growth in the medium term. In terms of valuation, it was a similar story to the other examples listed above. As COVID-19 lockdowns spooked the market, the company's share price fell some 40% from its peak, and we bought the shares at a discount to online marketplace peers.

Conversely, we closed 16 positions during the period under review for several key reasons: where we thought the shares had become fully valued; where we had lost faith in the investment case for the businesses; or where what we believed to be better investment opportunities presented themselves.

Outlook

Events like the extreme market reaction to the COVID-19 outbreak are difficult to predict, and while, from an investment viewpoint, such events can be painful in the short term, they can also create opportunities for long-term investors. We believe that investing in quality companies when they are being undervalued can help to deliver long-term benefits for our customers, as markets return to more normal levels.

In the current environment, we have seen a high level of investor 'clustering' around companies that have moved through the COVID-19 crisis and thrived. As these areas of the market have attracted increasing numbers of investors, we believe there are signs of market exuberance; i.e. that the shares of some of these companies are becoming overvalued. We think there is now an elevated risk of disappointment in cyclical stocks (those more closely aligned with cycles in the wider economy) that have high levels of debt, and growth stocks that have become very highly valued, particularly given the extraordinarily uncertain macroeconomic environment.

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. This was certainly the case in light of the COVID-19-induced market sell-off, where we believe we were able to take advantage of bargain valuations to invest in good companies.

M&G Pan European Select Smaller Companies Fund

Authorised Corporate Director's Report

Outlook (continued)

In terms of the current portfolio, while underperformance is frustrating, 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 FA Limited (formerly 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 Pan European Select Smaller Companies Fund

Authorised Corporate Director's Report

Portfolio statement

as at 31 August		2020	2020	2019
Holding		€'000	%	%
	EQUITIES	157,661	99.40	98.73
	Software & computer services	18,046	11.38	5.91
338,611	EMIS	3,852	2.43	
181,777	Keyword Studios	4,437	2.80	
48,256	SimCorp	5,089	3.21	
165,719	Vitec Software	4,668	2.94	
	Technology hardware & equipment	2,971	1.87	0.00
26,987	SOITEC	2,971	1.87	
	Health care providers	4,735	2.98	2.52
441,584	Medicover	4,735	2.98	
	Pharmaceuticals & biotechnology	14,499	9.14	6.66
20,208	ALK-Abelló	5,538	3.49	
236,186	Biotage	3,760	2.37	
184,439	Laboratorios Farmaceuticos Rovi	5,201	3.28	
	Banks	6,231	3.93	6.02
196,462	Avanza Bank	3,120	1.97	
99,195	KBC Ancora	3,111	1.96	
	Investment banking & brokerage services	9,461	5.96	4.92
127,479	Flatex	5,061	3.19	
334,747	Georgia Capital	1,440	0.91	
5,950	Hypoport	2,939	1.85	
67,919	MyBucks	21	0.01	
	Non-life insurance	2,261	1.43	0.00
254,518	Hiscox	2,261	1.43	
	Automobiles & parts	2,309	1.46	1.61
46,674	PIERER Mobility	2,309	1.46	
	Consumer services	6,278	3.96	2.09
1,110,414	Karnov	6,278	3.96	
	Household goods & home construction	1,495	0.94	2.98
1,931,748	Cairn Homes	1,495	0.94	
	Leisure goods	3,146	1.98	1.81
119,670	Thule	3,146	1.98	
	Media	9,795	6.18	5.29
527,665	Auto Trader	3,313	2.09	
141,320	CTS Eventim	5,868	3.70	
438,535	HolidayCheck	614	0.39	
	Retailers	8,907	5.62	11.01
721,352	Pets at Home	2,394	1.51	
498,095	WH Smith	6,513	4.11	
	Travel & leisure	3,872	2.44	1.66
197,987	Dart	1,574	0.99	
700,615	On the Beach	2,298	1.45	
	Beverages	5,050	3.18	0.00
36,596	Remy Cointreau	5,050	3.18	
	Food producers	4,311	2.72	4.43
102,383	Cranswick	4,311	2.72	
	Construction & materials	6,745	4.25	3.99
400,144	Arbonia	4,443	2.80	
4,789,212	SigmaRoc	2,302	1.45	
	General industrials	0	0.00	1.98
	Industrial engineering	11,368	7.17	10.97
143,308	Aalberts	4,603	2.90	
3,762	Rational	2,032	1.28	
29,152	VAT	4,733	2.99	
	Industrial support services	8,182	5.16	14.21
72,959	DCC	5,435	3.43	
128,184	Loomis	2,747	1.73	
	Industrial transportation	12,547	7.91	4.82
44,598	DSV PANALPINA	5,805	3.66	

M&G Pan European Select Smaller Companies Fund

Authorised Corporate Director's Report

Portfolio statement (continued)

as at 31 August		2020	2020	2019
Holding		€'000	%	%
	EQUITIES (continued)			
	Industrial transportation (continued)			
23,460	ID Logistics	4,443	2.80	
152,656	Logista	2,299	1.45	
	Chemicals	9,117	5.75	1.53
143,796	AlzChem	3,538	2.23	
63,950	Brenntag	3,331	2.10	
800,120	MagForce	2,248	1.42	
	Non-renewable energy	6,335	3.99	4.32 ^[a]
122,200	Lundin Petroleum	2,499	1.57	
97,565	Rubis	3,836	2.42	
Portfolio of investments		157,661	99.40	98.73
	CASH EQUIVALENTS	854	0.54	1.44
	'AAA' rated money market funds ^[b]	854	0.54	1.44
877,977	Northern Trust Global Fund - Euro	854	0.54	
Total portfolio (notes 2c & 2d on page 8)		158,515	99.94	100.17
Net other assets / (liabilities)		92	0.06	(0.17)
Net assets attributable to shareholders before fair value accounting adjustment		158,607	100.00	100.00
Total portfolio before fair value accounting adjustment		158,515	99.94	100.17
Fair value accounting adjustment		985	0.00	0.00
Total portfolio (notes 2c & 2d on page 8)		159,500	99.94	100.17
Net other assets / (liabilities)		92	0.06	(0.17)
Net assets attributable to shareholders		159,592	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.

M&G Pan European Select Smaller Companies Fund

Authorised Corporate Director's Report

Top ten portfolio transactions

for the year to 31 August 2020	
Largest purchases	€'000
Remy Cointreau	5,336
Hiscox	4,795
Keywords Studios	4,550
SimCorp	4,495
DSV PANALPINA	3,995
Lundin Petroleum	3,786
Vitec Software	3,475
Biotage	3,012
Auto Trader	2,869
Brenntag	2,770
Other purchases	26,281
Total purchases	65,364
Largest sales	€'000
Sopra Steria	6,968
Pets at Home	6,885
Equiniti	4,677
Bank of Ireland	4,509
WH Smith	4,304
Avanza Bank	4,240
ISS	4,234
DS Smith	3,808
DCC	3,760
VAT	3,729
Other sales	73,394
Total sales	120,508

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.

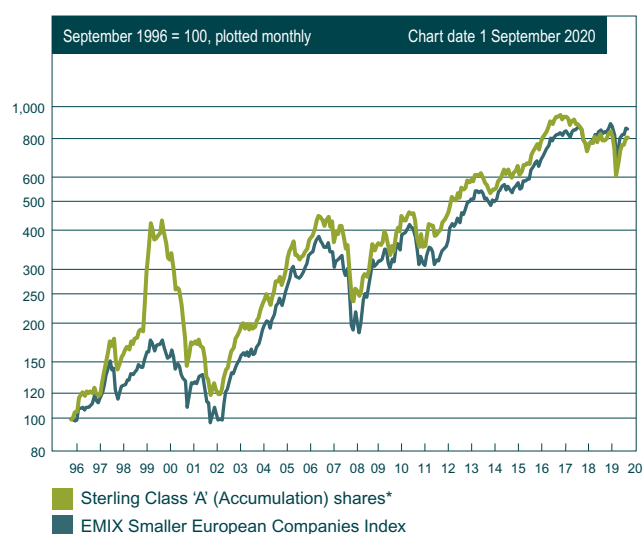
Fund level performance

Fund net asset value

as at 31 August	2020 €'000	2019 €'000	2018 €'000
Fund net asset value (NAV)	159,592	209,245	195,641

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

Source: Morningstar, Inc. and M&G

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 02.09.19 % ^[a]	Three years 01.09.17 % pa	Five years 01.09.15 % pa	Since launch % pa
Euro^[b]				
Class 'A'	+3.5	-3.9	+1.6	+6.3 ^[c]
Class 'C'	+4.3	-3.2	+2.3	+7.1 ^[c]
Sterling^[d]				
Class 'A'	+1.8	-4.9	+5.6	+9.1 ^[e]
Class 'I'	+2.3	-4.3	+6.3	+9.8 ^[f]
Class 'R'	+2.0	-4.5	+6.1	+9.5 ^[f]
Class 'X'	+1.8	-4.9	+5.6	+11.1 ^[g]
US dollar^[b]				
Class 'A'	+13.2	-3.7	+2.8	+2.6 ^[h]
Class 'C'	+14.1	-3.0	+3.6	+3.4 ^[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

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 depository, 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 Trust 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.

Operating charges are 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.

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	2020	2019	2018	Average ^[a]
Direct portfolio transaction costs ^[b]	%	%	%	%
Broker commission	0.04	0.03	0.04	0.04
Taxes	0.03	0.09	0.09	0.07
Costs before dilution adjustments	0.07	0.12	0.13	0.11
Dilution adjustments ^[c]	(0.03)	(0.04)	(0.04)	(0.04)
Total direct portfolio transaction costs	0.04	0.08	0.09	0.07
as at 31 August	2020	2019	2018	Average ^[a]
Indirect portfolio transaction costs	%	%	%	%
Average portfolio dealing spread	0.38	0.31	0.31	0.33

^[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 11 September 2020.

Euro Class 'A' Accumulation share performance

The share class was launched on 28 November 2001. for the year to 31 August			
	2020	2019	2018
Change in NAV per share	Euro €	Euro €	Euro €
Opening NAV	3,028.08	3,399.39	3,525.70
Return before operating charges and after direct portfolio transaction costs	160.65	(319.13)	(65.45)
Operating charges	(50.04)	(52.18)	(60.86)
Return after operating charges	110.61	(371.31)	(126.31)
Distributions	0.00	(17.89)	(2.50)
Retained distributions	0.00	17.89	2.50
Closing NAV	3,138.69	3,028.08	3,399.39
Direct portfolio transaction costs	Euro €	Euro €	Euro €
Costs before dilution adjustments	2.06	3.66	4.69
Dilution adjustments ^[a]	(0.93)	(1.30)	(1.32)
Total direct portfolio transaction costs	1.13	2.36	3.37
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.04	0.08	0.09
Operating charges ^[c]	1.65	1.68	1.68
Return after operating charges	+3.65	-10.92	-3.58
Historic yield	0.00	0.08	0.07
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€'000)	4,389	5,932	11,504
Closing NAV percentage of total fund NAV (%)	2.74	2.83	5.88
Number of shares	139,850	195,903	338,426
Highest share price (Euro €)	3,527.58	3,423.56	3,808.35
Lowest share price (Euro €)	1,965.66	2,737.12	3,380.49

Euro Class 'C' Accumulation share performance

The share class was launched on 28 November 2001. for the year to 31 August			
	2020	2019	2018
Change in NAV per share	Euro €	Euro €	Euro €
Opening NAV	3,450.64	3,844.70	3,957.93
Return before operating charges and after direct portfolio transaction costs	183.87	(361.61)	(75.31)
Operating charges	(29.22)	(32.45)	(37.92)
Return after operating charges	154.65	(394.06)	(113.23)
Distributions	(12.43)	(46.98)	(33.41)
Retained distributions	12.43	46.98	33.41
Closing NAV	3,605.29	3,450.64	3,844.70
Direct portfolio transaction costs	Euro €	Euro €	Euro €
Costs before dilution adjustments	2.33	4.16	5.28
Dilution adjustments ^[a]	(1.05)	(1.48)	(1.49)
Total direct portfolio transaction costs	1.28	2.68	3.79
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.04	0.08	0.09
Operating charges ^[c]	0.85	0.92	0.93
Return after operating charges	+4.48	-10.25	-2.86
Historic yield	0.35	0.93	0.88
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€'000)	17,085	15,996	544
Closing NAV percentage of total fund NAV (%)	10.71	7.64	0.28
Number of shares	473,877	463,580	14,152
Highest share price (Euro €)	4,034.61	3,873.72	4,287.80
Lowest share price (Euro €)	2,249.93	3,103.03	3,822.24

Sterling Class 'A' Income share performance

The share class was launched on 30 September 1996. for the year to 31 August			
	2020	2019	2018
Change in NAV per share	UK p	UK p	UK p
Opening NAV	335.91	381.77	414.01
Return before operating charges and after direct portfolio transaction costs	13.17	(32.31)	(18.29)
Operating charges	(4.42)	(5.70)	(6.85)
Return after operating charges	8.75	(38.01)	(25.14)
Distributions	(4.00)	(7.85)	(7.10)
Closing NAV	340.66	335.91	381.77
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.22	0.41	0.53
Dilution adjustments ^[a]	(0.10)	(0.14)	(0.15)
Total direct portfolio transaction costs	0.12	0.27	0.38
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.04	0.08	0.09
Operating charges ^[c]	1.35	1.65	1.68
Return after operating charges	+2.60	-9.96	-6.07
Historic yield	1.20	2.01	1.87
Effect on yield of charges offset against capital	1.35	1.63	1.65
Other information			
Closing NAV (€'000)	49,595	69,052	82,301
Closing NAV percentage of total fund NAV (%)	31.08	33.01	42.07
Number of shares	13,027,008	18,638,811	19,341,487
Highest share price (UK p)	365.02	385.58	431.14
Lowest share price (UK p)	224.40	308.71	386.22

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			
	2020	2019	2018
Change in NAV per share	UK p	UK p	UK p
Opening NAV	374.73	416.18	443.04
Return before operating charges and after direct portfolio transaction costs	14.63	(35.24)	(19.53)
Operating charges	(4.88)	(6.21)	(7.33)
Return after operating charges	9.75	(41.45)	(26.86)
Distributions	0.00	(2.31)	(0.31)
Retained distributions	0.00	2.31	0.31
Closing NAV	384.48	374.73	416.18
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.24	0.44	0.57
Dilution adjustments ^[a]	(0.11)	(0.16)	(0.16)
Total direct portfolio transaction costs	0.13	0.28	0.41
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.04	0.08	0.09
Operating charges ^[c]	1.35	1.66	1.68
Return after operating charges	+2.60	-9.96	-6.06
Historic yield	0.00	0.08	0.07
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€000)	16,526	16,936	21,118
Closing NAV percentage of total fund NAV (%)	10.36	8.09	10.79
Number of shares	3,846,132	4,097,725	4,552,703
Highest share price (UK p)	407.20	420.32	461.41
Lowest share price (UK p)	250.33	336.53	413.34

Sterling Class 'I' Income share performance

The share class was launched on 3 August 2012. for the year to 31 August			
	2020	2019	2018
Change in NAV per share	UK p	UK p	UK p
Opening NAV	1,863.09	2,102.00	2,262.32
Return before operating charges and after direct portfolio transaction costs	73.41	(177.90)	(100.49)
Operating charges	(15.29)	(17.58)	(20.82)
Return after operating charges	58.12	(195.48)	(121.31)
Distributions	(22.25)	(43.43)	(39.01)
Closing NAV	1,898.96	1,863.09	2,102.00
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	1.22	2.24	2.90
Dilution adjustments ^[a]	(0.55)	(0.80)	(0.82)
Total direct portfolio transaction costs	0.67	1.44	2.08
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.04	0.08	0.09
Operating charges ^[c]	0.85	0.92	0.93
Return after operating charges	+3.12	-9.30	-5.36
Historic yield	1.19	1.99	1.87
Effect on yield of charges offset against capital	0.85	0.90	0.90
Other information			
Closing NAV (€000)	5,848	6,007	6,777
Closing NAV percentage of total fund NAV (%)	3.66	2.87	3.46
Number of shares	275,563	292,341	289,278
Highest share price (UK p)	2,028.50	2,123.07	2,357.99
Lowest share price (UK p)	1,248.12	1,703.77	2,121.78

Sterling Class 'I' Accumulation share performance

The share class was launched on 3 August 2012. for the year to 31 August			
	2020	2019	2018
Change in NAV per share	UK p	UK p	UK p
Opening NAV	2,076.71	2,289.68	2,419.27
Return before operating charges and after direct portfolio transaction costs	81.70	(193.89)	(107.38)
Operating charges	(17.04)	(19.08)	(22.21)
Return after operating charges	64.66	(212.97)	(129.59)
Distributions	(7.38)	(28.27)	(19.90)
Retained distributions	7.38	28.27	19.90
Closing NAV	2,141.37	2,076.71	2,289.68
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	1.36	2.43	3.09
Dilution adjustments ^[a]	(0.61)	(0.86)	(0.87)
Total direct portfolio transaction costs	0.75	1.57	2.22
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.04	0.08	0.09
Operating charges ^[c]	0.85	0.92	0.93
Return after operating charges	+3.11	-9.30	-5.36
Historic yield	0.35	0.91	0.88
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€000)	38,655	42,023	17,337
Closing NAV percentage of total fund NAV (%)	24.22	20.08	8.86
Number of shares	1,615,244	1,834,697	679,327
Highest share price (UK p)	2,260.96	2,312.58	2,521.75
Lowest share price (UK p)	1,391.17	1,855.85	2,269.13

Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012. for the year to 31 August			
	2020	2019	2018
Change in NAV per share	UK p	UK p	UK p
Opening NAV	184.56	208.76	225.27
Return before operating charges and after direct portfolio transaction costs	7.24	(17.67)	(10.00)
Operating charges	(1.95)	(2.22)	(2.63)
Return after operating charges	5.29	(19.89)	(12.63)
Distributions	(2.20)	(4.31)	(3.88)
Closing NAV	187.65	184.56	208.76
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.12	0.22	0.29
Dilution adjustments ^[a]	(0.05)	(0.08)	(0.08)
Total direct portfolio transaction costs	0.07	0.14	0.21
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.04	0.08	0.09
Operating charges ^[c]	1.10	1.17	1.18
Return after operating charges	+2.87	-9.53	-5.61
Historic yield	1.20	1.99	1.87
Effect on yield of charges offset against capital	1.10	1.15	1.15
Other information			
Closing NAV (€000)	640	548	625
Closing NAV percentage of total fund NAV (%)	0.40	0.26	0.32
Number of shares	305,292	269,287	268,705
Highest share price (UK p)	200.75	210.85	234.70
Lowest share price (UK p)	123.47	169.08	210.94

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			
	2020	2019	2018
Change in NAV per share	UK p	UK p	UK p
Opening NAV	204.07	225.56	238.94
Return before operating charges and after direct portfolio transaction costs	8.01	(19.10)	(10.60)
Operating charges	(2.17)	(2.39)	(2.78)
Return after operating charges	5.84	(21.49)	(13.38)
Distributions	(0.22)	(2.26)	(1.36)
Retained distributions	0.22	2.26	1.36
Closing NAV	209.91	204.07	225.56
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.13	0.24	0.31
Dilution adjustments ^[a]	(0.06)	(0.09)	(0.09)
Total direct portfolio transaction costs	0.07	0.15	0.22
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.04	0.08	0.09
Operating charges ^[c]	1.10	1.17	1.18
Return after operating charges	+2.86	-9.53	-5.60
Historic yield	0.11	0.63	0.61
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€000)	6,260	6,330	6,908
Closing NAV percentage of total fund NAV (%)	3.92	3.03	3.53
Number of shares	2,668,431	2,812,189	2,747,673
Highest share price (UK p)	221.97	227.81	248.98
Lowest share price (UK p)	136.52	182.68	223.77

Sterling Class 'X' Income share performance

The share class was launched on 1 October 2002. for the year to 31 August			
	2020	2019	2018
Change in NAV per share	UK p	UK p	UK p
Opening NAV	332.27	377.64	409.52
Return before operating charges and after direct portfolio transaction costs	12.99	(31.96)	(18.07)
Operating charges	(4.33)	(5.64)	(6.78)
Return after operating charges	8.66	(37.60)	(24.85)
Distributions	(3.96)	(7.77)	(7.03)
Closing NAV	336.97	332.27	377.64
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.22	0.40	0.52
Dilution adjustments ^[a]	(0.10)	(0.14)	(0.15)
Total direct portfolio transaction costs	0.12	0.26	0.37
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.04	0.08	0.09
Operating charges ^[c]	1.35	1.66	1.68
Return after operating charges	+2.61	-9.96	-6.07
Historic yield	1.20	2.01	1.87
Effect on yield of charges offset against capital	1.35	1.63	1.65
Other information			
Closing NAV (€000)	1,833	1,938	2,777
Closing NAV percentage of total fund NAV (%)	1.15	0.93	1.42
Number of shares	486,713	528,883	659,859
Highest share price (UK p)	361.08	381.40	426.47
Lowest share price (UK p)	221.98	305.37	382.04

Sterling Class 'X' Accumulation share performance

The share class was launched on 1 October 2002. for the year to 31 August			
	2020	2019	2018
Change in NAV per share	UK p	UK p	UK p
Opening NAV	370.20	411.14	437.73
Return before operating charges and after direct portfolio transaction costs	14.44	(34.80)	(19.34)
Operating charges	(4.81)	(6.14)	(7.25)
Return after operating charges	9.63	(40.94)	(26.59)
Distributions	0.00	(2.28)	(0.30)
Retained distributions	0.00	2.28	0.30
Closing NAV	379.83	370.20	411.14
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.24	0.44	0.56
Dilution adjustments ^[a]	(0.11)	(0.16)	(0.16)
Total direct portfolio transaction costs	0.13	0.28	0.40
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.04	0.08	0.09
Operating charges ^[c]	1.35	1.66	1.68
Return after operating charges	+2.60	-9.96	-6.07
Historic yield	0.00	0.08	0.07
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€000)	1,033	1,027	1,408
Closing NAV percentage of total fund NAV (%)	0.65	0.49	0.72
Number of shares	243,267	251,417	307,168
Highest share price (UK p)	402.28	415.23	455.83
Lowest share price (UK p)	247.31	332.46	408.34

US dollar Class 'A' Accumulation share performance

The share class was launched on 8 August 2014. for the year to 31 August			
	2020	2019	2018
Change in NAV per share	US €	US €	US €
Opening NAV	1,042.28	1,236.53	1,303.07
Return before operating charges and after direct portfolio transaction costs	139.77	(175.77)	(43.75)
Operating charges	(17.30)	(18.48)	(22.79)
Return after operating charges	122.47	(194.25)	(66.54)
Distributions	0.00	(6.16)	(0.91)
Retained distributions	0.00	6.16	0.91
Closing NAV	1,164.75	1,042.28	1,236.53
Direct portfolio transaction costs	US €	US €	US €
Costs before dilution adjustments	0.71	1.30	1.76
Dilution adjustments ^[a]	(0.32)	(0.46)	(0.50)
Total direct portfolio transaction costs	0.39	0.84	1.26
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.04	0.08	0.09
Operating charges ^[c]	1.65	1.68	1.67
Return after operating charges	+11.75	-15.71	-5.11
Historic yield	0.00	0.08	0.08
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€000)	176	214	442
Closing NAV percentage of total fund NAV (%)	0.11	0.10	0.23
Number of shares	17,998	22,634	41,714
Highest share price (US €)	1,213.09	1,255.52	1,467.90
Lowest share price (US €)	658.76	972.43	1,200.10

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			
	2020	2019	2018
Change in NAV per share	US ¢	US ¢	US ¢
Opening NAV	1,083.35	1,275.61	1,334.15
Return before operating charges and after direct portfolio transaction costs	146.40	(181.75)	(45.69)
Operating charges	(9.42)	(10.51)	(12.85)
Return after operating charges	136.98	(192.26)	(58.54)
Distributions	(4.21)	(14.75)	(11.09)
Retained distributions	4.21	14.75	11.09
Closing NAV	1,220.33	1,083.35	1,275.61
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.75	1.34	1.79
Dilution adjustments ^[a]	(0.34)	(0.48)	(0.50)
Total direct portfolio transaction costs	0.41	0.86	1.29
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.04	0.08	0.09
Operating charges ^[c]	0.85	0.92	0.93
Return after operating charges	+12.64	-15.07	-4.39
Historic yield	0.35	0.98	0.89
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€000)	17,552	43,242	43,900
Closing NAV percentage of total fund NAV (%)	11.00	20.67	22.44
Number of shares	1,712,207	4,407,172	4,015,639
Highest share price (US ¢)	1,264.33	1,295.76	1,507.55
Lowest share price (US ¢)	687.76	1,005.54	1,237.67

^[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	2020		2019	
		€'000	€'000	€'000	€'000
Income					
Net capital gains / (losses)	3		7,050		(24,082)
Revenue	5	2,432		5,228	
Expenses	6	(1,993)		(2,726)	
Net revenue / (expense) before taxation		439		2,502	
Taxation	7	(32)		(223)	
Net revenue / (expense) after taxation			407		2,279
Total return before distributions			7,457		(21,803)
Distributions	8		(1,069)		(3,407)
Change in net assets attributable to shareholders from investment activities			6,388		(25,210)

Statement of change in net assets attributable to shareholders

for the year to 31 August	2020		2019	
	€'000	€'000	€'000	€'000
Opening net assets attributable to shareholders		209,245		195,641
Amounts received on issue of shares	3,497		50,461	
Amounts paid on cancellation of shares	(59,939)		(13,444)	
		(56,442)		37,017
Dilution adjustments		142		202
Change in net assets attributable to shareholders from investment activities (see above)		6,388		(25,210)
Retained distributions on Accumulation shares		259		1,595
Closing net assets attributable to shareholders		159,592		209,245

M&G Pan European Select Smaller Companies Fund

Financial statements and notes

Financial statements (continued)

Balance sheet

as at 31 August	Note	2020 €'000	2019 €'000
Assets			
Fixed assets			
Investments		158,646	206,577
Current assets			
Debtors	9	403	1,155
Cash and bank balances	10	508	903
Cash equivalents		854	3,024
Total assets		160,411	211,659
Liabilities			
Creditors			
Distribution payable		(680)	(1,813)
Other creditors	11	(139)	(601)
Total liabilities		(819)	(2,414)
Net assets attributable to shareholders		159,592	209,245

M&G Pan European Select Smaller Companies Fund

Financial statements and notes

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 8 to 10.

The fund's functional and presentational currency is the euro 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)

	2020	2019
for the year to 31 August	€'000	€'000
Non-derivative securities	7,168	(23,938)
Currency gains / (losses)	(120)	(133)
Transaction charges	2	(11)
Net capital gains / (losses)	7,050	(24,082)

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 208.

for the year to 31 August	2020 €'000	% of transaction	2019 €'000	% of transaction
a) Purchases				
Equities				
Equities before transaction costs	65,282		95,834	
Commissions	24	0.04	40	0.04
Taxes	58	0.09	188	0.20
Total purchases after transaction costs	65,364		96,062	
b) Sales				
Equities				
Equities before transaction costs	120,549		53,314	
Commissions	(41)	0.03	(21)	0.04
Other transaction types				
Corporate actions	0		2,317	
Total sales after transaction costs	120,508		55,610	
	2020 €'000	% of average NAV	2019 €'000	% of average NAV
c) Direct portfolio transaction costs				
Commissions paid				
Equities	65	0.04	61	0.03
Taxes paid				
Equities	58	0.03	188	0.09
Total direct portfolio transaction costs ^[a]	123	0.07	249	0.12
d) Indirect portfolio transaction costs				
		%		%
Portfolio dealing spread ^[b]		0.38		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	2020 €'000	2019 €'000
Bank interest	1	1
Dividends from equity investments: non-taxable	2,204	4,891
Dividends from equity investments: taxable	(29)	158
Rebate of ongoing charges from underlying funds	1	0
Stock dividends	255	178
Total revenue	2,432	5,228

Revenue includes currency gains/losses.

M&G Pan European Select Smaller Companies Fund

Financial statements and notes

Notes to the financial statements

6 Expenses

	2020	2019
for the year to 31 August	€'000	€'000
Payable to the ACD or associate		
Annual charge	1,980	190
Annual management charge ^[a]	0	2,192
Administration charge ^[a]	0	290
	1,980	2,672
Payable to the Depositary or associate		
Depositary's charge (including VAT) ^[a]	0	16
Other expenses		
Audit fee (including VAT) ^[a] ^[b]	0	9
Interest payable	14	6
Safe custody charge ^[a]	(1)	23
	13	38
Total expenses	1,993	2,726

^[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 2020 were £9,000 (including VAT).

7 Taxation

	2020	2019
for the year to 31 August	€'000	€'000
a) Analysis of charge in the year		
Corporation tax	0	0
Withholding tax	32	223
Deferred tax (note 7c)	0	0
Total taxation	32	223
b) Factors affecting taxation charge for the year		
Net revenue / (expense) before taxation	439	2,502
Corporation tax at 20%	88	500
Effects of:		
Dividends from equity investments: non-taxable	(441)	(978)
Stock dividends not taxable	(5)	(35)
Expenses not deductible for tax purposes	(46)	0
Current year expenses not utilised	404	513
Withholding tax	32	223
Total tax charge (note 7a)	32	223
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 €4,952,000 (2019: €4,548,000) arising as a result of having excess management expenses. We do not expect this asset to be utilised in the foreseeable future.

8 Distributions

	2020		2019	
for the year to 31 August	Inc ^[a]	Acc ^[b]	Inc ^[a]	Acc ^[b]
Dividend distributions	€'000	€'000	€'000	€'000
Final	680	259	1,813	1,595
Total net distributions		939		3,408
Income deducted on cancellation of shares		138		51
Income received on issue of shares		(8)		(52)
Distributions		1,069		3,407
Net revenue / (expense) per statement of total return		407		2,279
Expenses offset against capital		848		1,306
Stock dividends not distributed		(229)		(178)
Income deficit transferred to capital		43		0
Distributions		1,069		3,407

^[a] Distributions payable on Income shares.

^[b] Retained distributions on Accumulation shares.

9 Debtors

	2020	2019
as at 31 August	€'000	€'000
Amounts receivable on issues of shares	0	90
Currency deals outstanding	0	224
Dividends receivable	90	60
Sales awaiting settlement	0	286
Withholding tax recoverable	313	495
Total debtors	403	1,155

10 Cash and bank balances

	2020	2019
as at 31 August	€'000	€'000
Cash held as bank balances	508	903
Total cash and bank balances	508	903

11 Other creditors

	2020	2019
as at 31 August	€'000	€'000
Amounts payable on cancellation of shares	53	182
Annual charge payable	86	113
Currency deals outstanding	0	225
Expenses payable	0	19
Purchases awaiting settlement	0	62
Total other creditors	139	601

12 Contingent assets, liabilities and outstanding commitments

There were no contingent assets, liabilities or outstanding commitments at the balance sheet date (2019: same).

M&G Pan European Select Smaller Companies 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	Movements		Closing
	01.09.19	Issued	Cancelled	31.08.20
Euro				
Class 'A' Accumulation	195,903	1,248	(57,301)	139,850
Class 'C' Accumulation	463,580	30,509	(20,212)	473,877
Sterling				
Class 'A' Income	18,638,811	155,395	(5,767,198)	13,027,008
Class 'A' Accumulation	4,097,725	19,503	(271,096)	3,846,132
Class 'T' Income	292,341	18,137	(34,915)	275,563
Class 'T' Accumulation	1,834,697	17,604	(237,057)	1,615,244
Class 'R' Income	269,287	98,381	(62,376)	305,292
Class 'R' Accumulation	2,812,189	297,141	(440,899)	2,668,431
Class 'X' Income	528,883	12,758	(54,928)	486,713
Class 'X' Accumulation	251,417	11,132	(19,282)	243,267
US dollar				
Class 'A' Accumulation	22,634	0	(4,636)	17,998
Class 'C' Accumulation	4,407,172	0	(2,694,965)	1,712,207

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 'T'	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.

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 in respect of the annual charge are disclosed in note 11.

At the balance sheet date, shareholders from within M&G plc, of which M&G Securities Limited is a wholly owned subsidiary, have holdings totalling 25.39% (2019: 34.16%) 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
	2020	2020	2019	2019
Basis of valuation	€'000	€'000	€'000	€'000
Level 1	158,646	0	206,577	0
Level 2	0	0	0	0
Level 3	0	0	0	0
	158,646	0	206,577	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'.

M&G Pan European Select Smaller Companies Fund

Financial statements and notes

Notes to the financial statements

18 Risk management policies

The general risk management policies for the fund are set out in note 3 to the financial statements on pages 10 to 11.

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 €7,932,000 (2019: €10,329,000). 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 €4,992,000 (2019: €5,723,000)*. A five per cent decrease would have an equal and opposite effect.

*Restated.

as at 31 August	2020 €'000	2019 €'000
Currency exposure in respect of the fund		
Danish krone	16,686	11,089
Euro	59,743	94,792
Norwegian krone	12	13
Sterling	39,448	57,937
Swedish krona	31,109	26,829
Swiss franc	11,609	17,007
US dollar	0	1,578
Fair value accounting adjustment	985	0
Total	159,592	209,245

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 as there are no counterparty or derivative balances 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			
	Start	End	Xd	Payment	Start	End	Xd	Payment	Start	End	Xd	Payment	Start	End	Xd	Payment
Final	01.09.19	31.08.20	01.09.20	31.10.20												

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	Equalisation	2020	2019
	2020	2020	2020	2019
	Euro €	Euro €	Euro €	Euro €
Final	0.0000	0.0000	0.0000	17.8904

Euro Class 'C' Accumulation shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income	Equalisation	2020	2019
	2020	2020	2020	2019
	Euro €	Euro €	Euro €	Euro €
Final	0.0000	12.4262	12.4262	46.9755

Sterling Class 'A' Income shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income	Equalisation	2020	2019
	2020	2020	2020	2019
	UK p	UK p	UK p	UK p
Final	3.2591	0.7409	4.0000	7.8537

Sterling Class 'A' Accumulation shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income	Equalisation	2020	2019
	2020	2020	2020	2019
	UK p	UK p	UK p	UK p
Final	0.0000	0.0000	0.0000	2.3057

Sterling Class 'I' Income shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income	Equalisation	2020	2019
	2020	2020	2020	2019
	UK p	UK p	UK p	UK p
Final	15.8541	6.3913	22.2454	43.4290

Sterling Class 'I' Accumulation shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income	Equalisation	2020	2019
	2020	2020	2020	2019
	UK p	UK p	UK p	UK p
Final	3.6705	3.7101	7.3806	28.2708

Sterling Class 'R' Income shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income	Equalisation	2020	2019
	2020	2020	2020	2019
	UK p	UK p	UK p	UK p
Final	0.9119	1.2889	2.2008	4.3067

Sterling Class 'R' Accumulation shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income	Equalisation	2020	2019
	2020	2020	2020	2019
	UK p	UK p	UK p	UK p
Final	0.1430	0.0783	0.2213	2.2581

M&G Pan European Select Smaller Companies 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 Distribution	
	Income	Equalisation	2020	2019
	2020	2020	2020	2019
	UK p	UK p	UK p	UK p
Final	3.4628	0.4940	3.9568	7.7689

Sterling Class 'X' Accumulation shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income	Equalisation	2020	2019
	2020	2020	2020	2019
	UK p	UK p	UK p	UK p
Final	0.0000	0.0000	0.0000	2.2779

US dollar Class 'A' Accumulation shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income	Equalisation	2020	2019
	2020	2020	2020	2019
	US ¢	US ¢	US ¢	US ¢
Final	0.0000	0.0000	0.0000	6.1600

US dollar Class 'C' Accumulation shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income	Equalisation	2020	2019
	2020	2020	2020	2019
	US ¢	US ¢	US ¢	US ¢
Final	4.2059	0.0000	4.2059	14.7480

M&G Investment Funds (1)

Other regulatory disclosures

Remuneration

In line with the requirements of the Undertakings for Collective Investments 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 policy is designed to ensure that any relevant conflicts of interest can be managed appropriately at all times and that the remuneration of employees is in line with the risk policies and objectives of the UCITS funds managed by the UCITS Manager. Further details of the remuneration policy can be found here: <https://www.mandg.com/about-us/policies-and-business-principles>. The remuneration policy, and its implementation, is reviewed on an annual basis, or more frequently where required, and is approved by the M&G plc Board Remuneration Committee.

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 2019, aggregate remuneration of £37,357,114 (£6,853,720 in respect of fixed remuneration and £30,503,394 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 £2,111,206 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.

Charity Authorised Investment Fund (CAIF) : An investment entity that is both a registered charity and an authorised investment fund. The CAIF must comply with charity law as well as financial services laws and regulations, and is usually treated as a registered charity for tax purposes.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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.

Glossary

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 predetermined 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.

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.

Glossary

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 represents the operating costs investors can reasonably expect to pay under normal circumstances.

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 nonpayment by the borrower such as a high-quality fixed income security issued by a government or cash.

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

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

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

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.

Glossary

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

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

Treasuries: Fixed income securities issued by the US government.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

