



M&G Investment Funds (14)

Annual Long Report and audited Financial Statements
for the year ended 30 April 2017



Contents

M&G Investment Funds (14)

Authorised Corporate Director's Report	Page	1
Depository's Responsibilities and Report	Page	3
Independent Auditor's Report	Page	4
Financial statements and notes	Page	5
Directors' statement	Page	8

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

M&G Income Allocation Fund	Page	9
M&G Prudent Allocation Fund	Page	31

Other regulatory disclosures

Page	49
-------------	-----------

Glossary

Page	50
-------------	-----------

M&G Investment Funds (14)

Authorised Corporate Director's Report

The Authorised Corporate Director (ACD) of M&G Investment Funds (14) presents its Annual Long Report and audited Financial Statements for the year ended 30 April 2017.

The audited financial statements of M&G Investment Funds (14) 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 (14) is an umbrella Open-Ended Investment Company (OEIC) and contains two sub-funds, hereinafter referred to as 'funds' in the rest of this report. Each fund is a UCITS (Undertakings for Collective Investment in Transferable Securities) scheme as defined in the Collective Investment Schemes sourcebook, as issued (and amended) by the Financial Conduct Authority (FCA). This OEIC is an Investment Company with Variable Capital (ICVC) incorporated under the Open-Ended Investment Companies Regulations 2001. It is authorised and regulated by the FCA under the Financial Services and Markets Act 2000.

The Company was authorised on 8 October 2013, the M&G Income Allocation Fund was launched on 7 November 2013 and the M&G Prudent Allocation Fund was launched on 23 April 2015.

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

As at 30 April 2017, none of the funds held shares of the other funds within this OEIC.

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

Fund managers

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

M&G Income Allocation Fund

Steven Andrew

M&G Prudent Allocation Fund

Juan Nevado & Craig Moran

ACD

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

(Authorised and regulated by the Financial Conduct Authority. M&G Securities Limited is a member of the Investment Association and of the Tax Incentivised Savings Association.)

Directors of the ACD

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

Investment manager

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

Registrar

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

Depositary

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

Independent auditor

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

Important information

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

Please note that with effect from 1 July 2016, the M&G Prudent Allocation Fund began taking the annual management charge, administration charge and where relevant the share class hedging charge, from capital in the case of Income shares. These charges continue to be charged to income for Accumulation shares.

This change will have no impact on the fund's investment approach. The fund's objective and policy will remain unchanged. All costs associated with introducing the change will be borne by M&G Securities Limited.

Investor information

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

M&G Investment Funds (14)

Authorised Corporate Director's Report

Investor information

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 RBCIS, 14, Porte de France, 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

Austrian paying and information agent:

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

Belgian financial agent:

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

Danish representative agent:

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

French centralising agent:

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

German information agent:

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

Greek paying agent and distributor:

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

Irish facilities agent:

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

Italian paying agents:

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

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

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

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

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

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

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

Luxembourg paying and information agent:

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

Portuguese distributor:

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

Spanish representative:

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

Swedish paying agent:

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

Swiss paying agent and representative:

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

Authorised Corporate Director's Responsibilities

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

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

M&G Investment Funds (14)

Depository's Responsibilities and Report

Statement of the Depository's Responsibilities and Report of the Depository to the Shareholders of M&G Investment Funds (14) ('the Company') for the period ended 30 April 2017

The Depository must ensure that the Company is managed in accordance with the Financial Conduct Authority's Collective Investment Schemes sourcebook, the Open-Ended Investment Companies Regulations 2001 (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 (this requirement on the Depository applied from 18 March 2016) and that cash of the Company is booked into the cash accounts in accordance with the Regulations;
- the sale, issue, redemption and cancellation of shares are carried out in accordance with the Regulations;
- the value of shares in the Company is calculated in accordance with the Regulations;
- any consideration relating to transactions in the Company's assets is remitted to the Company within the usual time limits;
- the Company's income is applied in accordance with the Regulations; and
- the instructions of the Authorised Fund Manager ('the AFM') are carried out (unless they conflict with the Regulations).

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

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

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

Edinburgh
14 June 2017

National Westminster Bank Plc
Trustee and Depository Services

M&G Investment Funds (14)

Independent Auditor's Report

Independent Auditor's Report to the shareholders of M&G Investment Funds (14) ICVC

We have audited the financial statements of M&G Investment Funds (14) ICVC ('the Company') for the year ended 30 April 2017 which comprise the Statement of Total Return and Statement of Change in Net Assets Attributable to Shareholders together with the Balance Sheet for the Company comprising its sub-funds, the accounting policies and risk management policies of the Company and the related notes for the sub-funds. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS102 'The Financial Reporting Standard applicable to the UK and the Republic of Ireland'.

This report is made solely to the Company's 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.

Respective responsibilities of the Authorised Corporate Director and Auditor

As explained more fully in the Authorised Corporate Director's responsibilities statement set out on page 2, the Authorised Corporate Director is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

Scope of the audit of the financial statements

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

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

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

Opinion on the financial statements

In our opinion:

- The financial statements give a true and fair view of the financial position of the Company comprising the sub-funds as at 30 April 2017 and of the net revenue and the net capital gains on the scheme property of the Company comprising the sub-funds for the year then ended; and
- The financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

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

In our opinion:

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

Edinburgh
14 June 2017

Ernst & Young LLP
Statutory Auditor

The financial statements are published at www.mandg.com/IF14-Annual, which is a website maintained by M&G Securities Limited and M&G Financial Services Limited (M&G). The maintenance and integrity of the M&G website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

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

M&G Investment Funds (14)

Financial statements and notes

The financial statements for M&G Investment Funds (14) comprise the individual financial statements for the funds and the notes below.

Notes to the financial statements

1 Statement of compliance

The financial statements of M&G Investment Funds (14) 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.

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

2 Summary of significant accounting policies

a) Basis of preparation

The financial statements of M&G Investment Funds (14) are prepared on a going concern basis, under the historical cost convention as modified by the revaluation of certain financial assets and liabilities measured at fair value through profit or loss.

b) Functional and presentational currency

The functional and presentational currency of M&G Investment Funds (14) is euros.

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 April 2017 being the last business day of the accounting period.

d) Investments - recognition and valuation

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

At the end of the reporting period all investments have been measured at their fair value using the prices and the portfolio holdings determined at 12 noon on 28 April 2017, being the last valuation point of the accounting period, as this is not materially different from a valuation carried out at close of business on the balance sheet date.

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

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

M&G Investment Funds (14)

Financial statements and notes

Notes to the financial statements

2 Summary of significant accounting policies (continued)

f) Treatment of income and expenses

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

g) Tax

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

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

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

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

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

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

3 Risk management policies

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

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

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

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

Market risk

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

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

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

M&G Investment Funds (14)

Financial statements and notes

Notes to the financial statements

3 Risk management policies (continued)

Commitment approach

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

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

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

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

Value at Risk approach

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

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

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

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

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

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

Fund	Global exposure approach
M&G Income Allocation Fund	VaR
M&G Prudent Allocation Fund	VaR

Liquidity risk

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

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

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

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

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

Credit risk

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

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

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

M&G Investment Funds (14)

Financial statements and notes

Directors' statement

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

G W MACDOWALL
L J MUMFORD } Directors

14 June 2017

M&G Income Allocation Fund

Authorised Corporate Director's Report

Investment objective

The Fund aims to generate a growing level of income over the medium term through investment in a range of global assets. The Fund also aims to provide capital growth over the long term.

Investment policy

The manager adopts a flexible approach to the allocation of capital between asset classes in response to changes in economic conditions and the valuation of assets. As a result, at any one time the portfolio may be diversified across asset classes, sectors, currencies and countries or, at the investment manager's discretion, may be more focussed. Market risk will be managed through active asset allocation.

The Fund can invest in transferable securities such as equities and fixed income assets (including, but not limited to, corporate bonds and government and public securities), warrants, money market instruments, deposits, cash and near cash. The Fund's exposure to these assets may be gained directly, or indirectly via investment in collective investment schemes and via derivatives (including equity index futures, currency forwards, interest rate swaps and other derivatives). The manager may seek to manage currency risk through the combination of diversification and hedging. Derivatives may also be used for efficient portfolio management purposes.

Investment approach

The fund manager believes the best way to meet the income objective is by investing flexibly among different asset classes. This approach combines in-depth research to determine the value of assets over the medium to long term, with analysis of investors' emotional reaction to events to identify investment opportunities. In particular, the manager seeks to respond when asset prices move away from a reasonable sense of 'fair' value due to investors reacting emotionally to events. He believes such episodes create opportunities because emotions should be less important than asset valuations over the medium and long term.

The fund invests in a range of income-generating assets from around the world. It will typically invest 10-50% of its assets in company shares, 40-80% in fixed income securities and up to 20% in other assets, which can include convertibles (fixed income investments that have the right to be converted into a predetermined number of company shares). At least 70% of the fund will be held in euro assets. The fund may also invest in derivatives, which are financial instruments whose value is linked to the expected future price movements of an underlying asset. The holdings in different asset classes will be adjusted regularly according to where the fund manager sees the most value and to manage risks.

Risk profile

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

The fund adopts a flexible approach to the allocation of capital between asset classes in response to changes in economic conditions and the valuation of assets, and the manager will seek to maximise portfolio diversity wherever possible. The fund has a bias towards income-producing assets. Income distributions from the fund's holdings, however, are not guaranteed and may vary.

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

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



The above number:

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

Investment review

As at 2 May 2017, for the year ended 30 April 2017

Distribution summary

The fund distributed 12 monthly payments totalling 37.08c per Euro Class 'A' (Income) share over the 12 months under review. This represents a decrease of 8.6% from the 40.58c distributed during the same period a year earlier. The lower distribution reflects the lower level of returns available in financial markets and the relatively high cash position in the fund. As at the end of the reporting period, the payout represented a yield (distributed income as a percentage of the share price at the end of the period) of 3.3%, slightly lower than the yield of 4% a year earlier.

The fund's distribution and distribution yield are shown in the 'Specific share class performance' tables in this report (the Annual Long Report and audited Financial Statements). This fund provides a variable level of income.

Performance against objective

Between 3 May 2016 (the start of the review period) and 2 May 2017, the M&G Income Allocation Fund produced a positive total return (the combination of income and growth of capital) across all of its share classes. The fund was ahead of its peer group, the Morningstar EUR Moderate Allocation Global Sector, which returned 7.5% over the same period.

M&G Income Allocation Fund

Authorised Corporate Director's Report

Investment review

Performance against objective (continued)

Although the fund's total distribution declined during the review period, it achieved its aim of generating long-term capital growth. Furthermore, the fund has produced growing income over the medium term.*

Investment performance

The 12 months under review were positive for almost all asset classes, including equities (company shares), bonds and commodities, such as oil and gold. (Bonds are loans that are extended by an investor to an issuer – such as a company or government – in exchange for regular interest payments. Bonds issued by companies are referred to as 'corporate bonds', while those issued by governments are called 'government bonds'.) This was despite the occurrence of several events that might have been expected to unsettle investors, such as the UK's vote to leave the European Union, the surprise election of Donald Trump as US president, continued conflict in the Middle East and heightened worries about North Korea.

Although various news stories caused bouts of price weakness in financial markets, this was generally short-lived. Instead, it appeared that investors preferred to focus on the general improvement in economic activity gaining traction around the world. This reinforced our view that it is important not to become distracted by the 'chatter' about, for instance, elections and referenda, which can affect asset prices but to focus on the facts, such as economic data and the relative valuations of different assets. In this way, we hope to avoid getting caught up in investors' shifting beliefs and sentiment, and to profit from the opportunities that can be created by emotionally-driven price movements.

The election of Donald Trump as US president, who pledged to reduce taxes and regulation while boosting infrastructure spending, had the effect of improving investor sentiment and increasing demand for assets generally seen as more risky, but which can deliver higher rewards, particularly company shares. So called 'safe haven' assets, such as government bonds issued by the US, Germany and Japan, suffered as investors switched into equities. However, such assets remained well supported whenever sentiment deteriorated, when, for example, it became apparent that President Trump may not easily be able to impose his policies.

Economic data continues to indicate a steady improvement in most regions of the world. Central banks, while remaining ready to act if growth were to falter, are now seemingly turning away from the policy of ultra-low, or even negative, interest rates. The Federal Reserve (Fed), for example, raised US interest rates in March 2017, the third such increase in the rate rise cycle that began in December 2015.

Because we were never as pessimistic about the state of the global economy as many investors, we have maintained a bias towards equities for the past couple of years. In our view, equities represented much better value than most government bonds, which we considered expensive. Importantly, if selected carefully, equities can pay a healthy level of income. Encouragingly, the large allocation to equities was the main driver of the fund's robust performance, with substantial value being generated by the fund's holdings of US technology stocks and banks. US banks tend to perform well whenever economic conditions in the country improve, making higher interest rates more likely. Fund

performance was also helped by holding stakes in European companies, principally in France and the UK, as well as banks in Italy and Japan. We remain comfortable maintaining exposure to US banks since the Fed is expected to make further increases in US interest rates this year, which should support banks' earnings. We did, however, sell our positions in banks from Italy and Japan.

The strength of the US dollar and the rand relative to the euro during the review period had a positive effect on the performance of the fund, boosting the value of US and South African assets to euro-based investors.

Our holdings of government and corporate bonds also helped performance, albeit to a much smaller extent than equities. The most successful positions were government bonds from South Africa, Portugal, and Colombia. Although we see little value in the government bonds from most mainstream countries, such as the UK, Germany and Japan, we hold US government bonds as 'insurance' against a major drop in equity prices. We think government bonds from countries in peripheral Europe represent better value since the yields they provide are unjustifiably higher than German or French bonds. (Bond yields refer to the interest received from a fixed interest security, which is usually expressed annually as a percentage based on the investment's cost, its current market value or its face value. Typically they move inversely to bond prices.) We also favour government bonds from certain developing countries in Latin America, Asia and Africa. Our holdings of high yield corporate bonds (issued by companies with lower credit ratings) also generated positive returns.

Investment activities

Although most asset classes rose in price during the period under review, it was not one-way traffic. There were several bouts of price turbulence, caused by investors becoming concerned about different events, such as the Brexit vote or the French election. During each of these episodes, we carefully assessed whether there had been any change in the economic background that could justify the sharp movements in price or whether they were simply driven by shifts in investors' sentiment. On occasions, we adjusted the fund's positioning in response to changes in asset prices that we thought would eventually be 'corrected'. The largest overall change was an increase in the fund's allocation to equity, where we regularly used price weakness to buy further holdings.

For example, the share prices of many Japanese banks fell sharply early in the review period owing to concern about the effect of negative interest rates on the profits of financial groups. Since we believed these worries were overdone and that the banks would remain profitable, we took advantage of lower prices to increase our holdings, a move that proved very beneficial to the fund as prices recovered later. Once these bank shares had recouped all their underperformance, we decided to sell the positions. A similar process took place in Italy, where bank shares fell ahead of a constitutional referendum. Since we felt that the share prices had fallen to interesting levels no matter who won the vote, we established a 'basket' of shares in attractively valued banks. The removal of uncertainty after the vote resulted in a sharp rally in the share prices and we eventually sold the stakes in these banks.

We also adjusted exposure to US banks, buying when share prices fell and taking profits after subsequent rallies. We still feel that equities in US banks are likely to benefit from higher growth in the US economy, as well as the multiple interest rate increases anticipated in 2017, so maintain meaningful exposure.

M&G Income Allocation Fund

Authorised Corporate Director's Report

Investment review

Investment activities (continued)

Elsewhere in equities, we established holdings in US technology firms and Taiwanese companies and used price weakness after the Brexit vote to increase exposure to domestically-oriented UK shares, which had lagged more internationally-focused stocks.

In fixed income, we materially increased our holdings of 30-year US government bonds, after price weakness improved their yields, making it more likely that they would behave differently from our holdings of equities and bonds issued by emerging market governments. We were also fairly active with regard to our holdings of bonds issued by peripheral European governments, such as Portugal and Italy. The falls in bond markets late in 2016 increased the yields offered by long-dated Portuguese government bonds (issues due to be repaid over relatively long periods) to a level that we thought was unjustified by the country's economic prospects; we therefore added to our holdings. We further increased the holdings of long-dated Portugal bonds, and also bought Italian government bonds later in the period, although we reduced the weighting of our shorter dated Portugal bonds. Towards the end of the period, we were able to reduce the size of the holdings in Portuguese debt after prices rose sharply.

The fund's cash holding remained relatively high throughout the period. Not only did this reduce the risk from potential asset price falls in the event of a negative surprise, but it gave us scope to exploit any unwarranted changes in valuation that took place. It did, however, limit the fund's income, since the interest rates on cash remained very low.

Outlook

A material improvement in economic data and corporate earnings appears to have taken place in recent months. Companies also appear to have become more optimistic in their profit outlook, which is encouraging. For the first time in many years, we could be witnessing a synchronised improvement in global growth, with the gains coming mainly from outside the US.

The potential for higher global growth and inflation seems to have resulted in a change in tone from central bankers, who now appear less keen on low or negative interest rates. Recent surveys also show signs of improving consumer and business sentiment. We believe this is very important as, despite evidence of robust global economic recovery, many investors retain the persistently pessimistic outlook about the sustainability of economic growth that has been in place since 2008.

Against a background of higher economic activity, we believe that many mainstream government bond markets remain overvalued, making them vulnerable to price falls. The exception is the US, where higher yields on long-dated government bonds should have improved their potential diversification properties. We also continue to see value in some emerging market bonds.

Meanwhile, improving economic data appears to have driven rallies in many equity markets, which are no longer as cheap as they were in recent years. This increases the importance of remaining focused and disciplined, in terms of valuation, so as to identify the cheaper markets that do not yet fully reflect the better outlook. Notwithstanding the higher levels of equity markets, we retain our view that, on the whole, equities are better value than most bonds.

Towards the end of the review period, we were encouraged that economic data and valuations had begun to drive price movements in financial markets rather than news stories, despite the heavy volume of headlines generated by politicians and policymakers. Given our valuation-driven approach, we see this as a positive development. In order to generate the best returns for our investors, we will continue to invest in those areas of the market that we believe combine strong growth characteristics with attractive valuations, while diversifying the fund across both sectors and geographies.

Steven Andrew
Fund manager

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

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

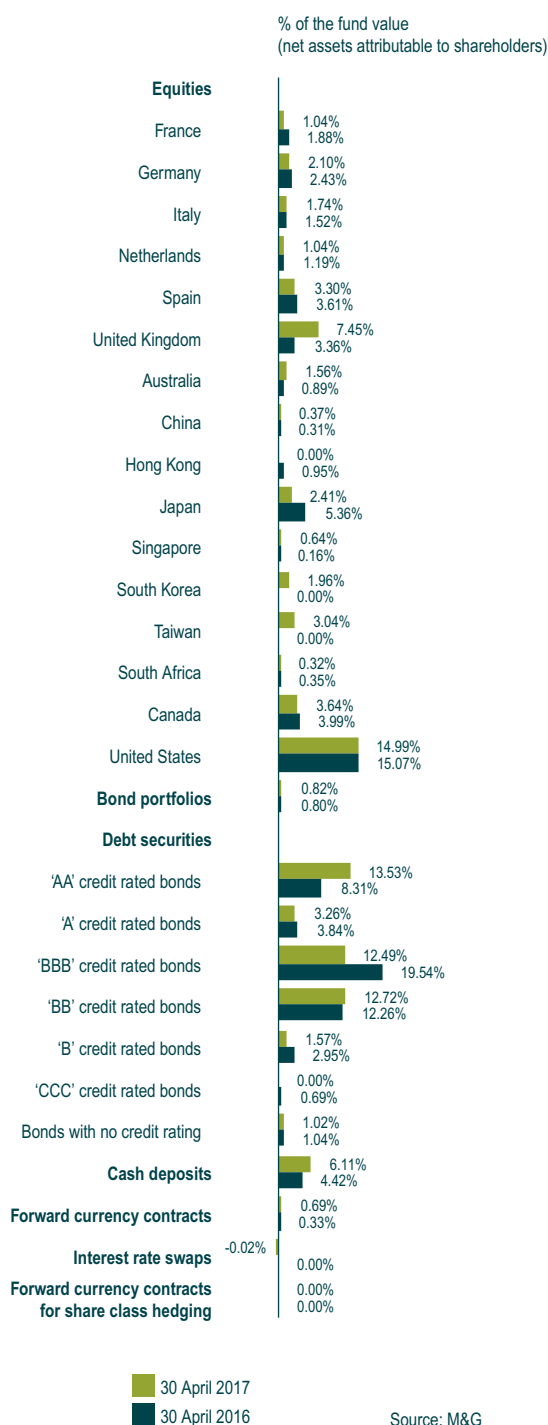
Please note that the views expressed in this Report should not be taken as a recommendation or advice on how the fund or any holding mentioned in the Report is likely to perform. If you wish to obtain financial advice as to whether an investment is suitable for your needs, you should consult a Financial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

M&G Income Allocation Fund

Authorised Corporate Director's Report

Investment review

Classification of investments



Investments

Portfolio statement

as at 30 April Holding	2017 €'000	2017 %	2016 %
Equities	418,951	45.60	41.07
France	9,539	1.04	1.88
13,515 Christian Dior	3,419	0.37	
27,069 LVMH	6,120	0.67	
Germany	19,302	2.10	2.43
160,571 Daimler	11,020	1.20	
46,554 Munich Re	8,282	0.90	
Italy	15,925	1.74	1.52
366,842 Atlantia	8,503	0.93	
626,882 Banca Mediolanum	4,376	0.48	
43,207 Tod's	3,046	0.33	
Netherlands	9,567	1.04	1.19
119,379 Akzo Nobel	9,567	1.04	
Spain	30,277	3.30	3.61
219,490 Grupo Catalana Occidentales	7,873	0.86	
251,914 Inditex	8,849	0.96	
1,372,970 Prosegur Compania Seguridad	8,169	0.89	
299,985 Red Electrica	5,386	0.59	
United Kingdom	68,498	7.45	3.36
1,216,891 BAE Systems	9,063	0.99	
749,152 British Land	5,832	0.63	
1,087,087 Carillion	2,873	0.31	
3,922,251 Cobham	6,213	0.68	
1,568,900 Cobham (nil paid rights)	1,091	0.12	
618,296 easyJet	8,522	0.93	
265,691 GlaxoSmithKline	4,874	0.53	
578,360 Greene King	5,108	0.56	
845,196 HSBC Holdings	6,365	0.69	
1,196,783 ITV	2,987	0.32	
2,331,060 Legal & General Group	6,831	0.74	
1,350,558 Marks & Spencer Group	5,854	0.64	
381,354 Pearson	2,885	0.31	
Australia	14,302	1.56	0.89
775,643 Apa Group	4,843	0.53	
1,109 BT Investment Management	9	0.00	
74,298 Commonwealth Bank of Australia	4,433	0.48	
1,517,571 Stockland	5,017	0.55	
China	3,434	0.37	0.31
7,750,000 Bank of China	3,434	0.37	
Hong Kong	0	0.00	0.95
Japan	22,104	2.41	5.36
1,874 Advance Residence Investment	4,500	0.49	
1,205 Japan Excellent Fund REIT	1,288	0.14	
8,001 Japan Hotel REIT Investment	4,981	0.54	
977 Japan Logistics Fund REIT	1,902	0.21	
2,817 Japan Retail Fund REIT	5,032	0.55	
3,037 ORIX JREIT	4,401	0.48	
Singapore	5,881	0.64	0.16
5,270,000 CapitalLand Commercial Trust	5,592	0.61	
271,000 Sembcorp Marine	289	0.03	
South Korea	17,990	1.96	0.00
60,060 Coway	4,825	0.52	
410,723 Industrial Bank of Korea	4,108	0.45	
151,044 Kangwon Land	4,387	0.48	
24,270 SK Telecom	4,670	0.51	

M&G Income Allocation Fund

Authorised Corporate Director's Report

Investments

Portfolio statement (continued)			
as at 30 April Holding	2017 €'000	2017 %	2016 %
Taiwan	27,978	3.04	0.00
3,660,000 Cathay Financial Holdings	5,362	0.58	
1,452,000 Chunghwa Telecom	4,487	0.49	
2,001,000 Hon Hai Precision Industry	5,984	0.65	
2,189,000 Pou Chen	2,799	0.30	
1,590,000 Taiwan Semiconductor Manufacturing	9,346	1.02	
South Africa	2,937	0.32	0.35
489,935 Truworths International	2,937	0.32	
Canada	33,461	3.64	3.99
148,672 Bank of Montreal	9,612	1.05	
198,311 Bank of Nova Scotia	10,000	1.09	
11,836 Fairfax Financial	4,899	0.53	
460,679 Shaw Communications	8,950	0.97	
United States	137,756	14.99	15.07
438,700 5th Third Bancorp	9,882	1.08	
88,800 American Express	6,521	0.71	
85,433 Apple	11,230	1.22	
385,600 Bank of America	8,337	0.91	
771,100 Ford Motor	8,078	0.88	
146,140 JPMorgan Chase	11,704	1.27	
508,600 KeyCorp	8,541	0.93	
58,300 M&T Bank	8,366	0.91	
97,800 Mastercard	10,468	1.14	
664,900 Meridian Bioscience	9,087	0.99	
177,200 Microsoft	11,061	1.20	
211,400 Pfizer	6,544	0.71	
86,400 PNC Financial Services	9,557	1.04	
206,200 US Bancorp	9,787	1.07	
172,625 Wells Fargo	8,593	0.93	
Bond portfolios	7,543	0.82	0.80
260,700 SPDR® Barclays 10+ Year US Corporate Bond UCITS ETF	7,543	0.82	
Debt securities	409,763	44.59	48.63
'AA' credit rated bonds	124,313	13.53	8.31
CLP11,760,000,000 Chile (Republic of) 5.5% 2020	17,194	1.87	
\$121,881,200 US Treasury 2.75% 2042	107,119	11.66	
'A' credit rated bonds	29,923	3.26	3.84
MXN469,162,400 Mexico (United Mexican States) 8.5% 2038	24,536	2.67	
PEN17,751,000 Peru (Republic of) 6.95% 2031	5,387	0.59	
'BBB' credit rated bonds	114,803	12.49	19.54
COP44,648,600,000 Colombia (Republic of) 10% 2024	16,999	1.85	
\$800,000 Ford Motor 7.125% 2025	862	0.09	
\$1,752,000 HCA Holdings 4.75% 2023	1,676	0.18	
€22,546,000 Italy (Republic of) 4.75% 2044	28,171	3.07	
€20,648,000 Italy (Republic of) 2.7% 2047	18,203	1.98	
£955,000 Marks & Spencer 4.75% 2025	1,274	0.14	
\$240,000 Norfolk Southern Railway 9.75% 2020	268	0.03	
\$3,158,000 Qwest 6.875% 2033	2,856	0.31	
£1,077,000 RWE Finance 5.625% 2023	1,560	0.17	
€18,668,000 Spain (Kingdom of) 2.15% 2025	19,740	2.15	
€13,660,000 Spain (Kingdom of) 5.15% 2044	19,446	2.12	
\$120,000 Thomson-Reuters 5.85% 2040	124	0.01	
\$327,000 Western Union 6.2% 2036	309	0.03	
\$3,566,000 Zoetis 3.25% 2023	3,315	0.36	

Portfolio statement (continued)

as at 30 April Holding	2017 €'000	2017 %	2016 %
'BB' credit rated bonds	116,902	12.72	12.26
€916,247 Ardagh Packaging Finance 4.25% 2022	941	0.10	
\$3,714,000 Bank of America Var. Rate Perp. (8%)	3,509	0.38	
£1,139,000 Barclays Bank Var. Rate Perp. (14%)	1,640	0.18	
BRL28,443,000 Brazil (Federal Republic of) 10% 2019	8,246	0.90	
£2,778,000 Enterprise Inns 6% 2023	3,514	0.38	
€3,195,000 KPN Var. Rate Perp. (6.125%)	3,409	0.37	
£1,540,000 Ladbrokes 5.125% 2023	1,818	0.20	
€2,954,000 Lock 7% 2021	3,101	0.34	
€57,343,000 Portugal (Republic of) 4.1% 2045	55,765	6.07	
ZAR501,234,702 South Africa (Republic of) 6.25% 2036	24,930	2.71	
€2,400,000 Telefónica (Europe) Var. Rate Perp. (6.5%)	2,573	0.28	
£1,252,000 Tesco 6.125% 2022	1,705	0.18	
£1,499,000 Virgin Media Secured Finance 4.875% 2027	1,809	0.20	
€3,887,000 Wind Acquisition Finance 4% 2020	3,942	0.43	
'B' credit rated bonds	14,433	1.57	2.95
€2,806,000 Altice Financing 9% 2023	3,178	0.35	
\$2,445,000 Frontier Communications 8.5% 2020	2,369	0.26	
\$2,778,000 Sprint Capital 6.875% 2028	2,731	0.30	
\$131,000 TRU Taj 12% 2021	108	0.01	
\$3,998,000 Windstream 7.5% 2023	3,448	0.37	
€2,472,000 Ziggo Bond Finance 4.625% 2025	2,599	0.28	
'CCC' credit rated bonds	0	0.00	0.69
Bonds with no credit rating	9,389	1.02	1.04
£2,968,000 Admiral 5.5% 2024	3,810	0.41	
£2,792,000 BUPA Finance 5% 2023	3,689	0.40	
£1,292,000 John Lewis 6.125% 2025	1,890	0.21	
Cash deposits	56,079	6.11	4.42
€31,986,886 BNP 0.46% 2017	31,987	3.48	
€24,092,129 Rabobank 0.55% 2017	24,092	2.63	
Forward currency contracts	6,353	0.69	0.33
AUD(6,099,223) Sold for €4,405,626 (expires 23.05.17)	245	0.03	
AUD(4,856,342) Sold for €3,453,853 (expires 23.06.17)	148	0.02	
AUD(7,797,490) Sold for €5,414,021 (expires 24.07.17)	117	0.01	
CAD(6,531,986) Sold for €4,694,947 (expires 23.05.17)	323	0.04	
CAD(4,207,788) Sold for €2,890,471 (expires 24.07.17)	81	0.01	
¥(817,052,922) Sold for €6,825,776 (expires 23.05.17)	126	0.01	
¥(842,211,012) Sold for €6,917,942 (expires 23.06.17)	14	0.00	
¥(903,655,379) Sold for €7,700,482 (expires 24.07.17)	294	0.03	
ZAR(46,594,346) Sold for €3,295,448 (expires 23.05.17)	102	0.01	
£(12,791,848) Sold for €15,102,536 (expires 23.05.17)	(25)	0.00	
£(11,903,655) Sold for €13,693,222 (expires 23.06.17)	(374)	(0.04)	
£(13,508,304) Sold for €16,057,782 (expires 24.07.17)	105	0.01	
\$27,306,438 Bought for TWD841,311,353 (expires 23.05.17)	(547)	(0.06)	

M&G Income Allocation Fund

Authorised Corporate Director's Report

Investments

Portfolio statement (continued)			
as at 30 April	2017	2017	2016
Holding	€'000	%	%
Forward currency contracts (continued)			
\$(132,609,288) Sold for €124,914,755 (expires 23.05.17)	3,803	0.41	
\$(74,844,810) Sold for €68,976,624 (expires 23.06.17)	730	0.08	
\$(79,253,136) Sold for €73,360,593 (expires 24.07.17)	1,211	0.13	
Interest rate swaps	(174)	(0.02)	0.00
£4,500,000 Pay 1.515% Receive VAR Feb 2047	(174)	(0.02)	
Portfolio of investments	898,515	97.79	95.25
Forward currency contracts for share class hedging			
SGD180,610 Bought for €118,648 (expires 31.05.17)	0	0.00	
SGD(2,079) Sold for €1,366 (expires 31.05.17)	0	0.00	
CHF800,511 Bought for €738,926 (expires 31.05.17)	0	0.00	
CHF(8,876) Sold for €8,194 (expires 31.05.17)	0	0.00	
\$1,602,581 Bought for €1,468,850 (expires 31.05.17)	(6)	0.00	
\$(14,679) Sold for €13,456 (expires 31.05.17)	0	0.00	
Total portfolio (notes 2c & 2d on page 5)	898,509	97.79	95.25
Net other assets / (liabilities)	20,321	2.21	4.75
Net assets attributable to shareholders	918,830	100.00	100.00

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

M&G Income Allocation 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 fund is available for investment in different share classes, each with varying levels of charges and minimum investments; please refer to the Prospectus for M&G Investment Funds (14), which is available free of charge either from our website at www.mandg.co.uk/prospectuses or by calling M&G Customer Relations.

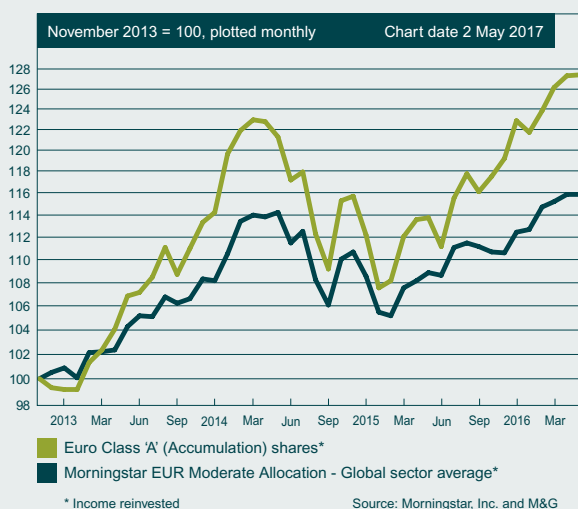
Fund level performance

Fund net asset value

as at 30 April	2017 €'000	2016 €'000	2015 €'000
Fund net asset value (NAV)	918,830	907,041	1,472,862

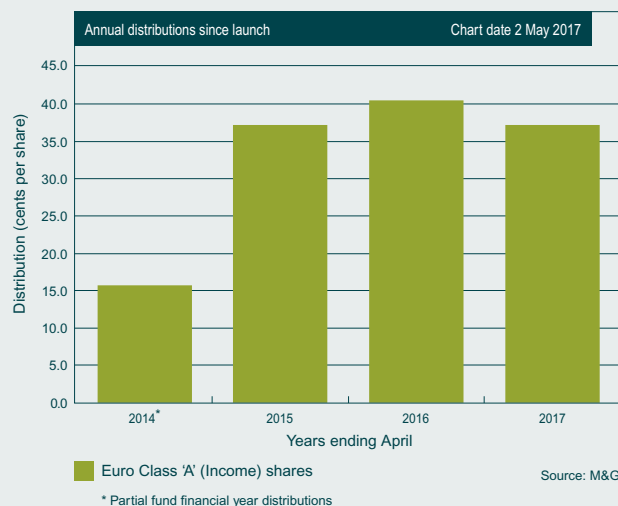
Performance since launch

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



Distribution since launch

The chart below shows the annual distribution of Euro Class 'A' (Income) shares since launch.



M&G Income Allocation Fund

Financial highlights

Fund performance

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

Long-term performance by share class				
	One year 03.05.16 % ^[a]	Three years 02.05.14 % p.a.	Five years 02.05.12 % p.a.	Since launch % p.a.
Euro ^[b]				
Class 'A'	+13.2	+6.8	n/a	+7.2 ^[c]
Class 'A Q'	+13.2	n/a	n/a	+2.6 ^[d]
Class 'B Q'	+12.7	n/a	n/a	+8.3 ^[e]
Class 'C'	+13.9	+7.5	n/a	+7.9 ^[c]
Class 'C Q'	+13.9	n/a	n/a	+3.3 ^[d]
Singapore dollar ^[b]				
Class 'A-H'	+14.7	n/a	n/a	+9.0 ^[f]
Class 'C-H'	+15.5	n/a	n/a	+9.7 ^[f]
Swiss franc ^[b]				
Class 'A-H'	+12.5	+6.0	n/a	+6.4 ^[c]
Class 'C-H'	+13.4	+6.6	n/a	+7.1 ^[c]
US dollar ^[b]				
Class 'A-H'	+14.6	n/a	n/a	+8.6 ^[f]
Class 'C-H'	+15.4	n/a	n/a	+9.3 ^[f]

^[a] Absolute basis.

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

^[c] 7 November 2013, the launch date of the fund.

^[d] 8 May 2015, the launch date of the share class.

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

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

Operating charges and portfolio transaction costs

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

Operating charges

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

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

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

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

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

M&G Income Allocation Fund

Financial highlights

Fund performance

Portfolio transaction costs

Portfolio transaction costs are incurred by funds when buying and selling investments. These costs vary depending on the types of investment, their market capitalisation, country of exchange 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 30 April	2017	2016	2015	Average ^[a]
Direct portfolio transaction costs ^[b]	%	%	%	%
Broker commission	0.03	0.04	0.09	0.05
Taxes	0.03	0.39	0.25	0.22
Costs before dilution adjustments	0.06	0.43	0.34	0.27
Dilution adjustments ^[c]	(0.01)	(0.02)	(0.19)	(0.07)
Total direct portfolio transaction costs	0.05	0.41	0.15	0.20
as at 30 April	2017	2016	2015	Average ^[a]
Indirect portfolio transaction costs	%	%	%	%
Average portfolio dealing spread	0.22	0.32	0.31	0.28

^[a] Average of first three columns.

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

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

Specific share class performance

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

Euro Class 'A' Income share performance

The share class was launched on 7 November 2013.

for the year to 30 April	2017	2016	2015
Change in NAV per share	Euro ¢	Euro ¢	Euro ¢
Opening NAV	1,039.09	1,163.28	1,020.47
Return before operating charges and after direct portfolio transaction costs	139.34	(65.69)	198.86
Operating charges	(17.90)	(17.92)	(18.79)
Return after operating charges	121.44	(83.61)	180.07
Distributions	(37.08)	(40.58)	(37.26)
Closing NAV	1,123.45	1,039.09	1,163.28
Direct portfolio transaction costs ^[a]	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.62	4.62	3.82
Dilution adjustments ^[b]	(0.09)	(0.23)	(2.33)
Total direct portfolio transaction costs	0.53	4.39	1.49
Performance and charges	%	%	%
Direct portfolio transaction costs	0.05	0.41	0.15
Operating charges	1.68	1.68	1.68
Return after operating charges	+11.69	-7.19	+17.65
Historic yield ^[c]	3.29	3.99	3.24
Effect on yield of charges offset against capital	1.68	1.68	1.68
Other information			
Closing NAV (€'000)	458,369	459,186	560,029
Closing NAV percentage of total fund NAV (%)	49.89	50.63	38.02
Number of shares	40,800,095	44,191,108	48,142,248
Highest share price (Euro ¢)	1,135.29	1,163.08	1,205.28
Lowest share price (Euro ¢)	994.21	944.02	1,025.33

M&G Income Allocation Fund

Financial highlights

Specific share class performance

Euro Class 'A' Accumulation share performance

The share class was launched on 7 November 2013.

for the year to 30 April Change in NAV per share	2017 Euro €	2016 Euro €	2015 Euro €
Opening NAV	1,135.16	1,223.11	1,036.84
Return before operating charges and after direct portfolio transaction costs	154.86	(68.78)	205.88
Operating charges	(19.82)	(19.17)	(19.61)
Return after operating charges	135.04	(87.95)	186.27
Distributions	(24.74)	(43.52)	(38.48)
Retained distributions	24.74	43.52	38.48
Closing NAV	1,270.20	1,135.16	1,223.11
Direct portfolio transaction costs ^[a]	Euro €	Euro €	Euro €
Costs before dilution adjustments	0.68	4.93	3.99
Dilution adjustments ^[b]	(0.10)	(0.24)	(2.43)
Total direct portfolio transaction costs	0.58	4.69	1.56
Performance and charges	%	%	%
Direct portfolio transaction costs	0.05	0.41	0.15
Operating charges	1.68	1.68	1.68
Return after operating charges	+11.90	-7.19	+17.97
Historic yield ^[c]	1.71	3.92	3.18
Effect on yield of charges offset against capital	0.03	1.68	1.68
Other information			
Closing NAV (€'000)	345,351	384,920	555,063
Closing NAV percentage of total fund NAV (%)	37.59	42.44	37.69
Number of shares	27,188,764	33,908,782	45,381,392
Highest share price (Euro €)	1,277.69	1,222.94	1,262.60
Lowest share price (Euro €)	1,089.39	1,018.00	1,043.62

Euro Class 'A Q' Income share performance

The share class was launched on 8 May 2015.

for the year to 30 April Change in NAV per share	2017 Euro €	2016 Euro €	2015 Euro €
Opening NAV	903.05	1,000.00	n/a
Return before operating charges and after direct portfolio transaction costs	121.68	(47.86)	n/a
Operating charges	(15.80)	(14.97)	n/a
Return after operating charges	105.88	(62.83)	n/a
Distributions	(32.43)	(34.12)	n/a
Closing NAV	976.50	903.05	n/a
Direct portfolio transaction costs ^[a]	Euro €	Euro €	Euro €
Costs before dilution adjustments	0.54	3.90	n/a
Dilution adjustments ^[b]	(0.08)	(0.19)	n/a
Total direct portfolio transaction costs	0.46	3.71	n/a
Performance and charges	%	%	%
Direct portfolio transaction costs	0.05	0.41	n/a
Operating charges	1.68	1.66	n/a
Return after operating charges	+11.72	-6.28	n/a
Historic yield ^[c]	3.30	3.84	n/a
Effect on yield of charges offset against capital	1.68	1.66	n/a
Other information			
Closing NAV (€'000)	14,298	3,074	n/a
Closing NAV percentage of total fund NAV (%)	1.56	0.34	n/a
Number of shares	1,464,198	340,390	n/a
Highest share price (Euro €)	992.64	1,008.35	n/a
Lowest share price (Euro €)	866.35	818.94	n/a

Euro Class 'B Q' Income share performance

The share class was launched on 11 September 2015.

for the year to 30 April Change in NAV per share	2017 Euro €	2016 Euro €	2015 Euro €
Opening NAV	990.81	1,000.00	n/a
Return before operating charges and after direct portfolio transaction costs	134.50	34.81	n/a
Operating charges	(22.60)	(15.49)	n/a
Return after operating charges	111.90	19.32	n/a
Distributions	(36.42)	(28.51)	n/a
Closing NAV	1,066.29	990.81	n/a
Direct portfolio transaction costs ^[a]	Euro €	Euro €	Euro €
Costs before dilution adjustments	0.60	3.11	n/a
Dilution adjustments ^[b]	(0.08)	(0.15)	n/a
Total direct portfolio transaction costs	0.52	2.96	n/a
Performance and charges	%	%	%
Direct portfolio transaction costs	0.05	0.41	n/a
Operating charges	2.18	2.16	n/a
Return after operating charges	+11.29	+1.93	n/a
Historic yield ^[c]	3.39	3.33	n/a
Effect on yield of charges offset against capital	2.18	2.16	n/a
Other information			
Closing NAV (€'000)	13,749	1,892	n/a
Closing NAV percentage of total fund NAV (%)	1.50	0.21	n/a
Number of shares	1,289,384	190,940	n/a
Highest share price (Euro €)	1,084.63	1,041.26	n/a
Lowest share price (Euro €)	949.91	899.32	n/a

Euro Class 'B Q' Accumulation share performance

The share class was launched on 11 September 2015.

for the year to 30 April Change in NAV per share	2017 Euro €	2016 Euro €	2015 Euro €
Opening NAV	1,019.47	1,000.00	n/a
Return before operating charges and after direct portfolio transaction costs	140.58	35.09	n/a
Operating charges	(23.62)	(15.62)	n/a
Return after operating charges	116.96	19.47	n/a
Distributions	(18.83)	(28.70)	n/a
Retained distributions	18.83	28.70	n/a
Closing NAV	1,136.43	1,019.47	n/a
Direct portfolio transaction costs ^[a]	Euro €	Euro €	Euro €
Costs before dilution adjustments	0.63	3.13	n/a
Dilution adjustments ^[b]	(0.09)	(0.15)	n/a
Total direct portfolio transaction costs	0.54	2.98	n/a
Performance and charges	%	%	%
Direct portfolio transaction costs	0.05	0.41	n/a
Operating charges	2.18	2.15	n/a
Return after operating charges	+11.47	+1.95	n/a
Historic yield ^[c]	1.33	3.33	n/a
Effect on yield of charges offset against capital	0.03	2.15	n/a
Other information			
Closing NAV (€'000)	3,093	469	n/a
Closing NAV percentage of total fund NAV (%)	0.34	0.05	n/a
Number of shares	272,212	46,041	n/a
Highest share price (Euro €)	1,143.02	1,046.36	n/a
Lowest share price (Euro €)	977.51	914.83	n/a

M&G Income Allocation Fund

Financial highlights

Specific share class performance

Euro Class 'C' Income share performance

The share class was launched on 7 November 2013.

for the year to 30 April Change in NAV per share	2017 Euro €	2016 Euro €	2015 Euro €
Opening NAV	1,059.87	1,175.62	1,023.82
Return before operating charges and after direct portfolio transaction costs	141.01	(68.13)	198.72
Operating charges	(9.07)	(8.82)	(9.38)
Return after operating charges	131.94	(76.95)	189.34
Distributions	(36.19)	(38.80)	(37.54)
Closing NAV	1,155.62	1,059.87	1,175.62
Direct portfolio transaction costs ^[a]	Euro €	Euro €	Euro €
Costs before dilution adjustments	0.63	4.60	3.88
Dilution adjustments ^[b]	(0.10)	(0.23)	(2.36)
Total direct portfolio transaction costs	0.53	4.37	1.52
Performance and charges	%	%	%
Direct portfolio transaction costs	0.05	0.41	0.15
Operating charges	0.83	0.83	0.83
Return after operating charges	+12.45	-6.55	+18.49
Historic yield ^[c]	3.12	3.73	3.23
Effect on yield of charges offset against capital	0.83	0.83	0.83
Other information			
Closing NAV (€'000)	38,584	23,441	4,942
Closing NAV percentage of total fund NAV (%)	4.20	2.59	0.34
Number of shares	3,338,820	2,211,725	420,417
Highest share price (Euro €)	1,166.47	1,175.57	1,217.76
Lowest share price (Euro €)	1,015.23	959.52	1,029.49

Euro Class 'C' Accumulation share performance

The share class was launched on 7 November 2013.

for the year to 30 April Change in NAV per share	2017 Euro €	2016 Euro €	2015 Euro €
Opening NAV	1,153.49	1,235.30	1,040.11
Return before operating charges and after direct portfolio transaction costs	156.31	(71.96)	205.15
Operating charges	(10.02)	(9.85)	(9.96)
Return after operating charges	146.29	(81.81)	195.19
Distributions	(31.90)	(43.74)	(38.88)
Retained distributions	31.90	43.74	38.88
Closing NAV	1,299.78	1,153.49	1,235.30
Direct portfolio transaction costs ^[a]	Euro €	Euro €	Euro €
Costs before dilution adjustments	0.70	5.13	4.09
Dilution adjustments ^[b]	(0.11)	(0.25)	(2.49)
Total direct portfolio transaction costs	0.59	4.88	1.60
Performance and charges	%	%	%
Direct portfolio transaction costs	0.05	0.41	0.15
Operating charges	0.83	0.83	0.83
Return after operating charges	+12.68	-6.62	+18.77
Historic yield ^[c]	2.33	3.94	3.18
Effect on yield of charges offset against capital	0.03	0.83	0.83
Other information			
Closing NAV (€'000)	42,993	33,749	352,624
Closing NAV percentage of total fund NAV (%)	4.68	3.73	23.94
Number of shares	3,307,715	2,925,854	28,545,747
Highest share price (Euro €)	1,307.30	1,235.25	1,274.84
Lowest share price (Euro €)	1,109.26	1,033.63	1,046.89

Euro Class 'C Q' Income share performance

The share class was launched on 8 May 2015.

for the year to 30 April Change in NAV per share	2017 Euro €	2016 Euro €	2015 Euro €
Opening NAV	909.07	1,000.00	n/a
Return before operating charges and after direct portfolio transaction costs	120.91	(49.53)	n/a
Operating charges	(7.65)	(7.62)	n/a
Return after operating charges	113.26	(57.15)	n/a
Distributions	(30.86)	(33.78)	n/a
Closing NAV	991.47	909.07	n/a
Direct portfolio transaction costs ^[a]	Euro €	Euro €	Euro €
Costs before dilution adjustments	0.56	4.10	n/a
Dilution adjustments ^[b]	(0.08)	(0.20)	n/a
Total direct portfolio transaction costs	0.48	3.90	n/a
Performance and charges	%	%	%
Direct portfolio transaction costs	0.05	0.41	n/a
Operating charges	0.81	0.83	n/a
Return after operating charges	+12.46	-5.72	n/a
Historic yield ^[c]	3.11	3.79	n/a
Effect on yield of charges offset against capital	0.81	0.83	n/a
Other information			
Closing NAV (€'000)	10	9	n/a
Closing NAV percentage of total fund NAV (%)	0.00	0.00	n/a
Number of shares	1,000	1,000	n/a
Highest share price (Euro €)	1,006.40	1,008.63	n/a
Lowest share price (Euro €)	873.12	822.97	n/a

Singapore dollar Class 'A-H' Income share performance

The share class was launched on 9 October 2015.

for the year to 30 April Change in NAV per share	2017 Singapore €	2016 Singapore €	2015 Singapore €
Opening NAV	982.22	1,000.00	n/a
Return before operating charges and after direct portfolio transaction costs	145.99	15.51	n/a
Operating charges	(17.12)	(10.64)	n/a
Return after operating charges	128.87	4.87	n/a
Distributions	(35.17)	(22.65)	n/a
Closing NAV	1,075.92	982.22	n/a
Direct portfolio transaction costs ^[a]	Singapore €	Singapore €	Singapore €
Costs before dilution adjustments	0.59	2.76	n/a
Dilution adjustments ^[b]	(0.09)	(0.14)	n/a
Total direct portfolio transaction costs	0.50	2.62	n/a
Performance and charges	%	%	%
Direct portfolio transaction costs	0.05	0.41	n/a
Operating charges	1.68	1.69	n/a
Return after operating charges	+13.12	+0.49	n/a
Historic yield ^[c]	3.29	4.02	n/a
Effect on yield of charges offset against capital	1.68	1.69	n/a
Other information			
Closing NAV (€'000)	28	26	n/a
Closing NAV percentage of total fund NAV (%)	0.00	0.00	n/a
Number of shares	4,000	4,000	n/a
Highest share price (Singapore €)	1,086.92	1,020.36	n/a
Lowest share price (Singapore €)	942.85	889.13	n/a

M&G Income Allocation Fund

Financial highlights

Specific share class performance

Singapore dollar Class 'A-H' Accumulation share performance

The share class was launched on 9 October 2015.

for the year to 30 April Change in NAV per share	2017 Singapore €	2016 Singapore €	2015 Singapore €
Opening NAV	1,005.15	1,000.00	n/a
Return before operating charges and after direct portfolio transaction costs	152.23	15.89	n/a
Operating charges	(17.81)	(10.74)	n/a
Return after operating charges	134.42	5.15	n/a
Distributions	(21.79)	(22.86)	n/a
Retained distributions	21.79	22.86	n/a
Closing NAV	1,139.57	1,005.15	n/a

Direct portfolio transaction costs ^[a]	Singapore €	Singapore €	Singapore €
Costs before dilution adjustments	0.61	2.79	n/a
Dilution adjustments ^[b]	(0.09)	(0.14)	n/a
Total direct portfolio transaction costs	0.52	2.65	n/a

Performance and charges	%	%	%
Direct portfolio transaction costs	0.05	0.41	n/a
Operating charges	1.69	1.69	n/a
Return after operating charges	+13.37	+0.51	n/a
Historic yield ^[c]	1.69	4.02	n/a
Effect on yield of charges offset against capital	0.02	1.69	n/a

Other information			
Closing NAV (€'000)	30	26	n/a
Closing NAV percentage of total fund NAV (%)	0.00	0.00	n/a
Number of shares	4,001	4,001	n/a
Highest share price (Singapore €)	1,146.12	1,026.04	n/a
Lowest share price (Singapore €)	967.65	899.48	n/a

Singapore dollar Class 'C-H' Income share performance

The share class was launched on 9 October 2015.

for the year to 30 April Change in NAV per share	2017 Singapore €	2016 Singapore €	2015 Singapore €
Opening NAV	986.84	1,000.00	n/a
Return before operating charges and after direct portfolio transaction costs	144.78	13.94	n/a
Operating charges	(8.56)	(5.36)	n/a
Return after operating charges	136.22	8.58	n/a
Distributions	(33.75)	(21.74)	n/a
Closing NAV	1,089.31	986.84	n/a

Direct portfolio transaction costs ^[a]	Singapore €	Singapore €	Singapore €
Costs before dilution adjustments	0.60	2.77	n/a
Dilution adjustments ^[b]	(0.09)	(0.14)	n/a
Total direct portfolio transaction costs	0.51	2.63	n/a

Performance and charges	%	%	%
Direct portfolio transaction costs	0.05	0.41	n/a
Operating charges	0.83	0.85	n/a
Return after operating charges	+13.80	+0.86	n/a
Historic yield ^[c]	3.11	3.73	n/a
Effect on yield of charges offset against capital	0.83	0.85	n/a

Other information			
Closing NAV (€'000)	29	26	n/a
Closing NAV percentage of total fund NAV (%)	0.00	0.00	n/a
Number of shares	4,002	4,002	n/a
Highest share price (Singapore €)	1,100.06	1,021.39	n/a
Lowest share price (Singapore €)	948.34	891.47	n/a

Singapore dollar Class 'C-H' Accumulation share performance

The share class was launched on 9 October 2015.

for the year to 30 April Change in NAV per share	2017 Singapore €	2016 Singapore €	2015 Singapore €
Opening NAV	1,008.87	1,000.00	n/a
Return before operating charges and after direct portfolio transaction costs	151.60	14.27	n/a
Operating charges	(8.91)	(5.40)	n/a
Return after operating charges	142.69	8.87	n/a
Distributions	(27.74)	(21.96)	n/a
Retained distributions	27.74	21.96	n/a
Closing NAV	1,151.56	1,008.87	n/a

Direct portfolio transaction costs ^[a]	Singapore €	Singapore €	Singapore €
Costs before dilution adjustments	0.61	2.79	n/a
Dilution adjustments ^[b]	(0.09)	(0.14)	n/a
Total direct portfolio transaction costs	0.52	2.65	n/a

Performance and charges	%	%	%
Direct portfolio transaction costs	0.05	0.41	n/a
Operating charges	0.84	0.85	n/a
Return after operating charges	+14.14	+0.89	n/a
Historic yield ^[c]	2.31	3.73	n/a
Effect on yield of charges offset against capital	0.02	0.85	n/a

Other information			
Closing NAV (€'000)	30	27	n/a
Closing NAV percentage of total fund NAV (%)	0.00	0.00	n/a
Number of shares	4,003	4,003	n/a
Highest share price (Singapore €)	1,158.10	1,027.03	n/a
Lowest share price (Singapore €)	972.32	901.52	n/a

Swiss franc Class 'A-H' Accumulation share performance

The share class was launched on 7 November 2013.

for the year to 30 April Change in NAV per share	2017 Swiss €	2016 Swiss €	2015 Swiss €
Opening NAV	1,112.35	1,210.38	1,034.98
Return before operating charges and after direct portfolio transaction costs	146.08	(78.84)	195.78
Operating charges	(20.25)	(19.19)	(20.38)
Return after operating charges	125.83	(98.03)	175.40
Distributions	(24.14)	(43.62)	(38.14)
Retained distributions	24.14	43.62	38.14
Closing NAV	1,238.18	1,112.35	1,210.38

Direct portfolio transaction costs ^[a]	Swiss €	Swiss €	Swiss €
Costs before dilution adjustments	0.69	4.89	4.11
Dilution adjustments ^[b]	(0.10)	(0.24)	(2.51)
Total direct portfolio transaction costs	0.59	4.65	1.60

Performance and charges	%	%	%
Direct portfolio transaction costs	0.05	0.41	0.15
Operating charges	1.70	1.71	1.69
Return after operating charges	+11.31	-8.10	+16.95
Historic yield ^[c]	1.71	4.06	3.18
Effect on yield of charges offset against capital	0.03	1.71	1.69

Other information			
Closing NAV (€'000)	648	81	192
Closing NAV percentage of total fund NAV (%)	0.07	0.01	0.01
Number of shares	56,673	8,019	16,582
Highest share price (Swiss €)	1,245.23	1,210.11	1,250.29
Lowest share price (Swiss €)	1,068.37	1,000.36	1,041.97

M&G Income Allocation Fund

Financial highlights

Specific share class performance

Swiss franc Class 'C-H' Accumulation share performance

The share class was launched on 7 November 2013.

for the year to 30 April Change in NAV per share	2017 Swiss ¢	2016 Swiss ¢	2015 Swiss ¢
Opening NAV	1,128.91	1,219.06	1,038.38
Return before operating charges and after direct portfolio transaction costs	146.76	(80.45)	190.54
Operating charges	(10.33)	(9.70)	(9.86)
Return after operating charges	136.43	(90.15)	180.68
Distributions	(31.18)	(41.45)	(38.28)
Retained distributions	31.18	41.45	38.28
Closing NAV	1,265.34	1,128.91	1,219.06
Direct portfolio transaction costs ^[a]	Swiss ¢	Swiss ¢	Swiss ¢
Costs before dilution adjustments	0.70	4.90	4.03
Dilution adjustments ^[b]	(0.11)	(0.24)	(2.45)
Total direct portfolio transaction costs	0.59	4.66	1.58
Performance and charges	%	%	%
Direct portfolio transaction costs	0.05	0.41	0.15
Operating charges	0.85	0.86	0.87
Return after operating charges	+12.09	-7.40	+17.40
Historic yield ^[c]	2.36	3.76	3.17
Effect on yield of charges offset against capital	0.03	0.86	0.00
Other information			
Closing NAV (€'000)	88	10	12
Closing NAV percentage of total fund NAV (%)	0.01	0.00	0.00
Number of shares	7,500	1,000	1,000
Highest share price (Swiss ¢)	1,272.47	1,218.73	1,258.85
Lowest share price (Swiss ¢)	1,084.93	1,012.97	1,045.37

US dollar Class 'A-H' Income share performance

The share class was launched on 9 October 2015.

for the year to 30 April Change in NAV per share	2017 US ¢	2016 US ¢	2015 US ¢
Opening NAV	978.13	1,000.00	n/a
Return before operating charges and after direct portfolio transaction costs	145.98	11.51	n/a
Operating charges	(18.17)	(10.70)	n/a
Return after operating charges	127.81	0.81	n/a
Distributions	(35.23)	(22.68)	n/a
Closing NAV	1,070.71	978.13	n/a
Direct portfolio transaction costs ^[a]	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.62	2.77	n/a
Dilution adjustments ^[b]	(0.09)	(0.14)	n/a
Total direct portfolio transaction costs	0.53	2.63	n/a
Performance and charges	%	%	%
Direct portfolio transaction costs	0.05	0.41	n/a
Operating charges	1.70	1.69	n/a
Return after operating charges	+13.07	+0.08	n/a
Historic yield ^[c]	3.25	3.99	n/a
Effect on yield of charges offset against capital	1.70	1.69	n/a
Other information			
Closing NAV (€'000)	720	26	n/a
Closing NAV percentage of total fund NAV (%)	0.08	0.00	n/a
Number of shares	73,562	3,000	n/a
Highest share price (US ¢)	1,081.61	1,019.12	n/a
Lowest share price (US ¢)	937.13	884.64	n/a

US dollar Class 'A-H' Accumulation share performance

The share class was launched on 9 October 2015.

for the year to 30 April Change in NAV per share	2017 US ¢	2016 US ¢	2015 US ¢
Opening NAV	1,000.82	1,000.00	n/a
Return before operating charges and after direct portfolio transaction costs	152.36	11.61	n/a
Operating charges	(18.89)	(10.79)	n/a
Return after operating charges	133.47	0.82	n/a
Distributions	(21.86)	(22.89)	n/a
Retained distributions	21.86	22.89	n/a
Closing NAV	1,134.29	1,000.82	n/a
Direct portfolio transaction costs ^[a]	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.64	2.81	n/a
Dilution adjustments ^[b]	(0.10)	(0.14)	n/a
Total direct portfolio transaction costs	0.54	2.67	n/a
Performance and charges	%	%	%
Direct portfolio transaction costs	0.05	0.41	n/a
Operating charges	1.70	1.69	n/a
Return after operating charges	+13.34	+0.08	n/a
Historic yield ^[c]	1.67	3.99	n/a
Effect on yield of charges offset against capital	0.03	1.69	n/a
Other information			
Closing NAV (€'000)	749	26	n/a
Closing NAV percentage of total fund NAV (%)	0.08	0.00	n/a
Number of shares	72,205	3,001	n/a
Highest share price (US ¢)	1,140.09	1,024.51	n/a
Lowest share price (US ¢)	961.70	894.60	n/a

US dollar Class 'C-H' Income share performance

The share class was launched on 9 October 2015.

for the year to 30 April Change in NAV per share	2017 US ¢	2016 US ¢	2015 US ¢
Opening NAV	982.74	1,000.00	n/a
Return before operating charges and after direct portfolio transaction costs	144.21	9.90	n/a
Operating charges	(8.57)	(5.38)	n/a
Return after operating charges	135.64	4.52	n/a
Distributions	(33.48)	(21.78)	n/a
Closing NAV	1,084.90	982.74	n/a
Direct portfolio transaction costs ^[a]	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.59	2.78	n/a
Dilution adjustments ^[b]	(0.09)	(0.14)	n/a
Total direct portfolio transaction costs	0.50	2.64	n/a
Performance and charges	%	%	%
Direct portfolio transaction costs	0.05	0.41	n/a
Operating charges	0.84	0.85	n/a
Return after operating charges	+13.80	+0.45	n/a
Historic yield ^[c]	3.08	3.69	n/a
Effect on yield of charges offset against capital	0.84	0.85	n/a
Other information			
Closing NAV (€'000)	30	26	n/a
Closing NAV percentage of total fund NAV (%)	0.00	0.00	n/a
Number of shares	3,002	3,002	n/a
Highest share price (US ¢)	1,094.56	1,019.96	n/a
Lowest share price (US ¢)	942.61	886.97	n/a

M&G Income Allocation Fund

Financial highlights

Specific share class performance

US dollar Class 'C-H' Accumulation share performance

The share class was launched on 9 October 2015.

for the year to 30 April	2017	2016	2015
Change in NAV per share	US ¢	US ¢	US ¢
Opening NAV	1,004.52	1,000.00	n/a
Return before operating charges and after direct portfolio transaction costs	149.85	9.94	n/a
Operating charges	(8.91)	(5.42)	n/a
Return after operating charges	140.94	4.52	n/a
Distributions	(27.53)	(21.98)	n/a
Retained distributions	27.53	21.98	n/a
Closing NAV	1,145.46	1,004.52	n/a
Direct portfolio transaction costs ^[a]	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.61	2.81	n/a
Dilution adjustments ^[b]	(0.09)	(0.14)	n/a
Total direct portfolio transaction costs	0.52	2.67	n/a
Performance and charges	%	%	%
Direct portfolio transaction costs	0.05	0.41	n/a
Operating charges	0.84	0.85	n/a
Return after operating charges	+14.03	+0.45	n/a
Historic yield ^[c]	2.28	3.69	n/a
Effect on yield of charges offset against capital	0.02	0.85	n/a
Other information			
Closing NAV (€'000)	31	27	n/a
Closing NAV percentage of total fund NAV (%)	0.00	0.00	n/a
Number of shares	3,003	3,003	n/a
Highest share price (US ¢)	1,151.84	1,025.48	n/a
Lowest share price (US ¢)	966.33	896.63	n/a

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

[b] In respect of direct portfolio transaction costs.

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

M&G Income Allocation Fund

Financial statements and notes

Financial statements

Statement of total return					
for the year to 30 April	Note	2017		2016	
		€'000	€'000	€'000	€'000
Income					
Net capital gains / (losses)	3		81,140		(136,324)
Revenue	5	33,175		47,130	
Expenses	6	(14,210)		(17,993)	
Net revenue / (expense) before taxation		18,965		29,137	
Taxation	7	(2,981)		(4,360)	
Net revenue / (expense) after taxation			15,984		24,777
Total return before distributions			97,124		(111,547)
Distributions	8		(25,043)		(42,621)
Change in net assets attributable to shareholders from investment activities			72,081		(154,168)

Statement of change in net assets attributable to shareholders				
	2017		2016	
for the year to 30 April	€'000	€'000	€'000	€'000
Opening net assets attributable to shareholders		907,041		1,472,862
Amounts received on issue of shares	85,012		104,306	
Amounts paid on cancellation of shares	<u>(153,769)</u>		<u>(538,397)</u>	
		(68,757)		(434,091)
Dilution adjustments		260		1,142
Change in net assets attributable to shareholders from investment activities (see above)		72,081		(154,168)
Retained distributions on Accumulation shares		8,205		21,296
Closing net assets attributable to shareholders		918,830		907,041

Balance sheet			
as at 30 April	Note	2017 €'000	2016 €'000
Assets			
Fixed assets			
Investments		899,635	867,141
Current assets			
Debtors	9	9,804	11,645
Cash and bank balances	10	14,930	37,956
Total assets		924,369	916,742
Liabilities			
Investment liabilities		(1,126)	(3,229)
Creditors			
Distribution payable		(2,562)	(3,408)
Other creditors	11	(1,851)	(3,064)
Total liabilities		(5,539)	(9,701)
Net assets attributable to shareholders		918,830	907,041

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 5 and 6.

2 Distribution policy

With effect from 1 July 2016, the distribution policy has been amended so that in determining the amount available for reinvestment to Accumulation shares, the annual management charge, administration charge and the share class hedging charge are no longer offset against capital, reducing the amount available for reinvestment. The audit, depositary, and safe custody charges continue to be offset against capital, increasing the amount available for reinvestment, whilst restraining capital performance to an equivalent extent. In determining the amount available for distribution to Income shares, all expenses with the exception of overdraft interest continue to be offset against capital, increasing the amount available for distribution, whilst restraining capital performance to an equivalent extent.

3 Net capital gains / (losses)

for the year to 30 April	2017 €'000	2016 €'000
Non-derivative securities	95,571	(149,593)
Derivative contracts	(8,694)	25,654
Currency gains / (losses)	(5,731)	(12,377)
Transaction charges	(6)	(8)
Net capital gains / (losses)	81,140	(136,324)

M&G Income Allocation Fund

Financial statements and notes

Notes to the financial statements

4 Portfolio transactions and associated costs

The following tables show portfolio transactions and their associated transaction costs. For more information about the nature of the costs please see the section on 'Operating charges and portfolio transaction costs' on pages 16 and 17.

for the year to 30 April	2017 €'000	% of transaction	2016 €'000	% of transaction
a) Purchases				
Equities				
Equities before transaction costs	239,034		316,611	
Commissions	140	0.06	161	0.05
Taxes	207	0.09	154	0.05
Equities after transaction costs	239,381		316,926	
Debt securities				
Bonds before transaction costs	152,210		396,190	
Taxes	0	0.00	(1,945)	0.50
Debt securities after transaction costs	152,210		394,245	
Other asset classes				
Corporate actions	0		12,626	
Total purchases after transaction costs	391,591		723,797	

b) Sales				
Equities				
Equities before transaction costs	283,225		572,166	
Commissions	(142)	0.05	(326)	0.06
Taxes	(13)	0.00	(48)	0.01
Equities after transaction costs	283,070		571,792	
Debt securities				
Bonds before transaction costs	181,986		517,580	
Taxes	0	0.00	(2,269)	0.44
Debt securities after transaction costs	181,986		515,311	
Other asset classes				
Corporate actions	5,132		10,092	
Total sales after transaction costs	470,188		1,097,195	

c) Direct portfolio transaction costs	2017 €'000	% of average NAV	2016 €'000	% of average NAV
Commissions paid				
Equities	282	0.03	487	0.04
Taxes paid				
Equities	220	0.03	202	0.02
Bonds	0	0.00	4,214	0.37
Total taxes paid	220	0.03	4,416	0.39
Total direct portfolio transaction costs ^[a]	502	0.06	4,903	0.43
d) Indirect portfolio transaction costs				
Portfolio dealing spread ^[b]		0.22		0.32

^[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 30 April	2017 €'000	2016 €'000
Bank interest	6	3
Deposit interest	(104)	32
Distributions from collective investment schemes: taxable	305	48
Dividends from equity investments: non-taxable	12,793	20,747
Dividends from equity investments: taxable	813	483
Interest on debt securities	18,461	25,291
Stock dividends	886	526
Underwriting commission	15	0
Total revenue	33,175	47,130

6 Expenses

for the year to 30 April	2017 €'000	2016 €'000
Payable to the ACD or associate		
Annual management charge	12,522	15,780
Administration charge	1,302	1,698
	13,824	17,478
Payable to the Depositary or associate		
Depositary's charge (including VAT)	54	66
Other expenses		
Audit fee (including VAT)	16	10
Interest payable	163	149
Legal fees	1	1
Safe custody charge	152	280
Tax fees (including VAT)	0	9
	332	449
Total expenses	14,210	17,993

M&G Income Allocation Fund

Financial statements and notes

Notes to the financial statements

7 Taxation

for the year to 30 April	2017 €'000	2016 €'000
a) Analysis of charge in the year		
Corporation tax	1,008	1,603
Withholding tax	2,080	3,050
Current double taxation relief	(137)	(326)
Prior year adjustment	0	43
Deferred tax (note 7c)	30	(10)
Total taxation	2,981	4,360
b) Factors affecting taxation charge for the year		
Net revenue/ (expense) before taxation	18,965	29,137
Corporation tax at 20%	3,793	5,827
Effects of:		
Dividends from equity investments: non-taxable	(2,559)	(4,149)
Stock dividends not taxable	(177)	(105)
Current year expenses not utilised	0	11
Withholding tax	2,080	3,050
Total double taxation relief	(156)	(317)
Prior year adjustment	0	43
Total tax charge (note 7a)	2,981	4,360
c) Provision for deferred taxation		
Provision at the start of the year	0	10
Deferred tax in profit and loss account (note 7c)	30	(10)
Provision at the end of the year	30	0

8 Distributions

for the year to 30 April	2017		2016	
	Inc ^[a] €'000	Acc ^[b] €'000	Inc ^[a] €'000	Acc ^[b] €'000
Dividend distributions				
First interim	1,293	1,101	1,610	2,526
Second interim	1,232	1,014	1,552	2,151
Third interim	1,184	451	1,579	2,153
Fourth interim	1,130	372	1,502	1,745
Fifth interim	1,249	832	1,464	1,476
Sixth interim	1,321	492	1,556	1,515
Seventh interim	1,260	538	1,514	1,432
Eighth interim	1,290	622	1,571	1,453
Ninth interim	1,393	511	1,509	1,331
Tenth interim	1,455	830	1,439	1,276
Eleventh interim	1,488	542	1,467	1,271
Final	2,562	900	3,408	2,967
Total net distributions		25,062		41,467
Income deducted on cancellation of shares		205		1,392
Income received on issue of shares		(224)		(238)
Distributions		25,043		42,621
Net revenue / (expense) per statement of total return		15,984		24,777
Expenses offset against capital		9,059		17,844
Distributions		25,043		42,621

^[a] Distributions payable on Income shares.

^[b] Retained distributions on Accumulation shares.

9 Debtors

as at 30 April	2017 €'000	2016 €'000
Amounts receivable on issues of shares	2,326	7
Currency deals outstanding	2	0
Debt security interest receivable	5,278	8,180
Dividends receivable	1,839	2,337
Sales awaiting settlement	0	175
Withholding tax recoverable	359	946
Total debtors	9,804	11,645

10 Cash and bank balances

as at 30 April	2017 €'000	2016 €'000
Amounts held at futures clearing houses and brokers	600	0
Cash held as bank balances	14,330	37,956
Total cash and bank balances	14,930	37,956

11 Other creditors

as at 30 April	2017 €'000	2016 €'000
ACD's annual management charge payable	649	652
Administration charge payable	68	68
Amounts payable on cancellation of shares	738	1,722
Corporation tax payable	303	552
Currency deals outstanding	2	0
Deferred taxation	30	0
Expenses payable	61	70
Total other creditors	1,851	3,064

12 Contingent assets, liabilities and outstanding commitments

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

13 Shares in issue

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

Share class	Opening 01.05.16	Movements Issued Cancelled		Closing 30.04.17
Euro				
Class 'A' Income	44,191,108	1,390,905 (4,781,918)		40,800,095
Class 'A' Accumulation	33,908,782	1,292,983 (8,013,001)		27,188,764
Class 'A Q' Income	340,390	1,143,498 (19,690)		1,464,198
Class 'B Q' Income	190,940	1,105,205 (6,761)		1,289,384
Class 'B Q' Accumulation	46,041	232,481 (6,310)		272,212
Class 'C' Income	2,211,725	1,214,681 (87,586)		3,338,820
Class 'C' Accumulation	2,925,854	1,017,474 (635,613)		3,307,715
Class 'C Q' Income	1,000	0	0	1,000
Singapore dollar				
Class 'A-H' Income	4,000	0	0	4,000
Class 'A-H' Accumulation	4,001	0	0	4,001
Class 'C-H' Income	4,002	0	0	4,002
Class 'C-H' Accumulation	4,003	0	0	4,003
Swiss franc		0		
Class 'A-H' Accumulation	8,019	50,737	(2,083)	56,673
Class 'C-H' Accumulation	1,000	6,500	0	7,500
US dollar				
Class 'A-H' Income	3,000	94,135	(23,573)	73,562
Class 'A-H' Accumulation	3,001	115,652	(46,448)	72,205
Class 'C-H' Income	3,002	0	0	3,002
Class 'C-H' Accumulation	3,003	0	0	3,003

M&G Income Allocation Fund

Financial statements and notes

Notes to the financial statements

14 Charging structure

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

Share class	Entry charge %	Exit charge %	Annual management charge %	Share class hedging charge %
Euro				
Class 'A'	4.00	n/a	1.50	n/a
Class 'A Q'	4.00	n/a	1.50	n/a
Class 'B Q'	1.25	n/a	2.00	n/a
Class 'C'	1.25	n/a	0.65	n/a
Class 'C Q'	1.25	n/a	0.65	n/a
Singapore dollar				
Class 'A-H'	4.00	n/a	1.50	[a]
Class 'C-H'	1.25	n/a	0.65	[a]
Swiss franc				
Class 'A-H'	4.00	n/a	1.50	[a]
Class 'C-H'	1.25	n/a	0.65	[a]
US dollar				
Class 'A-H'	4.00	n/a	1.50	[a]
Class 'C-H'	1.25	n/a	0.65	[a]

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

15 Related parties

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

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

During the year, there were transactions in shares in related parties of M&G Securities Limited with a total value of €nil (2016: €9,820,000).

At the balance sheet date, there were no material shareholders from within Prudential plc, of which M&G Securities Limited is a wholly owned subsidiary (2016: same).

16 Events after the balance sheet date

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

17 Portfolio fair value analysis

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

Level 1: Quoted prices for identical instruments in active markets

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

Level 2: Valuation techniques using observable market data

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

Level 3: Valuation techniques using non-observable market data

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

as at 30 April	Assets 2017	Liabilities 2017	Assets 2016	Liabilities 2016
Valuation technique	€'000	€'000	€'000	€'000
Level 1	579,987	0	462,981	0
Level 2	319,648	(1,126)	364,073	(3,229)
Level 3	0	0	0	0
	899,635	(1,126)	827,054	(3,229)

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 described in note 3 to the financial statements on pages 6 and 7.

M&G Income Allocation Fund

Financial statements and notes

Notes to the financial statements

19 Market risk

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

The VaR limit set during the financial year to 30 April 2017 was 11% (2016: 11%).

The lowest, highest and average VaR calculated during the financial years ended 30 April 2017 and 30 April 2016 are disclosed in the table below. The lowest, highest and average utilisation of VaR is with reference to the limit above.

for the year to 30 April	2017 %	2016 %
Lowest	3.81	4.48
Highest	7.05	8.00
Average	5.42	5.85

20 Credit risk

as at 30 April	2017 €'000	2016 €'000
Investment grade securities	269,039	287,490
Below investment grade securities	131,335	144,199
Unrated securities	9,389	9,436
Other investments	488,746	382,700
Total	898,509	823,825

21 Counterparty exposure

	Interest rate swaps €'000	Forward currency contracts €'000	Collateral held as cash €'000	Net exposure €'000
as at 30 April 2017				
Bank of America Merrill Lynch	0	0	0	0
BNP Paribas	(174)	0	0	(174)
Citigroup	0	892	0	892
Goldman Sachs	0	(25)	0	(25)
HSBC	0	404	0	404
J.P.Morgan	0	0	(600)	(600)
National Australia Bank	0	(374)	0	(374)
State Street Bank	0	2,456	0	2,456
UBS	0	2,994	0	2,994
Total	(174)	6,347	(600)	5,573
	Interest rate swaps €'000	Forward currency contracts €'000	Collateral held as cash €'000	Net exposure €'000
as at 30 April 2016				
State Street Bank	0	2,993	0	2,993
Total	0	2,993	0	2,993

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

22 Leverage risk

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

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

The lowest, highest and average level of leverage employed and utilisation of the leverage level calculated during the financial years ended 30 April 2017 and 30 April 2016 are disclosed in the table below.

for the year to 30 April	2017 €'000	2017 %	2016 €'000	2016 %
Lowest	1,052,384	122	1,119,961	122
Highest	1,551,395	174	2,510,406	185
Average	1,153,227	132	1,577,976	139

23 Exchange rate risk for hedged share classes

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

24 Dividend distribution tables

This fund pays both monthly and quarterly ordinary distributions depending on the share class and the following tables set out the distribution periods applicable.

Monthly distribution periods				
	Start	End	Xd	Payment
First interim	01.05.16	31.05.16	01.06.16	30.06.16
Second interim	01.06.16	30.06.16	01.07.16	31.07.16
Third interim	01.07.16	31.07.16	01.08.16	31.08.16
Fourth interim	01.08.16	31.08.16	01.09.16	30.09.16
Fifth interim	01.09.16	30.09.16	03.10.16	31.10.16
Sixth interim	01.10.16	31.10.16	01.11.16	30.11.16
Seventh interim	01.11.16	30.11.16	01.12.16	31.12.16
Eighth interim	01.12.16	31.12.16	03.01.17	31.01.17
Ninth interim	01.01.17	31.01.17	01.02.17	28.02.17
Tenth interim	01.02.17	28.02.17	01.03.17	31.03.17
Eleventh interim	01.03.17	31.03.17	03.04.17	30.04.17
Final	01.04.17	30.04.17	02.05.17	31.05.17

M&G Income Allocation Fund

Financial statements and notes

Notes to the financial statements

24 Dividend distribution tables (continued)

Quarterly distribution periods				
	Start	End	Xd	Payment
First interim	01.05.16	31.07.16	01.08.16	31.08.16
Second interim	01.08.16	31.10.16	01.11.16	30.11.16
Third interim	01.11.16	31.01.17	01.02.17	28.02.17
Final	01.02.17	30.04.17	02.05.17	31.05.17

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

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

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

Euro Class 'A' Income shares				
Ordinary distributions for the year to 30 April	Net revenue 2017	Group 2 Equalisation 2017	Group 1 & 2 Distribution 2017	2016
	€	€	€	€
First interim	1.0152	1.7999	2.8151	3.1769
Second interim	1.2677	1.4761	2.7438	3.0501
Third interim	1.1311	1.4163	2.5474	3.0611
Fourth interim	0.8860	1.6746	2.5606	2.9193
Fifth interim	1.2871	1.5571	2.8442	2.8290
Sixth interim	0.4928	2.3781	2.8709	2.9800
Seventh interim	0.6731	2.2333	2.9064	2.9771
Eighth interim	0.4119	2.5640	2.9759	3.1459
Ninth interim	0.0575	2.8831	2.9406	3.0071
Tenth interim	0.6425	2.6853	3.3278	3.0136
Eleventh interim	0.5607	2.8058	3.3665	3.1118
Final	2.2043	2.9777	5.1820	7.3119

Euro Class 'A' Accumulation shares				
Ordinary distributions for the year to 30 April	Net revenue 2017	Group 2 Equalisation 2017	Group 1 & 2 Distribution 2017	2016
	€	€	€	€
First interim	1.5987	1.4776	3.0763	3.3405
Second interim	1.4898	1.5167	3.0065	3.2159
Third interim	0.4668	0.8439	1.3107	3.2364
Fourth interim	0.2683	0.8091	1.0774	3.0949
Fifth interim	1.9791	0.5524	2.5315	3.0076
Sixth interim	0.3652	1.1239	1.4891	3.1768
Seventh interim	0.5198	1.1411	1.6609	3.1699
Eighth interim	0.9482	0.9673	1.9155	3.3721
Ninth interim	0.6418	0.8927	1.5345	3.2330
Tenth interim	1.2582	1.3932	2.6514	3.2498
Eleventh interim	1.2854	0.4003	1.6857	3.3656
Final	1.6959	1.1056	2.8015	8.0568

Euro Class 'A Q' Income shares				
Ordinary distributions for the year to 30 April	Net revenue 2017	Group 2 Equalisation 2017	Group 1 & 2 Distribution 2017	2016
	€	€	€	€
First interim	3.7909	3.2617	7.0526	8.1033
Second interim	1.9078	5.3218	7.2296	7.6150
Third interim	1.1850	6.5249	7.7099	7.9691
Final	4.7818	5.6609	10.4427	10.4284

Euro Class 'B Q' Income shares				
Ordinary distributions for the year to 30 April	Net revenue 2017	Group 2 Equalisation 2017	Group 1 & 2 Distribution 2017	2016
	€	€	€	€
First interim	2.8587	5.1114	7.9701	n/a
Second interim	1.5407	6.3735	7.9142	8.3714
Third interim	0.9438	7.4884	8.4322	8.7527
Final	5.9119	6.1932	12.1051	11.3861

Euro Class 'B Q' Accumulation shares				
Ordinary distributions for the year to 30 April	Net revenue 2017	Group 2 Equalisation 2017	Group 1 & 2 Distribution 2017	2016
	€	€	€	€
First interim	2.2143	4.2488	6.4631	n/a
Second interim	1.2468	2.1554	3.4022	8.3704
Third interim	0.9757	2.4026	3.3783	8.8232
Final	3.2042	2.3819	5.5861	11.5105

Euro Class 'C' Income shares				
Ordinary distributions for the year to 30 April	Net revenue 2017	Group 2 Equalisation 2017	Group 1 & 2 Distribution 2017	2016
	€	€	€	€
First interim	1.3287	1.5444	2.8731	3.2126
Second interim	0.6774	1.8692	2.5466	3.0860
Third interim	0.6153	1.8147	2.4300	3.0989
Fourth interim	0.6600	1.7913	2.4513	2.9571
Fifth interim	1.8895	1.0215	2.9110	2.8674
Sixth interim	1.0172	1.9229	2.9401	3.0221
Seventh interim	0.6973	2.2808	2.9781	3.0188
Eighth interim	0.5715	2.4795	3.0510	2.8747
Ninth interim	0.8117	2.2049	3.0166	3.0556
Tenth interim	1.1218	2.2938	3.4156	3.0641
Eleventh interim	1.8181	1.6393	3.4574	3.1657
Final	3.0766	1.0404	4.1170	5.3786

Euro Class 'C' Accumulation shares				
Ordinary distributions for the year to 30 April	Net revenue 2017	Group 2 Equalisation 2017	Group 1 & 2 Distribution 2017	2016
	€	€	€	€
First interim	1.3294	1.8013	3.1307	3.3757
Second interim	1.5455	1.2551	2.8006	3.2516
Third interim	0.7825	1.1388	1.9213	3.2742
Fourth interim	0.9475	0.8803	1.8278	3.1329
Fifth interim	1.3772	1.8695	3.2467	3.0461
Sixth interim	1.0021	1.2054	2.2075	3.2193
Seventh interim	0.7598	1.6046	2.3644	3.1990
Eighth interim	1.2851	1.3651	2.6502	3.4211
Ninth interim	0.9902	1.3238	2.3140	3.2818
Tenth interim	1.4610	1.9031	3.3641	3.3007
Eleventh interim	1.4729	0.9861	2.4590	3.4204
Final	2.4062	1.2066	3.6128	7.8221

M&G Income Allocation Fund

Financial statements and notes

Notes to the financial statements

24 Dividend distribution tables (continued)

Euro Class 'C Q' Income shares

Ordinary distributions for the year to 30 April	Net revenue 2017	Group 2 Equalisation 2017	Group 1 & 2 Distribution 2017	2016
	€	€	€	€
First interim	6.7200	0.0000	6.7200	8.1140
Second interim	7.3059	0.0000	7.3059	7.6380
Third interim	7.8048	0.0000	7.8048	8.0061
Final	9.0300	0.0000	9.0300	10.0170

Singapore dollar Class 'A-H' Income shares

Ordinary distributions for the year to 30 April	Net revenue 2017	Group 2 Equalisation 2017	Group 1 & 2 Distribution 2017	2016
	€	€	€	€
First interim	2.6639	0.0000	2.6639	n/a
Second interim	2.6011	0.0000	2.6011	n/a
Third interim	2.4023	0.0000	2.4023	n/a
Fourth interim	2.4411	0.0000	2.4411	n/a
Fifth interim	2.7040	0.0000	2.7040	n/a
Sixth interim	2.7323	0.0000	2.7323	2.7983
Seventh interim	2.7674	0.0000	2.7674	2.8362
Eighth interim	2.8370	0.0000	2.8370	2.9609
Ninth interim	2.8084	0.0000	2.8084	2.8321
Tenth interim	3.1791	0.0000	3.1791	2.8393
Eleventh interim	3.2202	0.0000	3.2202	2.9349
Final	4.8142	0.0000	4.8142	5.4470

Singapore dollar Class 'A-H' Accumulation shares

Ordinary distributions for the year to 30 April	Net revenue 2017	Group 2 Equalisation 2017	Group 1 & 2 Distribution 2017	2016
	€	€	€	€
First interim	2.7266	0.0000	2.7266	n/a
Second interim	2.6695	0.0000	2.6695	n/a
Third interim	1.1369	0.0000	1.1369	n/a
Fourth interim	0.9538	0.0000	0.9538	n/a
Fifth interim	2.2335	0.0000	2.2335	n/a
Sixth interim	1.2574	0.0000	1.2574	2.7984
Seventh interim	1.5041	0.0000	1.5041	2.8430
Eighth interim	1.6631	0.0000	1.6631	2.9771
Ninth interim	1.3824	0.0000	1.3824	2.8561
Tenth interim	2.2991	0.0000	2.2991	2.8724
Eleventh interim	1.5012	0.0000	1.5012	2.9778
Final	2.4601	0.0000	2.4601	5.5371

Singapore dollar Class 'C-H' Income shares

Ordinary distributions for the year to 30 April	Net revenue 2017	Group 2 Equalisation 2017	Group 1 & 2 Distribution 2017	2016
	€	€	€	€
First interim	2.6780	0.0000	2.6780	n/a
Second interim	2.3828	0.0000	2.3828	n/a
Third interim	2.2508	0.0000	2.2508	n/a
Fourth interim	2.3032	0.0000	2.3032	n/a
Fifth interim	2.7260	0.0000	2.7260	n/a
Sixth interim	2.7562	0.0000	2.7562	2.7992
Seventh interim	2.7933	0.0000	2.7933	2.8003
Eighth interim	2.8651	0.0000	2.8651	2.6690
Ninth interim	2.8378	0.0000	2.8378	2.8389
Tenth interim	3.2141	0.0000	3.2141	2.7528
Eleventh interim	3.2576	0.0000	3.2576	2.9455
Final	3.6849	0.0000	3.6849	4.9347

Singapore dollar Class 'C-H' Accumulation shares

Ordinary distributions for the year to 30 April	Net revenue 2017	Group 2 Equalisation 2017	Group 1 & 2 Distribution 2017	2016
	€	€	€	€
First interim	2.7384	0.0000	2.7384	n/a
Second interim	2.4441	0.0000	2.4441	n/a
Third interim	1.6582	0.0000	1.6582	n/a
Fourth interim	1.6011	0.0000	1.6011	n/a
Fifth interim	2.8296	0.0000	2.8296	n/a
Sixth interim	1.8710	0.0000	1.8710	2.7993
Seventh interim	2.1082	0.0000	2.1082	2.8048
Eighth interim	2.2887	0.0000	2.2887	2.6833
Ninth interim	2.0611	0.0000	2.0611	2.8619
Tenth interim	2.8902	0.0000	2.8902	2.7838
Eleventh interim	2.1659	0.0000	2.1659	2.9872
Final	3.0859	0.0000	3.0859	5.0364

Swiss franc Class 'A-H' Accumulation shares

Ordinary distributions for the year to 30 April	Net revenue 2017	Group 2 Equalisation 2017	Group 1 & 2 Distribution 2017	2016
	€	€	€	€
First interim	3.0142	0.0000	3.0142	3.3034
Second interim	2.9468	0.0000	2.9468	3.1777
Third interim	1.1928	0.0000	1.1928	3.1941
Fourth interim	1.0427	0.0000	1.0427	3.0533
Fifth interim	2.4580	0.0000	2.4580	2.9651
Sixth interim	1.4363	0.0000	1.4363	3.1300
Seventh interim	1.5659	0.0000	1.5659	3.2414
Eighth interim	1.8354	0.0000	1.8354	3.3154
Ninth interim	1.1764	0.3050	1.4814	3.1777
Tenth interim	1.7193	0.8439	2.5632	3.1910
Eleventh interim	1.6450	0.0000	1.6450	3.2999
Final	2.9546	0.0000	2.9546	8.5747

M&G Income Allocation Fund

Financial statements and notes

Notes to the financial statements

24 Dividend distribution tables (continued)

Swiss franc Class 'C-H' Accumulation shares				
Ordinary distributions for the year to 30 April	Net revenue 2017	Group 2 Equalisation 2017	Group 1 & 2 Distribution	
	2017	2017	2017	2016
	€	€	€	€
First interim	3.0593	0.0000	3.0593	3.3287
Second interim	2.6878	0.0000	2.6878	3.2046
Third interim	1.8250	0.0000	1.8250	3.2222
Fourth interim	1.7730	0.0000	1.7730	3.0819
Fifth interim	3.1680	0.0000	3.1680	2.9952
Sixth interim	2.1010	0.0000	2.1010	3.1632
Seventh interim	2.3340	0.0000	2.3340	3.2476
Eighth interim	2.5300	0.0000	2.5300	3.3542
Ninth interim	2.4410	0.0000	2.4410	3.2168
Tenth interim	3.2227	0.0000	3.2227	3.2323
Eleventh interim	2.1939	0.1774	2.3713	3.3457
Final	2.7926	0.8780	3.6706	6.0580

US dollar Class 'A-H' Income shares				
Ordinary distributions for the year to 30 April	Net revenue 2017	Group 2 Equalisation 2017	Group 1 & 2 Distribution	
	2017	2017	2017	2016
	€	€	€	€
First interim	2.6504	0.0000	2.6504	n/a
Second interim	2.5868	0.0000	2.5868	n/a
Third interim	2.3872	0.0000	2.3872	n/a
Fourth interim	2.4207	0.0000	2.4207	n/a
Fifth interim	2.6907	0.0000	2.6907	n/a
Sixth interim	2.7191	0.0000	2.7191	2.7981
Seventh interim	2.7533	0.0000	2.7533	2.7930
Eighth interim	2.8211	0.0000	2.8211	2.9536
Ninth interim	0.0805	2.7110	2.7915	2.8231
Tenth interim	0.3314	2.8298	3.1612	2.8278
Eleventh interim	0.4702	2.7342	3.2044	2.9233
Final	1.8412	3.2047	5.0459	5.5606

US dollar Class 'A-H' Accumulation shares				
Ordinary distributions for the year to 30 April	Net revenue 2017	Group 2 Equalisation 2017	Group 1 & 2 Distribution	
	2017	2017	2017	2016
	€	€	€	€
First interim	2.7125	0.0000	2.7125	n/a
Second interim	2.6546	0.0000	2.6546	n/a
Third interim	1.1226	0.0000	1.1226	n/a
Fourth interim	0.9537	0.0000	0.9537	n/a
Fifth interim	1.6177	0.5977	2.2154	n/a
Sixth interim	1.2227	0.0000	1.2227	2.7979
Seventh interim	1.4865	0.0000	1.4865	2.7974
Eighth interim	0.0852	1.5266	1.6118	2.9690
Ninth interim	0.4060	0.9791	1.3851	2.8464
Tenth interim	1.1992	1.0800	2.2792	2.8596
Eleventh interim	1.0450	0.4788	1.5238	2.9650
Final	0.9171	1.7744	2.6915	5.6557

US dollar Class 'C-H' Income shares				
Ordinary distributions for the year to 30 April	Net revenue 2017	Group 2 Equalisation 2017	Group 1 & 2 Distribution	
	2017	2017	2017	2016
	€	€	€	€
First interim	2.6645	0.0000	2.6645	n/a
Second interim	2.3514	0.0000	2.3514	n/a
Third interim	2.2534	0.0000	2.2534	n/a
Fourth interim	2.2825	0.0000	2.2825	n/a
Fifth interim	2.7126	0.0000	2.7126	n/a
Sixth interim	2.7430	0.0000	2.7430	2.7988
Seventh interim	2.7792	0.0000	2.7792	2.7541
Eighth interim	2.8492	0.0000	2.8492	2.6621
Ninth interim	2.8206	0.0000	2.8206	2.8298
Tenth interim	3.1957	0.0000	3.1957	2.8361
Eleventh interim	3.2407	0.0000	3.2407	2.9336
Final	3.5866	0.0000	3.5866	4.9636

US dollar Class 'C-H' Accumulation shares				
Ordinary distributions for the year to 30 April	Net revenue 2017	Group 2 Equalisation 2017	Group 1 & 2 Distribution	
	2017	2017	2017	2016
	€	€	€	€
First interim	2.7241	0.0000	2.7241	n/a
Second interim	2.4136	0.0000	2.4136	n/a
Third interim	1.6680	0.0000	1.6680	n/a
Fourth interim	1.5944	0.0000	1.5944	n/a
Fifth interim	2.8066	0.0000	2.8066	n/a
Sixth interim	1.8344	0.0000	1.8344	2.7990
Seventh interim	2.0390	0.0000	2.0390	2.7585
Eighth interim	2.2274	0.0000	2.2274	2.6757
Ninth interim	2.0812	0.0000	2.0812	2.8521
Tenth interim	2.8782	0.0000	2.8782	2.8670
Eleventh interim	2.1841	0.0000	2.1841	2.9744
Final	3.0792	0.0000	3.0792	5.0572

M&G Prudent Allocation Fund

Authorised Corporate Director's Report

Investment objective

The Fund aims to deliver a positive total return in any three year period from a flexibly managed portfolio of global assets. There is no guarantee that the Fund will achieve a positive return over this, or any other, period and investors may not recoup the original amount they invested.

Investment policy

The Fund may invest in a range of fixed income assets, equities, collective investment schemes, other transferable securities, cash and near cash, deposits, warrants and money market instruments. Derivatives may also be used, for both hedging and investment purposes.

Asset allocation is central to the fund's investment philosophy and is based on the fund manager's macroeconomic outlook, asset class valuations and active risk management in portfolio construction. The Fund seeks to manage risk by investing globally in multiple asset classes. As such the portfolio may be diversified across asset classes, sectors, currencies and countries although, at the fund manager's discretion, there may be some periods where the portfolio will have a higher than usual concentration of asset or market exposure. The Fund will not have the majority of its assets in equities.

The Fund seeks to participate in a variety of rising asset values; however, capital preservation will be central to the Fund's strategy. The fund manager may use derivatives strategies to create value through additional asset exposure and/or where these may help to manage portfolio risk.

Investment approach

The fund managers believe that the fund's highly flexible investment approach has the potential to deliver returns of 3-6% per annum on average over the medium term (over three to five years), with an annualised volatility in returns of between 3% and 7%. (Volatility measures 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.)

The fund will normally invest within the following net allocation ranges: 0-35% of its assets in equities, 0-100% in fixed income securities (excluding cash and cash equivalents) and up to 20% in other assets, which can include indirect exposure to property and convertibles (fixed income investments that have the right to be converted into a predetermined number of company shares). The fund managers will actively manage the fund's foreign currency exposure to seek to enhance returns. At least 60% of the fund will be held in euro assets. The fund's investment strategy may involve the use of financial instruments to take short positions, that is, positions that profit from a fall in the price of an asset.

Risk profile

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

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

The fund adopts a flexible approach to the allocation of capital between asset classes in response to changes in economic conditions and the valuation of assets, and the managers will seek to maximise portfolio diversity wherever possible. However, in cases where the managers believe that the opportunities are limited to a few areas, there may be a higher-than-usual concentration of asset or market exposure. Such strategies may result in higher volatility of the fund's short-term performance.

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



The above number:

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

M&G Prudent Allocation Fund

Authorised Corporate Director's Report

Investment review

As at 2 May 2017, for the year ended 30 April 2017

Performance against objective

Between 3 May 2016 (the start of the review period) and 2 May 2017, the M&G Prudent Allocation Fund delivered a positive total return (the combination of income and growth of capital) across all share classes.

Over the period since launch on 23 April 2015, the fund has achieved its aim of delivering a positive total return.*

Investment performance

The review period started off on a turbulent note as investor sentiment had reached 'peak pessimism' during the early months of 2016 amid fears of a global recession. This nervousness was compounded by the UK's decision in June's referendum to leave the European Union (EU). All this led to sharp falls in so-called 'risky' assets, such as company shares ('equities') as investors fled to the perceived safety of 'mainstream' bonds issued by highly creditworthy governments such as those of the US, UK, Germany and Japan.

However, as the summer months continued, global financial markets began an emphatic, if turbulent, recovery, marked as it was by periods where politics dominated headlines, such as Donald Trump's surprise victory in the US presidential election in November. The events triggered a sharp reversal in stockmarkets, with 'risky' assets bouncing back strongly and 'safe' assets falling out of favour.

Heightened uncertainty in financial markets during the first half of 2016 proved to be a fertile environment for our investment philosophy of assessing genuine economic conditions (rather than market 'noise') and valuing assets in that context. We observed that the economy had actually been showing signs of robust recovery in many parts of the world for some time, and that this overly negative sentiment had driven the pricing of certain assets to unjustifiable extremes. Specifically, we felt that equities were being significantly undervalued, particularly relative to the overvaluation of mainstream government bonds. As such, we took the opportunity to increase exposure to selected areas, such as US banking stocks and Asian equities. At the same time, prices of mainstream bonds rose dramatically to levels at which we felt they looked vulnerable to 'correction', that is, reversal. Therefore, we moved our positions in mainstream government bonds further 'short' (an investment strategy designed to profit from a decline in asset values).

These decisions are the drivers of the fund's strong performance during the review period. The middle of 2016 saw a dramatic change in investor behaviour within financial markets as sentiment turned far more positive and the price declines we saw in the first half of the year quickly unwound. Furthermore, Donald Trump's victory – something which many had predicted would intensify risk aversion among investors – actually provided a further boost to confidence (and hence equity markets) by bolstering hopes that policymakers in major economies (including Trump) have started to favour fiscal policies (such as tax cuts and infrastructure spending) to boost growth, over monetary policies (such as lower interest rates and the buying of bonds) of recent years, which many now regard as ineffective.

Over the review period as a whole, the fund's exposure to developed market equities added notable value. The largest gains came from the fund's sizeable position in US banks, while European and Asian equities, as well as US technology stocks, also contributed positively. However, the short position in the wider US stockmarket detracted amid broad-based gains for US stocks.

Within the fund's allocation to fixed income assets, the holdings in corporate bonds generated positive returns. Holdings in some emerging market, peripheral European (Spain, Portugal and Italy) and core European (Germany) government bonds added value, but short positions in government bonds issued by the US and Japan incurred losses. (Bonds are loans that are extended by an investor to an issuing entity – such as a company or government – in exchange for regular interest payments. Bonds issued by companies are referred to as 'corporate bonds', while those issued by governments are called 'government bonds'.)

Investment activities

Over the 12 months under review, the fund was positioned in favour of equities over bonds. The sustained strength of economic data suggests to us that equities still offer good value on the whole. The fund, therefore, continues to have significant exposure to the asset class – both directly and indirectly through derivatives. (Derivatives are financial contracts rather than physical holdings, and their value is dependent on one or more underlying assets. Derivatives can be used to gain exposure to, or to help protect against, changes in the value of the underlying assets. We believe the use of derivatives allows for more efficient and low cost executions of our investment ideas.)

Following significant gains in equity markets, particularly over the second half of the review period, we slightly reduced our equity weighting in order to de-risk the portfolio before adding back to the exposure towards the end of the period following a period of sustained global growth.

We also materially reduced the fund's allocation to corporate bonds over the 12 months; although corporate bonds continue to look reasonably attractive as an asset class, we remain of the view that equities are offering better value than bonds at present.

Within government bonds, we moved the fund more aggressively away from Western government bonds (that is, by increasing the size of our 'short' positions) to take advantage of opportunities in emerging market government bonds. Given the high price of mainstream government bonds at present, we believe the scope for further gains is therefore limited, and that a decline in value is therefore more likely.

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

Outlook

Trends from the second half of 2016 have continued into 2017 as newsflow about politics and policy action dominated headlines over the first few months of the year. However global economic indicators broadly held up well, providing a positive backdrop for assets such as company shares, which tend to do well when the global economy is growing but can experience a great degree of turbulence amid market uncertainty.

M&G Prudent Allocation Fund

Authorised Corporate Director's Report

Investment review

Outlook (continued)

Improved global growth and the potential for this to trigger higher inflation means we have observed a shift in tone from developed market central bankers, suggesting increased aversion to the low or negative interest rates they have used in recent years to tackle the aftermath of the 2008 financial crisis. There are also signs of improving consumer and business sentiment. We believe this is very important as, despite evidence of robust global economic recovery, persistent pessimism has weighed on the sustainability of the growth outlook since 2008. In other words, consumers and businesses need to believe that economic conditions are genuinely improving in order to be encouraged to spend and invest more, to stimulate further growth.

We are particularly encouraged to observe that in recent months, hard evidence in terms of economic data, rather than sentiment changes in response to news headlines, seemed to be the main driver of market movements.

For now, we remain positive on equities overall as we believe, despite the recent rise in prices, the assets continue to offer the best compensation for genuine risk in terms of the compelling prices at which they can be bought, in the context of an improving economic environment.

Juan Nevado & Craig Moran

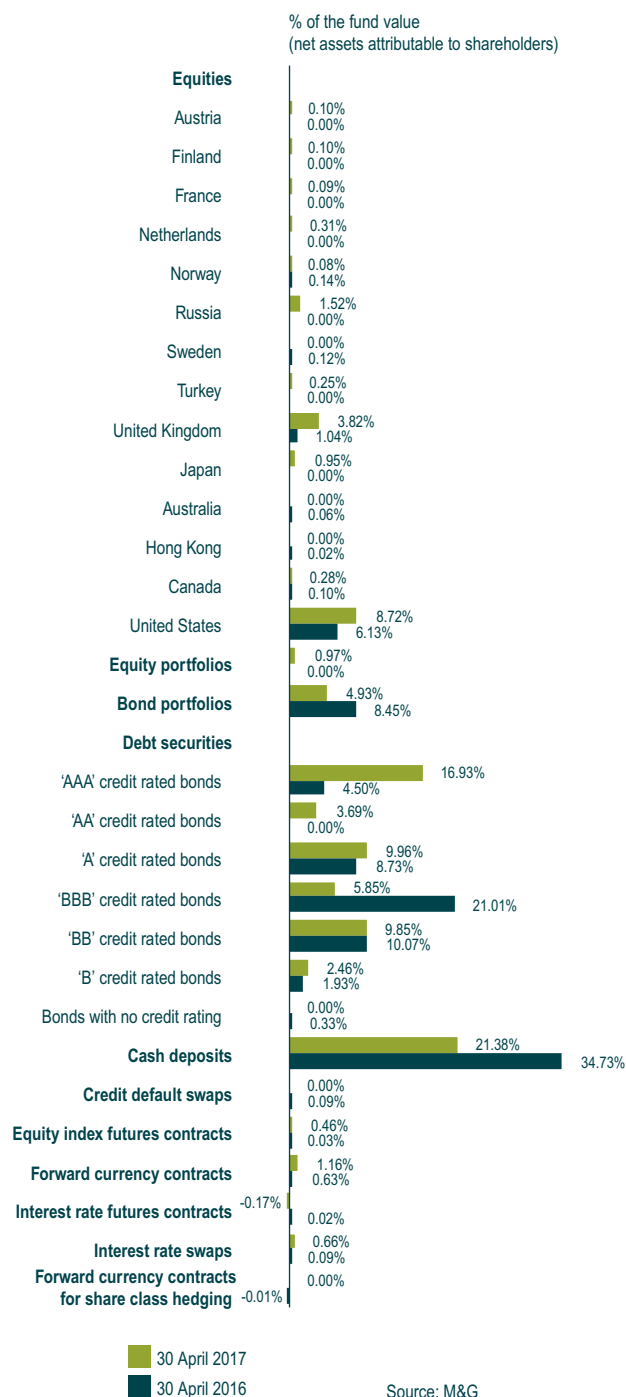
Co-fund managers

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

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

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

Classification of investments



M&G Prudent Allocation Fund

Authorised Corporate Director's Report

Investments

Portfolio statement

as at 30 April Holding	2017 €'000	2017 %	2016 %
Equities	163,524	16.22	7.61
Austria	1,037	0.10	0.00
17,519 ams	1,037	0.10	
Finland	955	0.10	0.00
179,941 Nokia	955	0.10	
France	930	0.09	0.00
18,700 Criteo ADR	930	0.09	
Netherlands	3,097	0.31	0.00
8,900 NXP Semiconductors	858	0.09	
89,400 Yandex N.V.	2,239	0.22	
Norway	783	0.08	0.14
50,746 Aker BP	783	0.08	
Russia	15,354	1.52	0.00
108,675 Lukoil ADR	4,963	0.49	
37,154 Magnit GDR	1,193	0.12	
494,385 Sberbank of Russia ADR	5,401	0.53	
305,604 Severstal GDR	3,797	0.38	
Sweden	0	0.00	0.12
Turkey	2,464	0.25	0.00
905,162 Haci Omer Sabanci	2,464	0.25	
United Kingdom	38,537	3.82	1.04
4,481,504 3i Infrastructure	10,344	1.03	
5,562,795 Greencoat UK Wind	8,200	0.81	
4,465,116 John Laing Infrastructure Fund	7,258	0.72	
151,786 John Wood Group	1,374	0.14	
10,358,181 Lloyds Banking Group	8,484	0.84	
118,153 Royal Dutch Shell 'B'	2,877	0.28	
Japan	9,606	0.95	0.00
416,800 Mitsubishi UFJ Financial	2,422	0.24	
1,442,400 Mizuho Financial Group	2,406	0.24	
71,900 Sumitomo Mitsui Financial	2,431	0.24	
75,000 Sumitomo Mitsui Trust Holdings	2,347	0.23	
Australia	0	0.00	0.06
Hong Kong	0	0.00	0.02
Canada	2,829	0.28	0.10
69,000 Methanex	2,829	0.28	
United States	87,932	8.72	6.13
34,300 AbbVie	2,071	0.20	
1,100 Alphabet	897	0.09	
1,000 Amazon	840	0.08	
111,788 American Express	8,209	0.81	
13,600 Amgen	2,023	0.20	
26,500 Anadarko Petroleum	1,383	0.14	
371,436 Bank of America	8,030	0.80	
180,300 Bank of New York Mellon	7,783	0.77	
8,100 Biogen	2,047	0.20	
2,300 Bioerativ	122	0.01	
17,800 Celgene	2,017	0.20	
30,000 Chevron	2,894	0.29	
146,274 Citigroup	7,941	0.79	
12,400 Concho Resources	1,442	0.14	
6,300 Facebook	851	0.08	
33,600 Gilead Sciences	2,106	0.21	
33,000 Halliburton	1,399	0.14	
7,900 IPG Photonics	917	0.09	
99,985 JPMorgan Chase	8,008	0.79	

Portfolio statement (continued)

as at 30 April Holding	2017 €'000	2017 %	2016 %
United States (continued)			
145,087 Kosmos Energy	798	0.08	
14,600 Luxoft	826	0.08	
75,255 Mastercard	8,056	0.80	
14,300 Microsoft	893	0.09	
5,900 Regeneron Pharmaceuticals	1,976	0.20	
42,000 Sabre	899	0.09	
20,500 Schlumberger	1,365	0.14	
12,900 Shire ADR	2,097	0.21	
522,700 Veon ADR (formerly Vimpelcom ADR)	1,978	0.20	
162,012 Wells Fargo	8,064	0.80	
Equity portfolios	9,764	0.97	0.00
14,557,828 M&G Japan Fund Sterling Class 'A' Income	9,764	0.97	
Bond portfolios [a]	49,676	4.93	8.45
9,897,892 M&G Global Convertibles Fund Sterling Class 'A'	24,235	2.40	
413,156 M&G Global Corporate Bond Fund Euro Class 'A-H'	4,829	0.48	
9,447,400 M&G Global High Yield Bond Fund Sterling Class 'X'	14,341	1.42	
43,231 M&G Total Return Credit Investment Fund Euro Class 'A'	4,900	0.49	
47,400 SPDR® Barclays 10+ Year US Corporate Bond UCITS ETF	1,371	0.14	
Debt securities	491,375	48.74	46.57
'AAA' credit rated bonds	170,683	16.93	4.50
AUD21,290,000 Australia (Govt. of) 4.5% 2033	17,304	1.72	
€8,506,116 Germany (Federal Republic of) 0% 2017 (28 Jun)	8,518	0.85	
€17,642,398 Germany (Federal Republic of) 0% 2017 (16 Aug)	17,689	1.75	
€17,619,556 Germany (Federal Republic of) 0% 2017 (13 Sep)	17,676	1.75	
€35,180,000 Germany (Federal Republic of) 0% 2017 (13 Sep)	35,330	3.50	
€35,099,000 Germany (Federal Republic of) 0% 2018 (16 Mar)	35,327	3.50	
€35,040,000 Germany (Federal Republic of) 0% 2018 (15 Jun)	35,348	3.51	
\$4,009,000 Microsoft 4% 2055	3,491	0.35	
'AA' credit rated bonds	37,239	3.69	0.00
\$39,148,700 US Treasury 1% 2046	37,239	3.69	
'A' credit rated bonds	100,401	9.96	8.73
\$2,175,000 Amgen 4.663% 2051	1,987	0.20	
\$1,787,000 Anheuser-Busch InBev 4.9% 2046	1,770	0.18	
\$3,538,000 Intel 4.9% 2045	3,647	0.36	
MXN614,294,100 Mexico (United Mexican States) 5.75% 2026	26,705	2.65	
MXN746,784,400 Mexico (United Mexican States) 7.75% 2042	36,218	3.59	
MXN208,786,600 Mexico (United Mexican States) 8% 2023	10,479	1.04	
PLN88,420,000 Poland (Republic of) 2.5% 2026	19,595	1.94	
'BBB' credit rated bonds	58,984	5.85	21.01
\$2,036,000 AT&T 4.5% 2048	1,664	0.17	
\$1,557,000 AT&T 6.375% 2041	1,621	0.16	
\$2,326,000 Bank of America 4.25% 2026	2,162	0.21	
\$1,266,000 Basell Finance 8.1% 2027	1,549	0.15	
\$1,448,000 BHP Billiton Finance 6.75% 2075 FRN	1,496	0.15	
COP20,267,400,000 Colombia (Republic of) 7.5% 2026	6,846	0.68	
\$1,657,000 Enel Finance International 6.8% 2037	1,884	0.19	
\$2,348,000 Energy Transfer Partners 4.05% 2025	2,140	0.21	
\$1,806,000 Energy Transfer Partners 6.125% 2045	1,782	0.18	
\$1,591,000 Exelon Generation 5.6% 2042	1,398	0.14	

M&G Prudent Allocation Fund

Authorised Corporate Director's Report

Investments

Portfolio statement (continued)				
as at 30 April Holding	2017 €'000	2017 %	2016 %	
'BBB' credit rated bonds (continued)				
\$5,062,000 Express Scripts 4.8% 2046	4,428	0.44		
\$2,741,000 FMG Resources 9.75% 2022	2,870	0.28		
\$1,369,000 Ford Motor Company 6.625% 2028	1,472	0.15		
\$1,577,000 Glencore Finance Europe 4.625% 2024	1,508	0.15		
\$1,619,000 Goldman Sachs Group 6.75% 2037	1,833	0.18		
\$1,080,000 Johnson Controls 5.125% 2045	1,096	0.11		
\$1,519,000 Kraft Foods Group 6.875% 2039	1,743	0.17		
\$3,979,000 Morgan Stanley 5% 2025	3,932	0.39		
\$2,117,000 Mylan 5.25% 2046	1,980	0.20		
\$4,478,000 Mylan 5.4% 2043	4,255	0.42		
\$1,703,000 Perrigo Finance 4.9% 2044	1,527	0.15		
\$3,930,000 Teva 4.1% 2046	3,092	0.31		
\$1,741,000 Time Warner Cable 7.3% 2038	1,970	0.20		
\$4,070,000 Verizon Communications 4.862% 2046	3,580	0.35		
\$951,000 Weyerhaeuser 7.375% 2032	1,156	0.11		
'BB' credit rated bonds	99,253	9.85	10.07	
\$1,605,000 Anglo American Capital 4.875% 2025	1,527	0.15		
BRL46,159,000 Brazil (Republic of) 10% 2027	12,980	1.29		
\$3,585,000 Freeport McMoRan Copper & Gold 5.45% 2043	2,764	0.28		
IDR138,367,000,000 Indonesia (Republic of) 8.375% 2024	10,181	1.01		
€24,691,000 Portugal (Republic of) 4.75% 2019	26,907	2.67		
€39,876,000 Portugal (Republic of) 4.8% 2020	44,894	4.45		
'B' credit rated bonds	24,815	2.46	1.93	
\$2,386,000 Argentina (Republic of) 5.625% 2022	2,264	0.22		
\$11,587,000 Argentina (Republic of) 6.875% 2021	11,513	1.14		
\$3,684,000 Argentina (Republic of) 6.875% 2027	3,531	0.35		
\$7,014,000 Argentina (Republic of) 7.5% 2026	7,041	0.70		
\$493,000 Yum! Brands 6.875% 2037	466	0.05		
Bonds with no credit rating	0	0.00	0.33	
Cash deposits	215,513	21.38	34.73	
€115,450,995 BNP (0.46%) 2017	115,451	11.45		
€100,061,708 Rabobank (0.55%) 2017	100,062	9.93		
Credit default swaps	0	0.00	0.09	
Equity index futures contracts	4,696	0.46	0.03	
3,332 BIST 30 Jun 2017	49	0.00		
394 CAC 40 Euro May 2017	1,052	0.11		
38 DAX Index Jun 2017	387	0.04		
231 FTSE 100 Index Jun 2017	(131)	(0.01)		
201 FTSE MIB Index Jun 2017	1,040	0.10		
191 IBEX 35 Index Jun 2017	932	0.09		
674 KOSPI 200 Index Jun 2017	2,268	0.22		
448 MSCI Taiwan Index May 2017	180	0.02		
(961) S&P 500 E-Mini Index Jun 2017	(1,087)	(0.11)		
232 TOPIX Index Jun 2017	6	0.00		

Portfolio statement (continued)

as at 30 April Holding	2017 €'000	2017 %	2016 %
Forward currency contracts	11,748	1.16	0.63
AUD(48,020,696) Sold for €34,569,370 (expires 23.05.17)	1,811	0.18	
INR500,745,475 Bought for \$7,399,268 (expires 23.05.17)	331	0.03	
¥1,981,431,480 Bought for €16,580,922 (expires 23.05.17)	(332)	(0.03)	
¥(2,240,338,878) Sold for €18,640,536 (expires 23.05.17)	269	0.03	
MXN151,561,214 Bought for €6,844,965 (expires 23.05.17)	402	0.04	
MXN(846,070,135) Sold for €39,411,096 (expires 23.05.17)	(1,046)	(0.10)	
PLN(5,374,769) Sold for €1,260,071 (expires 23.05.17)	(12)	0.00	
RUB392,474,590 Bought for \$6,619,575 (expires 23.05.17)	233	0.02	
SGD(43,760,615) Sold for €29,153,512 (expires 23.05.17)	512	0.05	
KRW14,919,648,600 Bought for \$13,106,957 (expires 23.05.17)	7	0.00	
£5,589,137 Bought for €6,626,489 (expires 23.05.17)	(17)	0.00	
£(24,127,538) Sold for €28,242,371 (expires 23.05.17)	(291)	(0.03)	
CHF(1,892,738) Sold for €1,781,352 (expires 23.05.17)	34	0.00	
TRY62,852,799 Bought for €15,977,085 (expires 23.05.17)	139	0.01	
TRY(27,775,084) Sold for €7,060,102 (expires 23.05.17)	(62)	(0.01)	
\$6,986,855 Bought for CNY47,008,258 (expires 12.05.17)	161	0.02	
\$2,329,579 Bought for CNY15,729,318 (expires 26.05.17)	48	0.00	
\$5,719,618 Bought for CNY38,979,194 (expires 25.08.17)	97	0.01	
\$2,286,003 Bought for CNY15,606,540 (expires 29.09.17)	39	0.00	
\$4,523,408 Bought for CNY32,007,636 (expires 17.11.17)	(61)	(0.01)	
\$5,584,357 Bought for CNY40,413,989 (expires 22.12.17)	(184)	(0.02)	
\$10,621,741 Bought for CNY75,387,810 (expires 23.02.18)	(133)	0.00	
\$23,755,755 Bought for CNY168,278,258 (expires 04.04.18)	(219)	(0.02)	
\$29,459,952 Bought for €27,702,080 (expires 23.05.17)	(797)	(0.08)	
\$(435,855,037) Sold for €409,631,134 (expires 23.05.17)	11,567	1.15	
\$1,622,148 Bought for KRW1,857,845,614 (expires 23.05.17)	(10)	0.00	
\$7,536,442 Bought for PHP384,019,427 (expires 23.05.17)	(130)	(0.01)	
\$6,135,653 Bought for RUB359,978,751 (expires 23.05.17)	(155)	(0.02)	
\$30,278,604 Bought for TWD927,805,730 (expires 23.05.17)	(453)	(0.05)	
Interest rate futures contracts	(1,717)	(0.17)	0.02
(1,395) 5 Year US Treasury Note Jun 2017	(524)	(0.05)	
(575) 10 Year US Treasury Note Jun 2017	(271)	(0.02)	
(87) Euro Bund Jun 2017	(53)	(0.01)	
(217) Euro Buxl Jun 2017	(360)	(0.04)	
(185) Euro OAT Jun 2017	(467)	(0.05)	
(130) UK Long Gilt Bond Jun 2017	(298)	(0.03)	
223 US Ultra Long Treasury Bond Jun 2017	256	0.03	

M&G Prudent Allocation Fund

Authorised Corporate Director's Report

Investments

Portfolio statement (continued)			
as at 30 April Holding	2017 €'000	2017 %	2016 %
Interest rate swaps	6,643	0.66	0.09
¥446,000,000 Pay 0.46% Receive VAR Sep 2046	295	0.03	
¥446,500,000 Pay 0.4925% Receive VAR Sep 2046	273	0.03	
¥400,000,000 Pay 0.7675% Receive VAR Nov 2046	(5)	(0.01)	
¥208,440,000 Pay 0.8% Receive VAR Dec 2046	(18)	0.00	
¥350,000,000 Pay 0.935% Receive VAR Feb 2047	(146)	0.00	
£9,500,000 Pay 1.287% Receive VAR Oct 2046	303	0.03	
£9,000,000 Pay 1.3115% Receive VAR Apr 2047	209	0.02	
£3,000,000 Pay 1.5% Receive VAR Feb 2047	(102)	(0.01)	
£4,500,000 Pay 1.526% Receive VAR Mar 2047	(186)	(0.02)	
£2,155,000 Pay 1.558% Receive VAR Dec 2046	(114)	(0.01)	
£8,000,000 Pay 1.618% Receive VAR Nov 2046	(576)	(0.06)	
\$25,000,000 Pay 1.655% Receive VAR Aug 2046	4,380	0.44	
£3,000,000 Pay 1.692% Receive VAR Jan 2047	(275)	(0.03)	
\$7,000,000 Pay 1.8375% Receive VAR Sep 2046	968	0.10	
\$4,000,000 Pay 1.859% Receive VAR Sep 2046	513	0.05	
\$7,500,000 Pay 2.047% Receive VAR Nov 2046	600	0.06	
\$4,000,000 Pay 2.09% Receive VAR May 2046	284	0.03	
\$10,500,000 Pay 2.1275% Receive VAR Apr 2046	741	0.08	
\$7,500,000 Pay 2.3825% Receive VAR Nov 2046	120	0.01	
\$4,000,000 Pay 2.487% Receive VAR Jan 2047	(6)	0.00	
\$3,851,300 Pay 2.697% Receive VAR Dec 2046	(165)	(0.02)	
\$9,000,000 Pay 2.719% Receive VAR Mar 2047	(331)	(0.04)	
¥500,000,000 Pay 4.875% Receive VAR Jul 2021	(119)	(0.02)	
Portfolio of investments	951,222	94.35	98.22
Forward currency contracts for share class hedging	(29)	0.00	(0.01)
CHF82,852 Bought for €76,479 (expires 31.05.17)	0	0.00	
CHF(729) Sold for €673 (expires 31.05.17)	0	0.00	
\$8,086,513 Bought for €7,411,793 (expires 31.05.17)	(29)	0.00	
\$(91,221) Sold for €83,620 (expires 31.05.17)	0	0.00	
Total portfolio (notes 2c & 2d on page 5)	951,193	94.35	98.21
Net other assets / (liabilities)	56,999	5.65	1.79
Net assets attributable to shareholders	1,008,192	100.00	100.00

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

[a] All holdings are in Accumulation shares unless otherwise stated.

M&G Prudent Allocation 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.

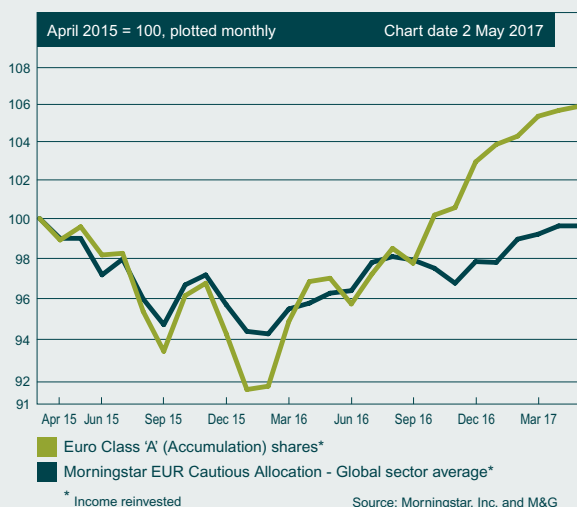
The fund is available for investment in different share classes, each with varying levels of charges and minimum investments; please refer to the Prospectus for M&G Investment Funds (14), which is available free of charge either from our website at www.mandg.co.uk/prospectuses or by calling M&G Customer Relations.

Fund level performance

Fund net asset value		
	2017	2016
as at 30 April	€'000	€'000
Fund net asset value (NAV)	1,008,192	207,071

Performance since launch

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



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

Long-term performance by share class

	One year 03.05.16 % [a]	Three years 02.05.14 % p.a.	Five years 02.05.12 % p.a.	Since launch % p.a.
Euro [b]				
Class 'A'	+9.9	n/a	n/a	+2.9 [c]
Class 'B'	+9.5	n/a	n/a	+6.8 [d]
Class 'C'	+10.6	n/a	n/a	+3.5 [c]
Swiss franc [b]				
Class 'A-H'	n/a	n/a	n/a	+7.4 [e]
Class 'C-H'	n/a	n/a	n/a	+7.9 [e]
US dollar [b]				
Class 'A-H'	+11.5	n/a	n/a	+3.7 [c]
Class 'C-H'	+12.2	n/a	n/a	+4.5 [c]

[a] Absolute basis.

[b] Price to price with net income reinvested.

[c] 23 April 2015, the launch date of the fund.

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

[e] 12 August 2016, the launch date of the share class. Absolute basis.

Operating charges and portfolio transaction costs

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

Operating charges

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

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

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

M&G Prudent Allocation Fund

Financial highlights

Fund performance

Operating charges and portfolio transaction costs

Operating charges (continued)

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

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

Portfolio transaction costs

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

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

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

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

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

Portfolio transaction costs

for the year to 30 April	2017	2016	Average ^[a]
Direct portfolio transaction costs ^[b]	%	%	%
Broker commission	0.03	0.02	0.03
Taxes	0.01	0.01	0.01
Costs before dilution adjustments	0.04	0.03	0.04
Dilution adjustments ^[c]	(0.02)	(0.01)	(0.02)
Total direct portfolio transaction costs	0.02	0.02	0.02
as at 30 April	2017	2016	Average ^[a]
Indirect portfolio transaction costs	%	%	%
Average portfolio dealing spread	0.20	0.53	0.37

^[a] Average of first two columns.

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

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

M&G Prudent Allocation Fund

Financial highlights

Specific share class performance

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

Euro Class 'A' Income share performance

The share class was launched on 23 April 2015.

for the year to 30 April Change in NAV per share	2017 Euro ¢	2016 Euro ¢
Opening NAV	958.85	1,000.00
Return before operating charges and after direct portfolio transaction costs	103.95	(20.11)
Operating charges	(14.98)	(15.31)
Return after operating charges	88.97	(35.42)
Distributions	(16.08)	(5.73)
Closing NAV	1,031.74	958.85
Direct portfolio transaction costs ^[a]	Euro ¢	Euro ¢
Costs before dilution adjustments	0.44	0.31
Dilution adjustments ^[b]	(0.24)	(0.11)
Total direct portfolio transaction costs	0.20	0.20
Performance and charges	%	%
Direct portfolio transaction costs	0.02	0.02
Operating charges	1.49	1.62
Return after operating charges	+9.28	-3.54
Historic yield ^[c]	1.78	0.61
Effect on yield of charges offset against capital	1.55	0.00
Other information		
Closing NAV (€'000)	33,929	8,922
Closing NAV percentage of total fund NAV (%)	3.37	4.31
Number of shares	3,288,524	930,504
Highest share price (Euro ¢)	1,039.70	1,002.02
Lowest share price (Euro ¢)	936.22	879.61

Euro Class 'A' Accumulation share performance

The share class was launched on 23 April 2015.

for the year to 30 April Change in NAV per share	2017 Euro ¢	2016 Euro ¢
Opening NAV	964.76	1,000.00
Return before operating charges and after direct portfolio transaction costs	105.32	(19.94)
Operating charges	(15.26)	(15.30)
Return after operating charges	90.06	(35.24)
Distributions	(3.41)	(5.75)
Retained distributions	3.41	5.75
Closing NAV	1,054.82	964.76
Direct portfolio transaction costs ^[a]	Euro ¢	Euro ¢
Costs before dilution adjustments	0.45	0.31
Dilution adjustments ^[b]	(0.25)	(0.11)
Total direct portfolio transaction costs	0.20	0.20
Performance and charges	%	%
Direct portfolio transaction costs	0.02	0.02
Operating charges	1.49	1.62
Return after operating charges	+9.33	-3.52
Historic yield	0.32	0.61
Effect on yield of charges offset against capital	0.00	0.00
Other information		
Closing NAV (€'000)	392,119	71,695
Closing NAV percentage of total fund NAV (%)	38.89	34.62
Number of shares	37,174,187	7,431,309
Highest share price (Euro ¢)	1,058.18	1,002.02
Lowest share price (Euro ¢)	942.08	883.34

Euro Class 'B' Income share performance

The share class was launched on 11 September 2015.

for the year to 30 April Change in NAV per share	2017 Euro ¢	2016 Euro ¢
Opening NAV	1,015.11	1,000.00
Return before operating charges and after direct portfolio transaction costs	111.26	31.71
Operating charges	(21.48)	(12.91)
Return after operating charges	89.78	18.80
Distributions	(16.12)	(3.69)
Closing NAV	1,088.77	1,015.11
Direct portfolio transaction costs ^[a]	Euro ¢	Euro ¢
Costs before dilution adjustments	0.47	0.20
Dilution adjustments ^[b]	(0.26)	(0.07)
Total direct portfolio transaction costs	0.21	0.13
Performance and charges	%	%
Direct portfolio transaction costs	0.02	0.02
Operating charges	2.00	2.08
Return after operating charges	+8.84	+1.88
Historic yield ^[c]	1.77	0.12
Effect on yield of charges offset against capital	2.05	0.00
Other information		
Closing NAV (€'000)	20,567	1,011
Closing NAV percentage of total fund NAV (%)	2.04	0.49
Number of shares	1,888,978	99,598
Highest share price (Euro ¢)	1,097.12	1,026.67
Lowest share price (Euro ¢)	990.53	931.11

M&G Prudent Allocation Fund

Financial highlights

Specific share class performance

Euro Class 'B' Accumulation share performance

The share class was launched on 11 September 2015.

for the year to 30 April Change in NAV per share	2017 Euro ¢	2016 Euro ¢
Opening NAV	1,019.10	1,000.00
Return before operating charges and after direct portfolio transaction costs	111.96	32.02
Operating charges	(21.54)	(12.92)
Return after operating charges	90.42	19.10
Distributions	0.00	(3.78)
Retained distributions	0.00	3.78
Closing NAV	1,109.52	1,019.10
Direct portfolio transaction costs ^[a]	Euro ¢	Euro ¢
Costs before dilution adjustments	0.47	0.20
Dilution adjustments ^[b]	(0.26)	(0.07)
Total direct portfolio transaction costs	0.21	0.13
Performance and charges	%	%
Direct portfolio transaction costs	0.02	0.02
Operating charges	2.00	2.07
Return after operating charges	+8.87	+1.91
Historic yield	0.00	0.12
Effect on yield of charges offset against capital	0.00	0.00
Other information		
Closing NAV (€'000)	59,709	3,407
Closing NAV percentage of total fund NAV (%)	5.92	1.65
Number of shares	5,381,496	334,290
Highest share price (Euro ¢)	1,113.02	1,028.45
Lowest share price (Euro ¢)	994.38	933.73

Euro Class 'C' Income share performance

The share class was launched on 23 April 2015.

for the year to 30 April Change in NAV per share	2017 Euro ¢	2016 Euro ¢
Opening NAV	959.02	1,000.00
Return before operating charges and after direct portfolio transaction costs	102.52	(21.51)
Operating charges	(6.88)	(7.68)
Return after operating charges	95.64	(29.19)
Distributions	(15.96)	(11.79)
Closing NAV	1,038.70	959.02
Direct portfolio transaction costs ^[a]	Euro ¢	Euro ¢
Costs before dilution adjustments	0.44	0.31
Dilution adjustments ^[b]	(0.24)	(0.11)
Total direct portfolio transaction costs	0.20	0.20
Performance and charges	%	%
Direct portfolio transaction costs	0.02	0.02
Operating charges	0.69	0.81
Return after operating charges	+9.97	-2.92
Historic yield ^[c]	1.63	1.25
Effect on yield of charges offset against capital	0.75	0.00
Other information		
Closing NAV (€'000)	62,544	42,377
Closing NAV percentage of total fund NAV (%)	6.21	20.47
Number of shares	6,021,414	4,418,800
Highest share price (Euro ¢)	1,046.39	1,002.08
Lowest share price (Euro ¢)	937.39	879.99

Euro Class 'C' Accumulation share performance

The share class was launched on 23 April 2015.

for the year to 30 April Change in NAV per share	2017 Euro ¢	2016 Euro ¢
Opening NAV	971.04	1,000.00
Return before operating charges and after direct portfolio transaction costs	104.55	(20.89)
Operating charges	(7.07)	(8.07)
Return after operating charges	97.48	(28.96)
Distributions	(9.93)	(11.80)
Retained distributions	9.93	11.80
Closing NAV	1,068.52	971.04
Direct portfolio transaction costs ^[a]	Euro ¢	Euro ¢
Costs before dilution adjustments	0.45	0.31
Dilution adjustments ^[b]	(0.25)	(0.11)
Total direct portfolio transaction costs	0.20	0.20
Performance and charges	%	%
Direct portfolio transaction costs	0.02	0.02
Operating charges	0.69	0.84
Return after operating charges	+10.04	-2.90
Historic yield	0.92	1.23
Effect on yield of charges offset against capital	0.00	0.00
Other information		
Closing NAV (€'000)	431,955	76,506
Closing NAV percentage of total fund NAV (%)	42.84	36.95
Number of shares	40,425,542	7,878,721
Highest share price (Euro ¢)	1,071.94	1,002.08
Lowest share price (Euro ¢)	949.21	887.87

Swiss franc Class 'A-H' Accumulation share performance

The share class was launched on 12 August 2016.

for the year to 30 April Change in NAV per share	2017 Swiss ¢	2016 Swiss ¢
Opening NAV	1,000.00	n/a
Return before operating charges and after direct portfolio transaction costs	81.12	n/a
Operating charges	(11.10)	n/a
Return after operating charges	70.02	n/a
Distributions	(2.29)	n/a
Retained distributions	2.29	n/a
Closing NAV	1,070.02	n/a
Direct portfolio transaction costs ^[a]	Swiss ¢	Swiss ¢
Costs before dilution adjustments	0.32	n/a
Dilution adjustments ^[b]	(0.18)	n/a
Total direct portfolio transaction costs	0.14	n/a
Performance and charges	%	%
Direct portfolio transaction costs	0.02	n/a
Operating charges	1.50	n/a
Return after operating charges	+7.00	n/a
Historic yield	0.29	n/a
Effect on yield of charges offset against capital	0.00	n/a
Other information		
Closing NAV (€'000)	30	n/a
Closing NAV percentage of total fund NAV (%)	0.00	n/a
Number of shares	3,000	n/a
Highest share price (Swiss ¢)	1,073.46	n/a
Lowest share price (Swiss ¢)	994.39	n/a

M&G Prudent Allocation Fund

Financial highlights

Specific share class performance

Swiss franc Class 'C-H' Accumulation share performance

The share class was launched on 12 August 2016.

for the year to 30 April Change in NAV per share	2017 Swiss ¢	2016 Swiss ¢
Opening NAV	1,000.00	n/a
Return before operating charges and after direct portfolio transaction costs	80.14	n/a
Operating charges	(5.41)	n/a
Return after operating charges	74.73	n/a
Distributions	(6.90)	n/a
Retained distributions	6.90	n/a
Closing NAV	1,074.73	n/a
Direct portfolio transaction costs ^[a]	Swiss ¢	Swiss ¢
Costs before dilution adjustments	0.32	n/a
Dilution adjustments ^[b]	(0.18)	n/a
Total direct portfolio transaction costs	0.14	n/a
Performance and charges	%	%
Direct portfolio transaction costs	0.02	n/a
Operating charges	0.73	n/a
Return after operating charges	+7.47	n/a
Historic yield	0.89	n/a
Effect on yield of charges offset against capital	0.00	n/a
Other information		
Closing NAV (€'000)	46	n/a
Closing NAV percentage of total fund NAV (%)	0.00	n/a
Number of shares	4,654	n/a
Highest share price (Swiss ¢)	1,078.23	n/a
Lowest share price (Swiss ¢)	995.19	n/a

US dollar Class 'A-H' Income share performance

The share class was launched on 23 April 2015.

for the year to 30 April Change in NAV per share	2017 US ¢	2016 US ¢
Opening NAV	961.87	1,000.00
Return before operating charges and after direct portfolio transaction costs	119.52	(16.97)
Operating charges	(15.26)	(15.54)
Return after operating charges	104.26	(32.51)
Distributions	(16.12)	(5.62)
Closing NAV	1,050.01	961.87
Direct portfolio transaction costs ^[a]	US ¢	US ¢
Costs before dilution adjustments	0.44	0.31
Dilution adjustments ^[b]	(0.24)	(0.11)
Total direct portfolio transaction costs	0.20	0.20
Performance and charges	%	%
Direct portfolio transaction costs	0.02	0.02
Operating charges	1.51	1.64
Return after operating charges	+10.84	-3.25
Historic yield ^[c]	1.74	0.59
Effect on yield of charges offset against capital	1.57	0.00
Other information		
Closing NAV (€'000)	857	359
Closing NAV percentage of total fund NAV (%)	0.09	0.17
Number of shares	89,328	42,584
Highest share price (US ¢)	1,058.04	1,002.07
Lowest share price (US ¢)	940.62	879.54

US dollar Class 'A-H' Accumulation share performance

The share class was launched on 23 April 2015.

for the year to 30 April Change in NAV per share	2017 US ¢	2016 US ¢
Opening NAV	967.37	1,000.00
Return before operating charges and after direct portfolio transaction costs	120.78	(17.13)
Operating charges	(15.44)	(15.50)
Return after operating charges	105.34	(32.63)
Distributions	(3.19)	(5.63)
Retained distributions	3.19	5.63
Closing NAV	1,072.71	967.37
Direct portfolio transaction costs ^[a]	US ¢	US ¢
Costs before dilution adjustments	0.45	0.31
Dilution adjustments ^[b]	(0.25)	(0.11)
Total direct portfolio transaction costs	0.20	0.20
Performance and charges	%	%
Direct portfolio transaction costs	0.02	0.02
Operating charges	1.51	1.64
Return after operating charges	+10.89	-3.26
Historic yield	0.29	0.59
Effect on yield of charges offset against capital	0.00	0.00
Other information		
Closing NAV (€'000)	6,262	2,777
Closing NAV percentage of total fund NAV (%)	0.63	1.34
Number of shares	638,537	327,219
Highest share price (US ¢)	1,076.12	1,002.07
Lowest share price (US ¢)	946.17	882.94

US dollar Class 'C-H' Income share performance

The share class was launched on 23 April 2015.

for the year to 30 April Change in NAV per share	2017 US ¢	2016 US ¢
Opening NAV	962.25	1,000.00
Return before operating charges and after direct portfolio transaction costs	116.88	(17.26)
Operating charges	(6.86)	(8.58)
Return after operating charges	110.02	(25.84)
Distributions	(15.72)	(11.91)
Closing NAV	1,056.55	962.25
Direct portfolio transaction costs ^[a]	US ¢	US ¢
Costs before dilution adjustments	0.43	0.32
Dilution adjustments ^[b]	(0.23)	(0.11)
Total direct portfolio transaction costs	(0.20)	0.21
Performance and charges	%	%
Direct portfolio transaction costs	0.02	0.02
Operating charges	0.71	0.89
Return after operating charges	+11.43	-2.58
Historic yield ^[c]	1.61	1.25
Effect on yield of charges offset against capital	0.77	0.00
Other information		
Closing NAV (€'000)	23	8
Closing NAV percentage of total fund NAV (%)	0.00	0.00
Number of shares	2,422	1,000
Highest share price (US ¢)	1,064.30	1,002.14
Lowest share price (US ¢)	942.26	880.06

M&G Prudent Allocation Fund

Financial highlights

Specific share class performance

US dollar Class 'C-H' Accumulation share performance

The share class was launched on 23 April 2015.

for the year to 30 April	2017	2016
Change in NAV per share	US ¢	US ¢
Opening NAV	974.56	1,000.00
Return before operating charges and after direct portfolio transaction costs	121.31	(16.83)
Operating charges	(7.93)	(8.61)
Return after operating charges	113.38	(25.44)
Distributions	(9.64)	(11.57)
Retained distributions	9.64	11.57
Closing NAV	1,087.94	974.56
Direct portfolio transaction costs ^[a]	US ¢	US ¢
Costs before dilution adjustments	0.49	0.32
Dilution adjustments ^[b]	(0.27)	(0.11)
Total direct portfolio transaction costs	0.22	0.21
Performance and charges	%	%
Direct portfolio transaction costs	0.02	0.02
Operating charges	0.74	0.89
Return after operating charges	+11.63	-2.54
Historic yield	0.87	1.19
Effect on yield of charges offset against capital	0.00	n/a
Other information		
Closing NAV (€'000)	151	9
Closing NAV percentage of total fund NAV (%)	0.01	0.00
Number of shares	15,155	1,000
Highest share price (US ¢)	1,091.35	1,002.14
Lowest share price (US ¢)	954.46	888.24

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

[b] In respect of direct portfolio transaction costs.

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

M&G Prudent Allocation Fund

Financial statements and notes

Financial statements

Statement of total return					
for the year to 30 April	Note	2017		2016	
		€'000	€'000	€'000	€'000
Income					
Net capital gains / (losses)	3		44,188		(2,660)
Revenue	5	9,998		2,979	
Expenses	6	(5,874)		(1,594)	
Net revenue / (expense) before taxation		4,124		1,385	
Taxation	7	(711)		(289)	
Net revenue / (expense) after taxation			3,413		1,096
Total return before distributions			47,601		(1,564)
Distributions	8		(4,112)		(1,096)
Change in net assets attributable to shareholders from investment activities			43,489		(2,660)

Statement of change in net assets attributable to shareholders					
for the year to 30 April		2017		2016	
		€'000	€'000	€'000	€'000
Opening net assets attributable to shareholders			207,071		0
Amounts received on issue of shares		809,074		226,241	
Amounts paid on cancellation of shares		(56,187)		(17,770)	
			752,887		208,471
Dilution adjustments			1,187		373
Change in net assets attributable to shareholders from investment activities (see above)			43,489		(2,660)
Retained distributions on Accumulation shares			3,558		887
Closing net assets attributable to shareholders			1,008,192		207,071

Balance sheet			
as at 30 April	Note	2017 €'000	2016 €'000
Assets			
Fixed assets			
Investments		960,358	205,004
Current assets			
Debtors	9	21,905	16,361
Cash and bank balances	10	252,787	60,630
Total assets		1,235,050	281,995
Liabilities			
Investment liabilities		(9,165)	(1,634)
Creditors			
Distribution payable		(513)	(167)
Other creditors	11	(217,180)	(73,123)
Total liabilities		(226,858)	(74,924)
Net assets attributable to shareholders		1,008,192	207,071

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 5 and 6.

2 Distribution policy

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

3 Net capital gains / (losses)

for the year to 30 April	2017 €'000	2016 €'000
Non-derivative securities	20,090	(2,692)
Derivative contracts	25,997	587
Currency gains / (losses)	(1,915)	(539)
Administration charge rebates taken to capital	3	0
Management charge rebates taken to capital	25	0
Transaction charges	(12)	(16)
Net capital gains / (losses)	44,188	(2,660)

M&G Prudent Allocation Fund

Financial statements and notes

Notes to the financial statements

4 Portfolio transactions and associated costs

The following tables show portfolio transactions and their associated transaction costs. For more information about the nature of the costs please see the section on 'Operating charges and portfolio transaction costs' on pages 37 and 38.

for the year to 30 April	2017 €'000	% of transaction	2016 €'000	% of transaction
a) Purchases				
Equities				
Equities before transaction costs	127,060		20,849	
Commissions	58	0.05	9	0.02
Taxes	58	0.05	15	0.04
Equities after transaction costs	127,176		20,873	
Debt securities ^[a]	587,221		117,223	
Collective investment schemes				
Collective investment schemes before transaction costs	76,297		18,000	
Commissions	4	0.01	0	
Taxes	12	0.02	0	
Collective investment schemes after transaction costs	76,313		18,000	
Total purchases after transaction costs	790,710		156,096	
b) Sales				
Equities				
Equities before transaction costs	18,335		3,646	
Commissions	(9)	0.05	(4)	0.11
Taxes	0	0.00	0	0.00
Equities after transaction costs	18,326		3,642	
Debt securities ^[a]	194,272		17,680	
Collective investment schemes	11,225		71	
Other asset classes				
Corporate actions	900		2,036	
Total sales after transaction costs	224,723		23,429	
c) Direct portfolio transaction costs				
	2017 €'000	% of average NAV	2016 €'000	% of average NAV
Commissions paid				
Equities	67	0.01	13	0.01
Collective investment schemes	4	0.00	0	0.00
Derivatives	82	0.02	9	0.01
Total commissions paid	153	0.03	22	0.02
Taxes paid				
Equities	58	0.01	15	0.01
Collective investment schemes	12	0.00	0	0.00
Total taxes paid	70	0.01	15	0.01
Total direct portfolio transaction costs ^[b]	223	0.04	37	0.03
d) Indirect portfolio transaction costs				
		%		%
Portfolio dealing spread ^[c]		0.20		0.53

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

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

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

5 Revenue

for the year to 30 April	2017 €'000	2016 €'000
Administration charge rebates	47	11
Bank interest	35	1
Deposit interest	(542)	44
Derivative revenue	(1,282)	(159)
Distributions from collective investment schemes: taxable	607	199
Dividends from equity investments: non-taxable	1,585	157
Dividends from equity investments: taxable	(56)	0
Interest on debt securities	9,258	2,620
Management charge rebates	346	106
Total revenue	9,998	2,979

6 Expenses

for the year to 30 April	2017 €'000	2016 €'000
Payable to the ACD or associate		
Annual management charge ^[a]	4,751	1,227
Administration charge ^[a]	759	172
Share class hedging charge	1	1
	5,511	1,400
Payable to the Depositary or associate		
Depositary's charge (including VAT)	35	10
Other expenses		
Audit fee (including VAT)	10	10
Dividend charges	8	0
Interest payable	229	156
Safe custody charge	81	18
	328	184
Total expenses	5,874	1,594

^[a] This charge excludes rebates received from M&G Securities Limited, or an associate, in relation to the annual management charge and administration charge of the underlying collective investment schemes for which M&G Securities Limited, or an associate, acts as Authorised Corporate Director.

These rebates have been recognised as revenue in note 5 and amount to €393,000 (2016: €117,000).

7 Taxation

for the year to 30 April	2017 €'000	2016 €'000
a) Analysis of charge in the year		
Corporation tax	509	245
Withholding tax	335	111
Current double taxation relief	(133)	(67)
Deferred tax (note 7c)	0	0
Total taxation	711	289
b) Factors affecting taxation charge for the year		
Net revenue/ (expense) before taxation	4,124	1,385
Corporation tax at 20%	825	277
Effects of:		
Tax on management and administration charge rebates taken to capital	5	0
Dividends from equity investments: non-taxable	(317)	(32)
Withholding tax	335	111
Withholding tax recoverable: exchange rate movements	(4)	0
Total double taxation relief	(133)	(67)
Total tax charge (note 7a)	711	289
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 does not have an unrecognised deferred tax asset at the year end (2016: same).

M&G Prudent Allocation Fund

Financial statements and notes

Notes to the financial statements

8 Distributions

for the year to 30 April	2017		2016	
	Inc ^[a]	Acc ^[b]	Inc ^[a]	Acc ^[b]
Dividend distributions	€'000	€'000	€'000	€'000
First interim	142	392	38	46
Second interim	326	852	99	211
Third interim	386	977	143	215
Final	513	1,337	167	415
Total net distributions		4,925		1,334
Income deducted on cancellation of shares		94		22
Income received on issue of shares		(907)		(260)
Distributions		4,112		1,096
Net revenue/ (expense) per statement of total return		3,413		1,096
Expenses offset against capital		666		0
Relief on expenses offset against capital		(9)		0
Income deficit transferred to capital		42		0
Distributions		4,112		1,096

[a] Distributions payable on Income shares.

[b] Retained distributions on Accumulation shares.

9 Debtors

as at 30 April	2017	2016
	€'000	€'000
Administration charge rebates due	3	1
Amounts receivable on issues of shares	14,784	8,578
Currency deals outstanding	208	0
Debt security interest receivable	6,310	1,817
Derivative revenue receivable	0	90
Dividends receivable	456	57
Management charge rebates due	37	9
Sales awaiting settlement	0	5,779
Tax recoverable	80	30
Withholding tax recoverable	27	0
Total debtors	21,905	16,361

10 Cash and bank balances

as at 30 April	2017	2016
	€'000	€'000
Amounts held at futures clearing houses and brokers	22,508	3,920
Cash held as bank balances	230,279	56,710
Total cash and bank balances	252,787	60,630

11 Other creditors

as at 30 April	2017	2016
	€'000	€'000
ACD's annual management charge payable	502	90
Administration charge payable	72	14
Amounts payable on cancellation of shares	0	15
Corporation tax payable	376	178
Currency deals outstanding	207	0
Derivative expense payable	467	0
Expenses payable	43	20
Purchases awaiting settlement	215,513	72,806
Total other creditors	217,180	73,123

12 Contingent assets, liabilities and outstanding commitments

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

13 Shares in issue

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

Share class	Opening 01.05.16	Movements		Closing 30.04.17
		Issued	Cancelled	
Euro				
Class 'A' Income	930,504	2,414,028	(56,008)	3,288,524
Class 'A' Accumulation	7,431,309	30,043,024	(300,146)	37,174,187
Class 'B' Income	99,598	1,795,652	(6,272)	1,888,978
Class 'B' Accumulation	334,290	5,065,551	(18,345)	5,381,496
Class 'C' Income	4,418,800	1,619,654	(17,040)	6,021,414
Class 'C' Accumulation	7,878,721	37,546,087	(4,999,266)	40,425,542
Swiss franc				
Class 'A-H' Accumulation	0	3,000	0	3,000
Class 'C-H' Accumulation	0	4,654	0	4,654
US dollar				
Class 'A-H' Income	42,584	60,304	(13,560)	89,328
Class 'A-H' Accumulation	327,219	456,355	(145,037)	638,537
Class 'C-H' Income	1,000	9,410	(7,988)	2,422
Class 'C-H' Accumulation	1,000	14,155	0	15,155

14 Charging structure

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

Share class	Entry charge %	Exit charge %	Annual management charge %	Share class hedging charge %
Euro				
Class 'A'	4.00	n/a	1.40	n/a
Class 'B'	1.25	n/a	1.90	n/a
Class 'C'	1.25	n/a	0.60	n/a
Swiss franc				
Class 'A-H'	4.00	n/a	1.40	[a]
Class 'C-H'	1.25	n/a	0.60	[a]
US dollar				
Class 'A-H'	4.00	n/a	1.40	[a]
Class 'C-H'	1.25	n/a	0.60	[a]

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

M&G Prudent Allocation Fund

Financial statements and notes

Notes to the financial statements

15 Related parties

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

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

Amounts paid to M&G Securities Limited in respect of rebate arrangements for the ACD's annual management charge and administration charge are disclosed in notes 3 and 5. Amounts due at the year end from the ACD, and / or associate, in respect of these rebates are disclosed in note 9.

During the year, there were transactions in shares in related parties of M&G Securities Limited with a total value of €60,899,000 (2016: €15,587,000).

At the balance sheet date, the fund held shares in related parties of M&G Securities Limited with a value of €58,069,000 (2016: €16,180,000).

At the balance sheet date, there were no material shareholders from within Prudential plc, of which M&G Securities Limited is a wholly owned subsidiary (2016: same).

16 Events after the balance sheet date

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

17 Portfolio fair value analysis

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

Level 1: Quoted prices for identical instruments in active markets

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

Level 2: Valuation techniques using observable market data

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

Level 3: Valuation techniques using non-observable market data

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

as at 30 April	Assets 2017	Liabilities 2017	Assets 2016	Liabilities 2016
Valuation technique	€'000	€'000	€'000	€'000
Level 1	936,022	(3,191)	89,845	(739)
Level 2	24,336	(5,974)	115,159	(895)
Level 3	0	0	0	0
	960,358	(9,165)	205,004	(1,634)

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 described in note 3 to the financial statements on pages 6 and 7.

19 Market risk

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

The VaR limit set during the financial year to 30 April 2017 was 8% (2016: 8%).

The lowest, highest and average VaR calculated during the financial years ended 30 April 2017 and 30 April 2016 are disclosed in the table below. The lowest, highest and average utilisation of VaR is with reference to the limit above.

	2017 %	2016 %
for the year to 30 April		
Lowest	2.78	2.69
Highest	4.86	4.36
Average	3.78	3.33

20 Credit risk

as at 30 April	2017 €'000	2016 €'000
Investment grade securities	367,307	70,907
Below investment grade securities	124,068	24,834
Unrated securities	0	682
Other investments	459,818	106,947
Total	951,193	203,370

M&G Prudent Allocation Fund

Financial statements and notes

Notes to the financial statements

21 Counterparty exposure

	Credit default swaps	Forward currency contracts	Futures	Interest rate swaps	Collateral held as cash	Net exposure
as at 30 April 2017	€'000	€'000	€'000	€'000	€'000	€'000
Bank of America Merrill Lynch	0	89	2,979	0	(20,748)	(17,680)
BNP Paribas	0	(37)	0	0	0	(37)
Citigroup	0	3,240	0	(363)	0	2,877
HSBC	0	(181)	0	4,871	0	4,690
J.P.Morgan	0	0	0	0	(1,760)	(1,760)
National Australia Bank	0	2,392	0	0	0	2,392
State Street Bank	0	2,487	0	0	0	2,487
UBS	0	3,729	0	2,135	0	5,864
Total	0	11,719	2,979	6,643	(22,508)	(1,167)

	Credit default swaps	Forward currency contracts	Futures	Interest rate swaps	Collateral held as cash	Net exposure
as at 30 April 2016	€'000	€'000	€'000	€'000	€'000	€'000
Bank of America Merrill Lynch	0	0	116	0	(3,560)	(3,444)
Credit Suisse	194	0	0	0	0	194
HSBC	0	(223)	0	0	0	(223)
J.P.Morgan	0	0	0	0	(360)	(360)
State Street Bank	0	(200)	0	0	0	(200)
UBS	0	1,709	0	181	0	1,890
Total	194	1,286	116	181	(3,920)	(2,143)

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

22 Leverage risk

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

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

The lowest, highest and average level of leverage employed and utilisation of the leverage level calculated during the financial years ended 30 April 2017 and 30 April 2016 are disclosed in the table below.

	2017 €'000	2017 %	2016 €'000	2016 %
for the year to 30 April				
Lowest	406,270	183	25,364	120
Highest	2,199,505	269	413,162	283
Average	1,105,573	214	215,551	179

23 Exchange rate risk for hedged share classes

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

24 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	01.05.16	31.07.16	01.08.16	30.09.16
Second interim	01.08.16	31.10.16	01.11.16	31.12.16
Third interim	01.11.16	31.01.17	01.02.17	31.03.17
Final	01.02.17	30.04.17	02.05.17	30.06.17

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

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

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

Euro Class 'A' Income shares

Ordinary distributions for the year to 30 April	Group 2		Group 1 & 2 Distribution	
	Net revenue 2017	Equalisation 2017	2017	2016
	€	€	€	€
First interim	0.7747	0.8027	1.5774	0.1529
Second interim	1.3156	3.6716	4.9872	1.9040
Third interim	1.5160	3.3591	4.8751	1.8463
Final	1.8254	2.8175	4.6429	1.8258

Euro Class 'A' Accumulation shares

Ordinary distributions for the year to 30 April	Group 2		Group 1 & 2 Distribution	
	Net revenue 2017	Equalisation 2017	2017	2016
	€	€	€	€
First interim	0.0674	0.3745	0.4419	0.1608
Second interim	0.2126	0.9504	1.1630	1.8935
Third interim	0.2036	0.7535	0.9571	1.8476
Final	0.0072	0.8455	0.8527	1.8440

Euro Class 'B' Income shares

Ordinary distributions for the year to 30 April	Group 2		Group 1 & 2 Distribution	
	Net revenue 2017	Equalisation 2017	2017	2016
	€	€	€	€
First interim	0.6539	0.2216	0.8755	n/a
Second interim	1.1977	3.9966	5.1943	1.6184
Third interim	1.8273	3.2781	5.1054	1.0793
Final	1.8693	3.0738	4.9431	0.9928

M&G Prudent Allocation Fund

Financial statements and notes

Notes to the financial statements

24 Dividend distribution tables (continued)

Euro Class 'B' Accumulation shares				
Ordinary distributions for the year to 30 April	Net revenue	Group 2 Equalisation	Group 1 & 2 Distribution	
	2017	2017	2017	2016
	€	€	€	€
First interim	0.0000	0.0000	0.0000	n/a
Second interim	0.0000	0.0000	0.0000	1.6630
Third interim	0.0000	0.0000	0.0000	1.1139
Final	0.0000	0.0000	0.0000	1.0050

Euro Class 'C' Income shares				
Ordinary distributions for the year to 30 April	Net revenue	Group 2 Equalisation	Group 1 & 2 Distribution	
	2017	2017	2017	2016
	€	€	€	€
First interim	0.6760	1.8227	2.4987	1.7053
Second interim	1.6073	3.0023	4.6096	3.4172
Third interim	1.5129	2.9727	4.4856	3.3122
Final	1.4293	2.9410	4.3703	3.3572

Euro Class 'C' Accumulation shares				
Ordinary distributions for the year to 30 April	Net revenue	Group 2 Equalisation	Group 1 & 2 Distribution	
	2017	2017	2017	2016
	€	€	€	€
First interim	1.0226	0.9357	1.9583	1.7053
Second interim	1.2637	1.5705	2.8342	3.3505
Third interim	1.0905	1.5386	2.6291	3.3246
Final	0.8625	1.6466	2.5091	3.4183

Swiss franc Class 'A-H' Accumulation shares				
Ordinary distributions for the year to 30 April	Net revenue	Group 2 Equalisation	Group 1 & 2 Distribution	
	2017	2017	2017	2016
	€	€	€	€
First interim	n/a	n/a	n/a	n/a
Second interim	0.5717	0.0000	0.5717	n/a
Third interim	0.8823	0.0000	0.8823	n/a
Final	0.8340	0.0000	0.8340	n/a

Swiss franc Class 'C-H' Accumulation shares				
Ordinary distributions for the year to 30 April	Net revenue	Group 2 Equalisation	Group 1 & 2 Distribution	
	2017	2017	2017	2016
	€	€	€	€
First interim	n/a	n/a	n/a	n/a
Second interim	1.9747	0.0000	1.9747	n/a
Third interim	2.5631	0.0000	2.5631	n/a
Final	0.0000	2.3613	2.3613	n/a

US dollar Class 'A-H' Income shares				
Ordinary distributions for the year to 30 April	Net revenue	Group 2 Equalisation	Group 1 & 2 Distribution	
	2017	2017	2017	2016
	€	€	€	€
First interim	1.2164	0.2749	1.4913	0.0970
Second interim	5.0024	0.0000	5.0024	1.8488
Third interim	1.2987	3.6283	4.9270	1.8205
Final	2.3345	2.3605	4.6950	1.8513

US dollar Class 'A-H' Accumulation shares				
Ordinary distributions for the year to 30 April	Net revenue	Group 2 Equalisation	Group 1 & 2 Distribution	
	2017	2017	2017	2016
	€	€	€	€
First interim	0.0768	0.3201	0.3969	0.0970
Second interim	0.2867	0.8053	1.0920	1.8306
Third interim	0.0861	0.7730	0.8591	1.8251
Final	0.0000	0.8407	0.8407	1.8775

US dollar Class 'C-H' Income shares				
Ordinary distributions for the year to 30 April	Net revenue	Group 2 Equalisation	Group 1 & 2 Distribution	
	2017	2017	2017	2016
	€	€	€	€
First interim	1.8622	0.6369	2.4991	1.6460
Second interim	2.3064	2.3020	4.6084	3.3440
Third interim	4.4713	0.0000	4.4713	3.4847
Final	4.1382	0.0000	4.1382	3.4370

US dollar Class 'C-H' Accumulation shares				
Ordinary distributions for the year to 30 April	Net revenue	Group 2 Equalisation	Group 1 & 2 Distribution	
	2017	2017	2017	2016
	€	€	€	€
First interim	1.9057	0.0000	1.9057	1.7110
Second interim	2.7232	0.0000	2.7232	3.2810
Third interim	2.5200	0.0000	2.5200	3.2892
Final	0.9039	1.5905	2.4944	3.2856

M&G Investment Funds (14)

Other regulatory disclosures

Swiss investor information

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

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

Remuneration

In line with the requirements of the Undertakings for Collective Investment in Transferable Securities (UCITS) V, the Manager is subject to a remuneration policy which is consistent with the principles outlined in SYSC19E of the FCA Handbook (UCITS Remuneration Code).

The remuneration policies are designed to ensure that any relevant conflicts of interest can be managed appropriately at all times and that the remuneration of its staff is in line with the risk policies and objectives of the UCITS it manages. Further details of the remuneration policy applicable at an M&G Limited level can be found here: <http://www.mandg.com/en/corporate/about-mg/our-people/>.

Implementation of the UCITS Remuneration Code remains ongoing and will apply in full for the first time for M&G's 2017 performance year. Quantitative remuneration disclosures will be made following completion of the 2017 performance year (the relevant data/information to make these disclosures will only be available at this time).

Glossary

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

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

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

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

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

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

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

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

Bunds: Fixed income securities issued by the German government.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Glossary

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

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

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

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

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

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

Equities: Shares of ownership in a company.

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

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

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

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

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

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

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

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

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

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

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

Gilts: Fixed income securities issued by the UK government.

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

Hedging: A method of reducing unnecessary or unintended risk.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Glossary

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Glossary

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

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

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

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

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

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

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

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

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

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

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

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

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

Treasuries: Fixed income securities issued by the US government.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

