

M&G Investment Funds (7)

Annual Long Report and audited Financial Statements
for the year ended 31 January 2018

Please note that when this document was originally published the 'Performance since launch' chart for M&G European Strategic Value Fund on page 28 was incorrect. We would like to make you aware that the chart is correct in this version.

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M&G Investment Funds (7)

Authorised Corporate Director's Report

The Authorised Corporate Director (ACD) of M&G Investment Funds (7) presents its Annual Long Report and audited Financial Statements for the year ended 31 January 2018.

The audited financial statements of M&G Investment Funds (7) and the investment report and audited financial statements and notes of each sub-fund are presented in their individual sections of this report as set out in the contents page.

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

Company information

M&G Investment Funds (7) is an umbrella Open-Ended Investment Company (OEIC) and contains six sub-funds, hereinafter referred to as 'funds' in the rest of this report. Each fund is a UCITS (Undertakings for Collective Investment in Transferable Securities) scheme as defined in the Collective Investment Schemes sourcebook, as issued (and amended) by the Financial Conduct Authority (FCA). This OEIC is an Investment Company with Variable Capital (ICVC) incorporated under the Open-Ended Investment Companies Regulations 2001. It is authorised and regulated by the FCA under the Financial Services and Markets Act 2000.

The Company was authorised on 29 June 2007. The M&G Global Convertibles Fund was launched on 13 July 2007, the M&G European Strategic Value Fund was launched on 1 February 2008, the M&G Pan European Dividend Fund was launched on 18 July 2008, the M&G Global Emerging Markets Fund was launched on 5 February 2009, the M&G Episode Defensive Fund was launched on 14 September 2012 and the M&G Global Floating Rate High Yield Fund was launched on 11 September 2014.

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

As at 31 January 2018, none of the funds held shares of the other funds within this OEIC.

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

Fund managers

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

M&G Episode Defensive Fund

Eric Lonergan

M&G European Strategic Value Fund

Richard Halle

M&G Global Convertibles Fund

Léonard Vinville

M&G Global Emerging Markets Fund

Matthew Vaight

M&G Global Floating Rate High Yield Fund

James Tomlins

M&G Pan European Dividend Fund

Phil Cliff

ACD

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

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

Directors of the ACD

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

* Appointed 9 June 2017.

W J Nott resigned with effect from 31 December 2017.

Investment manager

M&G Investment Management Limited,
Laurence Pountney Hill, London EC4R 0HH, UK
Telephone: +44 (0)20 7626 4588

(Authorised and regulated by the Financial Conduct Authority)

Registrar

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

* International Financial Data Services (UK) Ltd changed its name to DST Financial Services Europe Ltd on 14 August 2017.

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
Atria One, 144 Morrison Street, Edinburgh EH3 8EX, UK

Important information

The M&G Episode Defensive Fund was closed to investors on 12 January 2018. As a result, the financial statements for the M&G Episode Defensive Fund for the year to 31 January 2018 have been prepared on a break-up basis. Termination will be completed once all assets and liabilities have been settled.

M&G Investment Funds (7)

Authorised Corporate Director's Report

Investor information

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

Customer services and administration for UK clients:

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

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

Telephone: 0800 390 390 (UK only)

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

Customer services and administration for non-UK clients:

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

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

Telephone: +352 2605 9944

Email: csmandg@rbc.com

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

Austrian paying and information agent:

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

Belgian financial agent:

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

Danish representative agent:

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

French centralising agent:

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

German information agent:

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

Greek paying agent and distributor:

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

Irish facilities agent:

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

Italian paying agents:

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

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

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

BNP PARIBAS Securities Services,
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

M&G Investment Funds (7)

Authorised Corporate Director's Report

Authorised Corporate Director's Responsibilities

The Authorised Corporate Director (ACD) is required to prepare annual and interim long 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.

Directors' statement

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

G W MACDOWALL }
L J MUMFORD } Directors

15 March 2018

M&G Investment Funds (7)

Depositary's Responsibilities and Report

Statement of the Depositary's Responsibilities and Report of the Depositary to the Shareholders of M&G Investment Funds (7) ('the Company') for the period ended 31 January 2018

The Depositary must ensure that the Company is managed in accordance with the Financial Conduct Authority's Collective Investment Schemes sourcebook, the Open-Ended Investment Companies Regulations 2001 (SI2001/1228) (the OEIC Regulations), as amended, the Financial Services and Markets Act 2000, as amended, (together 'the Regulations'), the Company's Instrument of Incorporation and Prospectus (together 'the Scheme documents') as detailed below.

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

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

The Depositary must ensure that:

- the Company's cashflows are properly monitored (this requirement on the Depositary 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 Depositary also has a duty to take reasonable care to ensure that the Company is managed in accordance with the Regulations and the Scheme documents in relation to the investment and borrowing powers applicable to the Company.

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

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

Edinburgh
15 March 2018

National Westminster Bank Plc
Trustee and Depositary Services

M&G Investment Funds (7)

Independent Auditor's Report

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

Opinion

We have audited the financial statements of M&G Investment Funds (7) ICVC ("the Company") for the year ended 31 January 2018 which comprise the Statement of Total Return and Statement of Change in Net Assets Attributable to Shareholders together with the Balance Sheet for each of the Company's funds, the accounting policies of the Company, the related notes for each fund and the Distribution tables, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 'The Financial Reporting Standard applicable to the UK and Republic of Ireland'.

The financial statements for the M&G Episode Defensive Fund are being prepared on a break-up basis as disclosed in note 2a on page 7.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Company comprising each of its funds as at 31 January 2018 and of the net revenue / (expense) and the net capital gains on the scheme property of the Company comprising each of its funds for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

Basis for opinion

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

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

Use of our report

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

Conclusions relating to going concern

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

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

Other information

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

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

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

We have nothing to report in this regard.

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

In our opinion:

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

M&G Investment Funds (7)

Independent Auditor's Report

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

Matters on which we are required to report by exception

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

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

Responsibilities of the Authorised Corporate Director (ACD)

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Edinburgh
15 March 2018

Ernst & Young LLP
Statutory Auditor

1. The maintenance and integrity of the M&G website is the responsibility of the ACD; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

M&G Investment Funds (7)

Financial statements and notes

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

Notes to the financial statements

1 Statement of compliance

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

2 Summary of significant accounting policies

a) Basis of preparation

The financial statements of M&G Investment Funds (7) are prepared on a going concern basis, under the historical cost convention as modified by the revaluation of certain financial assets and liabilities measured at fair value through profit or loss apart from the M&G Episode Defensive Fund as the fund was closed on 12 January 2018. As a result, those financial statements are not prepared on a going concern basis for the year ended 31 January 2018, but are prepared on a break-up basis. Under this basis, all assets are recorded at their estimated realisable amounts, all liabilities at their estimated settlement amounts and provision is made for any further liabilities which will arise.

b) Functional and presentational currency

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

c) Exchange rates

Transactions in currencies other than each fund's functional currency are translated at the rate of exchange ruling on the date of the transaction and where applicable assets and liabilities are translated into the fund's functional currency at the rate of exchange ruling as at 12 noon on 31 January 2018 being the last business day of the accounting period.

d) Investments - recognition and valuation

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

At the end of the reporting period all investments have been measured at their fair value using the prices and the portfolio holdings determined at 12 noon on 31 January 2018, 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 (7)

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.

M&G Investment Funds (7)

Financial statements and notes

Notes to the financial statements

3 Risk management policies (continued)

Market risk

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

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

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

Commitment approach

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

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

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

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

Value at Risk approach

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

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

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

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

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

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

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

Liquidity risk

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

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

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

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

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

M&G Investment Funds (7)

Financial statements and notes

Notes to the financial statements

3 Risk management policies (continued)

Credit risk

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

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

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

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

M&G Episode Defensive Fund

Authorised Corporate Director's Report

Important information

The M&G Episode Defensive Fund was closed to investors on 12 January 2018. As a result, the financial statements for the M&G Episode Defensive Fund for the year to 31 January 2018 have been prepared on a break-up basis.

Investment objective up to fund closure on 12 January 2018

The fund aims to deliver a positive total return (the combination of income and growth of capital) over a rolling three to five year period through an investment approach that seeks to manage risk. There is no guarantee that the fund will achieve a positive return over this, or any other, period and investors may not recoup the original amount they invested.

Investment policy up to fund closure on 12 January 2018

The fund manager adopts a flexible approach to the allocation of capital between asset classes in response to changes in economic conditions and the valuation of assets. Central to this approach is the identification of episodes, which are periods of time during which, in the fund manager's view, asset prices become over- or under-stated, relative to objective valuation measures, due to the emotional reaction of investors to events. These episodes can exist over both the short and medium term.

The fund will typically invest in a variety of derivatives, including but not limited to index futures, currency forwards, interest rate swaps and options. The portfolio may therefore comprise a high proportion of cash and near cash. In addition to derivatives, the fund may invest in a range of equities, fixed income and other assets, including collective investment schemes, other transferable securities, deposits, warrants and money market instruments.

Subject to rigorous risk management, the fund is likely to operate with a gross asset exposure in excess of net assets. This will be achieved through the use of derivative contracts.

Investment approach up to fund closure on 12 January 2018

The manager believes the best approach for achieving the fund objective lies in the flexible allocation of capital between asset classes, guided by a robust valuation framework. In particular, he seeks to respond where asset prices move away from a reasonable sense of 'fair' value due to investors reacting emotionally to events. He believes such 'episodes' create opportunities because emotions should be less important than underlying fundamentals over the medium and long term.

The fund is fully flexible and is not bound by any sense of neutrality or benchmark. The fund's investment strategy is likely to involve the use of financial instruments to take short positions, that is, positions that profit from a fall in the price of an asset, or to generate modest amounts of leverage (gain exposure to greater investment than the net asset value of the fund).

Risk profile up to fund closure on 12 January 2018

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

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

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

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

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



The above number:

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

M&G Episode Defensive Fund

Authorised Corporate Director's Report

Investment review

As at 1 February 2018, for the period from 1 February 2017 to 12 January 2018

Performance against objective

Between 1 February 2017 (the start of the review period) and 12 January 2018, when the fund was closed, the M&G Episode Defensive Fund delivered a positive return across all share classes.* This was attributable across several different positions in the fund, as most asset classes gained over the period.

Over a longer time period of three years and since launch in September 2012, the fund delivered a mixed performance and hence did not fully meet its investment objective of delivering positive total returns over rolling periods of three to five years.

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

Investment performance

Share prices across stockmarkets around the world advanced over the period under review, supported by an upswing in global economic data and company earnings. However, fixed income markets experienced mixed performance as growing investor confidence saw bonds issued by some developed market governments somewhat fall out of favour. These bonds are often perceived to be 'safe' given the high creditworthiness of their issuers, and therefore tend to perform better when investors are less confident about the health of the economy. During the review period, however, the prices of these bonds declined as the global economic outlook improved. (Bonds are loans in the form of a security, usually issued by a government (government bonds) or company (corporate bonds), which normally pay a fixed rate of interest over a given time period, at the end of which the initial amount borrowed is repaid.)

This environment proved beneficial for the fund, which was positioned in favour of company shares (equities) over bonds, based on our view that the former offered better value, and signs of a pick-up in global economic growth. As such, all of the fund's broad themes worked well over the review period as a whole.

Most of the gains came from equity positions. In equities, notable value was added through positions in specific sectors of the US stockmarket that we believed to be particularly attractive, namely banks and technology. Positions in Asia Pacific ex Japan added further value, as did holdings in Russia and Turkey. Losses from German equities dragged on overall returns from Europe.

The biggest driver of performance was the fund's positioning designed to benefit from a fall in the value of bonds issued by the US government. However, similar positions in Japanese and European government bonds detracted. On the other hand, the fund's exposure to emerging market bonds proved beneficial, with positions in Brazilian, Mexican and South African government bonds all contributing to performance. Exposure to investment grade corporate bonds provided a further boost to returns.

Currency positioning added further value over the period as a whole, most notably in terms of exposure to sterling.

Investment activities

By the end of the review period, the extent to which the fund was positioned in favour of equities versus bonds had been materially increased. This was implemented by increasing positions designed to benefit from losses in bond markets as well as those designed to benefit from gains in equity markets. Specifically, European, US and Asia Pacific ex Japan equity positions were increased, while the portfolio was increasingly positioned away from US government bonds. Finally, positions in the Mexican peso and the US dollar were reduced after strong performance left the currencies offering somewhat less value than previously.

The fund was closed at the end of the review period.

Eric Lonergan

Fund manager

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

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

Investments

The fund had no holdings at the year end.

M&G Episode Defensive Fund

Financial highlights

Fund performance

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

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

We show performance for these two share classes because:

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

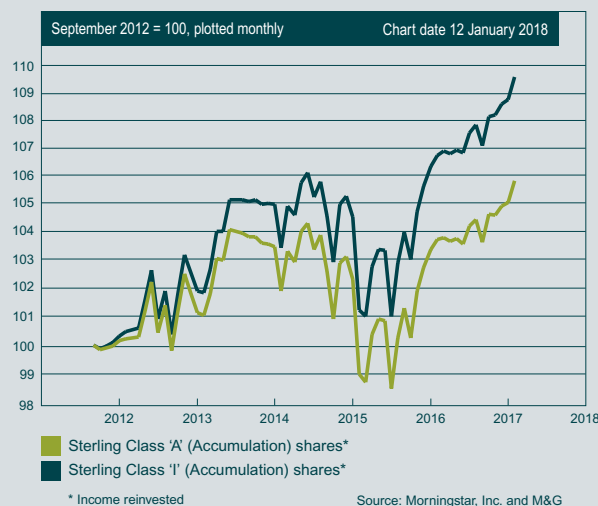
The fund is available for investment in different share classes, each with varying levels of charges and minimum investments; please refer to the Prospectus for M&G Investment Funds (7), which is available free of charge either from our website at www.mandg.co.uk/prospectuses or by calling M&G Customer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

Fund level performance

Fund net asset value			
as at 31 January	2018 £'000	2017 £'000	2016 £'000
Fund net asset value (NAV)	0	23,536	21,953

Performance since launch

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



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

	One year 01.02.17	Three years 02.02.15	Five years 01.02.13	Since launch
	% [a]	% p.a.	% p.a.	% p.a.
Euro [b]				
Class 'A-H'	+1.1	+0.6	+0.4	+0.3 [c]
Class 'C-H'	+1.8	+1.2	+1.0	+1.0 [c]
Sterling [d]				
Class 'A'	+2.0	+1.4	+1.1	+1.1 [c]
Class 'I'	+2.6	+2.1	+1.8	+1.7 [c]
Class 'N'	+3.1	+2.6	n/a	+2.2 [c]
Class 'R'	+2.4	+1.9	+1.6	+1.5 [c]
Swiss franc [b]				
Class 'A-H'	+0.8	-0.1	+0.0	+0.1 [e]
Class 'C-H'	+1.4	+0.6	+0.7	+0.7 [e]
US dollar [b]				
Class 'A-H'	+3.1	+1.8	n/a	+1.2 [f]
Class 'C-H'	+3.9	+2.6	n/a	+1.9 [f]

[a] Absolute basis.

[b] Price to price with net income reinvested.

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

[d] Price to price with income reinvested.

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

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

M&G Episode Defensive Fund

Financial highlights

Fund performance

Operating charges and portfolio transaction costs

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

Operating charges

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

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

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

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

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

Portfolio transaction costs

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

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

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

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

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

Portfolio transaction costs

for the year to 31 January	2018	2017	2016	Average ^[a]
Direct portfolio transaction costs ^[b]	%	%	%	%
Broker commission	0.02	0.05	0.02	0.03
Taxes	0.00	0.00	0.00	0.00
Costs before dilution adjustments	0.02	0.05	0.02	0.03
Dilution adjustments ^[c]	0.00	0.00	0.00	0.00
Total direct portfolio transaction costs	0.02	0.05	0.02	0.03
as at 31 January	2018	2017	2016	Average ^[a]
Indirect portfolio transaction costs	%	%	%	%
Average portfolio dealing spread	0.00	0.11	0.13	0.08

^[a] Average of first three columns.

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

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

M&G Episode Defensive Fund

Financial highlights

Specific share class performance

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

Euro Class 'A-H' Accumulation share performance

The share class was launched on 14 September 2012.

for the year to 31 January Change in NAV per share	2018 Euro ¢	2017 Euro ¢	2016 Euro ¢
Opening NAV	1,004.29	968.35	1,000.71
Return before operating charges and after direct portfolio transaction costs	(990.77)	50.29	(18.06)
Operating charges	(13.52)	(14.35)	(14.30)
Return after operating charges	(1,004.29)	35.94	(32.36)
Distributions	0.00	0.00	0.00
Retained distributions	0.00	0.00	0.00
Closing NAV	0.00	1,004.29	968.35
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.15	0.48	0.16
Dilution adjustments ^[a]	(0.01)	0.00	0.00
Total direct portfolio transaction costs	0.14	0.48	0.16
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.02	0.05	0.02
Operating charges ^[c]	1.41	1.45	1.42
Return after operating charges	0.00	+3.71	-3.23
Historic yield	0.00	0.00	0.00
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (£'000)	0	269	180
Closing NAV percentage of total fund NAV (%)	0.00	1.14	0.82
Number of shares	0	31,042	24,342
Highest share price (Euro ¢)	1,018.49	1,009.12	1,028.85
Lowest share price (Euro ¢)	995.86	936.31	965.08

Euro Class 'C-H' Accumulation share performance

The share class was launched on 14 September 2012.

for the year to 31 January Change in NAV per share	2018 Euro ¢	2017 Euro ¢	2016 Euro ¢
Opening NAV	1,033.06	989.40	1,016.21
Return before operating charges and after direct portfolio transaction costs	(1,025.91)	51.26	(19.37)
Operating charges	(7.15)	(7.60)	(7.44)
Return after operating charges	(1,033.06)	43.66	(26.81)
Distributions	0.00	0.00	0.00
Retained distributions	0.00	0.00	0.00
Closing NAV	0.00	1,033.06	989.40
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.16	0.50	0.17
Dilution adjustments ^[a]	(0.01)	0.00	0.00
Total direct portfolio transaction costs	0.15	0.50	0.17
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.02	0.05	0.02
Operating charges ^[c]	0.73	0.75	0.72
Return after operating charges	0.00	+4.41	-2.64
Historic yield	0.00	0.00	0.00
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (£'000)	0	22	19
Closing NAV percentage of total fund NAV (%)	0.00	0.09	0.09
Number of shares	0	2,500	2,500
Highest share price (Euro ¢)	1,054.21	1,037.09	1,045.70
Lowest share price (Euro ¢)	1,025.77	956.87	985.83

Sterling Class 'A' Accumulation share performance

The share class was launched on 14 September 2012.

for the year to 31 January Change in NAV per share	2018 UK p	2017 UK p	2016 UK p
Opening NAV	103.58	98.89	101.58
Return before operating charges and after direct portfolio transaction costs	(102.19)	6.14	(1.25)
Operating charges	(1.39)	(1.45)	(1.44)
Return after operating charges	(103.58)	4.69	(2.69)
Distributions	0.00	0.00	0.00
Retained distributions	0.00	0.00	0.00
Closing NAV	0.00	103.58	98.89
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.02	0.05	0.02
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.02	0.05	0.02
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.02	0.05	0.02
Operating charges ^[c]	1.41	1.44	1.40
Return after operating charges	0.00	+4.74	-2.65
Historic yield	0.00	0.00	0.00
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (£'000)	0	133	107
Closing NAV percentage of total fund NAV (%)	0.00	0.57	0.49
Number of shares	0	128,000	108,000
Highest share price (UK p)	105.90	103.99	104.53
Lowest share price (UK p)	102.91	95.52	98.51

M&G Episode Defensive Fund

Financial highlights

Specific share class performance

Sterling Class 'I' Accumulation share performance

The share class was launched on 14 September 2012.

for the year to 31 January Change in NAV per share	2018 UK p	2017 UK p	2016 UK p
Opening NAV	106.63	101.08	103.11
Return before operating charges and after direct portfolio transaction costs	(105.91)	6.31	(1.29)
Operating charges	(0.72)	(0.76)	(0.74)
Return after operating charges	(106.63)	5.55	(2.03)
Distributions	0.00	0.00	0.00
Retained distributions	0.00	0.00	0.00
Closing NAV	0.00	106.63	101.08
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.02	0.05	0.02
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.02	0.05	0.02
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.02	0.05	0.02
Operating charges ^[c]	0.71	0.74	0.70
Return after operating charges	0.00	+5.49	-1.97
Historic yield	0.00	0.00	0.00
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (£'000)	0	818	631
Closing NAV percentage of total fund NAV (%)	0.00	3.48	2.87
Number of shares	0	767,075	625,075
Highest share price (UK p)	109.74	107.04	106.25
Lowest share price (UK p)	106.08	97.66	100.68

Sterling Class 'N' Accumulation share performance

The share class was launched on 14 September 2012.

for the year to 31 January Change in NAV per share	2018 UK p	2017 UK p	2016 UK p
Opening NAV	108.84	102.66	104.20
Return before operating charges and after direct portfolio transaction costs	(108.62)	6.42	(1.32)
Operating charges	(0.22)	(0.24)	(0.22)
Return after operating charges	(108.84)	6.18	(1.54)
Distributions	0.00	(0.34)	(0.10)
Retained distributions	0.00	0.34	0.10
Closing NAV	0.00	108.84	102.66
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.02	0.05	0.02
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.02	0.05	0.02
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.02	0.05	0.02
Operating charges ^[c]	0.21	0.23	0.21
Return after operating charges	0.00	+6.02	-1.48
Historic yield	0.00	0.32	0.11
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (£'000)	0	21,779	20,543
Closing NAV percentage of total fund NAV (%)	0.00	92.54	93.58
Number of shares	0	20,010,000	20,010,000
Highest share price (UK p)	112.54	109.25	107.50
Lowest share price (UK p)	108.39	99.20	102.24

Sterling Class 'R' Accumulation share performance

The share class was launched on 14 September 2012.

for the year to 31 January Change in NAV per share	2018 UK p	2017 UK p	2016 UK p
Opening NAV	105.74	100.45	102.67
Return before operating charges and after direct portfolio transaction costs	(104.82)	6.25	(1.28)
Operating charges	(0.92)	(0.96)	(0.94)
Return after operating charges	(105.74)	5.29	(2.22)
Distributions	0.00	0.00	0.00
Retained distributions	0.00	0.00	0.00
Closing NAV	0.00	105.74	100.45
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.02	0.05	0.02
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.02	0.05	0.02
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.02	0.05	0.02
Operating charges ^[c]	0.91	0.94	0.91
Return after operating charges	0.00	+5.27	-2.16
Historic yield	0.00	0.00	0.00
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (£'000)	0	109	137
Closing NAV percentage of total fund NAV (%)	0.00	0.46	0.62
Number of shares	0	103,000	136,000
Highest share price (UK p)	108.62	106.16	105.75
Lowest share price (UK p)	105.16	97.04	100.05

Swiss franc Class 'A-H' Accumulation share performance

The share class was launched on 28 September 2012.

for the year to 31 January Change in NAV per share	2018 Swiss ¢	2017 Swiss ¢	2016 Swiss ¢
Opening NAV	993.57	963.42	1,005.24
Return before operating charges and after direct portfolio transaction costs	(980.10)	44.37	(27.48)
Operating charges	(13.47)	(14.22)	(14.34)
Return after operating charges	(993.57)	30.15	(41.82)
Distributions	0.00	0.00	0.00
Retained distributions	0.00	0.00	0.00
Closing NAV	0.00	993.57	963.42
Direct portfolio transaction costs	Swiss ¢	Swiss ¢	Swiss ¢
Costs before dilution adjustments	0.15	0.48	0.16
Dilution adjustments ^[a]	(0.01)	0.00	0.00
Total direct portfolio transaction costs	0.14	0.48	0.16
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.02	0.05	0.02
Operating charges ^[c]	1.43	1.46	1.43
Return after operating charges	0.00	+3.13	-4.16
Historic yield	0.00	0.00	0.00
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (£'000)	0	24	20
Closing NAV percentage of total fund NAV (%)	0.00	0.10	0.09
Number of shares	0	3,000	3,000
Highest share price (Swiss ¢)	1,004.04	999.03	1,030.06
Lowest share price (Swiss ¢)	984.34	931.43	960.23

M&G Episode Defensive Fund

Financial highlights

Specific share class performance

Swiss franc Class 'C-H' Accumulation share performance

The share class was launched on 28 September 2012.

for the year to 31 January Change in NAV per share	2018 Swiss ¢	2017 Swiss ¢	2016 Swiss ¢
Opening NAV	1,021.28	983.51	1,018.81
Return before operating charges and after direct portfolio transaction costs	(1,014.19)	45.30	(27.85)
Operating charges	(7.09)	(7.53)	(7.45)
Return after operating charges	(1,021.28)	37.77	(35.30)
Distributions	0.00	0.00	0.00
Retained distributions	0.00	0.00	0.00
Closing NAV	0.00	1,021.28	983.51
Direct portfolio transaction costs	Swiss ¢	Swiss ¢	Swiss ¢
Costs before dilution adjustments	0.16	0.49	0.16
Dilution adjustments ^[a]	(0.01)	0.00	0.00
Total direct portfolio transaction costs	0.15	0.49	0.16
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.02	0.05	0.02
Operating charges ^[c]	0.73	0.75	0.73
Return after operating charges	0.00	+3.84	-3.46
Historic yield	0.00	0.00	0.00
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (£'000)	0	25	20
Closing NAV percentage of total fund NAV (%)	0.00	0.11	0.09
Number of shares	0	3,000	3,000
Highest share price (Swiss ¢)	1,038.57	1,025.93	1,045.70
Lowest share price (Swiss ¢)	1,013.14	951.09	979.95

US dollar Class 'A-H' Accumulation share performance

The share class was launched on 15 November 2013.

for the year to 31 January Change in NAV per share	2018 US ¢	2017 US ¢	2016 US ¢
Opening NAV	1,016.04	967.58	995.43
Return before operating charges and after direct portfolio transaction costs	(1,002.07)	62.88	(13.60)
Operating charges	(13.97)	(14.42)	(14.25)
Return after operating charges	(1,016.04)	48.46	(27.85)
Distributions	0.00	0.00	0.00
Retained distributions	0.00	0.00	0.00
Closing NAV	0.00	1,016.04	967.58
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.16	0.49	0.16
Dilution adjustments ^[a]	(0.01)	0.00	0.00
Total direct portfolio transaction costs	0.15	0.49	0.16
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.02	0.05	0.02
Operating charges ^[c]	1.43	1.46	1.42
Return after operating charges	0.00	+5.01	-2.80
Historic yield	0.00	0.00	0.00
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (£'000)	0	349	289
Closing NAV percentage of total fund NAV (%)	0.00	1.48	1.32
Number of shares	0	42,800	42,800
Highest share price (US ¢)	1,050.36	1,020.05	1,023.42
Lowest share price (US ¢)	1,011.07	934.58	964.04

US dollar Class 'C-H' Accumulation share performance

The share class was launched on 15 November 2013.

for the year to 31 January Change in NAV per share	2018 US ¢	2017 US ¢	2016 US ¢
Opening NAV	1,039.03	982.36	1,003.42
Return before operating charges and after direct portfolio transaction costs	(1,032.19)	63.91	(13.69)
Operating charges	(6.84)	(7.24)	(7.37)
Return after operating charges	(1,039.03)	56.67	(21.06)
Distributions	0.00	0.00	0.00
Retained distributions	0.00	0.00	0.00
Closing NAV	0.00	1,039.03	982.36
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.15	0.48	0.17
Dilution adjustments ^[a]	(0.01)	0.00	0.00
Total direct portfolio transaction costs	0.14	0.48	0.17
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.02	0.05	0.02
Operating charges ^[c]	0.68	0.72	0.72
Return after operating charges	0.00	+5.77	-2.10
Historic yield	0.00	0.00	0.00
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (£'000)	0	8	7
Closing NAV percentage of total fund NAV (%)	0.00	0.03	0.03
Number of shares	0	1,000	1,000
Highest share price (US ¢)	1,081.88	1,043.01	1,033.09
Lowest share price (US ¢)	1,035.48	949.13	978.72

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

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

^[c] The data for the operating charges figure is to 12 January 2018.

M&G Episode Defensive Fund

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Statement of total return

for the year to 31 January	Note	2018		2017	
		£'000	£'000	£'000	£'000
Income					
Net capital gains / (losses)	3		822		1,338
Revenue	5	(8)		136	
Expenses	6	(61)		(61)	
Net revenue / (expense) before taxation		(69)		75	
Taxation	7	(8)		(14)	
Net revenue / (expense) after taxation			(77)		61
Total return before equalisation / distributions			745		1,399
Equalisation / distributions	8		55		(69)
Change in net assets attributable to shareholders from investment activities			800		1,330

Statement of change in net assets attributable to shareholders

for the year to 31 January	2018		2017	
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		23,536		21,953
Amounts received on issue of shares	1,576		218	
Amounts paid on cancellation of shares	(25,914)		(34)	
		(24,338)		184
Dilution adjustments		2		0
Change in net assets attributable to shareholders from investment activities (see above)		800		1,330
Retained distributions on Accumulation shares		0		69
Closing net assets attributable to shareholders		0		23,536

Balance sheet

as at 31 January	Note	2018 £'000	2017 £'000
Assets			
Fixed assets			
Investments		0	22,343
Current assets			
Debtors	9	5	15
Cash and bank balances	10	9	1,308
Total assets		14	23,666
Liabilities			
Investment liabilities		0	(86)
Creditors			
Bank overdrafts		0	(14)
Other creditors	11	(14)	(30)
Total liabilities		(14)	(130)
Net assets attributable to shareholders		0	23,536

Notes to the financial statements

1 Accounting policies

The financial statements have been prepared in accordance with the 'Summary of significant accounting policies' set out on pages 7 and 8.

2 Distribution policy

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

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

3 Net capital gains / (losses)

for the year to 31 January	2018 £'000	2017 £'000
Non-derivative securities	463	1,721
Derivative contracts	320	(432)
Currency gains / (losses)	42	54
Transaction charges	(3)	(5)
Net capital gains / (losses)	822	1,338

M&G Episode Defensive Fund

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Notes to the financial statements

4 Portfolio transactions and associated costs

The following tables show portfolio transactions and their associated transaction costs. For more information about the nature of the costs please see the section on 'Operating charges and portfolio transaction costs' on page 14.

for the year to 31 January	2018 £'000	% of transaction	2017 £'000	% of transaction
a) Purchases				
Equities				
Equities before transaction costs	288		3,382	
Commissions	0	0.00	2	0.06
Equities after transaction costs	288		3,384	
Debt securities ^[a]	65,501		69,435	
Other transaction types				
Corporate actions	0		67	
Total purchases after transaction costs	65,789		72,886	
b) Sales				
Equities				
Equities before transaction costs	3,823		4,732	
Commissions	(1)	0.04	(2)	0.04
Equities after transaction costs	3,822		4,730	
Debt securities ^[a]	84,540		68,783	
Other transaction types				
Corporate actions	0		38	
Total sales after transaction costs	88,362		73,551	
c) Direct portfolio transaction costs				
Commissions paid				
Equities	1	0.01	4	0.02
Derivatives	2	0.01	7	0.03
Total direct portfolio transaction costs ^[b]	3	0.02	11	0.05
d) Indirect portfolio transaction costs				
Portfolio dealing spread ^[c]		0.00		0.11

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

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

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

5 Revenue

for the year to 31 January	2018 £'000	2017 £'000
Bank interest	0	1
Derivative revenue	(121)	(71)
Distributions from collective investment schemes: non-taxable	3	4
Distributions from collective investment schemes: taxable	29	32
Dividends from equity investments: non-taxable	36	74
Dividends from equity investments: taxable	6	22
Interest on debt securities	39	74
Total revenue	(8)	136

6 Expenses

for the year to 31 January	2018 £'000	2017 £'000
Payable to the ACD or associate		
Annual management charge	16	13
Administration charge	34	35
	50	48
Payable to the Depositary or associate		
Depositary's charge (including VAT)	2	2
Other expenses		
Audit fee (including VAT)	8	10
Safe custody charge	1	1
	9	11
Total expenses	61	61

7 Taxation

for the year to 31 January	2018 £'000	2017 £'000
a) Analysis of charge in the year		
Corporation tax		
Corporation tax	0	0
Withholding tax	8	14
Deferred tax (note 7c)	0	0
Total taxation	8	14
b) Factors affecting taxation charge for the year		
Net revenue / (expense) before taxation	(69)	75
Corporation tax at 20%	(14)	15
Effects of:		
Dividends from equity investments: non-taxable	(7)	(15)
Distributions from collective investment schemes: non-taxable	0	(1)
Current year expenses not utilised	21	0
Withholding tax	8	14
Prior year adjustment to expenses not utilised	0	1
Total tax charge (note 7a)	8	14
c) Provision for deferred taxation		
Provision at the start of the year	0	0
Deferred tax in profit and loss account (note 7a)	0	0
Provision at the end of the year	0	0

The fund has not recognised a deferred tax asset of £52,000 (2017: £31,000) arising as a result of having excess management expenses and interest distributions. We do not expect this asset to be utilised in the foreseeable future.

8 Distributions

for the year to 31 January	2018		2017	
	Inc ^[a] £'000	Acc ^[b] £'000	Inc ^[a] £'000	Acc ^[b] £'000
Dividend distributions				
Final	n/a	0	n/a	69
Income deducted on cancellation of shares		(69)		0
Income received on issue of shares		14		0
Equalisation / distributions		(55)		69
Net revenue / (expense) per statement of total return				
		(77)		61
Undistributed income carried forward		(1)		0
Income deficit transferred to capital		23		8
Equalisation / distributions		(55)		69

[a] Distributions payable on Income shares.

[b] Retained distributions on Accumulation shares.

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9 Debtors

as at 31 January	2018 £'000	2017 £'000
Debt security interest receivable	0	4
Dividends receivable	0	1
Tax recoverable	5	10
Total debtors	5	15

10 Cash and bank balances

as at 31 January	2018 £'000	2017 £'000
Amounts held at futures clearing houses and collateral manager	0	377
Cash held as bank balances	9	931
Total cash and bank balances	9	1,308

11 Other creditors

as at 31 January	2018 £'000	2017 £'000
ACD's annual management charge payable	0	1
Administration charge payable	0	1
Derivative expense payable	0	16
Expenses payable	14	12
Total other creditors	14	30

12 Contingent assets, liabilities and outstanding commitments

There were no contingent assets, liabilities or outstanding commitments at the balance sheet date (2017: same).

13 Shares in issue

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

Share class	Opening 01.02.17	Movements		Closing 31.01.18
		Issued	Cancelled	
Euro				
Class 'A-H' Accumulation	31,042	143,000	(174,042)	0
Class 'C-H' Accumulation	2,500	1,000	(3,500)	0
Sterling				
Class 'A' Accumulation	128,000	212,000	(340,000)	0
Class 'I' Accumulation	767,075	47,128	(814,203)	0
Class 'N' Accumulation	20,010,000	0	(20,010,000)	0
Class 'R' Accumulation	103,000	0	(103,000)	0
Swiss franc				
Class 'A-H' Accumulation	3,000	0	(3,000)	0
Class 'C-H' Accumulation	3,000	0	(3,000)	0
US dollar				
Class 'A-H' Accumulation	42,800	0	(42,800)	0
Class 'C-H' Accumulation	1,000	0	(1,000)	0

14 Charging structure

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

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

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

15 Related parties

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

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

At the balance sheet date, shareholders from within Prudential plc, of which M&G Securities Limited is a wholly owned subsidiary, have holdings totalling 0.00% (2017: 94.83%) of the fund's shares.

16 Events after the balance sheet date

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

M&G Episode Defensive Fund

Financial statements and notes

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17 Fair value analysis

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

Level 1: Unadjusted quoted price in an active market for an identical instrument

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

Level 2: Valuation technique using observable market data

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

Level 3: Valuation technique using unobservable inputs

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

as at 31 January Basis of valuation	Assets		Liabilities	
	2018 £'000	2018 £'000	2017 £'000	2017 £'000
Level 1	0	0	21,793	(8)
Level 2	0	0	550	(78)
Level 3	0	0	0	0
	0	0	22,343	(86)

As the fund no longer has any assets there is no exposure to fair value.

18 Risk management policies

The general risk management policies for the fund are set out in note 3 to the financial statements on pages 8 to 10.

19 Market risk sensitivity and exposure

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

The VaR limit set during the financial year to 31 January 2018 was 6% (2017: 6%).

The lowest, highest and average VaR calculated during the financial years ended 31 January 2018 and 31 January 2017 are disclosed in the table below.

for the year to 31 January	2018 ^[a] %	2017 %
Lowest	0.13	1.61
Highest	3.12	5.06
Average	1.98	3.37

^[a] Fund closed on 12 January 2018.

As the fund no longer has any assets there is no exposure to market risk sensitivity.

The lowest, highest and average utilisation of VaR is with reference to the limit above.

for the year to 31 January	2018 ^[a] % of Var	2018 Utilisation of upper limit VaR ^[b] 6%	2017 % of Var	2017 Utilisation of upper limit VaR ^[b] 6%
Lowest	0.13	2.24%	1.61	26.83%
Highest	3.12	52.05%	5.06	84.33%
Average	1.98	33.06%	3.37	56.17%

^[a] Fund closed on 12 January 2018.

^[b] The VaR on the fund has been divided by its maximum limit.

20 Credit risk

as at 31 January	2018 £'000	2017 £'000
Investment grade securities	0	19,026
Below investment grade securities	0	0
Unrated securities	0	0
Other investments	0	3,231
Total	0	22,257

As the fund no longer has any assets there is no exposure to credit risk.

The table below sets out the counterparty exposure and collateral held to mitigate credit risk.

as at 31 January 2017	Swaps £'000	Forward currency contracts £'000	Futures £'000
Bank of America Merrill Lynch	0	0	121
Barclays Bank	(6)	0	0
BNP Paribas	(58)	6	0
HSBC	0	1	0
J.P.Morgan	7	0	0
UBS	0	71	0
Total	(57)	78	121

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.

21 Leverage risk

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

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

The lowest, highest and average level of leverage employed and utilisation of the leverage level calculated during the financial years ended 31 January 2018 and 31 January 2017 are disclosed in the table below.

for the year to 31 January	2018 £'000 ^[a]	2018 % ^[a]	2017 £'000	2017 %
Lowest	31,717	116	21,913	94
Highest	62,038	214	69,883	317
Average	45,157	172	46,960	208

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

As the fund no longer has any assets there is no exposure to leverage risk.

M&G Episode Defensive Fund

Financial statements and notes

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22 Exchange rate risk for hedged share classes

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

23 Dividend distribution tables

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

Annual distribution period				
	Start	End	Xd	Payment
Final	01.02.17	31.01.18	01.02.18	31.03.18

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

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

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

Euro Class 'A-H' Accumulation shares				
Ordinary distributions for the year to 31 January	Income 2018	Group 2 Equalisation 2018	Group 1 & 2 Distribution 2018	2017
Final	0.0000	-	0.0000	0.0000

Euro Class 'C-H' Accumulation shares				
Ordinary distributions for the year to 31 January	Income 2018	Group 2 Equalisation 2018	Group 1 & 2 Distribution 2018	2017
Final	0.0000	-	0.0000	0.0000

Sterling Class 'A' Accumulation shares				
Ordinary distributions for the year to 31 January	Income 2018	Group 2 Equalisation 2018	Group 1 & 2 Distribution 2018	2017
Final	0.0000	-	0.0000	0.0000

Sterling Class 'T' Accumulation shares				
Ordinary distributions for the year to 31 January	Income 2018	Group 2 Equalisation 2018	Group 1 & 2 Distribution 2018	2017
Final	0.0000	-	0.0000	0.0000

Sterling Class 'N' Accumulation shares				
Ordinary distributions for the year to 31 January	Income 2018	Group 2 Equalisation 2018	Group 1 & 2 Distribution 2018	2017
Final	0.0000	-	0.0000	0.3449

Sterling Class 'R' Accumulation shares				
Ordinary distributions for the year to 31 January	Income 2018	Group 2 Equalisation 2018	Group 1 & 2 Distribution 2018	2017
Final	0.0000	-	0.0000	0.0000

Swiss franc Class 'A-H' Accumulation shares				
Ordinary distributions for the year to 31 January	Income 2018	Group 2 Equalisation 2018	Group 1 & 2 Distribution 2018	2017
Final	0.0000	-	0.0000	0.0000

Swiss franc Class 'C-H' Accumulation shares				
Ordinary distributions for the year to 31 January	Income 2018	Group 2 Equalisation 2018	Group 1 & 2 Distribution 2018	2017
Final	0.0000	-	0.0000	0.0000

US dollar Class 'A-H' Accumulation shares				
Ordinary distributions for the year to 31 January	Income 2018	Group 2 Equalisation 2018	Group 1 & 2 Distribution 2018	2017
Final	0.0000	-	0.0000	0.0000

US dollar Class 'C-H' Accumulation shares				
Ordinary distributions for the year to 31 January	Income 2018	Group 2 Equalisation 2018	Group 1 & 2 Distribution 2018	2017
Final	0.0000	-	0.0000	0.0000

M&G European Strategic Value Fund

Authorised Corporate Director's Report

Investment objective

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

Investment policy

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

Investment approach

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

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

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

Risk profile

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

across industries and market capitalisation is therefore key in managing liquidity risk and reducing market risk. The fund's risks are measured and managed as an integral part of the investment process.

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



The above number:

- is based on the rate at which the value of the fund has moved up and down in the past and is based on historical data so may not be a reliable indicator of the future risk profile of the fund.
- is not guaranteed and may change over time and the lowest risk number does not mean risk free.
- has changed during this period. From 1 February 2017 to 23 March 2017 the risk number was 6.

Investment review

As at 1 February 2018, for the year ended 31 January 2018

Performance against objective

Between 1 February 2017 (the start of the review period) and 1 February 2018, the M&G European Strategic Value Fund produced a positive total return (the combination of income and growth of capital) across all its share classes.*

Currency movements affected the performance of the fund's different share classes. Returns from the US dollar share classes were flattered by the weakening of the dollar against major currencies over the period as this boosted the value of the fund's overseas assets for US dollar-based investors.

With the exception of the Sterling Class 'A' and US dollar Class 'A' shares, the fund's returns in all share classes were ahead of a comparative index, the MSCI Europe Index. Over the 12 months, returns for the index were 11.6%, 14.9% and 29.3% in euros, sterling and US dollars, respectively.

Over the longer term of five years, the fund met its objective; it delivered a positive total return, supported by successful stock selection amid the recovery of European stockmarkets following the turmoil caused by the eurozone debt crisis in 2011 and 2012.

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

Investment performance

European stockmarkets made healthy gains over the 12 months under review, extending the rally which began at the end of 2016. The positive mood among investors reflected growing confidence in the eurozone economy, which continued to recover, and robust corporate performance.

The period ended on a slightly disappointing note, however, as fears of rising inflation and higher interest rates in the US triggered a sharp decline in share prices in the final days of January.

M&G European Strategic Value Fund

Authorised Corporate Director's Report

Investment review

Investment performance (continued)

Following the UK's vote to leave the European Union in June 2016, there were concerns that other political events in Europe might destabilise financial markets. While the independence referendum in Catalonia did cause some jitters, election victories for Emmanuel Macron in France and Angela Merkel in Germany helped ease fears about the risk of the eurozone breaking up.

Meanwhile, economic growth in the single currency area continued at a healthy pace. With manufacturing, production and services activity booming, the eurozone economy expanded at its fastest pace in a decade in 2017. The unemployment rate in the eurozone fell to the lowest level since 2009.

In the UK, the economy expanded too, albeit at a slower pace than in 2016 and behind the eurozone, as uncertainty about the UK's departure from the European Union, or 'Brexit', the depreciation in sterling and rising inflation levels weighed on economic activity.

Given the general upturn in the global economy, policymakers began to consider scaling back their economic support. The US Federal Reserve raised interest rates three times in 2017 in response to solid economic growth in the US. There was a modest increase in interest rates in the UK, while the European Central Bank announced plans to reduce its stimulus efforts by reducing its monthly asset purchases.

The brighter economic backdrop was helpful for European companies, many of which reported a notable increase in profits during the period.

Against this background, investors favoured areas that are closely linked to economic activity such as financials and industrials. Materials stocks performed well, supported by rising commodity prices and robust demand from China. The information technology sector was the best-performing area, boosted by optimism about demand for popular new smartphone models from the likes of Apple and Samsung Electronics.

In contrast, so-called defensive sectors, which are typically resilient in challenging environments, lagged. Consumer staples, healthcare and telecoms were the weakest areas. Many companies in these areas provide steady income streams and their appeal was dampened by the rising interest rate environment.

Over the period, cheap, out-of-favour 'value' stocks were marginally behind the broader market index. (Value stocks are deemed to be trading below their true worth or long-term prospects.) Despite this slight 'style' headwind, the fund delivered solid returns ahead of a comparable index across most of its share classes.

Stock selection in the consumer discretionary sector made a positive contribution to relative performance with the holding in Volkswagen, a German car maker, adding value. Volkswagen's share price has recovered from the steep fall following the diesel emissions scandal in 2015. The company has implemented significant changes since then and sales and profitability are rising. As part of its new direction, Volkswagen is planning to invest heavily in electric vehicles.

Ladbrokes Coral, a UK bookmaker, was another notable contributor. The company has experienced some ups and downs lately on account of worries about potential regulatory changes. However, the stock rallied towards the end of the period after the company agreed to be taken over by an online rival.

In industrials, the fund's holdings in Deutsche Lufthansa, a German airline, and easyJet, a British low-cost airline, made positive contributions. Both companies benefited from the collapse of rival airlines during the period which reduced capacity and eased some of the competitive pressures in the industry.

Another German industrial holding, Rheinmetall, added value as well. The automotive parts supplier and military technology group gained on the prospect of increased defence spending in Europe.

In the information technology sector, AMS, a manufacturer of sensors used in smartphones and cars, was a leading contributor, as investors considered the firm to be well positioned for future demand for smartphones. After significant share price appreciation, we sold our holding.

Elsewhere, the fund's relatively low allocation to consumer staples stocks made a positive contribution as the sector underperformed.

On the negative side, stock selection in energy detracted from relative performance. At the start of the period, oil prices declined amid persistent concerns about the oversupply of crude. Even though prices rallied in the second half of 2017, helped by output cuts from leading producers and robust demand, the fund's holdings in Kosmos Energy and Tullow Oil, two oil & gas explorers, cost some performance. Kosmos Energy's share price also declined after the company announced that an exploratory drilling well had failed to find oil.

In financials, Permanent TSB, an Irish bank, was a notable drag on performance. The lender's share price fell as investors were disappointed that a high level of non-performing loans might prevent the bank from resuming dividend payments as soon as expected. Nonetheless, Permanent TSB's performance appears to be improving, helped by a rise in lending.

Stock selection in the materials sector also cost some performance, as the share price of Outokumpu, a stainless steelmaker from Finland, retreated after impressive gains in 2016. We believe the stock looks attractively valued and hence added to our position.

Meanwhile, Safilo, an Italian eyewear manufacturer, was another detractor as IT problems and the loss of the licence for Gucci glasses undermined the company's results.

Investment activities

During the review period, we invested in a number of interesting opportunities across a range of sectors, as well as selling stocks that had performed well.

Total, a French oil company, was a notable new holding. Total has responded to the challenge of low oil prices by making significant operational improvements, including reducing costs and sensible capital allocation. In our view, these improvements are not reflected in the current share price.

We also added to our positions in existing energy holdings, BP and Royal Dutch Shell. We are encouraged by their strategies to cope with low oil prices and are optimistic about future demand for oil.

Next, a UK clothing retailer, was another newcomer. We believe investors have been too pessimistic about Next's ability to meet challenges such as increasing competition and slower consumer spending.

We also started a position in McCarthy & Stone, a UK-based builder of retirement properties. In our view, the company has a strong balance sheet and is attractively valued.

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Investment review

Investment activities (continued)

Bank of Ireland, an Irish lender, also joined the portfolio. We believe the financial group is well positioned to benefit from the improving economic situation in Ireland. Investors are hopeful that the bank will resume its dividend soon for the first time since the financial crisis of 2008/9.

In addition, we increased our positions in several existing holdings, including Wereldhave, a Dutch real estate company that invests in shopping centres, Volkswagen, a German car maker, and Sainsbury, a UK supermarket.

In terms of sales, we closed the positions in AMS, an Austrian sensor maker, and Valora, a Swiss operator of kiosks and food outlets at train stations, on valuation grounds after impressive share price gains.

We also took profits and reduced our holdings in several stocks which had performed well, notably Deutsche Lufthansa, a German airline, whose shares more than doubled over the period, Bayer, a German pharmaceuticals firm, and Wolters Kluwer, a provider of legal and tax information.

We also scaled back the position in Livanova, a UK-based medical devices company, which gained on the back of optimism about the potential benefits of a recent merger and its product pipeline.

Outlook

We are positive about the outlook for European equities. We believe the healthy economic backdrop should be supportive for companies and investor confidence, while the potential impact of political risks and the European Central Bank's policies is relatively modest.

The market fall, or correction, at the very end of the period has caused some uncertainty among investors, however. It is important to note that the decline follows a period of significant gains and relatively benign markets. In our view, the reversal arguably represents a pause, or consolidation, after a strong period of performance. On balance, we are optimistic about the future: companies are performing well and the economy is robust.

Market turbulence might have been absent in 2017, but it has returned and is likely to stay. As long-term investors, we think this is not necessarily a bad thing: sudden market movements can be a source of opportunities as stocks can become mispriced in the short term.

We believe there are currently opportunities available in Europe for patient, selective investors. While European stocks no longer look as cheap as they once did, we think they remain attractive relative to other markets such as the US. In particular, we believe the wide valuation gap between the cheapest stocks and the most expensive in the market represents a source of opportunities for value-focused investors.

In this environment, we will continue to apply our disciplined, selective investment approach and focus on finding opportunities to invest in stocks that we believe are mispriced by the market.

Richard Halle
Fund manager

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

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

Investments

Portfolio statement

as at 31 January Holding	2018 €'000	2018 %	2017 ^[a] %
EQUITIES	2,474,131	95.54	89.38
Energy equipment & services	35,520	1.37	1.26
2,169,757 Borr Drilling	7,707	0.30	
6,491,915 Lamprell	5,839	0.23	
774,708 Northern Drilling	5,309	0.20	
6,899,343 Petroleum Geo-Services	16,665	0.64	
Oil, gas & consumable fuels	272,862	10.54	7.08
12,676,065 BP	73,059	2.82	
228,883 Cobalt International Energy	119	0.00	
1,502,424 Euronav (EUR)	10,495	0.41	
889,304 Euronav (USD)	6,284	0.24	
5,948,538 Kosmos Energy	33,147	1.28	
7,168,631 Ophir Energy	4,410	0.17	
365,149 Royal Dutch Shell 'A'	10,280	0.40	
1,825,223 Royal Dutch Shell 'B'	52,194	2.02	
1,206,608 TOTAL	56,113	2.17	
11,628,606 Tullow Oil	26,761	1.03	
Chemicals	28,990	1.12	0.82
125,890 Lenzing	12,916	0.50	
416,608 Yara International	16,074	0.62	
Construction materials	40,995	1.58	1.32
1,676,543 Buzzi Unicem	39,835	1.54	
86,186 Buzzi Unicem Pref. (non voting)	1,160	0.04	
Containers & packaging	6,912	0.27	0.41
4,283 Vetropack	6,912	0.27	
Metals & mining	74,482	2.88	2.97
813,730 Aperam	38,930	1.51	
4,850,201 Outokumpu	35,552	1.37	
Paper & forest products	39,787	1.54	1.79
1,475,785 UPM-Kymmene	39,787	1.54	
Aerospace & defence	42,727	1.65	2.06
11,556,679 Chemring Group	25,623	0.99	
1,789,914 Leonardo	17,104	0.66	
Construction & engineering	24,886	0.96	0.31
775,978 Boskalis Westminster (formerly Boskalis)	24,886	0.96	
Industrial conglomerates	24,116	0.93	1.41
212,099 Rheinmetall	24,116	0.93	
Machinery	32,200	1.24	1.35
908,078 Alstom	32,200	1.24	
Commercial services & supplies	97,585	3.77	3.53
210,626 Societe BIC (formerly BIC)	19,462	0.75	
715,946 Bilfinger	26,576	1.03	
3,371,383 Securitas 'B'	51,547	1.99	
Professional services	58,062	2.24	2.63
673,749 Randstad Holding	38,417	1.48	
462,462 Wolters Kluwer	19,645	0.76	
Airlines	63,502	2.45	2.06
1,252,316 Deutsche Lufthansa	36,167	1.40	
1,438,727 easyJet	27,335	1.05	
Marine	10,085	0.39	0.00
6,975 AP Moller - Maersk	10,085	0.39	
Automobiles	64,602	2.49	1.29
358,185 Volkswagen Pref. (non-voting)	64,602	2.49	

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Portfolio statement (continued)			
as at 31 January Holding	2018 €'000	2018 %	2017 ^[a] %
Household durables	17,462	0.67	0.25
862,746 Bovis Homes Group	10,736	0.41	
2,112 Metall Zug	6,726	0.26	
Textiles, apparel & luxury goods	12,887	0.50	0.91
2,741,946 Safilo Group	12,887	0.50	
Hotels, restaurants & leisure	87,895	3.39	2.96
20,736,004 EI Group (formerly Enterprise Inns)	31,971	1.23	
16,313,336 Ladbrokes Coral (formerly Ladbrokes)	31,635	1.22	
6,862,158 William Hill	24,289	0.94	
Media	36,084	1.39	1.67
1,536,818 Vivendi	36,084	1.39	
Multiline retail	37,529	1.45	0.00
646,924 NEXT	37,529	1.45	
Specialty retail	79,805	3.08	4.32
1,986,911 Ceconomy (formerly Metro)	23,157	0.89	
189,101 Fnac Darty	17,757	0.69	
528,404 Hornbach Holding	38,891	1.50	
Food & staples retailing	65,196	2.52	2.04
17,454,413 J Sainsbury	50,607	1.96	
834,843 Metro AG (formerly Metro Wholesale & Food Specialist)	14,589	0.56	
Beverages	27,203	1.05	1.40
3,235,284 Britvic	27,203	1.05	
Food products	22,979	0.89	0.86
2,737,019 Orkla	22,979	0.89	
Tobacco	17,930	0.69	0.00
1,097,313 Scandinavian Tobacco Group	17,930	0.69	
Personal products	31,260	1.21	0.90
455,334 Ontex Group	10,873	0.42	
562,158 Oriflame	20,387	0.79	
Health care equipment & supplies	16,099	0.62	0.97
235,829 Livanova	16,099	0.62	
Health care providers & services	12,556	0.49	0.00
7,548,362 McCarthy & Stone	12,556	0.49	
Pharmaceuticals	229,056	8.85	11.11
866,319 AstraZeneca	48,897	1.89	
279,552 Bayer	29,554	1.14	
71,864 H. Lundbeck	3,016	0.12	
1,144,857 Novartis (Regd.)	84,267	3.25	
543,101 Sanofi	38,973	1.51	
21,447,364 Vectura Group	24,349	0.94	
Banks	338,412	13.07	10.68
6,185,948 Bank of Ireland	49,116	1.90	
7,074,770 Bankia	28,738	1.11	
743,070 BNP Paribas	49,630	1.92	
624,935 Erste Group	25,241	0.97	
2,831,472 ING Groep	44,964	1.74	
3,869,686 Intesa Sanpaolo	12,162	0.47	
55,226,739 Lloyds Banking Group	44,025	1.70	
11,402,758 Permanent TSB Group	24,687	0.95	
7,773,495 Royal Bank of Scotland Group	25,535	0.99	
735,486 Société Générale	34,314	1.32	
Capital markets	35,796	1.38	1.75
455,055 Deutsche Bank	6,789	0.26	
1,774,298 UBS Group	29,007	1.12	

Portfolio statement (continued)

as at 31 January Holding	2018 €'000	2018 %	2017 ^[a] %
Insurance	107,244	4.14	4.58
5,813,451 Aviva	34,068	1.32	
2,375,867 FBD Holdings	25,184	0.97	
136,272 Munich Re	25,980	1.00	
3,057,030 Storebrand	22,012	0.85	
IT services	24,451	0.94	0.99
868,295 Tieto	24,451	0.94	
Communications equipment	56,000	2.16	2.13
2,519,919 Ericsson 'B'	13,594	0.52	
10,940,559 Nokia	42,406	1.64	
Technology hardware, storage & peripherals	17,988	0.69	0.87
746,378 Neopost	17,988	0.69	
Semiconductors & semiconductor equipment	15,279	0.59	1.73
263,252 ASM International	15,279	0.59	
Diversified telecommunication services	89,535	3.46	3.71
720,106 Deutsche Telekom	10,110	0.39	
702,964 Elisa	24,112	0.93	
1,893,475 Orange	27,550	1.07	
5,191,167 TDC	27,763	1.07	
Wireless telecommunication services	32,528	1.26	1.19
12,765,937 Vodafone Group	32,528	1.26	
Electric utilities	22,769	0.88	0.89
443,874 BKW	22,769	0.88	
Multi-utilities	48,053	1.86	1.62
3,325,510 E.ON	28,207	1.09	
639,796 Innogy	19,846	0.77	
Independent power and renewable electricity producers	0	0.00	0.22
Equity real estate investment trusts (REITs)	32,708	1.26	0.00
816,889 Wereldhave	32,708	1.26	
Real estate management & development	42,114	1.63	1.34
4,095,454 St. Modwen Properties	19,139	0.74	
5,701,018 Technopolis	22,975	0.89	
Portfolio of investments	2,474,131	95.54	89.38
CASH EQUIVALENTS	102,826	3.97	6.90
'AAA' rated money market funds ^[b]	102,826	3.97	6.90
90,435,000 Northern Trust Global Fund - Sterling	102,826	3.97	
Total portfolio (notes 2c & 2d on page 7)	2,576,957	99.51	96.28
Net other assets	12,815	0.49	3.72
Net assets attributable to shareholders	2,589,772	100.00	100.00

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

^[a] The portfolio has been reclassified to more appropriately reflect how the fund is managed. 2017 comparatives have been restated to reflect this.

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

M&G European Strategic Value Fund

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Investments

Top ten portfolio transactions

for the year to 31 January 2018

Largest purchases	€'000
TOTAL	55,193
Wereldhave	34,056
NEXT	31,124
Bank of Ireland	31,059
Novartis (Regd.)	29,773
Royal Dutch Shell 'B'	29,341
Volkswagen Pref. (non-voting)	28,983
J Sainsbury	26,798
BP	20,960
Sanofi	20,716
Other purchases	814,265
Total purchases	1,122,268
Largest sales	€'000
Bayer	32,938
Livanova	31,523
ams AG	26,248
Deutsche Lufthansa	24,372
Wolters Kluwer	21,862
Rheinmetall	16,517
Bovis Homes Group	16,383
Svenska Cellulosa 'B'	15,840
Valora	15,286
Sanofi	14,267
Other sales	253,742
Total sales	468,978

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

M&G European Strategic Value Fund

Financial highlights

Fund performance

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

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

We show performance for these two share classes because:

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

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

Fund level performance

Fund net asset value			
as at 31 January	2018 €'000	2017 €'000	2016 €'000
Fund net asset value (NAV)	2,589,772	1,778,904	1,302,561

Performance since launch

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



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

Long-term performance by share class

	One year 01.02.17 % [a]	Three years 02.02.15 % p.a.	Five years 01.02.13 % p.a.	Since launch % p.a.
Euro [b]				
Class 'A'	+11.8	+6.6	+10.7	+5.8 [c]
Class 'C'	+12.7	+7.4	+11.5	+6.6 [c]
Sterling [d]				
Class 'A'	+14.6	+12.1	+11.0	+7.4 [c]
Class 'I'	+15.4	+12.9	+11.9	+8.3 [c]
Class 'R'	+15.1	+12.6	+11.6	+14.4 [e]
US dollar [b]				
Class 'A'	+28.8	+10.0	n/a	+6.9 [f]
Class 'C'	+29.7	+10.8	n/a	+7.7 [f]

[a] Absolute basis.

[b] Price to price with net income reinvested.

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

[d] Price to price with income reinvested.

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

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

M&G European Strategic Value Fund

Financial highlights

Fund performance

Operating charges and portfolio transaction costs

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

Operating charges

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

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

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

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

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

Portfolio transaction costs

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

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

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

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

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

Portfolio transaction costs

for the year to 31 January	2018	2017	2016	Average ^[a]
Direct portfolio transaction costs ^[b]	%	%	%	%
Broker commission	0.03	0.04	0.05	0.04
Taxes	0.11	0.09	0.05	0.08
Costs before dilution adjustments	0.14	0.13	0.10	0.12
Dilution adjustments ^[c]	(0.07)	(0.07)	(0.05)	(0.06)
Total direct portfolio transaction costs	0.07	0.06	0.05	0.06
as at 31 January	2018	2017	2016	Average ^[a]
Indirect portfolio transaction costs	%	%	%	%
Average portfolio dealing spread	0.11	0.16	0.16	0.14

^[a] Average of first three columns.

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

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

M&G European Strategic Value Fund

Financial highlights

Specific share class performance

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

Historic yields for the current year are calculated as at 9 February 2018.

Euro Class 'A' Accumulation share performance

The share class was launched on 1 February 2008.

for the year to 31 January Change in NAV per share	2018 Euro ¢	2017 Euro ¢	2016 Euro ¢
Opening NAV	1,557.57	1,384.98	1,449.69
Return before operating charges and after direct portfolio transaction costs	213.02	198.04	(39.37)
Operating charges	(27.76)	(25.45)	(25.34)
Return after operating charges	185.26	172.59	(64.71)
Distributions	(16.14)	(18.04)	(15.74)
Retained distributions	16.14	18.04	15.74
Closing NAV	1,742.83	1,557.57	1,384.98
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	2.27	2.02	1.57
Dilution adjustments ^[a]	(1.20)	(1.06)	(0.79)
Total direct portfolio transaction costs	1.07	0.96	0.78
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.07	0.06	0.05
Operating charges	1.67	1.72*	1.66
Return after operating charges	+11.89	+12.46	-4.46
Historic yield	0.99	1.15	1.23
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€'000)	345,788	229,666	14,891
Closing NAV percentage of total fund NAV (%)	13.35	12.91	1.14
Number of shares	19,840,664	14,745,125	1,075,146
Highest share price (Euro ¢)	1,789.86	1,590.13	1,664.52
Lowest share price (Euro ¢)	1,565.21	1,247.65	1,318.87

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

Euro Class 'C' Accumulation share performance

The share class was launched on 1 February 2008.

for the year to 31 January Change in NAV per share	2018 Euro ¢	2017 Euro ¢	2016 Euro ¢
Opening NAV	1,679.47	1,482.93	1,540.64
Return before operating charges and after direct portfolio transaction costs	231.47	210.74	(42.76)
Operating charges	(16.61)	(14.20)	(14.95)
Return after operating charges	214.86	196.54	(57.71)
Distributions	(30.95)	(30.92)	(28.81)
Retained distributions	30.95	30.92	28.81
Closing NAV	1,894.33	1,679.47	1,482.93
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	2.47	2.05	1.68
Dilution adjustments ^[a]	(1.30)	(1.07)	(0.85)
Total direct portfolio transaction costs	1.17	0.98	0.83
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.07	0.06	0.05
Operating charges	0.92	0.92	0.91
Return after operating charges	+12.79	+13.25	-3.75
Historic yield	1.74	1.82	2.11
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€'000)	2,160,324	1,542,462	1,280,224
Closing NAV percentage of total fund NAV (%)	83.42	86.71	98.29
Number of shares	114,041,264	91,842,316	86,330,513
Highest share price (Euro ¢)	1,945.25	1,714.55	1,771.70
Lowest share price (Euro ¢)	1,688.62	1,336.25	1,411.91

Sterling Class 'A' Income share performance

The share class was launched on 1 February 2008.

for the year to 31 January Change in NAV per share	2018 UK p	2017 UK p	2016 UK p
Opening NAV	155.32	124.65	130.00
Return before operating charges and after direct portfolio transaction costs	24.76	36.10	(1.73)
Operating charges	(2.82)	(2.34)	(2.20)
Return after operating charges	21.94	33.76	(3.93)
Distributions	(4.44)	(3.09)	(1.42)
Closing NAV	172.82	155.32	124.65
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.23	0.19	0.14
Dilution adjustments ^[a]	(0.12)	(0.10)	(0.07)
Total direct portfolio transaction costs	0.11	0.09	0.07
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.07	0.06	0.05
Operating charges	1.67	1.68	1.66
Return after operating charges	+14.13	+27.08	-3.02
Historic yield ^[c]	2.74	1.97	1.25
Effect on yield of charges offset against capital	1.65	1.65	0.00
Other information			
Closing NAV (€'000)	1,357	1,335	1,376
Closing NAV percentage of total fund NAV (%)	0.05	0.08	0.11
Number of shares	690,599	741,545	842,752
Highest share price (UK p)	182.81	162.19	142.55
Lowest share price (UK p)	154.56	115.72	121.58

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Specific share class performance

Sterling Class 'A' Accumulation share performance

The share class was launched on 1 February 2008.

for the year to 31 January Change in NAV per share	2018 UK p	2017 UK p	2016 UK p
Opening NAV	179.39	141.17	145.58
Return before operating charges and after direct portfolio transaction costs	28.54	40.87	(1.95)
Operating charges	(3.20)	(2.65)	(2.46)
Return after operating charges	25.34	38.22	(4.41)
Distributions	(1.90)	(2.08)	(1.59)
Retained distributions	1.90	2.08	1.59
Closing NAV	204.73	179.39	141.17
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.26	0.21	0.15
Dilution adjustments ^[a]	(0.14)	(0.11)	(0.08)
Total direct portfolio transaction costs	0.12	0.10	0.07
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.07	0.06	0.05
Operating charges	1.67	1.68	1.66
Return after operating charges	+14.13	+27.07	-3.03
Historic yield	0.99	1.15	1.23
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€'000)	1,053	943	788
Closing NAV percentage of total fund NAV (%)	0.04	0.05	0.06
Number of shares	452,407	453,424	426,247
Highest share price (UK p)	211.18	183.68	159.62
Lowest share price (UK p)	178.50	131.05	136.14

Sterling Class 'I' Income share performance

The share class was launched on 1 February 2008.

for the year to 31 January Change in NAV per share	2018 UK p	2017 UK p	2016 UK p
Opening NAV	156.01	124.65	130.11
Return before operating charges and after direct portfolio transaction costs	24.93	36.28	(1.78)
Operating charges	(1.57)	(1.29)	(1.20)
Return after operating charges	23.36	34.99	(2.98)
Distributions	(4.47)	(3.63)	(2.48)
Closing NAV	174.90	156.01	124.65
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.23	0.19	0.14
Dilution adjustments ^[a]	(0.12)	(0.10)	(0.07)
Total direct portfolio transaction costs	0.11	0.09	0.07
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.07	0.06	0.05
Operating charges	0.92	0.92	0.91
Return after operating charges	+14.97	+28.07	-2.29
Historic yield ^[c]	2.73	2.31	2.17
Effect on yield of charges offset against capital	0.90	0.90	0.00
Other information			
Closing NAV (€'000)	1,023	615	456
Closing NAV percentage of total fund NAV (%)	0.04	0.03	0.04
Number of shares	514,566	340,215	278,943
Highest share price (UK p)	184.93	163.39	142.88
Lowest share price (UK p)	155.23	115.76	122.58

Sterling Class 'I' Accumulation share performance

The share class was launched on 1 February 2008.

for the year to 31 January Change in NAV per share	2018 UK p	2017 UK p	2016 UK p
Opening NAV	193.59	151.21	154.77
Return before operating charges and after direct portfolio transaction costs	30.96	43.94	(2.11)
Operating charges	(1.95)	(1.56)	(1.45)
Return after operating charges	29.01	42.38	(3.56)
Distributions	(3.64)	(3.56)	(2.94)
Retained distributions	3.64	3.56	2.94
Closing NAV	222.60	193.59	151.21
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.29	0.23	0.16
Dilution adjustments ^[a]	(0.15)	(0.12)	(0.08)
Total direct portfolio transaction costs	0.14	0.11	0.08
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.07	0.06	0.05
Operating charges	0.92	0.92	0.91
Return after operating charges	+14.99	+28.03	-2.30
Historic yield	1.74	1.82	2.13
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€'000)	5,953	3,360	4,220
Closing NAV percentage of total fund NAV (%)	0.23	0.19	0.32
Number of shares	2,351,848	1,497,468	2,129,997
Highest share price (UK p)	229.49	198.16	169.96
Lowest share price (UK p)	192.64	140.41	145.80

Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012.

for the year to 31 January Change in NAV per share	2018 UK p	2017 UK p	2016 UK p
Opening NAV	170.31	136.28	142.21
Return before operating charges and after direct portfolio transaction costs	27.23	39.60	(1.93)
Operating charges	(2.19)	(1.78)	(1.69)
Return after operating charges	25.04	37.82	(3.62)
Distributions	(4.88)	(3.79)	(2.31)
Closing NAV	190.47	170.31	136.28
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.26	0.20	0.15
Dilution adjustments ^[a]	(0.14)	(0.11)	(0.07)
Total direct portfolio transaction costs	0.12	0.09	0.08
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.07	0.06	0.05
Operating charges	1.16	1.16	1.17
Return after operating charges	+14.70	+27.75	-2.55
Historic yield ^[c]	2.74	2.20	1.85
Effect on yield of charges offset against capital	1.15	1.15	0.00
Other information			
Closing NAV (€'000)	53	19	17
Closing NAV percentage of total fund NAV (%)	0.00	0.00	0.00
Number of shares	24,653	9,393	9,393
Highest share price (UK p)	201.43	178.22	156.09
Lowest share price (UK p)	169.47	126.55	133.64

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Specific share class performance

Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012.

for the year to 31 January Change in NAV per share	2018 UK p	2017 UK p	2016 UK p
Opening NAV	183.37	143.56	147.31
Return before operating charges and after direct portfolio transaction costs	29.32	41.69	(2.04)
Operating charges	(2.38)	(1.88)	(1.71)
Return after operating charges	26.94	39.81	(3.75)
Distributions	(2.94)	(2.96)	(2.41)
Retained distributions	2.94	2.96	2.41
Closing NAV	210.31	183.37	143.56
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.28	0.21	0.15
Dilution adjustments ^[a]	(0.15)	(0.11)	(0.08)
Total direct portfolio transaction costs	0.13	0.10	0.07
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.07	0.06	0.05
Operating charges	1.17	1.16	1.15
Return after operating charges	+14.69	+27.73	-2.55
Historic yield	1.49	1.60	1.83
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€'000)	250	44	149
Closing NAV percentage of total fund NAV (%)	0.01	0.00	0.01
Number of shares	104,631	20,766	79,127
Highest share price (UK p)	216.86	187.72	161.68
Lowest share price (UK p)	182.47	133.29	138.43

US dollar Class 'A' Accumulation share performance

The share class was launched on 8 August 2014.

for the year to 31 January Change in NAV per share	2018 US ¢	2017 US ¢	2016 US ¢
Opening NAV	970.36	876.73	953.44
Return before operating charges and after direct portfolio transaction costs	307.77	110.35	(60.49)
Operating charges	(18.54)	(16.72)	(16.22)
Return after operating charges	289.23	93.63	(76.71)
Distributions	(11.65)	(11.13)	(9.79)
Retained distributions	11.65	11.13	9.79
Closing NAV	1,259.59	970.36	876.73
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	1.52	1.41	1.06
Dilution adjustments ^[a]	(0.80)	(0.74)	(0.53)
Total direct portfolio transaction costs	0.72	0.67	0.53
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.07	0.06	0.05
Operating charges	1.67	1.89*	1.65
Return after operating charges	+29.81	+10.68	-8.05
Historic yield	0.98	1.14	1.23
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€'000)	1,201	158	4
Closing NAV percentage of total fund NAV (%)	0.05	0.01	0.00
Number of shares	118,744	17,489	500
Highest share price (US ¢)	1,290.65	987.70	1,067.05
Lowest share price (US ¢)	970.59	820.28	834.12

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

US dollar Class 'C' Accumulation share performance

The share class was launched on 8 August 2014.

for the year to 31 January Change in NAV per share	2018 US ¢	2017 US ¢	2016 US ¢
Opening NAV	988.88	886.65	957.00
Return before operating charges and after direct portfolio transaction costs	313.72	110.74	(61.65)
Operating charges	(10.53)	(8.51)	(8.70)
Return after operating charges	303.19	102.23	(70.35)
Distributions	(21.11)	(18.21)	(17.12)
Retained distributions	21.11	18.21	17.12
Closing NAV	1,292.07	988.88	886.65
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	1.56	1.23	0.99
Dilution adjustments ^[a]	(0.82)	(0.64)	(0.50)
Total direct portfolio transaction costs	0.74	0.59	0.49
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.07	0.06	0.05
Operating charges	0.92	0.92	0.89
Return after operating charges	+30.66	+11.53	-7.35
Historic yield	1.74	1.83	2.13
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€'000)	72,770	302	436
Closing NAV percentage of total fund NAV (%)	2.81	0.02	0.03
Number of shares	7,014,462	32,868	53,643
Highest share price (US ¢)	1,325.04	1,006.45	1,073.49
Lowest share price (US ¢)	989.26	829.80	843.42

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

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

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

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Statement of total return

for the year to 31 January	Note	2018		2017	
		€'000	€'000	€'000	€'000
Income					
Net capital gains / (losses)	3		229,343		146,112
Revenue	5	62,986		40,923	
Expenses	6	(23,944)		(12,848)	
Net revenue / (expense) before taxation		39,042		28,075	
Taxation	7	(5,215)		(1,576)	
Net revenue / (expense) after taxation			33,827		26,499
Total return before distributions			263,170		172,611
Distributions	8		(33,859)		(26,512)
Change in net assets attributable to shareholders from investment activities			229,311		146,099

Statement of change in net assets attributable to shareholders

for the year to 31 January	2018		2017	
	€'000	€'000	€'000	€'000
Opening net assets attributable to shareholders		1,778,904		1,302,561
Amounts received on issue of shares	1,072,094		541,202	
Amounts paid on cancellation of shares	(532,823)		(243,891)	
		539,271		297,311
Dilution adjustments		2,481		1,794
Change in net assets attributable to shareholders from investment activities (see above)		229,311		146,099
Retained distributions on Accumulation shares		39,805		31,139
Closing net assets attributable to shareholders		2,589,772		1,778,904

Balance sheet

as at 31 January	Note	2018 €'000	2017 €'000
Assets			
Fixed assets			
Investments		2,576,957	1,712,744
Current assets			
Debtors	9	14,165	106,586
Cash and bank balances	10	6,956	0
Total assets		2,598,078	1,819,330
Liabilities			
Creditors			
Bank overdrafts		0	(11,250)
Distribution payable		(63)	(41)
Other creditors	11	(8,243)	(29,135)
Total liabilities		(8,306)	(40,426)
Net assets attributable to shareholders		2,589,772	1,778,904

Notes to the financial statements

1 Accounting policies

The financial statements have been prepared in accordance with the 'Summary of significant accounting policies' set out on pages 7 and 8.

2 Distribution policy

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

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

3 Net capital gains / (losses)

for the year to 31 January	2018 €'000	2017 €'000
Non-derivative securities	232,075	145,931
Currency gains / (losses)	(2,713)	197
Transaction charges	(19)	(16)
Net capital gains / (losses)	229,343	146,112

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 29.

for the year to 31 January	2018 €'000	% of transaction	2017 €'000	% of transaction
a) Purchases				
Equities				
Equities before transaction costs	1,111,861		608,159	
Commissions	429	0.04	297	0.05
Taxes	2,491	0.22	1,277	0.21
Equities after transaction costs	1,114,781		609,733	
Other transaction types				
Corporate actions	7,487		4,115	
Total purchases after transaction costs	1,122,268		613,848	

b) Sales				
Equities				
Equities before transaction costs	469,177		376,978	
Commissions	(198)	0.04	(247)	0.07
Taxes	(1)	0.00	0	0.00
Total sales after transaction costs	468,978		376,731	

for the year to 31 January	2018 €'000	% of average NAV	2017 €'000	% of average NAV
c) Direct portfolio transaction costs				
Commissions paid				
Equities	627	0.03	544	0.04
Taxes paid				
Equities	2,492	0.11	1,277	0.09
Total direct portfolio transaction costs ^[a]	3,119	0.14	1,821	0.13

for the year to 31 January	2018 %	2017 %
d) Indirect portfolio transaction costs		
Portfolio dealing spread ^[b]	0.11	0.16

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

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

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5 Revenue

for the year to 31 January	2018 €'000	2017 €'000
Bank interest	3	231
Dividends from equity investments: non-taxable	56,610	34,948
Dividends from equity investments: taxable	(1)	204
Interest distributions	287	397
Stock dividends	6,045	5,143
Underwriting commission	42	0
Total revenue	62,986	40,923

6 Expenses

for the year to 31 January	2018 €'000	2017 €'000
Payable to the ACD or associate		
Annual management charge	20,155	10,555
Administration charge	3,434	2,063
	23,589	12,618
Payable to the Depositary or associate		
Depositary's charge (including VAT)	96	71
Other expenses		
Audit fee (including VAT)	10	10
Interest payable	35	13
Safe custody charge	214	133
Tax fees (including VAT)	0	3
	259	159
Total expenses	23,944	12,848

7 Taxation

for the year to 31 January	2018 €'000	2017 €'000
a) Analysis of charge in the year		
Corporation tax	0	0
Withholding tax	5,215	1,576
Deferred tax (note 7c)	0	0
Total taxation	5,215	1,576
b) Factors affecting taxation charge for the year		
Net revenue / (expense) before taxation	39,042	28,075
Corporation tax at 20%	7,809	5,615
Effects of:		
Dividends from equity investments: non-taxable	(11,322)	(6,990)
Stock dividends not taxable	(1,209)	(1,029)
Current year expenses not utilised	4,722	2,404
Withholding tax	5,215	1,576
Total tax charge (note 7a)	5,215	1,576
c) Provision for deferred taxation		
Provision at the start of the year	0	0
Deferred tax in profit and loss account (note 7a)	0	0
Provision at the end of the year	0	0

The fund has not recognised a deferred tax asset of €14,698,000 (2017: €9,976,000) arising as a result of having excess management expenses. We do not expect this asset to be utilised in the foreseeable future.

8 Distributions

for the year to 31 January Dividend distributions	2018		2017	
	Inc ^[a] €'000	Acc ^[b] €'000	Inc ^[a] €'000	Acc ^[b] €'000
Final	63	39,805	41	31,139
Total net distributions		39,868		31,180
Income deducted on cancellation of shares		7,168		4,011
Income received on issue of shares		(13,177)		(8,679)
Distributions		33,859		26,512
Net revenue / (expense) per statement of total return		33,827		26,499
Expenses offset against capital		32		13
Distributions		33,859		26,512

^[a] Distributions payable on Income shares.

^[b] Retained distributions on Accumulation shares.

9 Debtors

as at 31 January	2018 €'000	2017 €'000
Amounts receivable on issues of shares	5,443	97,889
Currency deals outstanding	3,206	4,177
Distributions receivable	38	26
Dividends receivable	1,578	780
Sales awaiting settlement	1,669	123
Withholding tax recoverable	2,231	3,591
Total debtors	14,165	106,586

10 Cash and bank balances

as at 31 January	2018 €'000	2017 €'000
Cash held as bank balances	6,956	0
Total cash and bank balances	6,956	0

11 Other creditors

as at 31 January	2018 €'000	2017 €'000
ACD's annual management charge payable	988	559
Administration charge payable	175	104
Amounts payable on cancellation of shares	55	0
Currency deals outstanding	3,207	4,183
Expenses payable	117	66
Purchases awaiting settlement	3,701	24,223
Total other creditors	8,243	29,135

12 Contingent assets, liabilities and outstanding commitments

There were no contingent assets, liabilities or outstanding commitments at the balance sheet date (2017: same).

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13 Shares in issue

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

Share class	Opening 01.02.17	Movements		Closing 31.01.18
		Issued	Cancelled	
Euro				
Class 'A' Accumulation	14,745,125	22,173,044	(17,077,505)	19,840,664
Class 'C' Accumulation	91,842,316	34,242,431	(12,043,483)	114,041,264
Sterling				
Class 'A' Income	741,545	251,384	(302,330)	690,599
Class 'A' Accumulation	453,424	11,110,990	(11,112,007)	452,407
Class 'I' Income	340,215	244,696	(70,345)	514,566
Class 'I' Accumulation	1,497,468	1,689,994	(835,614)	2,351,848
Class 'R' Income	9,393	48,581	(33,321)	24,653
Class 'R' Accumulation	20,766	123,031	(39,166)	104,631
US dollar				
Class 'A' Accumulation	17,489	143,847	(42,592)	118,744
Class 'C' Accumulation	32,868	6,981,594	0	7,014,462

14 Charging structure

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

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

15 Related parties

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

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

At the balance sheet date, shareholders from within Prudential plc, of which M&G Securities Limited is a wholly owned subsidiary, have holdings totalling 0.00% (2017: 0.22%) of the fund's shares.

16 Events after the balance sheet date

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

17 Fair value analysis

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

Level 1: Unadjusted quoted price in an active market for an identical instrument

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

Level 2: Valuation technique using observable market data

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

Level 3: Valuation technique using unobservable inputs

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

as at 31 January Basis of valuation	Assets	Liabilities	Assets	Liabilities
	2018 €'000	2018 €'000	2017 €'000	2017 €'000
Level 1	2,474,131	0	1,589,994	0
Level 2	102,826	0	122,750	0
Level 3	0	0	0	0
	2,576,957	0	1,712,744	0

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

18 Risk management policies

The general risk management policies for the fund are set out in note 3 to the financial statements on pages 8 to 10.

19 Market risk sensitivity

A five per cent increase in the value of the fund's investment portfolio would have the effect of increasing the return and net assets by €123,707,000 (2017: €79,500,000). A five per cent decrease would have an equal and opposite effect.

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20 Currency risk sensitivity and exposure

A five per cent increase in the value of the fund's currency exposure would have the effect of increasing the return and net assets by €129,489,000 (2017: €88,945,000). A five per cent decrease would have an equal and opposite effect.

as at 31 January	2018 €'000	2017 €'000
Currency exposure in respect of the fund		
Danish krone	58,982	38,745
Euro	1,357,766	942,423
Norwegian krone	83,623	58,195
Sterling	789,459	495,249
Swedish krona	85,528	75,048
Swiss franc	149,757	126,099
US dollar	64,657	43,145
Total	2,589,772	1,778,904

21 Dividend distribution tables

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

Annual distribution period				
	Start	End	Xd	Payment
Final	01.02.17	31.01.18	01.02.18	31.03.18

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

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

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

Euro Class 'A' Accumulation shares				
Ordinary distributions for the year to 31 January	Income 2018	Group 2 Equalisation 2018	Group 1 & 2 Distribution 2018	Group 1 & 2 Distribution 2017
Final	3.0862	13.0557	16.1419	18.0409

Euro Class 'C' Accumulation shares				
Ordinary distributions for the year to 31 January	Income 2018	Group 2 Equalisation 2018	Group 1 & 2 Distribution 2018	Group 1 & 2 Distribution 2017
Final	7.1881	23.7588	30.9469	30.9207

Sterling Class 'A' Income shares				
Ordinary distributions for the year to 31 January	Income 2018	Group 2 Equalisation 2018	Group 1 & 2 Distribution 2018	Group 1 & 2 Distribution 2017
Final	1.2518	3.1870	4.4388	3.0926

Sterling Class 'A' Accumulation shares				
Ordinary distributions for the year to 31 January	Income 2018	Group 2 Equalisation 2018	Group 1 & 2 Distribution 2018	Group 1 & 2 Distribution 2017
Final	0.0000	1.8954	1.8954	2.0787

Sterling Class 'I' Income shares				
Ordinary distributions for the year to 31 January	Income 2018	Group 2 Equalisation 2018	Group 1 & 2 Distribution 2018	Group 1 & 2 Distribution 2017
Final	1.1598	3.3089	4.4687	3.6328

Sterling Class 'I' Accumulation shares				
Ordinary distributions for the year to 31 January	Income 2018	Group 2 Equalisation 2018	Group 1 & 2 Distribution 2018	Group 1 & 2 Distribution 2017
Final	1.5291	2.1073	3.6364	3.5647

Sterling Class 'R' Income shares				
Ordinary distributions for the year to 31 January	Income 2018	Group 2 Equalisation 2018	Group 1 & 2 Distribution 2018	Group 1 & 2 Distribution 2017
Final	0.2545	4.6268	4.8813	3.7872

Sterling Class 'R' Accumulation shares				
Ordinary distributions for the year to 31 January	Income 2018	Group 2 Equalisation 2018	Group 1 & 2 Distribution 2018	Group 1 & 2 Distribution 2017
Final	0.0000	2.9372	2.9372	2.9603

US dollar Class 'A' Accumulation shares				
Ordinary distributions for the year to 31 January	Income 2018	Group 2 Equalisation 2018	Group 1 & 2 Distribution 2018	Group 1 & 2 Distribution 2017
Final	2.6939	8.9580	11.6519	11.1332

US dollar Class 'C' Accumulation shares				
Ordinary distributions for the year to 31 January	Income 2018	Group 2 Equalisation 2018	Group 1 & 2 Distribution 2018	Group 1 & 2 Distribution 2017
Final	1.6280	19.4812	21.1092	18.2069

M&G Global Convertibles Fund

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Investment objective

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

Investment policy

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

Investment approach

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

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

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

Risk profile

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

The fund may use derivatives to achieve the manager's desired exposure to convertibles. Additionally, derivative instruments may be used to manage the risk characteristics of the fund. In association with the use of derivatives, including those instruments not traded through an exchange, collateral is deposited, in order to mitigate the risk that a counterparty may default on its obligations or become insolvent.

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

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



The above number:

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

Investment review

As at 1 February 2018, for the year ended 31 January 2018

Performance against objective

Between 1 February 2017 (the start of the review period) and 1 February 2018, the M&G Global Convertibles Fund produced a negative total return (the combination of income and growth of capital) across all its unhedged share classes. Positive returns were, however, generated by sterling, euro, US dollar and Swiss franc hedged share classes, where the hedging process seeks to offset currency movements. This divergence in performance reflected the sharp fall in the value of the US dollar over the period, which eroded the returns of assets denominated in that currency, and these make up the majority of the convertibles universe.*

The fund's returns in all share classes (except the Euro Class 'C') were behind those of a comparative index, the Thomson Reuters Global Focus Convertible Index. Over the 12 months, returns for the index in sterling, euro, US dollar and Swiss franc terms were -1.3% (hedged 5.9%), -4.1% (hedged 5.1%), 11.1% (6.8% hedged) and 4.7% (hedged 7.1%), respectively.

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

* 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.

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Investment review

Investment performance

With economic data continuing to improve and corporate profits generally healthy, investor confidence grew steadily during the 12 months under review. This resulted in a very positive backdrop for assets traditionally seen as risky, such as equities (company shares) from emerging markets and Asia, which enjoyed some tremendous rallies. Many stockmarkets, including the US and UK, reached successive record highs during the period. Investors were further encouraged by the positive resolution of events that could have caused greater disruption, such as the election in France, and a general perception that central banks remained supportive, despite interest rates rising in the US and UK.

With inflation remaining surprisingly benign, most bond markets were stable, although central banks took advantage of stronger economic growth to signal that the era of ultra-low interest rates is coming to an end. (Bonds are loans in the form of a security, usually issued by a government (government bonds) or company (corporate bonds), which normally pay a fixed rate of interest over a given time period, at the end of which the initial amount borrowed is repaid.) Towards the end of the review period, however, the prices of US bonds, already under pressure as the Federal Reserve had raised interest rates three times during the year, declined as investors became concerned that accelerating economic activity could prompt the return of inflation and higher interest rates.

This environment proved supportive for global convertibles, which experienced healthy performance, in local currency terms, reflecting higher equity and corporate bond prices. Overall, convertibles performed better than bonds but lagged equities.

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

For non-US dollar investors, sharp weakness in the greenback acted as a significant headwind for the performance of the convertibles market and for the fund. The US dollar declined by more than 13% relative to the euro and 11% against sterling, which reduced the returns from US convertibles to investors in Europe and the UK. Since US convertibles account for the majority of the convertibles market, this had a major effect on returns and explains the outperformance of the fund's hedged share classes relative to the unhedged classes (the effect of currency movements are reduced in hedged share classes).

The fund's returns were behind the comparative index over the review period. This disappointing performance was largely driven by exposure to two issuers, Teva Pharmaceuticals and Steinhoff, which declined materially in price during the period. This outweighed positive returns from convertibles in the US technology and German chemicals sectors.

Two convertibles from Teva Pharmaceuticals, a generic drugs manufacturer headquartered in Israel but whose shares mainly trade as US-listed American depositary receipts (ADRs), proved costly to the fund. Shares in the company fell sharply in August when the group released earnings that were below expectations, along with reduced revenue guidance due to the US Food & Drug Administration's (FDA) plan to lower drug prices by approving more generics. The group's shares and convertibles declined substantially. Although we feel Teva should be able to service its debt obligations, we reduced our exposure, having become concerned that the group's need to sell assets and cut costs could weigh on its credit rating.

Steinhoff is a global retailer based in South Africa, to which we had avoided having exposure until 2015 when the group received approval from regulators and auditors to list in Germany, suggesting the governance of the company met international standards. This proved not to be the case and the prices of Steinhoff shares and convertibles fell sharply in December when the group announced that the chief executive had resigned and that accounting irregularities were to be investigated. Given the ongoing uncertainty about the situation, we took advantage of a rebound in the prices of the convertibles to sell the three convertibles held in the fund.

Exposure to Russian telecoms business Vimpacom also weighed on returns, as the company announced disappointing results.

While unexpected adverse developments on individual holdings are always challenging, the possibility of such events are inherent in a bottom-up stockpicking approach, such as ours. We will not be changing our investment approach, which has generated healthy returns over many years. We maintain the belief that our rigorous analysis will enable us to identify attractively valued convertibles and help the fund's performance to recover over the coming months.

Among the more successful investments that our process helped discover was a convertible from US holding company Altaba (previously Yahoo), which delivered the largest positive contribution during the review period. Solid earnings, plus the sale of the group's internet operations to Verizon and continued strength in the share price of Alibaba, in which it holds a big stake, led to a sustained share price rally. This was reflected in the group's convertible and a call option we held to increase the sensitivity of the bond to share price movements. Several convertibles issued by US technology companies, including ON Semiconductor, Red Hat and Citrix Systems, added value, as well as convertibles into German chemical producers Covestro and Evonik.

Investment activities

As well as ensuring that the portfolio holds convertibles that we have identified as technically attractive and offering lower risk exposure to companies that we consider undervalued, much portfolio activity undertaken is to maintain the required risk/reward profile. This should enable the fund to take part when share prices rise but also benefit from convertibles' defensive qualities at times when shares are weak.

We scaled back exposure to several convertibles that had risen in price to such an extent that they had become very sensitive to changes in the underlying share price and therefore vulnerable to a downward move in the shares. For instance, we sold convertibles from Japanese car manufacturer Suzuki and two German issuers, engineer Siemens and chemical producer Evonik. We also reduced the size of holdings in convertibles from US online travel services provider Priceline, German pharmaceutical group Bayer and a number of US technology groups, including Red Hat and Citrix Systems.

M&G Global Convertibles Fund

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Investment review

Investment activities (continued)

As well as selling the Steinhoff convertibles and reducing exposure to Teva Pharmaceuticals as we felt they had become too risky, other convertibles left the portfolio for a variety of reasons. For example, convertibles from Norwegian oil services provider Subsea 7 and Swedish healthcare group Elekta were repaid, while another, from US technology firm Brocade Communications departed when the issuer was taken over. Additionally, Italian wealth manager Azimut bought back its convertible at a premium to the prevailing price.

Among the larger additions to the fund were bonds convertible into the shares of German chemical companies Covestro and Evonik and, from China, toll road operator Zhejiang Expressway, all of which were issued during the period. US convertibles that joined the portfolio included bonds from Blackhawk Networks, a financial group that provides prepaid gift and debit cards, Nuance, which develops voice recognition software, and Western Digital, a data storage group and hard disk manufacturer. We also added to existing holdings in convertibles from Dubai-based port operator DP World and Chinese train manufacturer CRRC.

Outlook

In our opinion, demand should stay high for convertibles against a background of uncertainty about the future direction of equity markets. Although equities look better placed than government bonds in an environment of improving economic growth, many stockmarkets reached record levels recently and may be seen as highly valued. There are also many factors that could unsettle investors. These include the pace of potential interest rate increases in the US and elsewhere, as well as geopolitical concerns. Central banks around the world, while generally supportive, are signalling a return to more normal conditions. This is particularly relevant as government bond markets around the world have benefited from sustained buying by central banks in order to keep interest rates low and could be vulnerable to a change on policy. Any increase in caution about the future direction of markets should be beneficial for convertibles, which have the potential to participate in share price rises while also providing an element of protection against share price falls.

Given the signals emanating from the Federal Reserve and other central banks, it is worth remembering that convertibles tend to perform well against a background of rising interest rates. When interest rates are increased for the 'right reasons', that is, because economic growth is expanding, the convertibles market can deliver good returns as rising share prices more than offset any weakness in bond prices. Additionally, convertibles have less sensitivity to rising interest rates than other types of corporate bond since they generally have less time until they are repaid.

It is also worth noting that, should 'volatility', or the degree of price variability, in the equity markets increase from the very low levels experienced during the review period, this will act as a boost to the technical valuation of convertibles. The embedded option to buy shares by converting a convertible is worth more when the underlying shares are volatile.

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

While we must acknowledge that the recent short-term performance of the fund has been disappointing, longer term returns remain positive. We believe there are compelling opportunities for stockpicking in the convertibles universe, enabling us to gain exposure to under-researched companies in a wide variety of countries and sectors. We will continue to search for those convertibles that offer the best balance of risk and reward by focusing on the basic characteristics of the issuing companies and by developing a deep understanding of the underlying business. We also rigorously analyse the technical qualities of each potential investment. We believe this approach has the potential to deliver healthy returns to investors over time.

Léonard Vinville

Fund manager

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

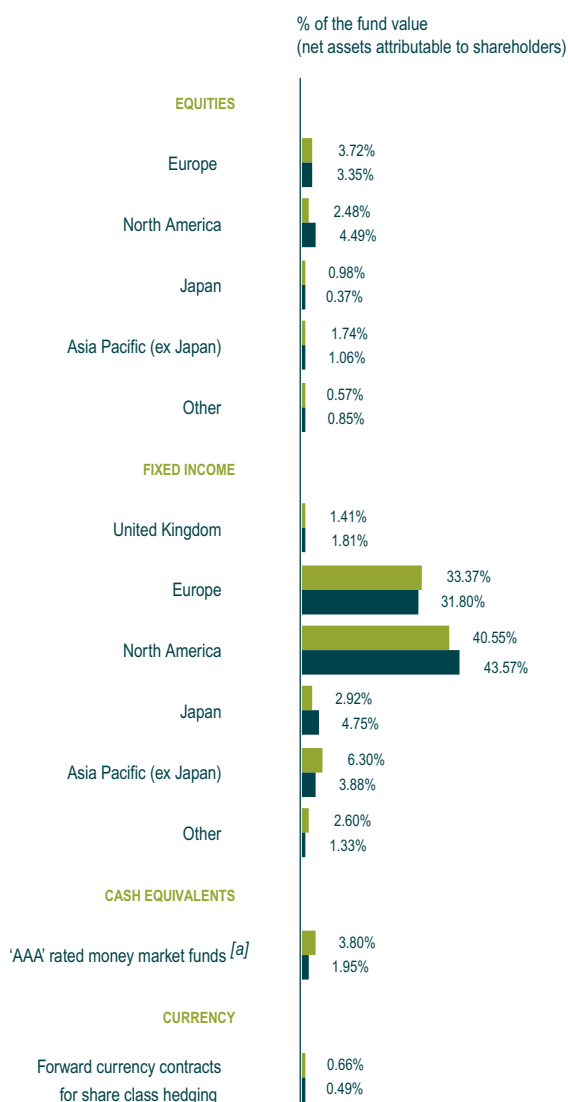
Please note that the views expressed in this Report should not be taken as a recommendation or advice on how the fund or any holding mentioned in the Report is likely to perform. If you wish to obtain financial advice as to whether an investment is suitable for your needs, you should consult a Financial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

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Investment review

Classification of investments



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

■ 31 January 2018
■ 31 January 2017

Source: M&G

Investments

Portfolio statement

as at 31 January Holding [b]	2018 \$'000	2018 %	2017[a] %
EQUITIES	232,745	9.49	10.12
Europe	91,108	3.72	3.35
European equities	91,108	3.72	3.35
277,721 Azimut Holdings	6,357	0.26	
289,542 Ceconomy (Formerly Metro)	4,203	0.17	
1,091,000 Eni	19,634	0.80	
89,000 Gemalto	5,508	0.23	
419,542 Metro AG (formerly Metro Wholesale & Food)	9,131	0.37	
520,000 Outokumpu	4,747	0.19	
639,698 Suez	9,497	0.39	
64,322,861 Talvivaara Mining Company [c]	0	0.00	
3,441,009 Veon ADR	13,007	0.53	
381,497 Wereldhave REIT	19,024	0.78	
North America	60,802	2.48	4.49
North American equities	57,877	2.36	4.49
67,300 Allergan	12,409	0.51	
33,214 Allergan 5.5% Perp. (Allergan)	21,949	0.89	
960,000 Cemex ADR	8,035	0.33	
720,000 Helix Energy Solutions	5,501	0.22	
373,080 Horizon Pharma	5,626	0.23	
63,000 Medidata Solutions	4,357	0.18	
North American equity options	2,925	0.12	0.40
375,000 Citrix Systems Jan 2019 Put	2,925	0.12	
Japan	24,074	0.98	0.37
Japanese equities	24,074	0.98	0.37
639,500 Asics	10,559	0.43	
723,100 Orix	13,515	0.55	
Asia Pacific (ex Japan)	42,670	1.74	1.06
Asia Pacific equities	42,670	1.74	1.06
2,631,405 Ascendas REIT	5,533	0.23	
5,034,540 CapitalLand Commercial Trust REIT	7,159	0.29	
2,525,590 China Unicom (Hong Kong)	3,779	0.15	
17,212,987 Hui Xian REIT	8,755	0.36	
11,610,000 Kingdee International Software Group	7,557	0.31	
8,350,000 Zhejiang Expressway	9,887	0.40	
Other	14,091	0.57	0.85
Other equities	14,091	0.57	0.85
35,726 Teva Pharmaceutical Industries 7% 2018 (Teva Pharmaceutical Industries)	14,091	0.57	
FIXED INCOME	2,137,141	87.15	87.14
United Kingdom	34,646	1.41	1.81
UK investment grade corporate bonds	10,655	0.43	0.40
£7,600,000 Vodafone 0% 2020 (Vodafone)	10,655	0.43	
UK below investment grade corporate bonds	19,670	0.80	1.25
\$19,336,000 Inmarsat Finance 6.5% 2024	19,670	0.80	
UK corporate bonds with no credit rating	4,321	0.18	0.16
\$3,590,000 Petropavlovsk 9% 2020 (Petropavlovsk)	4,321	0.18	

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Investments

Portfolio statement (continued)			
as at 31 January Holding ^[b]	2018 \$'000	2018 %	2017 ^[a] %
Europe	818,350	33.37	31.80
European investment grade corporate bonds	331,282	13.51	8.92
\$6,600,000 Aperam 0.625% 2021 (Aperam)	9,550	0.39	
€37,300,000 Bayer 0.05% 2020 (Covestro)	59,353	2.42	
€10,100,000 Bayer Capital 5.625% 2019 (Bayer Capital)	14,258	0.58	
€27,200,000 Fresenius Medical Care 1.125% 2020 (Fresenius Medical Care)	44,911	1.83	
€11,800,000 Grand City Properties 0.25% 2022 (Grand City Properties)	14,660	0.60	
€30,900,000 Haniel Finance Deutschland 0% 2020 (Ceconomy)	40,793	1.66	
\$3,500,000 NXP 4.125% 2020	3,580	0.15	
\$3,500,000 NXP 4.625% 2022	3,644	0.15	
\$47,500,000 Siemens Financieringsmaatschappij (formerly Siemens) 1.65% 2019	58,527	2.39	
\$3,062,000 Steel Capital 5.9% 2022	3,330	0.13	
\$9,400,000 STMicroelectronics 0% 2022 (STMicroelectronics)	12,184	0.50	
\$50,200,000 Telenor East Holding 0.25% 2019 (Vimpelcom)	52,143	2.13	
\$12,600,000 Vinci 0.375% 2022 (Vinci)	14,349	0.58	
European below investment grade corporate bonds	62,525	2.55	2.76
\$49,631,000 NXP Semiconductors 1.00% 2019 (NXP Semiconductors)	62,525	2.55	
European corporate bonds with no credit rating	424,543	17.31	20.12
\$22,400,000 Abigrove 0% 2022 (Severstal)	24,388	0.99	
\$19,400,000 Abigrove 0.5% 2021 (Severstal)	29,393	1.20	
\$10,000,000 ams 0.875% 2022 (ams)	11,894	0.49	
€1,300,000 BE Semiconductor Industries 0.5% 2024 (BE Semiconductor Industries)	1,726	0.07	
€800,000 Bekaert 0% 2021 (Bekaert)	1,012	0.04	
€9,192,664 BIM 2.5% 2020 (Elior)	12,614	0.52	
€16,600,000 Fugro 4% 2021 (Fugro)	20,699	0.84	
£13,400,000 Great Portland Estates 1% 2018 (Great Portland Estates)	19,284	0.79	
€21,200,000 Indra Sistemas 1.75% 2018 (Indra Sistemas)	26,857	1.10	
€6,955,721 Ingenico 0% 2022 (Ingenico)	8,560	0.35	
€4,900,000 International Consolidated Airlines 0.25% 2020 (International Consolidated Airlines)	5,984	0.24	
€3,500,000 International Consolidated Airlines 0.625% 2022 (International Consolidated Airlines)	4,251	0.17	
\$29,200,000 Michelin 0% 2023 (Michelin)	27,579	1.13	
€6,400,000 PT (Jersey) 0.5% 2019 (Playtech)	8,880	0.36	
\$10,200,000 Qiagen 0.375% 2019 (Qiagen)	12,463	0.51	
\$8,400,000 Qiagen 0.5% 2023 (Qiagen)	8,672	0.35	
€49,500,000 RAG-Stiftung 0% 2021 (Evonik)	68,350	2.79	
€41,900,000 RAG-Stiftung 0% 2023 (Evonik)	56,481	2.30	
€9,133,238 Safran 0% 2020 (Safran)	13,300	0.54	
€24,900,000 Wereldhave 1% 2019 (Wereldhave)	31,206	1.27	
\$30,448,000 Yandex 1.125% 2018 (Yandex)	30,950	1.26	

Portfolio statement (continued)

as at 31 January Holding ^[b]	2018 \$'000	2018 %	2017 ^[a] %
North America	994,386	40.55	43.57
North American investment grade corporate bonds	401,677	16.38	12.01
€18,700,000 América Móvil 0% 2020 (KON KPN)	23,063	0.94	
€17,600,000 América Móvil 5.5% 2018 (KON KPN)	18,962	0.77	
\$15,035,000 Ares Capital 3.5% 2023	14,633	0.60	
\$14,200,000 Ares Capital 3.75% 2022 (Ares Capital)	14,553	0.59	
\$68,874,000 Citrix Systems 0.5% 2019 (Citrix Systems)	91,205	3.72	
\$12,100,000 Citrix Systems 4.5% 2027	12,159	0.50	
\$6,638,000 Fresenius US Finance II 4.5% 2023	6,898	0.28	
\$12,250,000 Johnson Electric 1% 2021 (Johnson Electric)	13,779	0.56	
CNY75,000,000 Kunlun Energy 1.625% 2019 (Kunlun Energy)	13,181	0.54	
£12,000,000 National Grid North America 0.9% 2020 (National Grid North America)	16,700	0.68	
\$16,109,000 Priceline Group 0.35% 2020 (Priceline Group)	24,094	0.98	
\$49,020,000 Priceline Group 0.90% 2021 (Priceline Group)	59,018	2.41	
\$13,435,000 QVC 4.375% 2023	13,575	0.55	
\$10,135,000 Red Hat 0.25% 2019	18,137	0.74	
\$13,217,000 RPM International 2.25% 2020 (RPM International)	15,358	0.63	
\$39,898,000 Teva Pharmaceutical Finance 0.25% 2026 (Teva Pharmaceutical)	35,766	1.46	
\$9,800,000 Vipshop 1.5% 2019 (Vipshop)	10,596	0.43	
North American below investment grade corporate bonds	304,164	12.40	12.53
\$35,310,000 Cemex 3.72% 2020 (Cemex)	37,928	1.55	
€12,781,000 Cemex Finance 4.625% 2024	17,263	0.70	
\$22,754,000 Cemex Sub. 3.72% 2020 (Cemex)	24,320	0.99	
\$16,141,000 Hologic 2% 2042 (Hologic)	22,167	0.90	
\$15,467,000 Horizon Pharma 2.5% 2022 (Horizon Pharma)	14,492	0.59	
\$17,900,000 Impax Laboratories 2% 2022 (Impax Laboratories)	17,400	0.71	
\$11,800,000 Integrated Device 0.875% 2022 (Integrated Device)	13,110	0.54	
\$6,236,000 NRG Yield 3.25% 2020 (NRG Yield)	6,183	0.25	
\$11,450,000 NRG Yield 3.5% 2019 (NRG Yield)	11,607	0.47	
\$35,000,000 Nuance Communication 1.25% 2025 (Nuance Communication)	36,906	1.51	
\$21,531,000 Nuance Communication 1.5% 2035 (Nuance Communication)	22,830	0.93	
\$36,695,000 ON Semiconductor 1% 2020 (ON Semiconductor)	52,483	2.14	
\$27,788,000 Shutterfly 0.25% 2018 (Shutterfly)	27,475	1.12	

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Investments

Portfolio statement (continued)			
as at 31 January Holding ^[b]	2018 \$'000	2018 %	2017 ^[a] %
North American corporate bonds with no credit rating	288,545	11.77	19.03
\$27,455,000 Akamai Technologies 0% 2019 (Akamai Technologies)	27,369	1.12	
\$46,668,000 Altaba 0% 2018 (Altaba) (formerly Yahoo 0% 2018 (Yahoo))	69,069	2.82	
\$5,250,000 Asia View 1.5% 2019 (Yuexiu Transport)	5,729	0.23	
\$37,424,000 Blackhawk Network 1.5% 2022 (Blackhawk Network)	41,670	1.70	
\$10,011,000 Chart Industries 1% 2024 (Chart Industries)	10,811	0.44	
\$19,189,000 Electronics for Imaging 0.75% 2019 (Electronics for Imaging)	18,545	0.76	
\$41,144,000 Extra Space Storage 3.125% 2035 (Extra Space Storage)	44,252	1.80	
\$9,980,000 Helix Energy Solutions 4.25% 2022 (Helix Energy Solutions)	9,935	0.40	
\$20,055,000 Huron Consulting 1.25% 2019 (Huron Consulting)	18,760	0.77	
\$14,335,000 II-VI 0.25% 2022 (II-VI)	16,561	0.68	
\$13,100,000 Osi Systems 1.25% 2022 (OSI Systems)	12,093	0.49	
CAD12,550,000 Osisko Gold Royalties 4% 2022 (Osisko Gold Royalties)	10,494	0.43	
\$3,347,000 Pacira Pharmaceuticals 2.375% 2022 (Pacira Pharmaceuticals)	3,257	0.13	
Japan	71,628	2.92	4.75
Japanese investment grade corporate bonds	12,771	0.52	0.00
\$12,900,000 Shizuoka Bank 0% 2018 (Shizuoka Bank)	12,771	0.52	
Japanese corporate bonds with no credit rating	58,857	2.40	4.75
¥750,000,000 Mitsubishi Chemical Holdings 0% 2022 (Mitsubishi Chemical Holdings)	7,574	0.31	
¥830,000,000 Mitsubishi Chemical Holdings 0% 2024 (Mitsubishi Chemical Holdings)	8,527	0.35	
¥870,000,000 Suzuki Motor 0% 2021 (Suzuki Motor)	12,127	0.49	
¥2,690,000,000 Unicharm 0% 2020 (Unicharm)	30,629	1.25	
Asia Pacific (ex Japan)	154,424	6.30	3.88
Asia Pacific investment grade corporate bonds	45,161	1.84	0.00
\$42,500,000 CRRC 0% 2021 (CRRC)	45,161	1.84	
Asia Pacific corporate bonds with no credit rating	109,263	4.46	3.88
SS\$62,500,000 CapitaLand 1.95% 2023 (CapitaLand)	49,498	2.02	
SS\$11,500,000 CapitaLand 2.80% 2025 (CapitaLand)	8,880	0.36	
SS\$3,250,000 Suntec Real Estate Investment Trust 1.75% 2024	2,499	0.10	
\$4,171,000 Weibo Corporation 1.25% 2022 (Weibo Corporation)	5,044	0.21	
€35,100,000 Zhejiang Expressway 0% 2022 (Zhejiang Expressway)	43,342	1.77	

Portfolio statement (continued)

as at 31 January Holding ^[b]	2018 \$'000	2018 %	2017 ^[a] %
Other	63,707	2.60	1.33
Other corporate bonds with no credit rating	63,707	2.60	1.33
\$59,200,000 DP World 1.75% 2024 (DP World)	63,707	2.60	
Portfolio of investments	2,369,886	96.64	97.26
CASH EQUIVALENTS	93,154	3.80	1.95
'AAA' rated money market funds ^[d]	93,154	3.80	1.95
65,781,867 Northern Trust Global Fund - Sterling	93,154	3.80	
CURRENCY	16,092	0.66	0.49
Forward currency contracts for share class hedging	16,092	0.66	0.49
CAD2,736 Bought for \$2,195 (expires 07.02.18)	0	0.00	
CAD32 Bought for £19 (expires 07.02.18)	0	0.00	
CAD760 Bought for CHF582 (expires 07.02.18)	0	0.00	
CAD10,491 Bought for €6,904 (expires 07.02.18)	0	0.00	
CAD(528,394) Sold for \$422,287 (expires 07.02.18)	(8)	0.00	
€395,086,455 Bought for \$475,928,745 (expires 07.02.18)	16,286	0.66	
€17,804,873 Bought for SGD28,511,996 (expires 07.02.18)	381	0.02	
€5,574,201 Bought for HKD52,565,572 (expires 07.02.18)	222	0.01	
€21,016,136 Bought for ¥2,838,001,094 (expires 07.02.18)	85	0.00	
€2,621,883 Bought for CAD3,953,200 (expires 07.02.18)	49	0.00	
€5,761,253 Bought for CHF6,755,016 (expires 07.02.18)	(66)	0.00	
€52,829,446 Bought for £46,767,475 (expires 07.02.18)	(423)	(0.02)	
€(32,123,111) Sold for \$38,898,881 (expires 07.02.18)	(1,121)	(0.05)	
HKD(6,931,363) Sold for \$887,312 (expires 07.02.18)	1	0.00	
HKD308,985 Bought for \$39,520 (expires 07.02.18)	0	0.00	
HKD39,510 Bought for £3,580 (expires 07.02.18)	0	0.00	
HKD98,695 Bought for CHF11,917 (expires 07.02.18)	0	0.00	
HKD1,540,042 Bought for €160,022 (expires 07.02.18)	(1)	0.00	
¥4,913,764 Bought for \$44,670 (expires 07.02.18)	1	0.00	
¥45,971 Bought for £300 (expires 07.02.18)	0	0.00	
¥749,981 Bought for CHF6,500 (expires 07.02.18)	0	0.00	
¥13,298,264 Bought for €98,293 (expires 07.02.18)	0	0.00	
¥(374,663,739) Sold for \$3,342,667 (expires 07.02.18)	(103)	0.00	
£9,889,416 Bought for \$13,632,690 (expires 07.02.18)	374	0.02	
£16,711,373 Bought for €18,917,591 (expires 07.02.18)	101	0.00	
£370,318 Bought for SGD675,675 (expires 07.02.18)	8	0.01	
£439,687 Bought for ¥67,078,170 (expires 07.02.18)	6	0.00	
£114,793 Bought for HKD1,239,753 (expires 07.02.18)	4	0.00	

M&G Global Convertibles Fund

Authorised Corporate Director's Report

Investments

Portfolio statement (continued)			
as at 31 January	2018	2018	2017 ^[a]
Holding ^[b]	\$'000	%	%
Forward currency contracts for share class hedging (continued)			
£55,410 Bought for CAD95,144 (expires 07.02.18)	1	0.00	
£546,842 Bought for CHF728,234 (expires 07.02.18)	(6)	0.00	
£(6,314,962) Sold for \$8,632,737 (expires 07.02.18)	(312)	(0.01)	
SGD18,550 Bought for \$13,935 (expires 07.02.18)	1	0.00	
SGD6,050 Bought for CHF4,379 (expires 07.02.18)	0	0.00	
SGD51,262 Bought for €31,966 (expires 07.02.18)	(1)	0.00	
SGD(3,773,114) Sold for \$2,839,397 (expires 07.02.18)	(46)	0.00	
CHF13,636,488 Bought for \$14,010,729 (expires 07.02.18)	612	0.02	
CHF5,712,019 Bought for €4,872,441 (expires 07.02.18)	55	0.00	
CHF610,351 Bought for SGD833,156 (expires 07.02.18)	17	0.00	
CHF716,466 Bought for ¥82,497,898 (expires 07.02.18)	10	0.00	
CHF194,853 Bought for HKD1,566,278 (expires 07.02.18)	9	0.00	
CHF1,859,422 Bought for £1,404,974 (expires 07.02.18)	4	0.00	
CHF91,893 Bought for CAD118,154 (expires 07.02.18)	2	0.00	
CHF(1,267,322) Sold for \$1,309,119 (expires 07.02.18)	(50)	0.00	
Total portfolio (notes 2c & 2d on page 7)	2,479,132	101.10	99.70
Net other assets / (liabilities)	(27,053)	(1.10)	0.30
Net assets attributable to shareholders	2,452,079	100.00	100.00

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

^[a] The portfolio has been reclassified to more appropriately reflect how the fund is managed. 2017 comparatives have been restated to reflect this.

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

^[c] Suspended.

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

M&G Global Convertibles Fund

Financial highlights

Fund performance

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

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

We show performance for these two share classes because:

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

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

Fund level performance

Fund net asset value			
as at 31 January	2018 \$'000	2017 \$'000	2016 \$'000
Fund net asset value (NAV)	2,452,079	2,278,773	2,270,521

Performance since launch

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



M&G Global Convertibles Fund

Financial highlights

Fund performance

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

Long-term performance by share class				
	One year 01.02.17 % ^[a]	Three years 02.02.15 % p.a.	Five years 01.02.13 % p.a.	Since launch % p.a.
Euro^[b]				
Class 'A'	-4.4	+1.4	+6.6	+4.5 ^[c]
Class 'A-H'	+3.6	+2.7	+4.7	+5.0 ^[d]
Class 'B'	-4.9	+0.9	n/a	+5.0 ^[e]
Class 'B-H'	+3.1	+2.3	n/a	+3.3 ^[e]
Class 'C'	-3.7	+2.2	+7.4	+5.3 ^[c]
Class 'C-H'	+4.4	+3.6	+5.6	+5.9 ^[d]
Sterling^[f]				
Class 'A'	-2.1	+6.4	+6.8	+6.8 ^[c]
Class 'A-H'	+4.5	+3.4	+5.2	+5.7 ^[g]
Class 'I'	-1.4	+7.1	+7.5	+7.4 ^[c]
Class 'I-H'	+4.9	+4.0	+5.9	+6.3 ^[g]
Class 'R'	-1.7	+6.9	+7.2	+7.9 ^[h]
Class 'R-H'	+5.1	+4.1	+5.9	+6.3 ^[g]
Swiss franc^[b]				
Class 'A-H'	+3.0	+2.1	+4.2	+4.6 ^[g]
Class 'C-H'	+3.8	+2.8	+4.9	+5.4 ^[g]
US dollar^[b]				
Class 'A-H'	+5.7	+4.1	+5.6	+6.0 ^[g]
Class 'C-H'	+6.5	+5.0	+6.4	+6.8 ^[g]

^[a] Absolute basis.

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

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

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

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

^[f] Price to price with income reinvested.

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

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

Operating charges and portfolio transaction costs

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

Operating charges

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

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

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

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

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

M&G Global Convertibles Fund

Financial highlights

Fund performance

Operating charges and portfolio transaction costs

Portfolio transaction costs

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

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

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

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

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

Portfolio transaction costs				
for the year to 31 January	2018	2017	2016	Average ^[a]
Direct portfolio transaction costs ^[b]	%	%	%	%
Broker commission	0.01	0.01	0.01	0.01
Taxes	0.00	0.00	0.00	0.00
Costs before dilution adjustments	0.01	0.01	0.01	0.01
Dilution adjustments ^[c]	0.00	0.00	0.00	0.00
Total direct portfolio transaction costs	0.01	0.01	0.01	0.01
as at 31 January	2018	2017	2016	Average ^[a]
Indirect portfolio transaction costs	%	%	%	%
Average portfolio dealing spread	0.54	0.63	0.85	0.67

^[a] Average of first three columns.

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

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

Specific share class performance

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

Euro Class 'A' Income share performance

The share class was launched on 12 July 2013.

for the year to 31 January	2018	2017	2016
Change in NAV per share	Euro ¢	Euro ¢	Euro ¢
Opening NAV	1,590.58	1,474.69	1,490.29
Return before operating charges and after direct portfolio transaction costs	(59.21)	172.20	20.07
Operating charges	(26.32)	(26.25)	(25.72)
Return after operating charges	(85.53)	145.95	(5.65)
Distributions	(39.14)	(30.06)	(9.95)
Closing NAV	1,465.91	1,590.58	1,474.69
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.15	0.19	0.08
Dilution adjustments ^[a]	(0.05)	(0.04)	(0.05)
Total direct portfolio transaction costs	0.10	0.15	0.03
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.01	0.01
Operating charges	1.67	1.68	1.66
Return after operating charges	-5.38	+9.90	-0.38
Distribution yield ^[c]	2.60	2.80	0.87
Effect on yield of charges offset against capital	1.65	1.65	0.00
Other information			
Closing NAV (\$'000)	168,302	176,826	19,094
Closing NAV percentage of total fund NAV (%)	6.86	7.76	0.84
Number of shares	9,218,342	10,340,042	1,186,021
Highest share price (Euro ¢)	1,657.45	1,655.56	1,651.60
Lowest share price (Euro ¢)	1,492.48	1,415.31	1,459.06

M&G Global Convertibles Fund

Financial highlights

Specific share class performance

Euro Class 'A' Accumulation share performance

The share class was launched on 13 July 2007.

for the year to 31 January Change in NAV per share	2018 Euro ¢	2017 Euro ¢	2016 Euro ¢
Opening NAV	1,675.63	1,524.78	1,530.69
Return before operating charges and after direct portfolio transaction costs	(62.62)	177.65	20.55
Operating charges	(27.66)	(26.80)	(26.46)
Return after operating charges	(90.28)	150.85	(5.91)
Distributions	(16.17)	(17.08)	(10.16)
Retained distributions	16.17	17.08	10.16
Closing NAV	1,585.35	1,675.63	1,524.78

Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.16	0.19	0.08
Dilution adjustments ^[a]	(0.05)	(0.05)	(0.05)
Total direct portfolio transaction costs	0.11	0.14	0.03

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.01	0.01
Operating charges	1.67	1.67	1.66
Return after operating charges	-5.39	+9.89	-0.39
Distribution yield	0.96	1.16	0.86
Effect on yield of charges offset against capital	0.00	0.00	0.00

Other information

Closing NAV (\$'000)	216,829	264,584	269,240
Closing NAV percentage of total fund NAV (%)	8.84	11.61	11.86
Number of shares	10,981,621	14,686,456	16,174,407
Highest share price (Euro ¢)	1,745.88	1,711.71	1,696.27
Lowest share price (Euro ¢)	1,572.10	1,463.33	1,498.51

Euro Class 'A-H' Income share performance

The share class was launched on 12 July 2013.

for the year to 31 January Change in NAV per share	2018 Euro ¢	2017 Euro ¢	2016 Euro ¢
Opening NAV	1,334.80	1,261.22	1,307.59
Return before operating charges and after direct portfolio transaction costs	61.95	121.10	(15.84)
Operating charges	(23.28)	(22.43)	(22.37)
Return after operating charges	38.67	98.67	(38.21)
Distributions	(35.64)	(25.09)	(8.16)
Closing NAV	1,337.83	1,334.80	1,261.22

Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.14	0.16	0.07
Dilution adjustments ^[a]	(0.05)	(0.04)	(0.05)
Total direct portfolio transaction costs	0.09	0.12	0.02

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.01	0.01
Operating charges	1.69	1.70	1.68
Return after operating charges	+2.90	+7.82	-2.92
Distribution yield ^[c]	2.58	2.78	0.84
Effect on yield of charges offset against capital	1.67	1.67	0.00

Other information

Closing NAV (\$'000)	18,066	9,191	5,294
Closing NAV percentage of total fund NAV (%)	0.74	0.40	0.23
Number of shares	1,084,270	640,398	384,517
Highest share price (Euro ¢)	1,392.67	1,372.16	1,378.62
Lowest share price (Euro ¢)	1,335.34	1,233.12	1,257.99

Euro Class 'A-H' Accumulation share performance

The share class was launched on 21 May 2010.

for the year to 31 January Change in NAV per share	2018 Euro ¢	2017 Euro ¢	2016 Euro ¢
Opening NAV	1,402.60	1,301.15	1,339.08
Return before operating charges and after direct portfolio transaction costs	65.29	124.58	(14.95)
Operating charges	(24.21)	(23.13)	(22.98)
Return after operating charges	41.08	101.45	(37.93)
Distributions	(14.35)	(14.02)	(8.32)
Retained distributions	14.35	14.02	8.32
Closing NAV	1,443.68	1,402.60	1,301.15

Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.14	0.16	0.07
Dilution adjustments ^[a]	(0.05)	(0.04)	(0.05)
Total direct portfolio transaction costs	0.09	0.12	0.02

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.01	0.01
Operating charges	1.69	1.69	1.68
Return after operating charges	+2.93	+7.80	-2.83
Distribution yield	0.93	1.14	0.84
Effect on yield of charges offset against capital	0.00	0.00	0.00

Other information

Closing NAV (\$'000)	81,270	81,108	81,878
Closing NAV percentage of total fund NAV (%)	3.31	3.56	3.61
Number of shares	4,519,970	5,378,479	5,764,128
Highest share price (Euro ¢)	1,463.81	1,415.31	1,413.59
Lowest share price (Euro ¢)	1,402.90	1,272.35	1,289.41

Euro Class 'B' Income share performance

The share class was launched on 11 September 2015.

for the year to 31 January Change in NAV per share	2018 Euro ¢	2017 Euro ¢	2016 Euro ¢
Opening NAV	1,065.81	990.74	1,000.00
Return before operating charges and after direct portfolio transaction costs	(39.41)	115.20	0.86
Operating charges	(22.95)	(22.61)	(8.43)
Return after operating charges	(62.36)	92.59	(7.57)
Distributions	(26.16)	(17.52)	(1.69)
Closing NAV	977.29	1,065.81	990.74

Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.10	0.12	0.02
Dilution adjustments ^[a]	(0.03)	(0.03)	(0.01)
Total direct portfolio transaction costs	0.07	0.09	0.01

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.01	0.01
Operating charges	2.17	2.18	2.11*
Return after operating charges	-5.85	+9.35	-0.76
Distribution yield ^[c]	2.60	2.80	0.37
Effect on yield of charges offset against capital	2.15	2.15	0.00

Other information

Closing NAV (\$'000)	395	159	57
Closing NAV percentage of total fund NAV (%)	0.02	0.01	0.00
Number of shares	32,478	13,853	5,300
Highest share price (Euro ¢)	1,110.25	1,107.06	1,088.05
Lowest share price (Euro ¢)	997.18	950.65	985.37

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

M&G Global Convertibles Fund

Financial highlights

Specific share class performance

Euro Class 'B' Accumulation share performance

The share class was launched on 26 July 2013.

for the year to 31 January Change in NAV per share	2018 Euro ¢	2017 Euro ¢	2016 Euro ¢
Opening NAV	1,314.15	1,201.82	1,212.76
Return before operating charges and after direct portfolio transaction costs	(48.84)	139.72	16.06
Operating charges	(28.20)	(27.39)	(27.00)
Return after operating charges	(77.04)	112.33	(10.94)
Distributions	(6.71)	(6.93)	(1.80)
Retained distributions	6.71	6.93	1.80
Closing NAV	1,237.11	1,314.15	1,201.82
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.13	0.15	0.06
Dilution adjustments ^[a]	(0.04)	(0.04)	(0.04)
Total direct portfolio transaction costs	0.09	0.11	0.02
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.01	0.01
Operating charges	2.17	2.17	2.14
Return after operating charges	-5.86	+9.35	-0.90
Distribution yield	0.46	0.67	0.37
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	11,319	8,081	8,918
Closing NAV percentage of total fund NAV (%)	0.46	0.35	0.39
Number of shares	734,624	571,961	679,677
Highest share price (Euro ¢)	1,368.79	1,342.90	1,342.27
Lowest share price (Euro ¢)	1,229.38	1,153.19	1,183.61

Euro Class 'B-H' Income share performance

The share class was launched on 11 September 2015.

for the year to 31 January Change in NAV per share	2018 Euro ¢	2017 Euro ¢	2016 Euro ¢
Opening NAV	1,022.49	969.30	1,000.00
Return before operating charges and after direct portfolio transaction costs	48.33	92.22	(21.03)
Operating charges	(23.22)	(22.24)	(8.25)
Return after operating charges	25.11	69.98	(29.28)
Distributions	(27.25)	(16.79)	(1.42)
Closing NAV	1,020.35	1,022.49	969.30
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.10	0.12	0.02
Dilution adjustments ^[a]	(0.04)	(0.03)	(0.01)
Total direct portfolio transaction costs	0.06	0.09	0.01
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.01	0.01
Operating charges	2.19	2.19	2.14*
Return after operating charges	+2.46	+7.22	-2.93
Distribution yield ^[c]	2.58	2.79	0.34
Effect on yield of charges offset against capital	2.17	2.17	0.00
Other information			
Closing NAV (\$'000)	254	73	32
Closing NAV percentage of total fund NAV (%)	0.01	0.00	0.00
Number of shares	20,006	6,636	3,006
Highest share price (Euro ¢)	1,062.26	1,048.61	1,038.48
Lowest share price (Euro ¢)	1,020.24	947.55	962.11

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

Euro Class 'B-H' Accumulation share performance

The share class was launched on 26 July 2013.

for the year to 31 January Change in NAV per share	2018 Euro ¢	2017 Euro ¢	2016 Euro ¢
Opening NAV	1,123.45	1,046.66	1,082.91
Return before operating charges and after direct portfolio transaction costs	52.17	100.89	(12.34)
Operating charges	(25.24)	(24.10)	(23.91)
Return after operating charges	26.93	76.79	(36.25)
Distributions	(5.93)	(5.69)	(1.28)
Retained distributions	5.93	5.69	1.28
Closing NAV	1,150.38	1,123.45	1,046.66
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.11	0.13	0.06
Dilution adjustments ^[a]	(0.04)	(0.03)	(0.04)
Total direct portfolio transaction costs	0.07	0.10	0.02
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.01	0.01
Operating charges	2.19	2.19	2.17
Return after operating charges	+2.40	+7.34	-3.35
Distribution yield	0.44	0.64	0.34
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	8,193	3,869	3,823
Closing NAV percentage of total fund NAV (%)	0.33	0.17	0.17
Number of shares	571,804	320,278	334,546
Highest share price (Euro ¢)	1,166.51	1,133.52	1,140.64
Lowest share price (Euro ¢)	1,120.53	1,023.67	1,037.39

Euro Class 'C' Income share performance

The share class was launched on 8 August 2014.

for the year to 31 January Change in NAV per share	2018 Euro ¢	2017 Euro ¢	2016 Euro ¢
Opening NAV	1,704.19	1,573.73	1,591.29
Return before operating charges and after direct portfolio transaction costs	(64.12)	184.25	21.11
Operating charges	(15.33)	(15.26)	(15.20)
Return after operating charges	(79.45)	168.99	5.91
Distributions	(42.09)	(38.53)	(23.47)
Closing NAV	1,582.65	1,704.19	1,573.73
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.16	0.20	0.08
Dilution adjustments ^[a]	(0.05)	(0.05)	(0.06)
Total direct portfolio transaction costs	0.11	0.15	0.02
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.01	0.01
Operating charges	0.92	0.91	0.91
Return after operating charges	-4.66	+10.74	+0.37
Distribution yield ^[c]	2.60	2.80	1.62
Effect on yield of charges offset against capital	0.90	0.90	0.00
Other information			
Closing NAV (\$'000)	1,345	7,488	4,507
Closing NAV percentage of total fund NAV (%)	0.06	0.33	0.20
Number of shares	68,241	408,696	262,323
Highest share price (Euro ¢)	1,776.67	1,779.27	1,766.24
Lowest share price (Euro ¢)	1,606.01	1,510.85	1,564.64

M&G Global Convertibles Fund

Financial highlights

Specific share class performance

Euro Class 'C' Accumulation share performance

The share class was launched on 13 July 2007.

for the year to 31 January Change in NAV per share	2018 Euro ¢	2017 Euro ¢	2016 Euro ¢
Opening NAV	1,799.80	1,625.44	1,619.07
Return before operating charges and after direct portfolio transaction costs	(67.76)	190.07	21.80
Operating charges	(16.43)	(15.71)	(15.43)
Return after operating charges	(84.19)	174.36	6.37
Distributions	(29.70)	(31.59)	(23.58)
Retained distributions	29.70	31.59	23.58
Closing NAV	1,715.61	1,799.80	1,625.44

Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.18	0.20	0.09
Dilution adjustments ^[a]	(0.06)	(0.05)	(0.06)
Total direct portfolio transaction costs	0.12	0.15	0.03

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.01	0.01
Operating charges	0.92	0.91	0.91
Return after operating charges	-4.68	+10.73	+0.39
Distribution yield	1.70	1.91	1.62
Effect on yield of charges offset against capital	0.00	0.00	0.00

Other information

Closing NAV (\$'000)	500,991	594,288	687,975
Closing NAV percentage of total fund NAV (%)	20.43	26.08	30.31
Number of shares	23,446,910	30,711,731	38,770,276
Highest share price (Euro ¢)	1,876.07	1,837.51	1,797.44
Lowest share price (Euro ¢)	1,695.87	1,560.35	1,592.32

Euro Class 'C-H' Income share performance

The share class was launched on 8 August 2014.

for the year to 31 January Change in NAV per share	2018 Euro ¢	2017 Euro ¢	2016 Euro ¢
Opening NAV	1,408.89	1,326.08	1,373.59
Return before operating charges and after direct portfolio transaction costs	66.94	127.60	(15.05)
Operating charges	(13.75)	(13.12)	(13.08)
Return after operating charges	53.19	114.48	(28.13)
Distributions	(37.80)	(31.67)	(19.38)
Closing NAV	1,424.28	1,408.89	1,326.08

Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.14	0.17	0.07
Dilution adjustments ^[a]	(0.05)	(0.04)	(0.05)
Total direct portfolio transaction costs	0.09	0.13	0.02

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.01	0.01
Operating charges	0.94	0.93	0.93
Return after operating charges	+3.78	+8.63	-2.05
Distribution yield ^[c]	2.58	2.78	1.60
Effect on yield of charges offset against capital	0.92	0.92	0.00

Other information

Closing NAV (\$'000)	30,575	14,308	13,632
Closing NAV percentage of total fund NAV (%)	1.25	0.63	0.60
Number of shares	1,723,635	944,560	941,655
Highest share price (Euro ¢)	1,482.47	1,453.43	1,451.67
Lowest share price (Euro ¢)	1,409.56	1,297.03	1,333.16

Euro Class 'C-H' Accumulation share performance

The share class was launched on 21 May 2010.

for the year to 31 January Change in NAV per share	2018 Euro ¢	2017 Euro ¢	2016 Euro ¢
Opening NAV	1,488.74	1,370.24	1,399.18
Return before operating charges and after direct portfolio transaction costs	70.29	132.03	(15.61)
Operating charges	(14.37)	(13.53)	(13.33)
Return after operating charges	55.92	118.50	(28.94)
Distributions	(26.37)	(25.79)	(19.56)
Retained distributions	26.37	25.79	19.56
Closing NAV	1,544.66	1,488.74	1,370.24

Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.15	0.17	0.07
Dilution adjustments ^[a]	(0.05)	(0.04)	(0.05)
Total direct portfolio transaction costs	0.10	0.13	0.02

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.01	0.01
Operating charges	0.94	0.93	0.93
Return after operating charges	+3.76	+8.65	-2.07
Distribution yield	1.67	1.88	1.59
Effect on yield of charges offset against capital	0.00	0.00	0.00

Other information

Closing NAV (\$'000)	633,249	494,957	434,611
Closing NAV percentage of total fund NAV (%)	25.82	21.72	19.14
Number of shares	32,916,546	30,922,814	29,053,587
Highest share price (Euro ¢)	1,566.23	1,502.14	1,478.99
Lowest share price (Euro ¢)	1,489.13	1,340.21	1,357.72

Sterling Class 'A' Income share performance

The share class was launched on 13 July 2007.

for the year to 31 January Change in NAV per share	2018 UK p	2017 UK p	2016 UK p
Opening NAV	178.89	146.70	146.06
Return before operating charges and after direct portfolio transaction costs	(3.34)	38.36	4.06
Operating charges	(3.01)	(2.79)	(2.43)
Return after operating charges	(6.35)	35.57	1.63
Distributions	(4.48)	(3.38)	(0.99)
Closing NAV	168.06	178.89	146.70

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

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.01	0.01
Operating charges	1.67	1.67	1.66
Return after operating charges	-3.55	+24.25	+1.12
Distribution yield ^[c]	2.60	2.80	0.86
Effect on yield of charges offset against capital	1.65	1.65	0.00

Other information

Closing NAV (\$'000)	198,691	185,307	264,323
Closing NAV percentage of total fund NAV (%)	8.10	8.13	11.64
Number of shares	83,487,897	83,126,265	125,954,789
Highest share price (UK p)	186.18	186.11	155.20
Lowest share price (UK p)	172.30	143.50	138.56

M&G Global Convertibles Fund

Financial highlights

Specific share class performance

Sterling Class 'A' Accumulation share performance

The share class was launched on 13 July 2007.

for the year to 31 January Change in NAV per share	2018 UK p	2017 UK p	2016 UK p
Opening NAV	206.63	166.65	165.04
Return before operating charges and after direct portfolio transaction costs	(3.86)	43.59	4.58
Operating charges	(3.49)	(3.18)	(2.75)
Return after operating charges	(7.35)	40.41	1.83
Distributions	(2.03)	(2.12)	(1.11)
Retained distributions	2.03	1.69	0.89
Closing NAV	199.28	206.63	166.65
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.02	0.02	0.01
Dilution adjustments ^[a]	(0.01)	(0.01)	(0.01)
Total direct portfolio transaction costs	0.01	0.01	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.01	0.01
Operating charges	1.67	1.67	1.66
Return after operating charges	-3.56	+24.25	+1.11
Distribution yield	0.96	1.16	0.86
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	279,136	146,667	134,888
Closing NAV percentage of total fund NAV (%)	11.38	6.44	5.94
Number of shares	98,914,572	56,961,269	56,581,524
Highest share price (UK p)	215.03	211.73	175.37
Lowest share price (UK p)	199.00	163.01	156.57

Sterling Class 'A-H' Accumulation share performance

The share class was launched on 28 September 2012.

for the year to 31 January Change in NAV per share	2018 UK p	2017 UK p	2016 UK p
Opening NAV	129.40	119.56	121.66
Return before operating charges and after direct portfolio transaction costs	6.28	12.43	0.18
Operating charges	(2.25)	(2.26)	(2.12)
Return after operating charges	4.03	10.17	(1.94)
Distributions	(1.30)	(1.66)	(0.80)
Retained distributions	1.30	1.33	0.64
Closing NAV	133.43	129.40	119.56
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.01	0.02	0.01
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.01	0.02	0.01
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.01	0.01
Operating charges	1.69	1.66	1.66
Return after operating charges	+3.10	+8.51	-1.59
Distribution yield	0.93	1.13	0.86
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	446	176	36,747
Closing NAV percentage of total fund NAV (%)	0.02	0.01	1.62
Number of shares	235,900	109,296	21,485,296
Highest share price (UK p)	135.32	129.74	129.41
Lowest share price (UK p)	128.63	116.85	118.43

Sterling Class 'I' Income share performance

The share class was launched on 3 August 2012.

for the year to 31 January Change in NAV per share	2018 UK p	2017 UK p	2016 UK p
Opening NAV	1,466.99	1,198.28	1,193.45
Return before operating charges and after direct portfolio transaction costs	(27.71)	314.44	33.42
Operating charges	(13.66)	(12.57)	(10.99)
Return after operating charges	(41.37)	301.87	22.43
Distributions	(36.91)	(33.16)	(17.60)
Closing NAV	1,388.71	1,466.99	1,198.28
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.15	0.16	0.06
Dilution adjustments ^[a]	(0.05)	(0.04)	(0.04)
Total direct portfolio transaction costs	0.10	0.12	0.02
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.01	0.01
Operating charges	0.92	0.92	0.91
Return after operating charges	-2.82	+25.19	+1.88
Distribution yield ^[c]	2.60	2.80	1.62
Effect on yield of charges offset against capital	0.90	0.90	0.00
Other information			
Closing NAV (\$'000)	85,282	63,903	61,829
Closing NAV percentage of total fund NAV (%)	3.48	2.80	2.72
Number of shares	4,336,628	3,495,634	3,607,018
Highest share price (UK p)	1,528.15	1,530.00	1,269.81
Lowest share price (UK p)	1,423.42	1,172.38	1,136.11

Sterling Class 'I' Accumulation share performance

The share class was launched on 13 July 2007.

for the year to 31 January Change in NAV per share	2018 UK p	2017 UK p	2016 UK p
Opening NAV	218.65	175.28	172.58
Return before operating charges and after direct portfolio transaction costs	(4.15)	45.99	4.79
Operating charges	(2.04)	(1.84)	(1.58)
Return after operating charges	(6.19)	44.15	3.21
Distributions	(3.68)	(3.86)	(2.54)
Retained distributions	3.68	3.08	2.03
Closing NAV	212.46	218.65	175.28
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.02	0.02	0.01
Dilution adjustments ^[a]	(0.01)	(0.01)	(0.01)
Total direct portfolio transaction costs	0.01	0.01	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.01	0.01
Operating charges	0.92	0.92	0.91
Return after operating charges	-2.83	+25.19	+1.86
Distribution yield	1.70	1.91	1.62
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	78,683	88,773	82,125
Closing NAV percentage of total fund NAV (%)	3.21	3.90	3.62
Number of shares	26,151,460	32,580,346	32,752,195
Highest share price (UK p)	227.75	224.00	183.59
Lowest share price (UK p)	212.14	171.49	164.26

M&G Global Convertibles Fund

Financial highlights

Specific share class performance

Sterling Class 'I-H' Accumulation share performance

The share class was launched on 28 September 2012.

for the year to 31 January Change in NAV per share	2018 UK p	2017 UK p	2016 UK p
Opening NAV	132.21	121.22	123.46
Return before operating charges and after direct portfolio transaction costs	6.90	12.66	(0.71)
Operating charges	(1.33)	(1.19)	(1.18)
Return after operating charges	5.57	11.47	(1.89)
Distributions	(2.38)	(2.40)	(1.76)
Retained distributions	2.38	1.92	1.41
Closing NAV	137.78	132.21	121.22
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.01	0.02	0.01
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.01	0.02	0.01
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.01	0.01
Operating charges	0.94	0.93	0.93
Return after operating charges	+4.21	+9.46	-1.53
Distribution yield	1.66	1.88	1.61
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	17,912	100	81
Closing NAV percentage of total fund NAV (%)	0.73	0.00	0.00
Number of shares	9,180,780	60,928	46,928
Highest share price (UK p)	139.71	133.39	130.60
Lowest share price (UK p)	132.25	118.49	120.05

Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012.

for the year to 31 January Change in NAV per share	2018 UK p	2017 UK p	2016 UK p
Opening NAV	146.52	119.84	119.35
Return before operating charges and after direct portfolio transaction costs	(2.75)	31.41	3.34
Operating charges	(1.74)	(1.60)	(1.40)
Return after operating charges	(4.49)	29.81	1.94
Distributions	(3.68)	(3.13)	(1.45)
Closing NAV	138.35	146.52	119.84
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.01	0.02	0.01
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.01	0.02	0.01
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.01	0.01
Operating charges	1.17	1.17	1.16
Return after operating charges	-3.06	+24.87	+1.63
Distribution yield ^[c]	2.60	2.80	1.37
Effect on yield of charges offset against capital	1.15	1.15	0.00
Other information			
Closing NAV (\$'000)	433	266	52
Closing NAV percentage of total fund NAV (%)	0.02	0.01	0.00
Number of shares	221,146	145,531	30,127
Highest share price (UK p)	152.59	152.69	126.93
Lowest share price (UK p)	141.82	117.25	113.49

Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012.

for the year to 31 January Change in NAV per share	2018 UK p	2017 UK p	2016 UK p
Opening NAV	156.62	125.81	124.11
Return before operating charges and after direct portfolio transaction costs	(2.96)	32.97	3.45
Operating charges	(1.85)	(1.68)	(1.45)
Return after operating charges	(4.81)	31.29	2.00
Distributions	(2.27)	(2.38)	(1.50)
Retained distributions	2.27	1.90	1.20
Closing NAV	151.81	156.62	125.81
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.02	0.02	0.01
Dilution adjustments ^[a]	(0.01)	0.00	0.00
Total direct portfolio transaction costs	0.01	0.02	0.01
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.01	0.01
Operating charges	1.17	1.17	1.16
Return after operating charges	-3.07	+24.87	+1.61
Distribution yield	1.46	1.66	1.37
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	397	189	185
Closing NAV percentage of total fund NAV (%)	0.02	0.01	0.01
Number of shares	184,688	96,927	102,694
Highest share price (UK p)	163.20	160.45	131.97
Lowest share price (UK p)	151.58	123.08	117.99

Sterling Class 'R-H' Accumulation share performance

The share class was launched on 28 September 2012.

for the year to 31 January Change in NAV per share	2018 UK p	2017 UK p	2016 UK p
Opening NAV	132.02	120.52	123.06
Return before operating charges and after direct portfolio transaction costs	7.48	13.48	(0.76)
Operating charges	(1.63)	(1.57)	(1.49)
Return after operating charges	5.85	11.91	(2.25)
Distributions	(2.04)	(2.03)	(1.43)
Retained distributions	2.04	1.62	1.14
Closing NAV	137.87	132.02	120.52
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.01	0.02	0.01
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.01	0.02	0.01
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.01	0.01
Operating charges	1.19	1.18	1.18
Return after operating charges	+4.43	+9.88	-1.83
Distribution yield	1.42	1.61	1.35
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	76	51	226
Closing NAV percentage of total fund NAV (%)	0.00	0.00	0.01
Number of shares	39,116	31,206	131,206
Highest share price (UK p)	139.79	133.21	130.04
Lowest share price (UK p)	132.07	117.80	119.37

M&G Global Convertibles Fund

Financial highlights

Specific share class performance

Swiss franc Class 'A-H' Accumulation share performance

The share class was launched on 28 September 2012.

for the year to 31 January Change in NAV per share	2018 Swiss ¢	2017 Swiss ¢	2016 Swiss ¢
Opening NAV	1,236.45	1,151.95	1,195.73
Return before operating charges and after direct portfolio transaction costs	50.64	104.95	(23.34)
Operating charges	(21.30)	(20.45)	(20.44)
Return after operating charges	29.34	84.50	(43.78)
Distributions	(12.73)	(12.32)	(7.38)
Retained distributions	12.73	12.32	7.38
Closing NAV	1,265.79	1,236.45	1,151.95
Direct portfolio transaction costs	Swiss ¢	Swiss ¢	Swiss ¢
Costs before dilution adjustments	0.12	0.14	0.06
Dilution adjustments ^[a]	(0.04)	(0.03)	(0.04)
Total direct portfolio transaction costs	0.08	0.11	0.02
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.01	0.01
Operating charges	1.69	1.69	1.68
Return after operating charges	+2.37	+7.34	-3.66
Distribution yield	0.92	1.13	0.86
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	1,121	851	504
Closing NAV percentage of total fund NAV (%)	0.05	0.04	0.02
Number of shares	82,638	68,337	44,649
Highest share price (Swiss ¢)	1,283.36	1,247.54	1,257.98
Lowest share price (Swiss ¢)	1,232.40	1,126.61	1,141.64

Swiss franc Class 'C-H' Accumulation share performance

The share class was launched on 28 September 2012.

for the year to 31 January Change in NAV per share	2018 Swiss ¢	2017 Swiss ¢	2016 Swiss ¢
Opening NAV	1,278.18	1,183.98	1,221.71
Return before operating charges and after direct portfolio transaction costs	52.84	105.82	(26.21)
Operating charges	(12.34)	(11.62)	(11.52)
Return after operating charges	40.50	94.20	(37.73)
Distributions	(22.66)	(22.08)	(16.87)
Retained distributions	22.66	22.08	16.87
Closing NAV	1,318.68	1,278.18	1,183.98
Direct portfolio transaction costs	Swiss ¢	Swiss ¢	Swiss ¢
Costs before dilution adjustments	0.13	0.15	0.06
Dilution adjustments ^[a]	(0.04)	(0.04)	(0.04)
Total direct portfolio transaction costs	0.09	0.11	0.02
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.01	0.01
Operating charges	0.94	0.93	0.93
Return after operating charges	+3.17	+7.96	-3.09
Distribution yield	1.65	1.88	1.62
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	20,619	20,970	14,220
Closing NAV percentage of total fund NAV (%)	0.84	0.92	0.63
Number of shares	1,458,670	1,628,386	1,225,654
Highest share price (Swiss ¢)	1,337.00	1,289.69	1,286.27
Lowest share price (Swiss ¢)	1,278.51	1,156.89	1,173.17

US dollar Class 'A-H' Income share performance

The share class was launched on 8 August 2014.

for the year to 31 January Change in NAV per share	2018 US ¢	2017 US ¢	2016 US ¢
Opening NAV	1,249.72	1,163.82	1,201.34
Return before operating charges and after direct portfolio transaction costs	84.43	130.25	(9.32)
Operating charges	(21.90)	(20.78)	(20.51)
Return after operating charges	62.53	109.47	(29.83)
Distributions	(34.08)	(23.57)	(7.69)
Closing NAV	1,278.17	1,249.72	1,163.82
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.13	0.15	0.06
Dilution adjustments ^[a]	(0.04)	(0.04)	(0.04)
Total direct portfolio transaction costs	0.09	0.11	0.02
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.01	0.01
Operating charges	1.69	1.69	1.67
Return after operating charges	+5.00	+9.41	-2.48
Distribution yield ^[c]	2.62	2.81	0.85
Effect on yield of charges offset against capital	1.67	1.67	0.00
Other information			
Closing NAV (\$'000)	1,470	1,110	932
Closing NAV percentage of total fund NAV (%)	0.06	0.05	0.04
Number of shares	115,000	88,843	80,121
Highest share price (US ¢)	1,330.84	1,284.75	1,266.71
Lowest share price (US ¢)	1,250.20	1,137.59	1,160.70

US dollar Class 'A-H' Accumulation share performance

The share class was launched on 28 September 2012.

for the year to 31 January Change in NAV per share	2018 US ¢	2017 US ¢	2016 US ¢
Opening NAV	1,293.66	1,182.90	1,212.99
Return before operating charges and after direct portfolio transaction costs	87.15	131.86	(9.34)
Operating charges	(22.56)	(21.10)	(20.75)
Return after operating charges	64.59	110.76	(30.09)
Distributions	(13.65)	(12.96)	(7.68)
Retained distributions	13.65	12.96	7.68
Closing NAV	1,358.25	1,293.66	1,182.90
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.13	0.15	0.06
Dilution adjustments ^[a]	(0.04)	(0.04)	(0.04)
Total direct portfolio transaction costs	0.09	0.11	0.02
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.01	0.01
Operating charges	1.69	1.69	1.67
Return after operating charges	+4.99	+9.36	-2.48
Distribution yield	0.94	1.15	0.84
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	35,256	25,704	41,981
Closing NAV percentage of total fund NAV (%)	1.44	1.13	1.85
Number of shares	2,595,667	1,986,919	3,549,023
Highest share price (US ¢)	1,377.42	1,305.32	1,280.14
Lowest share price (US ¢)	1,294.05	1,156.34	1,171.97

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Specific share class performance

US dollar Class 'C-H' Income share performance

The share class was launched on 8 August 2014.

for the year to 31 January Change in NAV per share	2018 US ¢	2017 US ¢	2016 US ¢
Opening NAV	1,265.72	1,173.95	1,215.50
Return before operating charges and after direct portfolio transaction costs	85.18	132.15	(12.78)
Operating charges	(12.34)	(11.87)	(11.57)
Return after operating charges	72.84	120.28	(24.35)
Distributions	(34.69)	(28.51)	(17.20)
Closing NAV	1,303.87	1,265.72	1,173.95
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.13	0.15	0.06
Dilution adjustments ^[a]	(0.04)	(0.04)	(0.04)
Total direct portfolio transaction costs	0.09	0.11	0.02
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.01	0.01
Operating charges	0.94	0.94	0.92
Return after operating charges	+5.75	+10.25	-2.00
Distribution yield ^[c]	2.62	2.81	1.60
Effect on yield of charges offset against capital	0.92	0.92	0.00
Other information			
Closing NAV (\$'000)	1,074	1,232	337
Closing NAV percentage of total fund NAV (%)	0.04	0.05	0.01
Number of shares	82,347	97,347	28,679
Highest share price (US ¢)	1,357.41	1,305.86	1,281.35
Lowest share price (US ¢)	1,266.24	1,147.97	1,179.95

US dollar Class 'C-H' Accumulation share performance

The share class was launched on 28 September 2012.

for the year to 31 January Change in NAV per share	2018 US ¢	2017 US ¢	2016 US ¢
Opening NAV	1,337.57	1,211.35	1,238.35
Return before operating charges and after direct portfolio transaction costs	90.06	138.40	(15.26)
Operating charges	(13.01)	(12.18)	(11.74)
Return after operating charges	77.05	126.22	(27.00)
Distributions	(24.27)	(23.21)	(17.39)
Retained distributions	24.27	23.21	17.39
Closing NAV	1,414.62	1,337.57	1,211.35
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.14	0.15	0.06
Dilution adjustments ^[a]	(0.05)	(0.04)	(0.04)
Total direct portfolio transaction costs	0.09	0.11	0.02
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.01	0.01
Operating charges	0.94	0.93	0.93
Return after operating charges	+5.76	+10.42	-2.18
Distribution yield	1.69	1.88	1.60
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	60,695	88,542	103,030
Closing NAV percentage of total fund NAV (%)	2.48	3.89	4.54
Number of shares	4,290,546	6,619,606	8,505,389
Highest share price (US ¢)	1,434.59	1,349.55	1,302.98
Lowest share price (US ¢)	1,338.02	1,184.37	1,199.90

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

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

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

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Statement of total return

for the year to 31 January	Note	2018		2017	
		\$'000	\$'000	\$'000	\$'000
Income					
Net capital gains / (losses)	3		254,318		138,186
Revenue	5	68,589		61,089	
Expenses	6	(30,204)		(26,851)	
Net revenue / (expense) before taxation		38,385		34,238	
Taxation	7	(964)		(778)	
Net revenue / (expense) after taxation			37,421		33,460
Total return before distributions			291,739		171,646
Distributions	8		(45,024)		(36,268)
Change in net assets attributable to shareholders from investment activities			246,715		135,378

Statement of change in net assets attributable to shareholders

for the year to 31 January		2018		2017	
		\$'000	\$'000	\$'000	\$'000
Opening net assets attributable to shareholders			2,278,773		2,270,521
Amounts received on issue of shares		722,119		744,624	
Amounts paid on cancellation of shares		(827,368)		(902,706)	
			(105,249)		(158,082)
Dilution adjustments			2,944		3,758
Change in net assets attributable to shareholders from investment activities (see above)			246,715		135,378
Retained distributions on Accumulation shares			28,896		27,198
Closing net assets attributable to shareholders			2,452,079		2,278,773

Balance sheet

as at 31 January	Note	2018	2017
		\$'000	\$'000
Assets			
Fixed assets			
Investments		2,481,269	2,275,814
Current assets			
Debtors	9	72,063	15,464
Cash and bank balances	10	17,322	11,901
Total assets		2,570,654	2,303,179
Liabilities			
Investment liabilities		(2,137)	(3,853)
Creditors			
Bank overdrafts		(2,887)	0
Overdrawn positions at futures clearing houses and collateral manager		(3,194)	(7,911)
Distribution payable		(14,545)	(9,721)
Other creditors	11	(95,812)	(2,921)
Total liabilities		(118,575)	(24,406)
Net assets attributable to shareholders		2,452,079	2,278,773

Notes to the financial statements

1 Accounting policies

The financial statements have been prepared in accordance with the 'Summary of significant accounting policies' set out on pages 7 and 8.

2 Distribution policy

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

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

3 Net capital gains / (losses)

for the year to 31 January	2018	2017
	\$'000	\$'000
Non-derivative securities	190,541	141,176
Derivative contracts	63,290	1,472
Currency gains / (losses)	496	(4,452)
Transaction charges	(9)	(10)
Net capital gains / (losses)	254,318	138,186

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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 45 and 46.

for the year to 31 January	2018 \$'000	% of transaction	2017 \$'000	% of transaction
a) Purchases				
Equities				
Equities before transaction costs	123,610		107,920	
Commissions	49	0.04	59	0.05
Taxes	70	0.06	59	0.05
Equities after transaction costs	123,729		108,038	
Debt securities after transaction costs [a]				
	721,083		625,899	
Other transaction types				
Corporate actions	719		0	
Total purchases after transaction costs	845,531		733,937	
b) Sales				
Equities				
Equities before transaction costs	137,371		133,107	
Commissions	(68)	0.05	(72)	0.05
Taxes	(26)	0.02	(9)	0.01
Equities after transaction costs	137,277		133,026	
Debt securities after transaction costs [a]				
	696,209		788,978	
Other transaction types				
Corporate actions	58,272		13,397	
Total sales after transaction costs	891,758		935,401	
c) Direct portfolio transaction costs				
	2018 \$'000	% of average NAV	2017 \$'000	% of average NAV
Commissions paid				
Equities	117	0.01	131	0.01
Derivatives	28	0.00	67	0.00
Taxes paid				
Equities	96	0.00	68	0.00
Total direct portfolio transaction costs [b]	241	0.01	266	0.01
d) Indirect portfolio transaction costs				
Portfolio dealing spread [c]		0.54		0.63

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

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

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

5 Revenue

for the year to 31 January	2018 \$'000	2017 \$'000
Bank interest	14	5
Derivative revenue	626	(878)
Dividends from equity investments: non-taxable	8,659	6,360
Dividends from equity investments: taxable	3,346	2,886
Interest distributions	209	941
Interest on debt securities	55,735	51,715
Stock dividends	0	60
Total revenue	68,589	61,089

6 Expenses

for the year to 31 January	2018 \$'000	2017 \$'000
Payable to the ACD or associate		
Annual management charge	25,981	23,111
Administration charge	3,679	3,368
Share class hedging charge	160	127
	29,820	26,606
Payable to the Depository or associate		
Depository's charge (including VAT)	105	100
Other expenses		
Audit fee (including VAT)	16	15
Dividend charges	93	17
Interest payable	33	24
Legal fees	22	0
Safe custody charge	115	88
Tax fees (including VAT)	0	1
	279	145
Total expenses	30,204	26,851

7 Taxation

for the year to 31 January	2018 \$'000	2017 \$'000
a) Analysis of charge in the year		
Corporation tax	0	0
Withholding tax	958	775
Current year adjustment	6	0
Prior year adjustment	0	3
Deferred tax (note 7c)	0	0
Total taxation	964	778
b) Factors affecting taxation charge for the year		
Net revenue / (expense) before taxation	38,385	34,238
Corporation tax at 20%	7,677	6,848
Effects of:		
Dividends from equity investments: non-taxable	(1,732)	(1,272)
Stock dividends not taxable	0	(12)
Interest distributions	(5,945)	(5,564)
Withholding tax	958	775
Current year adjustment	6	0
Prior year adjustment	0	3
Total tax charge (note 7a)	964	778
c) Provision for deferred taxation		
Provision at the start of the year	0	0
Deferred tax in profit and loss account (note 7a)	0	0
Provision at the end of the year	0	0

The fund has not recognised a deferred tax asset in the current financial year (2017: same).

Interest distributions have been made in respect of all distributions during the current and preceding periods. Income tax at 20% was accounted for on shareholders' behalf to HM Revenue & Customs up to 31 March 2017.

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8 Distributions

for the year to 31 January	2018		2017	
	Inc ^[a] \$'000	Acc ^[b] \$'000	Inc ^[a] \$'000	Acc ^[b] \$'000
Interest distributions	13,487	28,896	8,022	27,198
Total net distributions		42,383		35,220
Income tax deducted at source		0		1,699
Interest distributions		42,383		36,919
Income deducted on cancellation of shares		7,995		7,224
Income received on issue of shares		(5,354)		(7,875)
Distributions		45,024		36,268
Net revenue / (expense) per statement of total return		37,421		33,460
Expenses offset against capital		7,602		2,868
Stock dividends not distributed		0		(60)
Undistributed income brought forward		1		1
Undistributed income carried forward		0		(1)
Distributions		45,024		36,268

[a] Distributions payable on Income shares.

[b] Retained distributions on Accumulation shares.

9 Debtors

as at 31 January	2018 \$'000	2017 \$'000
Amounts receivable on issues of shares	23,274	6,525
Currency deals outstanding	40,558	0
Debt security interest receivable	6,998	7,836
Distributions receivable	30	10
Dividends receivable	268	0
Sales awaiting settlement	0	311
Withholding tax recoverable	935	782
Total debtors	72,063	15,464

10 Cash and bank balances

as at 31 January	2018 \$'000	2017 \$'000
Amounts held at futures clearing houses and collateral manager	3,202	8,063
Cash held as bank balances	14,120	3,838
Total cash and bank balances	17,322	11,901

11 Other creditors

as at 31 January	2018 \$'000	2017 \$'000
ACD's annual management charge payable	1,177	983
Administration charge payable	165	140
Amounts payable on cancellation of shares	50,130	1,742
Currency deals outstanding	40,433	0
Expenses payable	67	50
Purchases awaiting settlement	3,833	0
Share class hedging charge payable	7	6
Total other creditors	95,812	2,921

12 Contingent assets, liabilities and outstanding commitments

There were no contingent assets, liabilities or outstanding commitments at the balance sheet date (2017: same).

13 Shares in issue

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

Share class	Opening		Movements		Closing 31.01.18
	01.02.17	Issued	Cancelled		
Euro					
Class 'A' Income	10,340,042	2,091,329	(3,213,029)		9,218,342
Class 'A' Accumulation	14,686,456	2,553,105	(6,257,940)		10,981,621
Class 'A-H' Income	640,398	523,961	(80,089)		1,084,270
Class 'A-H' Accumulation	5,378,479	1,340,197	(2,198,706)		4,519,970
Class 'B' Income	13,853	23,131	(4,506)		32,478
Class 'B' Accumulation	571,961	452,888	(290,225)		734,624
Class 'B-H' Income	6,636	22,007	(8,637)		20,006
Class 'B-H' Accumulation	320,278	445,882	(194,356)		571,804
Class 'C' Income	408,696	52,108	(392,563)		68,241
Class 'C' Accumulation	30,711,731	4,891,358	(12,156,179)		23,446,910
Class 'C-H' Income	944,560	783,775	(4,700)		1,723,635
Class 'C-H' Accumulation	30,922,814	13,337,474	(11,343,742)		32,916,546
Sterling					
Class 'A' Income	83,126,265	10,769,884	(10,408,252)		83,487,897
Class 'A' Accumulation	56,961,269	42,966,636	(1,013,333)		98,914,572
Class 'A-H' Accumulation	109,296	148,604	(22,000)		235,900
Class 'I' Income	3,495,634	1,004,249	(163,255)		4,336,628
Class 'I' Accumulation	32,580,346	8,860,861	(15,289,747)		26,151,460
Class 'I-H' Accumulation	60,928	9,181,891	(62,039)		9,180,780
Class 'R' Income	145,531	97,756	(22,141)		221,146
Class 'R' Accumulation	96,927	132,931	(45,170)		184,688
Class 'R-H' Accumulation	31,206	22,910	(15,000)		39,116
Swiss franc					
Class 'A-H' Accumulation	68,337	35,808	(21,507)		82,638
Class 'C-H' Accumulation	1,628,386	702,382	(872,098)		1,458,670
US dollar					
Class 'A-H' Income	88,843	123,887	(97,730)		115,000
Class 'A-H' Accumulation	1,986,919	1,035,096	(426,348)		2,595,667
Class 'C-H' Income	97,347	25,000	(40,000)		82,347
Class 'C-H' Accumulation	6,619,606	2,051,577	(4,380,637)		4,290,546

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14 Charging structure

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

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

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

15 Related parties

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

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

At the balance sheet date, shareholders from within Prudential plc, of which M&G Securities Limited is a wholly owned subsidiary, have holdings totalling 57.68% (2017: 45.95%) of the fund's shares.

16 Events after the balance sheet date

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

17 Fair value analysis

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

Level 1: Unadjusted quoted price in an active market for an identical instrument

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

Level 2: Valuation technique using observable market data

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

Level 3: Valuation technique using unobservable inputs

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

as at 31 January Basis of valuation	Assets	Liabilities	Assets	Liabilities
	2018 \$'000	2018 \$'000	2017 \$'000	2017 \$'000
Level 1	232,745	0	232,846	(2,231)
Level 2	2,248,524	(2,137)	2,042,968	(1,622)
Level 3	0	0	0	0
	2,481,269	(2,137)	2,275,814	(3,853)

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 technique using observable market data'.

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18 Risk management policies

The general risk management policies for the fund are set out in note 3 to the financial statements on pages 8 to 10.

19 Market risk sensitivity and exposure

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

The VaR limit set during the financial year to 31 January 2018 was 13% (2017: 13%).

The lowest, highest and average VaR calculated during the financial years ended 31 January 2018 and 31 January 2017 are disclosed in the table below.

for the year to 31 January	2018 %	2017 %
Lowest	4.70	4.78
Highest	7.94	8.15
Average	6.01	6.78

The lowest, highest and average utilisation of VaR is with reference to the limit above.

for the year to 31 January	2018 % of Var	2018 Utilisation of upper limit VaR ^[a] 13%	2017 % of Var	2017 Utilisation of upper limit VaR ^[a] 13%
Lowest	4.70	36.15%	4.78	36.78%
Highest	7.94	61.09%	8.15	62.67%
Average	6.01	46.22%	6.78	52.13%

[a] The VaR on the fund has been divided by its maximum limit.

20 Credit risk

The fund is exposed to credit risk both through the credit quality of the investments it holds and through the derivative positions with counterparties. The table below shows the credit quality of the investments held in the portfolio.

as at 31 January	2018 \$'000	2017 \$'000
Investment grade securities	801,546	476,951
Below investment grade securities	386,359	376,910
Unrated securities	949,236	1,131,993
Other investments	341,991	286,107
Total	2,479,132	2,271,961

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

as at 31 January 2018	Forward currency contracts \$'000	Futures & options \$'000
Bank of America Merrill Lynch	0	2,925
State Street Bank	16,092	0
Total	16,092	2,925

as at 31 January 2017	Forward currency contracts \$'000	Futures & options \$'000
Bank of America Merrill Lynch	0	9,036
State Street Bank	11,077	0
Total	11,077	9,036

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.

21 Leverage risk

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

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

The lowest, highest and average level of leverage employed and utilisation of the leverage level calculated during the financial years ended 31 January 2018 and 31 January 2017 are disclosed in the table below.

for the year to 31 January	2018 \$'000 ^[a]	2018 % ^[a]	2017 \$'000	2017 %
Lowest	0.00	0.00	3,594,484	162
Highest	5,659,663	3.17	5,050,663	227
Average	1,819,030	1.03	4,035,062	180

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

22 Exchange rate risk for hedged share classes

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

M&G Global Convertibles Fund

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23 Interest distribution tables

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

Annual distribution period				
	Start	End	Xd	Payment
Final	01.02.17	31.01.18	01.02.18	31.03.18

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

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

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

Euro Class 'A' Income shares				
Interest distributions for the year to 31 January	Group 2		Group 1 & 2 Distribution	
	Income 2018	Equalisation 2018	2018	2017
Final	25.0592	14.0765	39.1357	30.0636

Euro Class 'A' Accumulation shares				
Interest distributions for the year to 31 January	Group 2		Group 1 & 2 Distribution	
	Income 2018	Equalisation 2018	2018	2017
Final	11.4787	4.6881	16.1668	17.0831

Euro Class 'A-H' Income shares				
Interest distributions for the year to 31 January	Group 2		Group 1 & 2 Distribution	
	Income 2018	Equalisation 2018	2018	2017
Final	16.5525	19.0829	35.6354	25.0908

Euro Class 'A-H' Accumulation shares				
Interest distributions for the year to 31 January	Group 2		Group 1 & 2 Distribution	
	Income 2018	Equalisation 2018	2018	2017
Final	7.6671	6.6812	14.3483	14.0169

Euro Class 'B' Income shares				
Interest distributions for the year to 31 January	Group 2		Group 1 & 2 Distribution	
	Income 2018	Equalisation 2018	2018	2017
Final	16.6438	9.5134	26.1572	17.5204

Euro Class 'B' Accumulation shares				
Interest distributions for the year to 31 January	Group 2		Group 1 & 2 Distribution	
	Income 2018	Equalisation 2018	2018	2017
Final	3.2708	3.4392	6.7100	6.9284

Euro Class 'B-H' Income shares				
Interest distributions for the year to 31 January	Group 2		Group 1 & 2 Distribution	
	Income 2018	Equalisation 2018	2018	2017
Final	15.7152	11.5326	27.2478	16.7876

Euro Class 'B-H' Accumulation shares				
Interest distributions for the year to 31 January	Group 2		Group 1 & 2 Distribution	
	Income 2018	Equalisation 2018	2018	2017
Final	2.2959	3.6322	5.9281	5.6937

Euro Class 'C' Income shares				
Interest distributions for the year to 31 January	Group 2		Group 1 & 2 Distribution	
	Income 2018	Equalisation 2018	2018	2017
Final	29.5236	12.5615	42.0851	38.5292

Euro Class 'C' Accumulation shares				
Interest distributions for the year to 31 January	Group 2		Group 1 & 2 Distribution	
	Income 2018	Equalisation 2018	2018	2017
Final	18.1791	11.5248	29.7039	31.5854

Euro Class 'C-H' Income shares				
Interest distributions for the year to 31 January	Group 2		Group 1 & 2 Distribution	
	Income 2018	Equalisation 2018	2018	2017
Final	19.2537	18.5493	37.8030	31.6702

Euro Class 'C-H' Accumulation shares				
Interest distributions for the year to 31 January	Group 2		Group 1 & 2 Distribution	
	Income 2018	Equalisation 2018	2018	2017
Final	14.6167	11.7537	26.3704	25.7879

Sterling Class 'A' Income shares				
Interest distributions for the year to 31 January	Group 2		Group 1 & 2 Distribution	
	Income 2018	Equalisation 2018	2018	2017
Final	2.0612	2.4232	4.4844	2.7068

M&G Global Convertibles Fund

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23 Interest distribution tables (continued)

Sterling Class 'A' Accumulation shares

Interest distributions for the year to 31 January	Group 2		Group 1 & 2	
	Income 2018	Equalisation 2018	2018	Distribution 2017
Final	p	p	p	p
	0.4178	1.6137	2.0315	1.6932

Sterling Class 'A-H' Accumulation shares

Interest distributions for the year to 31 January	Group 2		Group 1 & 2	
	Income 2018	Equalisation 2018	2018	Distribution 2017
Final	p	p	p	p
	0.8710	0.4321	1.3031	1.3268

Sterling Class 'I' Income shares

Interest distributions for the year to 31 January	Group 2		Group 1 & 2	
	Income 2018	Equalisation 2018	2018	Distribution 2017
Final	p	p	p	p
	18.6601	18.2523	36.9124	26.5276

Sterling Class 'I' Accumulation shares

Interest distributions for the year to 31 January	Group 2		Group 1 & 2	
	Income 2018	Equalisation 2018	2018	Distribution 2017
Final	p	p	p	p
	1.7923	1.8833	3.6756	3.0848

Sterling Class 'I-H' Accumulation shares

Interest distributions for the year to 31 January	Group 2		Group 1 & 2	
	Income 2018	Equalisation 2018	2018	Distribution 2017
Final	p	p	p	p
	0.0995	2.2765	2.3760	1.9168

Sterling Class 'R' Income shares

Interest distributions for the year to 31 January	Group 2		Group 1 & 2	
	Income 2018	Equalisation 2018	2018	Distribution 2017
Final	p	p	p	p
	1.5796	2.1032	3.6828	2.5064

Sterling Class 'R' Accumulation shares

Interest distributions for the year to 31 January	Group 2		Group 1 & 2	
	Income 2018	Equalisation 2018	2018	Distribution 2017
Final	p	p	p	p
	0.1696	2.1001	2.2697	1.9016

Sterling Class 'R-H' Accumulation shares

Interest distributions for the year to 31 January	Group 2		Group 1 & 2	
	Income 2018	Equalisation 2018	2018	Distribution 2017
Final	p	p	p	p
	0.3816	1.6563	2.0379	1.6208

Swiss franc Class 'A-H' Accumulation shares

Interest distributions for the year to 31 January	Group 2		Group 1 & 2	
	Income 2018	Equalisation 2018	2018	Distribution 2017
Final	¢	¢	¢	¢
	7.3964	5.3361	12.7325	12.3186

Swiss franc Class 'C-H' Accumulation shares

Interest distributions for the year to 31 January	Group 2		Group 1 & 2	
	Income 2018	Equalisation 2018	2018	Distribution 2017
Final	¢	¢	¢	¢
	17.4984	5.1618	22.6602	22.0834

US dollar Class 'A-H' Income shares

Interest distributions for the year to 31 January	Group 2		Group 1 & 2	
	Income 2018	Equalisation 2018	2018	Distribution 2017
Final	¢	¢	¢	¢
	28.8680	5.2110	34.0790	23.5706

US dollar Class 'A-H' Accumulation shares

Interest distributions for the year to 31 January	Group 2		Group 1 & 2	
	Income 2018	Equalisation 2018	2018	Distribution 2017
Final	¢	¢	¢	¢
	8.0777	5.5715	13.6492	12.9599

US dollar Class 'C-H' Income shares

Interest distributions for the year to 31 January	Group 2		Group 1 & 2	
	Income 2018	Equalisation 2018	2018	Distribution 2017
Final	¢	¢	¢	¢
	12.2737	22.4155	34.6892	28.5102

US dollar Class 'C-H' Accumulation shares

Interest distributions for the year to 31 January	Group 2		Group 1 & 2	
	Income 2018	Equalisation 2018	2018	Distribution 2017
Final	¢	¢	¢	¢
	16.3293	7.9436	24.2729	23.2065

M&G Global Emerging Markets Fund

Authorised Corporate Director's Report

Investment objective

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

Investment policy

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

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

Investment approach

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

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

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

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

Risk profile

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

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

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

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



The above number:

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

Investment review

As at 1 February 2018, for the year ended 31 January 2018

Performance against objective

Between 1 February 2017 (the start of the review period) and 1 February 2018, the M&G Global Emerging Markets Fund produced a positive total return (the combination of income and growth of capital) across all its share classes.*

Currency exchange rate movements affected the performance of the fund's different share classes. Returns from the US dollar share classes were flattered by the weakening of the dollar against major currencies over the period as this boosted the value of the fund's overseas assets for US dollar-based investors.

The fund's returns in all share classes were behind a comparative index, the MSCI Emerging Markets Index. Over the 12 months, returns for the index were 21.0%, 24.6%, 40.3%, 29.9% and 31.2% in euros, sterling, US dollars, Singapore dollars and Swiss francs, respectively.

Over the longer term of five years, the fund has achieved its performance objective of maximising long-term total return. All share classes produced positive returns over the period.

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

M&G Global Emerging Markets Fund

Authorised Corporate Director's Report

Investment review

Investment performance

Share prices of emerging market companies climbed steadily over the 12 months under review to reach the highest level since the financial crisis of 2007/8 (in US dollar terms). The impressive gains were significantly ahead of the returns from developed market company shares.

This outperformance represents a notable reversal of the trend of the past few years when risk-averse investors tended to prefer developed world markets such as the US.

The positive sentiment towards emerging markets was driven by an improving macroeconomic environment, particularly in China, and robust corporate performance. Investors welcomed an upturn in the Chinese economy, as well as the government's efforts to reduce corporate debt levels and remove excess capacity in a range of industries. Meanwhile, emerging market companies delivered a significant increase in earnings and profits.

The rally in emerging market equities continued despite geopolitical tensions related to North Korea's missile launches and nuclear tests. Investors also took three interest rate rises in the US in their stride.

Similarly, fears about increased protectionism in the US following the election of President Trump in November 2016 were largely unfounded. Mexico was affected by potential changes in its trade arrangements with the US but, by and large, during the 12-month period, the US administration did not implement any significant measures deemed to be detrimental to global trade or emerging markets.

Against this backdrop, China's stockmarket was one of the best-performing markets, buoyed by robust economic activity and higher company profits. Indian equities also performed well, while markets in Hungary and Poland rallied as they continued to benefit from the ongoing economic recovery in the eurozone.

In contrast, Russia was one of the weakest emerging market economies. As a significant producer and exporter of oil, Russia was hurt by the fall in oil prices at the start of 2017. Brazil, too, was weighed down by weak commodity prices as well as a new political crisis following allegations that President Temer had been involved in a bribery scandal. Meanwhile, Mexico's stockmarket underperformed on concerns about the country's trade relationship with the US.

At the sector level, information technology led the way as investors favoured internet and social media companies with attractive growth prospects. Semiconductor firms also gained as robust demand for smartphones and servers lifted the prices of their products. Energy stocks outperformed as oil prices recovered in the second half of 2017, helped by output cuts from leading producers and robust demand. Financials also performed well.

In contrast, so-called 'defensive' sectors which are perceived to be resilient during challenging periods, underperformed. These included consumer staples, telecoms and utilities.

Despite the improvement in risk appetite, cheap, out-of-favour value stocks trailed the broader market index by a significant margin. (Value stocks are deemed to be trading below their true worth or long-term prospects.) Over the period, investors favoured more expensive stocks delivering high revenue growth, particularly in the technology sector. This trend created a headwind for the fund's value-oriented approach and contributed in part to the fund lagging a comparative index.

One of the main reasons for the fund's underperformance in the review period was stock selection in the information technology sector, in particular, not holding any shares in Alibaba and Tencent, two Chinese internet firms. The large index constituents made significant gains driven by optimism about their considerable growth prospects. Alibaba, an e-commerce firm, has benefited from the rapid increase of online shopping in China, while Tencent owns a very popular messaging application and sells smartphone games.

Not owning these stocks hurt the fund's performance relative to the comparative index, but as value investors we think they are too expensive – their share prices reflect high expectations for their future growth – and we are not comfortable buying stocks with such high valuations.

Besides not owning these stocks, our holdings in technology firms Lenovo, a Chinese personal computer manufacturer, and Luxoft, a Russian software engineering company, detracted as their share prices fell on disappointing results. Delta Electronics, a manufacturer of power supplies from Taiwan, was a notable detractor as well. Delta also provides industrial automation solutions and is optimistic that this part of the business will grow over time.

Stock selection in energy also detracted from relative performance. At the start of the period, oil prices declined amid persistent concerns about the oversupply of crude. Even though prices rallied in the second half of 2017, helped by output cuts from leading producers and robust demand, the fund's holdings in Ophir Energy and Tullow Oil, two oil & gas explorers, cost some performance.

Meanwhile, Ezion Holdings, a Singapore-based oil services firm, was a drag on relative performance amid worries about the company's debt levels given a slowdown in spending by energy firms. Shares in Petrofac, a UK-listed oil services firm, fell when the UK's Serious Fraud Office confirmed it was investigating the company for suspected bribery, corruption and money laundering.

Unfortunately, these detractors outweighed the positive contribution from a number of our holdings, including South African and South Korean firms. Towards the end of the review period, South Africa's stockmarket and currency rose following a change of leadership in the ruling African National Congress which gave rise to speculation that the head of state might be replaced. Buoyed by hopes of an improvement in the country's economic prospects, domestically focused stocks, in particular, rallied.

Barclays Africa, a financial group, was a leading contributor, while the holdings in Barloworld, a distributor of industrial equipment, and Imperial Holdings, a transport-focused group, added value too.

Given the importance of oil to Russia's economy, the increase in oil prices from June onwards boosted the share price of Sberbank, Russia's largest deposit bank. Investors are also hopeful that Sberbank's healthy profits might feed through to increased dividend payouts to shareholders.

Another financial holding, Hana Financial, a South Korean bank, was among the leading contributors. The stock gained on better-than-expected profits and hopes of changes to Korean firms' governance practices.

SK Hynix, a South Korean manufacturer of memory chips, added value too. The company's share price soared on rising prices for chips and optimism about new product launches from the likes of Apple and Samsung Electronics.

M&G Global Emerging Markets Fund

Authorised Corporate Director's Report

Investment review

Investment activities

As value-focused investors we are attracted to the cheaper markets and during the review period we identified a number of opportunities in China. We are increasingly optimistic about Chinese firms, partly as a result of the improving macroeconomic situation but also as a result of the government's reforms.

We started a position in China Petroleum & Chemical, a Chinese oil & gas company, known as Sinopec. We believe the firm is attractively valued relative to its peers and could see an upturn in profitability as its oil exploration business improves.

Another notable newcomer was Li Ning, a Chinese sporting goods firm that is currently undergoing a turnaround. After an unsuccessful period of expansion and operational issues, the founder has re-joined the company to lead the new strategy. We also invested in Xinyi Solar, a Chinese manufacturer of solar glass panels.

For the first time ever, we invested in a Chinese bank: China Construction Bank. In our view, the government's efforts to stabilise the financial system are having a positive effect and the state-owned lender should benefit from pricing power and more profitable lending.

We currently see value in financials and we started a position in Barclays Africa, the South African subsidiary of UK bank Barclays. In our view, concerns about the challenging economic environment in South Africa and Barclays' plans to sell its stake provided an opportunity to invest in a business with good growth prospects at an attractive valuation.

In Mexico, we started a position in Alfa SAB, a conglomerate with businesses in car parts, cooked meats and chemicals. The group was trading at a discount to the value of its businesses, in our opinion, on concerns about potential US trade policy and the company's unsuccessful entry to the oil & gas industry.

These purchases were funded by selling stocks which had performed well, most notably SK Hynix, a South Korean manufacturer of memory chips. The stock has rallied over the past two years driven by robust demand for smartphones. We also reduced our position in Taiwan Semiconductor, a memory chip firm from Taiwan, which has also performed well lately.

CESC, an Indian power producer, and Credicorp, a Peruvian bank, left the portfolio on valuation grounds after a period of significant share price appreciation. CESC had gained on plans to restructure its businesses, which should enable the group's companies reach a fair valuation.

Outlook

After an impressive period of gains, we remain optimistic about the outlook for emerging market companies for two main reasons. First, profitability has been on an upwards trend in emerging markets for the past couple of years. This rebound in profitability is largely a reflection of good cost management and capital discipline by company management teams.

We are greatly encouraged by this switch in management mind-set from chasing growth to prioritising profits – in our view, this is part of a longer term trend of better governance and we are hopeful the improvement in capital allocation will continue.

Secondly, we think emerging market equities still look attractively valued, both in relation to history and developed market equities.

In particular, we believe there are opportunities for 'value'-oriented investors. 2017 was a particularly challenging period for value investors as growth stocks outperformed by a significant margin.

However, we remain confident that over the long run a value-focused approach to investment can deliver superior returns. While we cannot predict a particular catalyst for value's return to favour, the improving macroeconomic environment and robust company fundamentals could be supportive of a shift towards value.

We will continue to focus on finding companies across emerging markets which are being run in the interests of all their investors and whose future levels of profitability are, in our view, being undervalued by the market.

Matthew Vaight
Fund manager

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

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

Investments

Portfolio statement

as at 31 January	2018	2018	2017
Holding	\$'000	%	%
EQUITIES	2,923,585	98.11	98.54
Brazil	317,846	10.67	11.18
8,595,586 Ambev	59,611	2.00	
4,353,876 Banco Bradesco Pref.	55,763	1.87	
5,966,066 CCR	29,702	1.00	
4,609,036 Cosan	51,391	1.72	
6,738,106 Cyrela Brazil Realty	31,751	1.07	
5,051,767 EDP - Energias do Brasil	22,347	0.75	
6,972,368 MRV Engenharia	33,717	1.13	
3,266,818 TOTVS	33,564	1.13	
Canada	35,517	1.19	1.18
2,401,959 First Quantum Minerals	35,517	1.19	
China	490,613	16.46	11.50
17,865,000 AMVIG Holdings	4,706	0.16	
49,133,000 China Construction Bank	56,607	1.90	
63,743,000 China Lesso	49,476	1.66	
64,480,000 China Petroleum & Chemical	55,655	1.87	
1,155,000 China Railway Signal & Communication	888	0.03	
11,653,051 China Resources Power Holdings	21,487	0.72	
28,122,027 China Unicom (Hong Kong)	42,073	1.41	
31,976,000 CNOOC	49,802	1.67	
57,257,000 Greatview Aseptic Packaging	41,001	1.38	
2,211,713 HollySys Automation Technologies	56,067	1.88	
38,264,500 Li-Ning	30,777	1.03	
23,603,000 PICC Property & Casualty	48,954	1.64	
71,948,000 Xinyi Solar Holdings	33,120	1.11	
Finland	0	0.00	0.36
Egypt	5,424	0.18	1.20
8,960,393 Juhayna Food Industries	5,424	0.18	

M&G Global Emerging Markets Fund

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Investments

Portfolio statement (continued)			
as at 31 January	2018	2018	2017
Holding	\$'000	%	%
Hong Kong	163,123	5.47	4.57
5,158,400 AIA Group	44,194	1.48	
50,852,000 Far East Horizon	54,751	1.84	
39,044,085 First Pacific	27,859	0.93	
63,118,000 Lenovo	36,319	1.22	
India	73,045	2.45	4.29
4,928,817 Axis Bank	45,973	1.54	
10,110,966 NTPC	27,072	0.91	
Indonesia	31,476	1.06	0.76
51,707,000 Bank Mandiri	31,476	1.06	
Mexico	79,361	2.66	0.38
39,721,561 Alfa	49,435	1.66	
4,684,328 Grupo Financiero Banorte	29,926	1.00	
Philippines	5,436	0.18	1.62
49,357,619 Energy Development	5,436	0.18	
Russia	170,971	5.74	5.37
9,549,667 Etalon Group GDR	31,037	1.04	
812,025 Lukoil ADR	53,480	1.80	
4,314,170 O'Key Group GDR	11,044	0.37	
3,764,870 Sberbank of Russia ADR	75,410	2.53	
Singapore	35,787	1.20	0.86
68,260,660 Ezion Holdings	5,741	0.19	
10,178,430 Ezion Holdings Warrant 2020	0	0.00	
11,558,400 Sembcorp Industries	30,046	1.01	
South Africa	283,082	9.50	6.81
5,486,722 Barclays Africa Group	82,304	2.76	
3,507,647 Barloworld	49,936	1.67	
2,231,714 Imperial Holdings	52,363	1.76	
5,497,748 Sanlam	40,443	1.36	
1,624,350 Sasol	58,036	1.95	
South Korea	451,381	15.15	17.78
1,488,793 Hana Financial Group	72,638	2.44	
255,607 Hyundai Motor	38,777	1.30	
577,018 Kia Motors	18,696	0.63	
80,199 Samsung Electronic	187,383	6.29	
188,243 Samsung Fire & Marine Insurance	50,857	1.71	
1,669,737 Shinhan Financial Group	83,030	2.78	
Spain	0	0.00	0.22
Taiwan	419,767	14.09	15.08
9,102,719 Casetek Holdings	33,418	1.12	
4,157,000 Catcher Technology	47,638	1.60	
20,339,000 Cathay Financial Holdings	38,102	1.28	
20,665,714 Chicony Electronics	54,313	1.82	
10,653,535 Delta Electronics	53,733	1.80	
2,086,000 eMemory Technology	29,631	1.00	
15,373,000 Taiwan Semiconductor Manufacturing	134,502	4.51	
29,488,000 TECO Electric & Machinery	28,430	0.96	
Thailand	0	0.00	0.73
Turkey	39,365	1.32	2.66
12,809,710 Haci Omer Sabanci (formerly Sabanci Holdings)	39,365	1.32	
United Kingdom	112,191	3.77	4.73
12,679,914 Ophir Energy	9,714	0.33	
2,175,856 Petrofac	16,324	0.55	
4,780,940 Standard Chartered	55,174	1.85	
10,808,318 Tullow Oil	30,979	1.04	

Portfolio statement (continued)

as at 31 January	2018	2018	2017
Holding	\$'000	%	%
United States	209,200	7.02	7.26
405,903 Baidu ADR	98,858	3.32	
1,070,219 Ctrip.com International ADR	50,182	1.68	
3,253,135 Kosmos Energy	22,577	0.76	
655,901 Luxoft	37,583	1.26	
Portfolio of investments	2,923,585	98.11	98.54
CASH EQUIVALENTS	61,195	2.06	0.08
'AAA' rated money market fund [a]	61,195	2.06	
61,195,000 Northern Trust Global Fund - US dollar	61,195	2.06	
CURRENCY	619	0.02	0.00
Forward currency contracts for share class hedging	619	0.02	
CHF6,587,850 Bought for \$6,782,279 (expires 07.02.18)	282	0.01	
€10,211,774 Bought for \$12,373,009 (expires 07.02.18)	349	0.01	
€(651,419) Sold for \$799,440 (expires 07.02.18)	(12)	0.00	
Total portfolio (notes 2c & 2d on page 7)	2,985,399	100.19	98.62
Net other assets / (liabilities)	(5,559)	(0.19)	1.38
Net assets attributable to shareholders	2,979,840	100.00	100.00

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

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

Top ten portfolio transactions

for the year to 31 January 2018

Largest purchases	\$'000
Barclays Africa Group	61,980
China Construction Bank	57,237
Alfa	54,337
China Petroleum & Chemical	46,756
Samsung Electronic	33,135
CCR	31,584
Li-Ning	29,384
Sembcorp Industries	28,950
First Pacific	28,477
Xinyi Solar Holdings	27,862
Other purchases	464,565
Total purchases	864,267
Largest sales	\$'000
SK hynix	101,950
CESC	60,382
CrediCorp	46,577
Energy Development	43,162
Tüpraş	34,816
Taiwan Semiconductor Manufacturing	32,077
Dongfeng Motor	27,492
Ambev	27,186
AIA Group	26,736
Commercial International Bank	25,149
Other sales	405,791
Total sales	831,318

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

M&G Global Emerging Markets Fund

Financial highlights

Fund performance

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

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

We show performance for these two share classes because:

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

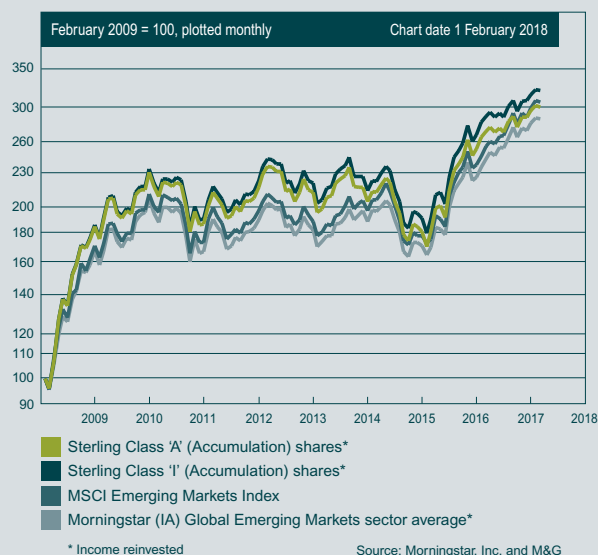
The fund is available for investment in different share classes, each with varying levels of charges and minimum investments; please refer to the Prospectus for M&G Investment Funds (7), which is available free of charge either from our website at www.mandg.co.uk/prospectuses or by calling M&G Customer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

Fund level performance

Fund net asset value			
as at 31 January	2018 \$'000	2017 \$'000	2016 \$'000
Fund net asset value (NAV)	2,979,840	2,250,229	1,726,589

Performance since launch

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



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

Long-term performance by share class

	One year 01.02.17 % ^[a]	Three years 02.02.15 % p.a.	Five years 01.02.13 % p.a.	Since launch % p.a.
Euro^[b]				
Class 'A'	+10.9	+6.3	+4.9	+12.9 ^[c]
Class 'A-H'	n/a	n/a	n/a	+21.4 ^[d]
Class 'C'	+12.0	+7.4	+6.0	+14.0 ^[c]
Class 'C-H'	n/a	n/a	n/a	+22.5 ^[d]
Singapore dollar^[b]				
Class 'A'	+18.8	+8.7	n/a	+9.4 ^[e]
Class 'C'	+20.0	+9.7	n/a	+10.5 ^[e]
Sterling^[f]				
Class 'A'	+13.9	+12.0	+5.5	+13.0 ^[c]
Class 'I'	+14.7	+12.9	+6.3	+13.8 ^[c]
Class 'R'	+14.4	+12.6	+6.1	+8.4 ^[g]
Swiss franc^[b]				
Class 'A-H'	n/a	n/a	n/a	+21.2 ^[d]
Class 'C-H'	n/a	n/a	n/a	+22.3 ^[d]
US dollar^[b]				
Class 'A'	+27.7	+9.7	+3.0	+12.4 ^[c]
Class 'C'	+29.0	+10.8	+4.1	+13.5 ^[c]

^[a] Absolute basis.

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

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

^[d] 24 February 2017, the launch date of the share class. Absolute basis.

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

^[f] Price to price with income reinvested.

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

M&G Global Emerging Markets Fund

Financial highlights

Fund performance

Operating charges and portfolio transaction costs

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

Operating charges

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

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

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

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

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

Portfolio transaction costs

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

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

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

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

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

Portfolio transaction costs

for the year to 31 January	2018	2017	2016	Average ^[a]
Direct portfolio transaction costs ^[b]	%	%	%	%
Broker commission	0.05	0.06	0.07	0.06
Taxes	0.06	0.04	0.05	0.05
Costs before dilution adjustments	0.11	0.10	0.12	0.11
Dilution adjustments ^[c]	(0.08)	(0.06)	(0.06)	(0.07)
Total direct portfolio transaction costs	0.03	0.04	0.06	0.04
as at 31 January	2018	2017	2016	Average ^[a]
Indirect portfolio transaction costs	%	%	%	%
Average portfolio dealing spread	0.17	0.25	0.41	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. Please see the section above this table for an explanation of dilution adjustments.

M&G Global Emerging Markets Fund

Financial highlights

Specific share class performance

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

Historic yields for the current year are calculated as at 9 February 2018.

Euro Class 'A' Income share performance

The share class was launched on 8 August 2014.

for the year to 31 January Change in NAV per share	2018 Euro ¢	2017 Euro ¢	2016 Euro ¢
Opening NAV	2,591.24	1,930.28	2,460.73
Return before operating charges and after direct portfolio transaction costs	343.70	750.16	(470.44)
Operating charges	(54.67)	(49.21)	(47.21)
Return after operating charges	289.03	700.95	(517.65)
Distributions	(55.61)	(39.99)	(12.80)
Closing NAV	2,824.66	2,591.24	1,930.28
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	2.89	2.53	2.74
Dilution adjustments ^[a]	(2.10)	(1.36)	(1.45)
Total direct portfolio transaction costs	0.79	1.17	1.29
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.03	0.04	0.06
Operating charges	1.99	2.06*	2.00
Return after operating charges	+11.15	+36.31	-21.04
Historic yield ^[c]	2.00	1.41	0.57
Effect on yield of charges offset against capital	1.90	1.90	0.00
Other information			
Closing NAV (\$'000)	13,702	2,056	153
Closing NAV percentage of total fund NAV (%)	0.46	0.09	0.01
Number of shares	389,476	73,794	7,243
Highest share price (Euro ¢)	2,938.26	2,675.10	2,805.38
Lowest share price (Euro ¢)	2,589.18	1,818.49	1,816.75

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

Euro Class 'A' Accumulation share performance

The share class was launched on 5 February 2009.

for the year to 31 January Change in NAV per share	2018 Euro ¢	2017 Euro ¢	2016 Euro ¢
Opening NAV	2,661.52	1,953.81	2,474.20
Return before operating charges and after direct portfolio transaction costs	352.10	755.24	(472.51)
Operating charges	(55.22)	(47.53)	(47.88)
Return after operating charges	296.88	707.71	(520.39)
Distributions	(9.11)	(14.87)	(11.93)
Retained distributions	9.11	14.87	11.93
Closing NAV	2,958.40	2,661.52	1,953.81
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	2.92	2.45	2.78
Dilution adjustments ^[a]	(2.13)	(1.33)	(1.47)
Total direct portfolio transaction costs	0.79	1.12	1.31
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.03	0.04	0.06
Operating charges	1.99	2.03	2.00
Return after operating charges	+11.15	+36.22	-21.03
Historic yield	0.18	0.46	0.50
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	193,508	163,054	116,856
Closing NAV percentage of total fund NAV (%)	6.49	7.25	6.77
Number of shares	5,251,896	5,698,146	5,478,553
Highest share price (Euro ¢)	3,017.96	2,705.88	2,819.69
Lowest share price (Euro ¢)	2,659.42	1,837.70	1,826.01

Euro Class 'A-H' Accumulation share performance

The share class was launched on 24 February 2017.

for the year to 31 January Change in NAV per share	2018 Euro ¢	2017 Euro ¢	2016 Euro ¢
Opening NAV	1,000.00	n/a	n/a
Return before operating charges and after direct portfolio transaction costs	234.12	n/a	n/a
Operating charges	(21.37)	n/a	n/a
Return after operating charges	212.75	n/a	n/a
Distributions	(4.05)	n/a	n/a
Retained distributions	4.05	n/a	n/a
Closing NAV	1,212.75	n/a	n/a
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	1.12	n/a	n/a
Dilution adjustments ^[a]	(0.82)	n/a	n/a
Total direct portfolio transaction costs	0.30	n/a	n/a
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.03	n/a	n/a
Operating charges	2.01	n/a	n/a
Return after operating charges	+21.28	n/a	n/a
Historic yield	0.22	n/a	n/a
Effect on yield of charges offset against capital	0.00	n/a	n/a
Other information			
Closing NAV (\$'000)	7,638	n/a	n/a
Closing NAV percentage of total fund NAV (%)	0.26	n/a	n/a
Number of shares	505,674	n/a	n/a
Highest share price (Euro ¢)	1,231.91	n/a	n/a
Lowest share price (Euro ¢)	972.79	n/a	n/a

M&G Global Emerging Markets Fund

Financial highlights

Specific share class performance

Euro Class 'C' Income share performance

The share class was launched on 8 August 2014.

for the year to 31 January Change in NAV per share	2018 Euro ¢	2017 Euro ¢	2016 Euro ¢
Opening NAV	2,731.61	2,022.67	2,584.06
Return before operating charges and after direct portfolio transaction costs	363.25	787.79	(498.88)
Operating charges	(28.13)	(25.31)	(25.00)
Return after operating charges	335.12	762.48	(523.88)
Distributions	(59.84)	(53.54)	(37.51)
Closing NAV	3,006.89	2,731.61	2,022.67
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	2.99	2.59	2.90
Dilution adjustments ^[a]	(2.18)	(1.40)	(1.53)
Total direct portfolio transaction costs	0.81	1.19	1.37
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.03	0.04	0.06
Operating charges	0.99	1.03	1.00
Return after operating charges	+12.27	+37.70	-20.27
Historic yield ^[c]	2.00	1.81	1.78
Effect on yield of charges offset against capital	0.90	0.90	0.00
Other information			
Closing NAV (\$'000)	4,782	8,693	3,198
Closing NAV percentage of total fund NAV (%)	0.16	0.39	0.19
Number of shares	127,698	296,002	144,822
Highest share price (Euro ¢)	3,128.62	2,831.57	2,951.66
Lowest share price (Euro ¢)	2,741.74	1,906.58	1,925.86

Euro Class 'C' Accumulation share performance

The share class was launched on 5 February 2009.

for the year to 31 January Change in NAV per share	2018 Euro ¢	2017 Euro ¢	2016 Euro ¢
Opening NAV	2,880.46	2,092.38	2,624.51
Return before operating charges and after direct portfolio transaction costs	383.50	813.92	(506.84)
Operating charges	(29.99)	(25.84)	(25.29)
Return after operating charges	353.51	788.08	(532.13)
Distributions	(37.70)	(43.00)	(38.09)
Retained distributions	37.70	43.00	38.09
Closing NAV	3,233.97	2,880.46	2,092.38
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	3.19	2.66	2.94
Dilution adjustments ^[a]	(2.32)	(1.44)	(1.55)
Total direct portfolio transaction costs	0.87	1.22	1.39
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.03	0.04	0.06
Operating charges	0.99	1.02	1.00
Return after operating charges	+12.27	+37.66	-20.28
Historic yield	1.12	1.37	1.90
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	608,807	472,412	223,012
Closing NAV percentage of total fund NAV (%)	20.43	20.99	12.92
Number of shares	15,115,308	15,254,166	9,763,022
Highest share price (Euro ¢)	3,298.54	2,928.40	2,997.74
Lowest share price (Euro ¢)	2,890.65	1,969.64	1,955.94

Euro Class 'C-H' Accumulation share performance

The share class was launched on 24 February 2017.

for the year to 31 January Change in NAV per share	2018 Euro ¢	2017 Euro ¢	2016 Euro ¢
Opening NAV	1,000.00	n/a	n/a
Return before operating charges and after direct portfolio transaction costs	234.77	n/a	n/a
Operating charges	(10.93)	n/a	n/a
Return after operating charges	223.84	n/a	n/a
Distributions	(13.87)	n/a	n/a
Retained distributions	13.87	n/a	n/a
Closing NAV	1,223.84	n/a	n/a
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	1.14	n/a	n/a
Dilution adjustments ^[a]	(0.83)	n/a	n/a
Total direct portfolio transaction costs	0.31	n/a	n/a
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.03	n/a	n/a
Operating charges	1.01	n/a	n/a
Return after operating charges	+22.38	n/a	n/a
Historic yield	1.11	n/a	n/a
Effect on yield of charges offset against capital	0.00	n/a	n/a
Other information			
Closing NAV (\$'000)	4,831	n/a	n/a
Closing NAV percentage of total fund NAV (%)	0.16	n/a	n/a
Number of shares	316,927	n/a	n/a
Highest share price (Euro ¢)	1,243.18	n/a	n/a
Lowest share price (Euro ¢)	973.08	n/a	n/a

Singapore dollar Class 'A' Income share performance

The share class was launched on 16 January 2015.

for the year to 31 January Change in NAV per share	2018 Singapore ¢	2017 Singapore ¢	2016 Singapore ¢
Opening NAV	1,074.05	817.53	1,027.86
Return before operating charges and after direct portfolio transaction costs	226.77	292.33	(185.80)
Operating charges	(23.31)	(19.45)	(19.65)
Return after operating charges	203.46	272.88	(205.45)
Distributions	(24.64)	(16.36)	(4.88)
Closing NAV	1,252.87	1,074.05	817.53
Direct portfolio transaction costs	Singapore ¢	Singapore ¢	Singapore ¢
Costs before dilution adjustments	1.41	0.96	1.15
Dilution adjustments ^[a]	(1.03)	(0.52)	(0.61)
Total direct portfolio transaction costs	0.38	0.44	0.54
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.03	0.04	0.06
Operating charges	2.02	2.03	2.00
Return after operating charges	+18.94	+33.38	-19.99
Historic yield ^[c]	1.98	1.40	0.50
Effect on yield of charges offset against capital	1.90	1.90	0.00
Other information			
Closing NAV (\$'000)	5	4	3
Closing NAV percentage of total fund NAV (%)	0.00	0.00	0.00
Number of shares	500	500	500
Highest share price (Singapore ¢)	1,296.73	1,109.15	1,105.26
Lowest share price (Singapore ¢)	1,082.34	780.35	775.99

M&G Global Emerging Markets Fund

Financial highlights

Specific share class performance

Singapore dollar Class 'A' Accumulation share performance

The share class was launched on 16 January 2015.

for the year to 31 January Change in NAV per share	2018 Singapore ¢	2017 Singapore ¢	2016 Singapore ¢
Opening NAV	1,099.18	824.09	1,030.05
Return before operating charges and after direct portfolio transaction costs	232.25	296.14	(186.28)
Operating charges	(23.74)	(21.05)	(19.68)
Return after operating charges	208.51	275.09	(205.96)
Distributions	(3.98)	(6.42)	(4.88)
Retained distributions	3.98	6.42	4.88
Closing NAV	1,307.69	1,099.18	824.09
Direct portfolio transaction costs	Singapore ¢	Singapore ¢	Singapore ¢
Costs before dilution adjustments	1.26	1.08	1.15
Dilution adjustments ^[a]	(0.91)	(0.58)	(0.61)
Total direct portfolio transaction costs	0.35	0.50	0.54
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.03	0.04	0.06
Operating charges	1.99	2.06*	2.00
Return after operating charges	+18.97	+33.38	-20.00
Historic yield	0.17	0.49	0.50
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	857	210	3
Closing NAV percentage of total fund NAV (%)	0.03	0.01	0.00
Number of shares	85,692	27,088	500
Highest share price (Singapore ¢)	1,327.33	1,118.07	1,107.59
Lowest share price (Singapore ¢)	1,106.64	785.72	777.59

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

Singapore dollar Class 'C' Income share performance

The share class was launched on 16 January 2015.

for the year to 31 January Change in NAV per share	2018 Singapore ¢	2017 Singapore ¢	2016 Singapore ¢
Opening NAV	1,078.16	815.64	1,027.86
Return before operating charges and after direct portfolio transaction costs	228.84	293.44	(187.31)
Operating charges	(11.79)	(9.97)	(9.91)
Return after operating charges	217.05	283.47	(197.22)
Distributions	(24.85)	(20.95)	(15.00)
Closing NAV	1,270.36	1,078.16	815.64
Direct portfolio transaction costs	Singapore ¢	Singapore ¢	Singapore ¢
Costs before dilution adjustments	1.41	0.98	1.15
Dilution adjustments ^[a]	(1.03)	(0.53)	(0.61)
Total direct portfolio transaction costs	0.38	0.45	0.54
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.03	0.04	0.06
Operating charges	1.01	1.04*	1.00
Return after operating charges	+20.13	+34.75	-19.19
Historic yield ^[c]	1.97	1.81	1.76
Effect on yield of charges offset against capital	0.90	0.90	0.00
Other information			
Closing NAV (\$'000)	5	4	3
Closing NAV percentage of total fund NAV (%)	0.00	0.00	0.00
Number of shares	500	500	500
Highest share price (Singapore ¢)	1,314.46	1,117.85	1,107.53
Lowest share price (Singapore ¢)	1,086.54	779.01	783.60

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

Singapore dollar Class 'C' Accumulation share performance

The share class was launched on 16 January 2015.

for the year to 31 January Change in NAV per share	2018 Singapore ¢	2017 Singapore ¢	2016 Singapore ¢
Opening NAV	1,121.69	832.65	1,030.39
Return before operating charges and after direct portfolio transaction costs	238.45	299.27	(187.81)
Operating charges	(12.59)	(10.23)	(9.93)
Return after operating charges	225.86	289.04	(197.74)
Distributions	(15.31)	(16.41)	(15.06)
Retained distributions	15.31	16.41	15.06
Closing NAV	1,347.55	1,121.69	832.65
Direct portfolio transaction costs	Singapore ¢	Singapore ¢	Singapore ¢
Costs before dilution adjustments	1.43	1.06	1.15
Dilution adjustments ^[a]	(1.04)	(0.57)	(0.61)
Total direct portfolio transaction costs	0.39	0.49	0.54
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.03	0.04	0.06
Operating charges	1.01	1.04*	1.00
Return after operating charges	+20.14	+34.71	-19.19
Historic yield	1.08	1.34	1.74
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	51	4	3
Closing NAV percentage of total fund NAV (%)	0.00	0.00	0.00
Number of shares	5,000	500	500
Highest share price (Singapore ¢)	1,367.58	1,140.83	1,110.21
Lowest share price (Singapore ¢)	1,129.33	794.21	785.48

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

Sterling Class 'A' Income share performance

The share class was launched on 5 February 2009.

for the year to 31 January Change in NAV per share	2018 UK p	2017 UK p	2016 UK p
Opening NAV	248.67	163.61	205.58
Return before operating charges and after direct portfolio transaction costs	38.44	92.89	(37.13)
Operating charges	(4.61)	(3.74)	(3.34)
Return after operating charges	33.83	89.15	(40.47)
Distributions	(5.48)	(4.09)	(1.50)
Closing NAV	277.02	248.67	163.61
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.28	0.22	0.22
Dilution adjustments ^[a]	(0.20)	(0.12)	(0.12)
Total direct portfolio transaction costs	0.08	0.10	0.10
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.03	0.04	0.06
Operating charges	1.74	1.77	1.75
Return after operating charges	+13.60	+54.49	-19.69
Historic yield ^[c]	2.01	1.51	0.84
Effect on yield of charges offset against capital	1.65	1.65	0.00
Other information			
Closing NAV (\$'000)	123,050	109,775	123,468
Closing NAV percentage of total fund NAV (%)	4.13	4.88	7.15
Number of shares	31,366,638	35,425,606	52,755,139
Highest share price (UK p)	288.17	255.33	224.57
Lowest share price (UK p)	247.62	156.99	156.33

M&G Global Emerging Markets Fund

Financial highlights

Specific share class performance

Sterling Class 'A' Accumulation share performance

The share class was launched on 5 February 2009.

for the year to 31 January Change in NAV per share	2018 UK p	2017 UK p	2016 UK p
Opening NAV	263.97	170.90	212.77
Return before operating charges and after direct portfolio transaction costs	40.80	97.00	(38.43)
Operating charges	(4.90)	(3.93)	(3.44)
Return after operating charges	35.90	93.07	(41.87)
Distributions	(1.56)	(2.16)	(1.55)
Retained distributions	1.56	2.16	1.55
Closing NAV	299.87	263.97	170.90

Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.30	0.23	0.23
Dilution adjustments ^[a]	(0.22)	(0.13)	(0.12)
Total direct portfolio transaction costs	0.08	0.10	0.11

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.03	0.04	0.06
Operating charges	1.74	1.77	1.75
Return after operating charges	+13.60	+54.46	-19.68
Historic yield	0.41	0.71	0.83
Effect on yield of charges offset against capital	0.00	0.00	0.00

Other information

Closing NAV (\$'000)	415,364	345,284	291,008
Closing NAV percentage of total fund NAV (%)	13.94	15.34	16.86
Number of shares	97,816,094	104,963,849	119,035,636
Highest share price (UK p)	305.89	266.66	232.44
Lowest share price (UK p)	262.63	163.80	161.81

Sterling Class 'I' Income share performance

The share class was launched on 5 February 2009.

for the year to 31 January Change in NAV per share	2018 UK p	2017 UK p	2016 UK p
Opening NAV	249.65	163.50	205.79
Return before operating charges and after direct portfolio transaction costs	38.77	93.23	(37.34)
Operating charges	(2.65)	(2.18)	(1.91)
Return after operating charges	36.12	91.05	(39.25)
Distributions	(5.53)	(4.90)	(3.04)
Closing NAV	280.24	249.65	163.50

Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.28	0.22	0.22
Dilution adjustments ^[a]	(0.21)	(0.12)	(0.12)
Total direct portfolio transaction costs	0.07	0.10	0.10

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.03	0.04	0.06
Operating charges	0.99	1.02	1.00
Return after operating charges	+14.47	+55.69	-19.07
Historic yield ^[c]	2.00	1.82	1.80
Effect on yield of charges offset against capital	0.90	0.90	0.00

Other information

Closing NAV (\$'000)	196,164	151,863	108,817
Closing NAV percentage of total fund NAV (%)	6.58	6.75	6.30
Number of shares	49,431,022	48,815,032	46,526,766
Highest share price (UK p)	291.49	257.03	225.16
Lowest share price (UK p)	248.61	156.95	157.65

Sterling Class 'I' Accumulation share performance

The share class was launched on 5 February 2009.

for the year to 31 January Change in NAV per share	2018 UK p	2017 UK p	2016 UK p
Opening NAV	280.13	179.99	222.43
Return before operating charges and after direct portfolio transaction costs	43.44	102.53	(40.37)
Operating charges	(2.97)	(2.39)	(2.07)
Return after operating charges	40.47	100.14	(42.44)
Distributions	(3.72)	(4.16)	(3.29)
Retained distributions	3.72	4.16	3.29
Closing NAV	320.60	280.13	179.99

Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.32	0.25	0.24
Dilution adjustments ^[a]	(0.23)	(0.13)	(0.13)
Total direct portfolio transaction costs	0.09	0.12	0.11

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.03	0.04	0.06
Operating charges	0.99	1.02	1.00
Return after operating charges	+14.45	+55.64	-19.08
Historic yield	1.11	1.36	1.77
Effect on yield of charges offset against capital	0.00	0.00	0.00

Other information

Closing NAV (\$'000)	586,547	477,128	405,627
Closing NAV percentage of total fund NAV (%)	19.69	21.20	23.49
Number of shares	129,194,519	136,680,904	157,535,896
Highest share price (UK p)	327.02	282.89	243.35
Lowest share price (UK p)	278.70	172.56	170.40

Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012.

for the year to 31 January Change in NAV per share	2018 UK p	2017 UK p	2016 UK p
Opening NAV	128.40	84.23	105.96
Return before operating charges and after direct portfolio transaction costs	19.94	47.94	(19.20)
Operating charges	(1.72)	(1.39)	(1.23)
Return after operating charges	18.22	46.55	(20.43)
Distributions	(2.83)	(2.38)	(1.30)
Closing NAV	143.79	128.40	84.23

Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.15	0.11	0.11
Dilution adjustments ^[a]	(0.11)	(0.06)	(0.06)
Total direct portfolio transaction costs	0.04	0.05	0.05

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.03	0.04	0.06
Operating charges	1.24	1.27	1.25
Return after operating charges	+14.19	+55.27	-19.28
Historic yield ^[c]	2.00	1.72	1.48
Effect on yield of charges offset against capital	1.15	1.15	0.00

Other information

Closing NAV (\$'000)	894	455	418
Closing NAV percentage of total fund NAV (%)	0.03	0.02	0.02
Number of shares	439,344	284,407	347,283
Highest share price (UK p)	149.55	132.10	115.87
Lowest share price (UK p)	127.88	80.84	80.97

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Financial highlights

Specific share class performance

Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012.

for the year to 31 January Change in NAV per share	2018 UK p	2017 UK p	2016 UK p
Opening NAV	136.56	87.96	108.98
Return before operating charges and after direct portfolio transaction costs	21.21	50.06	(19.75)
Operating charges	(1.88)	(1.46)	(1.27)
Return after operating charges	19.33	48.60	(21.02)
Distributions	(1.48)	(1.73)	(1.34)
Retained distributions	1.48	1.73	1.34
Closing NAV	155.89	136.56	87.96
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.16	0.12	0.12
Dilution adjustments ^[a]	(0.12)	(0.06)	(0.06)
Total direct portfolio transaction costs	0.04	0.06	0.06
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.03	0.04	0.06
Operating charges	1.24	1.27	1.25
Return after operating charges	+14.15	+55.25	-19.29
Historic yield	0.88	1.15	1.46
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	1,847	432	335
Closing NAV percentage of total fund NAV (%)	0.06	0.02	0.02
Number of shares	836,661	253,659	266,419
Highest share price (UK p)	159.02	137.92	119.16
Lowest share price (UK p)	135.86	84.32	83.27

Swiss franc Class 'A-H' Accumulation share performance

The share class was launched on 24 February 2017.

for the year to 31 January Change in NAV per share	2018 Swiss ¢	2017 Swiss ¢	2016 Swiss ¢
Opening NAV	1,000.00	n/a	n/a
Return before operating charges and after direct portfolio transaction costs	231.03	n/a	n/a
Operating charges	(20.70)	n/a	n/a
Return after operating charges	210.33	n/a	n/a
Distributions	(4.17)	n/a	n/a
Retained distributions	4.17	n/a	n/a
Closing NAV	1,210.33	n/a	n/a
Direct portfolio transaction costs	Swiss ¢	Swiss ¢	Swiss ¢
Costs before dilution adjustments	1.08	n/a	n/a
Dilution adjustments ^[a]	(0.79)	n/a	n/a
Total direct portfolio transaction costs	0.29	n/a	n/a
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.03	n/a	n/a
Operating charges	2.01	n/a	n/a
Return after operating charges	+21.03	n/a	n/a
Historic yield	0.22	n/a	n/a
Effect on yield of charges offset against capital	0.00	n/a	n/a
Other information			
Closing NAV (\$'000)	2,050	n/a	n/a
Closing NAV percentage of total fund NAV (%)	0.07	n/a	n/a
Number of shares	157,992	n/a	n/a
Highest share price (Swiss ¢)	1,229.62	n/a	n/a
Lowest share price (Swiss ¢)	972.39	n/a	n/a

Swiss franc Class 'C-H' Accumulation share performance

The share class was launched on 24 February 2017.

for the year to 31 January Change in NAV per share	2018 Swiss ¢	2017 Swiss ¢	2016 Swiss ¢
Opening NAV	1,000.00	n/a	n/a
Return before operating charges and after direct portfolio transaction costs	231.44	n/a	n/a
Operating charges	(10.40)	n/a	n/a
Return after operating charges	221.04	n/a	n/a
Distributions	(14.08)	n/a	n/a
Retained distributions	14.08	n/a	n/a
Closing NAV	1,221.04	n/a	n/a
Direct portfolio transaction costs	Swiss ¢	Swiss ¢	Swiss ¢
Costs before dilution adjustments	1.08	n/a	n/a
Dilution adjustments ^[a]	(0.79)	n/a	n/a
Total direct portfolio transaction costs	0.29	n/a	n/a
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.03	n/a	n/a
Operating charges	1.01	n/a	n/a
Return after operating charges	+22.10	n/a	n/a
Historic yield	1.10	n/a	n/a
Effect on yield of charges offset against capital	0.00	n/a	n/a
Other information			
Closing NAV (\$'000)	4,771	n/a	n/a
Closing NAV percentage of total fund NAV (%)	0.16	n/a	n/a
Number of shares	364,506	n/a	n/a
Highest share price (Swiss ¢)	1,240.65	n/a	n/a
Lowest share price (Swiss ¢)	972.68	n/a	n/a

US dollar Class 'A' Income share performance

The share class was launched on 8 August 2014.

for the year to 31 January Change in NAV per share	2018 US ¢	2017 US ¢	2016 US ¢
Opening NAV	2,164.13	1,637.16	2,167.75
Return before operating charges and after direct portfolio transaction costs	671.48	600.12	(479.94)
Operating charges	(47.85)	(40.84)	(40.64)
Return after operating charges	623.63	559.28	(520.58)
Distributions	(54.79)	(32.31)	(10.01)
Closing NAV	2,732.97	2,164.13	1,637.16
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	2.53	2.11	2.35
Dilution adjustments ^[a]	(1.84)	(1.14)	(1.24)
Total direct portfolio transaction costs	0.69	0.97	1.11
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.03	0.04	0.06
Operating charges	1.99	2.03	2.00
Return after operating charges	+28.82	+34.16	-24.01
Historic yield ^[c]	2.03	1.37	0.52
Effect on yield of charges offset against capital	1.90	1.90	0.00
Other information			
Closing NAV (\$'000)	1,556	937	381
Closing NAV percentage of total fund NAV (%)	0.05	0.04	0.02
Number of shares	56,946	43,303	23,265
Highest share price (US ¢)	2,832.24	2,217.86	2,368.97
Lowest share price (US ¢)	2,186.27	1,596.33	1,538.71

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Financial highlights

Specific share class performance

US dollar Class 'A' Accumulation share performance

The share class was launched on 5 February 2009.

for the year to 31 January Change in NAV per share	2018 US ¢	2017 US ¢	2016 US ¢
Opening NAV	2,222.27	1,655.73	2,179.04
Return before operating charges and after direct portfolio transaction costs	688.44	606.77	(482.27)
Operating charges	(49.11)	(40.23)	(41.04)
Return after operating charges	639.33	566.54	(523.31)
Distributions	(9.06)	(13.13)	(9.91)
Retained distributions	9.06	13.13	9.91
Closing NAV	2,861.60	2,222.27	1,655.73
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	2.60	2.08	2.38
Dilution adjustments ^[a]	(1.89)	(1.12)	(1.26)
Total direct portfolio transaction costs	0.71	0.96	1.12
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.03	0.04	0.06
Operating charges	1.99	2.02	2.00
Return after operating charges	+28.77	+34.22	-24.02
Historic yield	0.19	0.50	0.50
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	123,745	87,429	94,697
Closing NAV percentage of total fund NAV (%)	4.15	3.89	5.48
Number of shares	4,324,337	3,934,208	5,719,341
Highest share price (US ¢)	2,907.22	2,243.97	2,381.27
Lowest share price (US ¢)	2,244.14	1,612.60	1,546.67

US dollar Class 'C' Income share performance

The share class was launched on 8 August 2014.

for the year to 31 January Change in NAV per share	2018 US ¢	2017 US ¢	2016 US ¢
Opening NAV	2,282.40	1,716.00	2,277.08
Return before operating charges and after direct portfolio transaction costs	711.36	632.84	(508.70)
Operating charges	(25.32)	(21.49)	(21.39)
Return after operating charges	686.04	611.35	(530.09)
Distributions	(56.80)	(44.95)	(30.99)
Closing NAV	2,911.64	2,282.40	1,716.00
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	2.69	2.20	2.48
Dilution adjustments ^[a]	(1.96)	(1.19)	(1.31)
Total direct portfolio transaction costs	0.73	1.01	1.17
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.03	0.04	0.06
Operating charges	0.99	1.02	1.00
Return after operating charges	+30.06	+35.63	-23.28
Historic yield ^[c]	1.97	1.84	1.73
Effect on yield of charges offset against capital	0.90	0.90	0.00
Other information			
Closing NAV (\$'000)	4,919	4,132	1,837
Closing NAV percentage of total fund NAV (%)	0.17	0.18	0.11
Number of shares	168,941	181,060	107,075
Highest share price (US ¢)	3,015.17	2,349.80	2,493.47
Lowest share price (US ¢)	2,307.14	1,674.15	1,631.57

US dollar Class 'C' Accumulation share performance

The share class was launched on 5 February 2009.

for the year to 31 January Change in NAV per share	2018 US ¢	2017 US ¢	2016 US ¢
Opening NAV	2,406.57	1,775.07	2,312.82
Return before operating charges and after direct portfolio transaction costs	750.11	653.42	(515.96)
Operating charges	(26.79)	(21.92)	(21.79)
Return after operating charges	723.32	631.50	(537.75)
Distributions	(36.30)	(35.90)	(32.44)
Retained distributions	36.30	35.90	32.44
Closing NAV	3,129.89	2,406.57	1,775.07
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	2.84	2.25	2.53
Dilution adjustments ^[a]	(2.07)	(1.22)	(1.34)
Total direct portfolio transaction costs	0.77	1.03	1.19
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.03	0.04	0.06
Operating charges	0.99	1.02	1.00
Return after operating charges	+30.06	+35.58	-23.25
Historic yield	1.11	1.38	1.76
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	684,747	426,357	356,770
Closing NAV percentage of total fund NAV (%)	22.98	18.95	20.66
Number of shares	21,877,655	17,716,425	20,098,907
Highest share price (US ¢)	3,179.30	2,429.76	2,533.53
Lowest share price (US ¢)	2,430.32	1,729.49	1,657.79

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

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

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

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Financial statements

Statement of total return

for the year to 31 January	Note	2018		2017	
		\$'000	\$'000	\$'000	\$'000
Income					
Net capital gains / (losses)	3		673,680		551,841
Revenue	5	69,853		60,255	
Expenses	6	(33,749)		(26,375)	
Net revenue / (expense) before taxation		36,104		33,880	
Taxation	7	(6,642)		(5,601)	
Net revenue / (expense) after taxation			29,462		28,279
Total return before distributions			703,142		580,120
Distributions	8		(33,133)		(30,037)
Change in net assets attributable to shareholders from investment activities			670,009		550,083

Statement of change in net assets attributable to shareholders

for the year to 31 January	2018		2017	
	\$'000	\$'000	\$'000	\$'000
Opening net assets attributable to shareholders		2,250,229		1,726,589
Amounts received on issue of shares	841,919		545,280	
Amounts paid on cancellation of shares	(810,742)		(598,733)	
		31,177		(53,453)
Dilution adjustments		3,275		2,248
Change in net assets attributable to shareholders from investment activities (see above)		670,009		550,083
Retained distributions on Accumulation shares		25,150		24,762
Closing net assets attributable to shareholders		2,979,840		2,250,229

Balance sheet

as at 31 January	Note	2018 \$'000	2017 \$'000
Assets			
Fixed assets			
Investments		2,985,411	2,219,218
Current assets			
Debtors	9	53,390	24,500
Cash and bank balances	10	22,023	14,659
Total assets		3,060,824	2,258,377
Liabilities			
Investment liabilities		(12)	0
Creditors			
Bank overdrafts		(37,550)	0
Distribution payable		(6,814)	(5,089)
Other creditors	11	(36,608)	(3,059)
Total liabilities		(80,984)	(8,148)
Net assets attributable to shareholders		2,979,840	2,250,229

Notes to the financial statements

1 Accounting policies

The financial statements have been prepared in accordance with the 'Summary of significant accounting policies' set out on pages 7 and 8.

2 Distribution policy

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

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

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

3 Net capital gains / (losses)

for the year to 31 January	2018 \$'000	2017 \$'000
Non-derivative securities	673,095	552,493
Derivative contracts	830	0
Currency gains / (losses)	(186)	(597)
Transaction charges	(59)	(55)
Net capital gains / (losses)	673,680	551,841

M&G Global Emerging Markets Fund

Financial statements and notes

Notes to the financial statements

4 Portfolio transactions and associated costs

The following tables show portfolio transactions and their associated transaction costs. For more information about the nature of the costs please see the section on 'Operating charges and portfolio transaction costs' on page 66.

for the year to 31 January	2018 \$'000	% of transaction	2017 \$'000	% of transaction
a) Purchases				
Equities				
Equities before transaction costs	852,624		520,747	
Commissions	562	0.07	696	0.13
Taxes	610	0.07	374	0.07
Equities after transaction costs	853,796		521,817	
Other transaction types				
Corporate actions	10,471		8,715	
Total purchases after transaction costs	864,267		530,532	
b) Sales				
Equities				
Equities before transaction costs	790,279		572,396	
Commissions	(642)	0.08	(659)	0.12
Taxes	(1,014)	0.12	(413)	0.07
Equities after transaction costs	788,623		571,324	
Other transaction types				
Corporate actions	42,695		0	
Total sales after transaction costs	831,318		571,324	
c) Direct portfolio transaction costs				
	2018 \$'000	% of average NAV	2017 \$'000	% of average NAV
Commissions paid				
Equities	1,204	0.05	1,355	0.06
Taxes paid				
Equities	1,624	0.06	787	0.04
Total direct portfolio transaction costs [a]	2,828	0.11	2,142	0.10
d) Indirect portfolio transaction costs				
Portfolio dealing spread [b]		0.17		0.25

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

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

5 Revenue

for the year to 31 January	2018 \$'000	2017 \$'000
Bank interest	1	3
Dividends from equity investments: non-taxable	61,231	50,488
Dividends from equity investments: taxable	8,034	9,574
Interest distributions	519	190
Share class hedging revenue	3	0
Underwriting commission	65	0
Total revenue	69,853	60,255

6 Expenses

for the year to 31 January	2018 \$'000	2017 \$'000
Payable to the ACD or associate		
Annual management charge	27,327	20,966
Administration charge	4,020	3,078
Share class hedging charge	1	0
	31,348	24,044
Payable to the Depository or associate		
Depository's charge (including VAT)	112	94
Other expenses		
Audit fee (including VAT)	14	11
Dividend charges	179	415
Interest payable	9	9
Safe custody charge	2,078	1,757
Tax fees (including VAT)	9	45
	2,289	2,237
Total expenses	33,749	26,375

7 Taxation

for the year to 31 January	2018 \$'000	2017 \$'000
a) Analysis of charge in the year		
Corporation tax	0	0
Withholding tax	6,642	5,550
Prior year adjustment	0	51
Deferred tax (note 7c)	0	0
Total taxation	6,642	5,601
b) Factors affecting taxation charge for the year		
Net revenue / (expense) before taxation	36,104	33,880
Corporation tax at 20%	7,221	6,776
Effects of:		
Dividends from equity investments: non-taxable	(12,246)	(10,097)
Current year expenses not utilised	5,537	3,490
Withholding tax	6,642	5,550
Withholding tax expensed	(189)	(165)
Prior year adjustment	0	51
Prior year adjustment to expenses not utilised	(323)	(4)
Total tax charge (note 7a)	6,642	5,601
c) Provision for deferred taxation		
Provision at the start of the year	0	0
Deferred tax in profit and loss account (note 7a)	0	0
Provision at the end of the year	0	0

The fund has not recognised a deferred tax asset of \$27,438,000 (2017: \$21,901,000) arising as a result of having excess management expenses. We do not expect this asset to be utilised in the foreseeable future.

8 Distributions

for the year to 31 January	2018		2017	
	Inc [a] \$'000	Acc [b] \$'000	Inc [a] \$'000	Acc [b] \$'000
Dividend distributions				
Final	6,814	25,150	5,089	24,762
Total net distributions		31,964		29,851
Income deducted on cancellation of shares		5,140		4,456
Income received on issue of shares		(3,971)		(4,270)
Distributions		33,133		30,037
Net revenue / (expense) per statement of total return				
		29,462		28,279
Expenses offset against capital				
		3,671		1,758
Distributions		33,133		30,037

[a] Distributions payable on Income shares.

[b] Retained distributions on Accumulation shares.

M&G Global Emerging Markets Fund

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9 Debtors

as at 31 January	2018 \$'000	2017 \$'000
Amounts receivable on issues of shares	11,372	15,318
Currency deals outstanding	12,850	0
Distributions receivable	54	1
Dividends receivable	8,367	7,891
Sales awaiting settlement	20,742	1,133
Withholding tax recoverable	5	157
Total debtors	53,390	24,500

10 Cash and bank balances

as at 31 January	2018 \$'000	2017 \$'000
Cash held as bank balances	22,023	14,659
Total cash and bank balances	22,023	14,659

11 Other creditors

as at 31 January	2018 \$'000	2017 \$'000
ACD's annual management charge payable	1,296	925
Administration charge payable	194	137
Amounts payable on cancellation of shares	5,023	1,441
Currency deals outstanding	12,894	0
Expenses payable	862	556
Purchases awaiting settlement	16,339	0
Total other creditors	36,608	3,059

12 Contingent assets, liabilities and outstanding commitments

There were no contingent assets, liabilities or outstanding commitments at the balance sheet date (2017: same).

13 Shares in issue

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

Share class	Opening 01.02.17	Movements Issued Cancelled	Closing 31.01.18
Euro			
Class 'A' Income	73,794	342,261 (26,579)	389,476
Class 'A' Accumulation	5,698,146	3,962,383 (4,408,633)	5,251,896
Class 'A-H' Accumulation	0	605,779 (100,105)	505,674
Class 'C' Income	296,002	84,321 (252,625)	127,698
Class 'C' Accumulation	15,254,166	7,793,718 (7,932,576)	15,115,308
Class 'C-H' Accumulation	0	322,927 (6,000)	316,927
Singapore dollar			
Class 'A' Income	500	0 0	500
Class 'A' Accumulation	27,088	69,604 (11,000)	85,692
Class 'C' Income	500	0 0	500
Class 'C' Accumulation	500	4,500 0	5,000
Sterling			
Class 'A' Income	35,425,606	623,756 (4,682,724)	31,366,638
Class 'A' Accumulation	104,963,849	11,571,218 (18,718,973)	97,816,094
Class 'I' Income	48,815,032	8,449,264 (7,833,274)	49,431,022
Class 'I' Accumulation	136,680,904	9,976,469 (17,462,854)	129,194,519
Class 'R' Income	284,407	235,115 (80,178)	439,344
Class 'R' Accumulation	253,659	660,300 (77,298)	836,661
Swiss franc			
Class 'A-H' Accumulation	0	161,992 (4,000)	157,992
Class 'C-H' Accumulation	0	425,970 (61,464)	364,506
US dollar			
Class 'A' Income	43,303	31,681 (18,038)	56,946
Class 'A' Accumulation	3,934,208	1,735,649 (1,345,520)	4,324,337
Class 'C' Income	181,060	83,160 (95,279)	168,941
Class 'C' Accumulation	17,716,425	10,509,914 (6,348,684)	21,877,655

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	1.75	n/a
Class 'A-H'	4.00	n/a	1.75	[a]
Class 'C'	1.25	n/a	0.75	n/a
Class 'C-H'	1.25	n/a	0.75	[a]
Singapore dollar				
Class 'A'	4.00	n/a	1.75	n/a
Class 'C'	1.25	n/a	0.75	n/a
Sterling				
Class 'A'	nil	n/a	1.50	n/a
Class 'I'	nil	n/a	0.75	n/a
Class 'R'	nil	n/a	1.00	n/a
Swiss franc				
Class 'A-H'	4.00	n/a	1.75	[a]
Class 'C-H'	1.25	n/a	0.75	[a]
US dollar				
Class 'A'	4.00	n/a	1.75	n/a
Class 'C'	1.25	n/a	0.75	n/a

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

M&G Global Emerging Markets 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.

At the balance sheet date, shareholders from within Prudential plc, of which M&G Securities Limited is a wholly owned subsidiary, have holdings totalling 16.34% (2017: 16.52%) of the fund's shares.

16 Events after the balance sheet date

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

17 Fair value analysis

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

Level 1: Unadjusted quoted price in an active market for an identical instrument

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

Level 2: Valuation technique using observable market data

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

Level 3: Valuation technique using unobservable inputs

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

as at 31 January	Assets	Liabilities	Assets	Liabilities
Basis of valuation	2018	2018	2017	2017
	\$'000	\$'000	\$'000	\$'000
Level 1	2,917,844	0	2,217,446	0
Level 2	61,826	(12)	1,772	0
Level 3	5,741	0	0	0
	2,985,411	(12)	2,219,218	0

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

18 Risk management policies

The general risk management policies for the fund are set out in note 3 to the financial statements on pages 8 to 10.

19 Market risk sensitivity

A five per cent increase in the value of the fund's investment portfolio would have the effect of increasing the return and net assets by \$146,180,000 (2017: \$110,961,000). A five per cent decrease would have an equal and opposite effect.

20 Currency risk sensitivity and exposure

A five per cent increase in the value of the fund's currency exposure would have the effect of increasing the return and net assets by \$148,992,000 (2017: \$112,511,000). A five per cent decrease would have an equal and opposite effect.

as at 31 January	2018	2017
	\$'000	\$'000
Currency exposure in respect of the fund		
Brazilian real	267,777	223,582
Canadian dollar	35,517	27,686
Egyptian pound	5,424	27,066
Euro	14,266	18,694
Hong Kong dollar	651,119	361,541
Indian rupee	73,045	96,513
Indonesian rupiah	31,476	17,038
Mexican peso	79,361	8,449
Philippine peso	5,436	36,548
Singapore dollar	36,387	19,380
Sterling	56,611	62,233
South African rand	299,817	153,161
South Korean won	458,426	404,081
Taiwan dollar	425,697	347,197
Thailand baht	0	16,355
Turkish lira	39,365	59,935
US dollar	493,467	370,770
Currency exposures in respect of share class hedging		
Swiss franc	6,649	0
Total	2,979,840	2,250,229

21 Exchange rate risk for hedged share classes

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

M&G Global Emerging Markets Fund

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22 Dividend distribution tables

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

Annual distribution period				
	Start	End	Xd	Payment
Final	01.02.17	31.01.18	01.02.18	31.03.18

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

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

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

Euro Class 'A' Income shares				
Ordinary distributions for the year to 31 January	Income 2018	Group 2 Equalisation 2018	Group 1 & 2 Distribution 2018	2017
Final	7.5181	48.0948	55.6129	39.9901

Euro Class 'A' Accumulation shares				
Ordinary distributions for the year to 31 January	Income 2018	Group 2 Equalisation 2018	Group 1 & 2 Distribution 2018	2017
Final	7.9077	1.1990	9.1067	14.8731

Euro Class 'A-H' Accumulation shares				
Ordinary distributions for the year to 31 January	Income 2018	Group 2 Equalisation 2018	Group 1 & 2 Distribution 2018	2017
Final	0.4534	3.5958	4.0492	n/a

Euro Class 'C' Income shares				
Ordinary distributions for the year to 31 January	Income 2018	Group 2 Equalisation 2018	Group 1 & 2 Distribution 2018	2017
Final	27.1633	32.6786	59.8419	53.5384

Euro Class 'C' Accumulation shares				
Ordinary distributions for the year to 31 January	Income 2018	Group 2 Equalisation 2018	Group 1 & 2 Distribution 2018	2017
Final	23.2018	14.5017	37.7035	42.9990

Euro Class 'C-H' Accumulation shares				
Ordinary distributions for the year to 31 January	Income 2018	Group 2 Equalisation 2018	Group 1 & 2 Distribution 2018	2017
Final	3.4234	10.4473	13.8707	n/a

Singapore dollar Class 'A' Income shares				
Ordinary distributions for the year to 31 January	Income 2018	Group 2 Equalisation 2018	Group 1 & 2 Distribution 2018	2017
Final	24.6420	0.0000	24.6420	16.3600

Singapore dollar Class 'A' Accumulation shares				
Ordinary distributions for the year to 31 January	Income 2018	Group 2 Equalisation 2018	Group 1 & 2 Distribution 2018	2017
Final	2.8693	1.1114	3.9807	6.4202

Singapore dollar Class 'C' Income shares				
Ordinary distributions for the year to 31 January	Income 2018	Group 2 Equalisation 2018	Group 1 & 2 Distribution 2018	2017
Final	24.8480	0.0000	24.8480	20.9480

Singapore dollar Class 'C' Accumulation shares				
Ordinary distributions for the year to 31 January	Income 2018	Group 2 Equalisation 2018	Group 1 & 2 Distribution 2018	2017
Final	3.0018	12.3070	15.3088	16.4100

Sterling Class 'A' Income shares				
Ordinary distributions for the year to 31 January	Income 2018	Group 2 Equalisation 2018	Group 1 & 2 Distribution 2018	2017
Final	5.4812	0.0000	5.4812	4.0883

Sterling Class 'A' Accumulation shares				
Ordinary distributions for the year to 31 January	Income 2018	Group 2 Equalisation 2018	Group 1 & 2 Distribution 2018	2017
Final	0.1776	1.3800	1.5576	2.1624

M&G Global Emerging Markets Fund

Financial statements and notes

Notes to the financial statements

22 Dividend distribution tables (continued)

Sterling Class 'I' Income shares

Ordinary distributions for the year to 31 January	Income 2018	Group 2 Equalisation 2018	Group 1 & 2 Distribution 2018	Group 1 & 2 Distribution 2017
Final	p 2.7137	p 2.8141	p 5.5278	p 4.8951

Sterling Class 'I' Accumulation shares

Ordinary distributions for the year to 31 January	Income 2018	Group 2 Equalisation 2018	Group 1 & 2 Distribution 2018	Group 1 & 2 Distribution 2017
Final	p 1.7683	p 1.9504	p 3.7187	p 4.1611

Sterling Class 'R' Income shares

Ordinary distributions for the year to 31 January	Income 2018	Group 2 Equalisation 2018	Group 1 & 2 Distribution 2018	Group 1 & 2 Distribution 2017
Final	p 1.1134	p 1.7174	p 2.8308	p 2.3840

Sterling Class 'R' Accumulation shares

Ordinary distributions for the year to 31 January	Income 2018	Group 2 Equalisation 2018	Group 1 & 2 Distribution 2018	Group 1 & 2 Distribution 2017
Final	p 0.1930	p 1.2837	p 1.4767	p 1.7312

Swiss franc Class 'A-H' Accumulation shares

Ordinary distributions for the year to 31 January	Income 2018	Group 2 Equalisation 2018	Group 1 & 2 Distribution 2018	Group 1 & 2 Distribution 2017
Final	¢ 0.0000	¢ 4.1656	¢ 4.1656	¢ n/a

Swiss franc Class 'C-H' Accumulation shares

Ordinary distributions for the year to 31 January	Income 2018	Group 2 Equalisation 2018	Group 1 & 2 Distribution 2018	Group 1 & 2 Distribution 2017
Final	¢ 7.0109	¢ 7.0641	¢ 14.0750	¢ n/a

US dollar Class 'A' Income shares

Ordinary distributions for the year to 31 January	Income 2018	Group 2 Equalisation 2018	Group 1 & 2 Distribution 2018	Group 1 & 2 Distribution 2017
Final	¢ 48.5446	¢ 6.2411	¢ 54.7857	¢ 32.3052

US dollar Class 'A' Accumulation shares

Ordinary distributions for the year to 31 January	Income 2018	Group 2 Equalisation 2018	Group 1 & 2 Distribution 2018	Group 1 & 2 Distribution 2017
Final	¢ 5.9578	¢ 3.1043	¢ 9.0621	¢ 13.1301

US dollar Class 'C' Income shares

Ordinary distributions for the year to 31 January	Income 2018	Group 2 Equalisation 2018	Group 1 & 2 Distribution 2018	Group 1 & 2 Distribution 2017
Final	¢ 20.3389	¢ 36.4649	¢ 56.8038	¢ 44.9503

US dollar Class 'C' Accumulation shares

Ordinary distributions for the year to 31 January	Income 2018	Group 2 Equalisation 2018	Group 1 & 2 Distribution 2018	Group 1 & 2 Distribution 2017
Final	¢ 20.5968	¢ 15.6982	¢ 36.2950	¢ 35.8959

M&G Global Floating Rate High Yield Fund

Authorised Corporate Director's Report

Investment objective

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

Investment policy

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

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

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

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

Investment approach

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

Risk profile

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

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

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

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

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



The above number:

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

Investment review

As at 1 February 2018, for the year ended 31 January 2018

Performance against objective

Between 1 February 2017 (the start of the review period) and 1 February 2018, the M&G Global Floating Rate High Yield Fund produced a positive total return (the combination of income and growth of capital) across all share classes*, thus meeting its objective of providing income** and capital growth.

* 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.

** The fund's distribution and distribution yield are as shown in the 'Specific share class performance' tables in the 'Financial highlights' section of this report. This fund provides a variable level of income.

Investment performance

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

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

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

The 12 months under review was mostly a positive period for high yield bond markets, with sentiment supported by a gradually improving economic backdrop and supportive actions from the world's central banks. Indeed, for the first time in many years, there was evidence of a synchronised upswing in global growth, with much of the improvement in economic data coming from outside the US.

M&G Global Floating Rate High Yield Fund

Authorised Corporate Director's Report

Investment review

Investment performance (continued)

The relatively steady returns produced by high yield FRNs were in contrast to the more mixed performance across other fixed income assets as the prospect of rising global interest rates and an end to current stimulus measures weighed on sentiment. In this respect, high yield FRNs benefited from their very low sensitivity to movements in interest rates.

All of the fund's different share classes delivered a positive total return during the period under review. This performance was driven by careful selection of individual bond issues, in particular, avoiding some of the more troubled names such as Italian bank Monte dei Paschi. The fund's modest exposure to the UK retail sector also proved helpful, with names such as House of Fraser and New Look suffering from a challenging trading environment. However, the fund's cautious allocation to the energy sector meant that it was unable to fully benefit from the positive performance seen in this area of the market.

Investment activities

It proved to be a relatively busy period for the primary high yield FRN market and we were able to participate in a diverse range of new deals at attractive levels, including issues from vending machine operator Selecta Group, frozen food business Picard, Spanish ferry operator Naviera, optician 3AB Optique and Italian high speed rail operator NTV. We view the steady level of new issuance over the past year as a positive development which should help to bring additional liquidity and diversification to the high yield FRN market.

In the secondary market, activity was mainly focused on topping up some of the fund's existing core positions, such as European telecom operators Matterhorn and Wind Tre, packaging company Ardagh Group, Dutch discount retail chain HEMA and Garfunkelux, the parent company of debt collection firms Lowell and GFKL.

In terms of sales, we closed the positions in digital education company TES Global and German fashion retailer Takko given some concerns over their operational performance and the likelihood of low recovery values in the event of restructuring. We also reduced the positions in cable operator Virgin Media, and Italian gaming company Sisal given the uncertainty over the potential headline risk of losing a lottery concession.

Elsewhere, we modestly increased the fund's allocation to asset-backed securities (ABS), a type of bond whose income is derived from a pool of underlying assets, such as commercial or residential mortgages. As well as being secured against an underlying basket of assets, ABS also pay a floating rate coupon, thus providing an element of protection against rising interest rates.

The fund remains relatively defensively positioned from a sector perspective, with a continued focus on businesses backed by high-quality assets and which should be able to perform well in a variety of economic conditions, such as healthcare providers, global packaging companies and cable operators. However, we are maintaining minimal exposure to companies that are more exposed to the economic cycle, such as energy companies and miners, where we believe valuations in general appear stretched following strong performance over the past couple of years.

Outlook

In the current environment where interest rates are low and many assets are generating a low prospective return, or yield, we think high yield FRNs continue to offer an attractive source of income. Despite recent market strength, we believe these assets remain fairly priced in the context of the current low default environment and against a backdrop of economic expansion. Moreover, we believe the fund's floating rate characteristics give it the ability to cope in an environment where markets start to price in the likelihood of higher global inflation and rising interest rates.

However, given where we are in the market cycle, we believe a cautious approach is warranted and we maintain our preference for defensive businesses offering stable cashflows and healthy balance sheets. With valuations in parts of the high yield market at relatively heightened levels, we also believe that careful individual bond selection and in-depth company analysis will become increasingly important to help identify the remaining pockets of value.

In our view, high yield investing is as much about avoiding the losers as picking the winners. On this basis, we remain cautiously positioned in the retail sector. UK fashion retailers in particular have been experiencing higher input costs as a result of the depreciation in sterling, coupled with signs of a slowdown in consumer spending. The sector is also facing longer term headwinds as shoppers increasingly move towards online spending and away from traditional bricks-and-mortar stores. While some of these businesses will be able to adapt, we continue to be very selective in this space.

James Tomlins
Fund manager

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

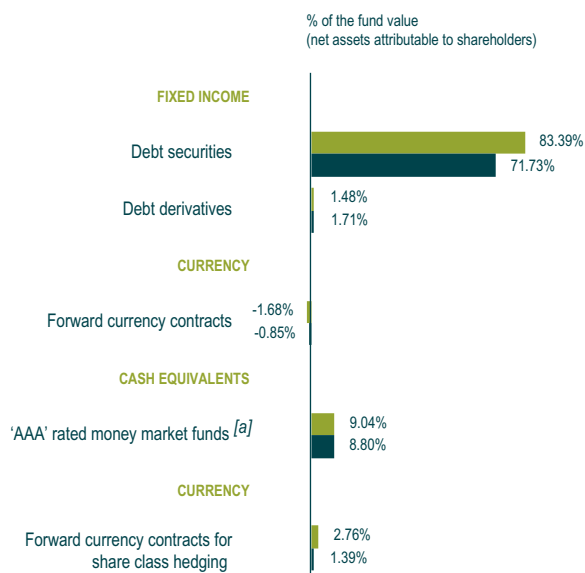
Please note that the views expressed in this Report should not be taken as a recommendation or advice on how the fund or any holding mentioned in the Report is likely to perform. If you wish to obtain financial advice as to whether an investment is suitable for your needs, you should consult a Financial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

M&G Global Floating Rate High Yield Fund

Authorised Corporate Director's Report

Investment review

Classification of investments



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

■ 31 January 2018
■ 31 January 2017

Source: M&G

Investments

Portfolio statement

as at 31 January Holding	2018 \$'000	2018 %	2017 %
FIXED INCOME	4,630,882	84.87	73.44
Debt securities	4,550,212	83.39	71.73
'AA' credit rated bonds	970,650	17.79	9.50
€8,279,000 Paragon Mortgages No.15 FRN 2039	9,412	0.17	
\$60,000,000 US Treasury FRN 2018 (30 Apr)	60,032	1.10	
\$125,000,000 US Treasury FRN 2018 (31 Jul)	125,118	2.29	
\$175,000,000 US Treasury FRN 2018 (31 Oct)	175,247	3.21	
\$350,000,000 US Treasury FRN 2019 (31 Jan)	350,561	6.43	
\$250,000,000 US Treasury FRN 2019 (30 Apr)	250,280	4.59	
'A' credit rated bonds	145,120	2.66	0.65
\$22,000,000 Bank of America FRN 2023 (20 Jan)	22,540	0.41	
\$10,000,000 Bank of America FRN 2023 (24 Apr)	10,198	0.19	
\$10,000,000 ING Groep FRN 2022	10,200	0.19	
\$15,000,000 JPMorgan Chase FRN 2023	15,443	0.28	
€14,191,020 Magellan Mortgages No.4 FRN 2059	17,203	0.32	
£3,780,799 Mitchells & Butlers Finance FRN 2030 GBP	5,008	0.09	
\$12,915,639 Mitchells & Butlers Finance FRN 2030 USD	11,914	0.22	
\$38,000,000 UBS Switzerland FRN 2023	38,714	0.71	
\$13,500,000 Wells Fargo & Company FRN 2023	13,900	0.25	
'BBB' credit rated bonds	249,011	4.56	5.00
€14,600,000 American International Group Var. Rate 2067 (1.399%)	17,547	0.32	
€6,102,000 ArcelorMittal FRN 2018	7,613	0.14	
\$9,000,000 Bank of America FRN 2026	8,666	0.16	
\$28,195,000 Barclays Bank 0% 2023	29,087	0.53	
\$10,950,000 Barclays Bank FRN 2021	11,471	0.21	
€1,000,000 Citigroup FRN 2019	1,246	0.02	
\$7,000,000 Citigroup FRN 2021	7,151	0.13	
\$29,000,000 Citigroup FRN 2023	29,952	0.55	
\$12,100,000 Citigroup FRN 2036	10,527	0.19	
€1,000,000 Commerzbank FRN 2018	1,248	0.02	
\$2,500,000 CoreStates Capital III FRN 2027	2,356	0.04	
\$12,000,000 Credit Suisse Group Funding FRN 2021	12,637	0.23	
\$38,000,000 HCA 4.5% 2027	37,732	0.69	
\$15,948,000 HCA 5.5% 2047	16,190	0.30	
€11,654,521 Lusitano Mortgages No.5 FRN 2059	14,073	0.26	
£334,000 Mitchells & Butlers Finance FRN 2033	419	0.01	
\$9,000,000 Morgan Stanley FRN 2024	9,243	0.17	
\$20,507,000 Royal Bank of Scotland FRN 2023	20,951	0.39	
\$2,500,000 Sabine Pass Liquefaction 5.625% 2021	2,667	0.05	
\$7,500,000 Sabine Pass Liquefaction 5.75% 2024	8,235	0.15	
'BB' credit rated bonds	1,174,910	21.53	21.89
\$5,000,000 ADT 3.5% 2022	4,857	0.09	
\$25,000,000 Altice US Finance I 5.375% 2023	25,619	0.47	
€32,500,000 AnaCap Financial FRN 2024	39,103	0.72	
€25,000,000 Ardagh Packaging Finance 2.75% 2024	31,993	0.59	
€10,000,000 Ardagh Packaging Finance 4.125% 2023	13,167	0.24	
\$36,000,000 Ardagh Packaging Finance 4.625% 2023	36,365	0.67	
€5,000,000 Arena Luxembourg Finance 2.875% 2024	6,394	0.12	
€12,500,000 Arena Luxembourg Finance FRN 2023	15,701	0.29	
€23,000,000 Arrow Global Finance FRN 2023	29,268	0.54	
€40,000,000 Arrow Global Finance FRN 2025	49,115	0.90	

M&G Global Floating Rate High Yield Fund

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Investments

Portfolio statement (continued)			
as at 31 January Holding	2018 \$'000	2018 %	2017 %
'BB' credit rated bonds (continued)			
\$15,000,000 Cable Communications Systems 5.0% 2023	15,754	0.29	
\$10,000,000 Cemex Finance 6% 2024	10,526	0.19	
\$27,400,000 Cemex FRN 2018	27,991	0.51	
\$5,000,000 Credit Suisse Var. Rate Perp. (7.125%)	5,440	0.10	
\$2,000,000 CSC Holdings (formerly Neptune Finco) 6.625% 2025	2,137	0.04	
€3,000,000 Cable Communications Systems 5% 2023	3,983	0.07	
€20,000,000 Drax Finco FRN 2022	28,706	0.52	
\$53,746,000 Energy Transfer FRN 2066	48,103	0.88	
\$3,000,000 Fiat Chrysler Automobiles 4.5% 2020	3,073	0.06	
€41,500,000 HT1 Funding Var. Rate Perp. (6.352%)	51,032	0.93	
€14,000,000 Ineos Finance 4% 2023	17,860	0.33	
€30,000,000 Intrum Justitia FRN 2022	37,395	0.68	
\$13,161,000 Liberty Mutual Group FRN 2067	12,927	0.24	
€24,905,000 Naviera Armas FRN 2023	32,892	0.60	
€28,630,000 Naviera Armas FRN 2024	36,293	0.67	
€16,000,000 Nomad Foods 3.25% 2024	20,432	0.37	
\$3,000,000 Owens Brockway 5% 2022	3,131	0.06	
€2,000,000 ProGroup 5.125% 2022	2,574	0.05	
€15,000,000 Progroup FRN 2024	18,804	0.34	
€7,500,000 Quintiles IMS 3.25% 2025	9,523	0.17	
€8,000,000 Smurfit Kappa Acquisitions 2.375% 2024	10,391	0.19	
€24,750,000 Smurfit Kappa Acquisitions FRN 2020	32,970	0.60	
£837,000 Spirit Issuer FRN 2031	1,159	0.02	
\$29,200,000 Standard Chartered Var. Rate Perp. (6.409%)	27,972	0.51	
€27,000,000 Telenet Finance VI 4.875% 2027	36,401	0.67	
\$52,670,000 Tenet Healthcare 4.625% 2024	51,722	0.95	
\$10,000,000 Tenet Healthcare 4.75% 2020	10,216	0.19	
€15,000,000 Unitymedia Hessen 3.5% 2027	19,402	0.36	
€40,000,000 Unitymedia Hessen 4% 2025	52,594	0.96	
\$9,000,000 Unitymedia Hessen 5% 2025	9,231	0.17	
\$14,500,000 Virgin Media Secured Finance 5.25% 2026	14,616	0.27	
€168,000,000 Wind Tre FRN 2024	198,782	3.64	
€45,000,000 Ziggo Secured Finance 1.25% 2027	57,636	1.06	
€5,215,000 Ziggo Secured Finance 3.75% 2025	6,692	0.12	
\$5,000,000 Ziggo Secured Finance 5.5% 2027	4,968	0.09	
	1,887,792	34.60	32.85
'B' credit rated bonds			
€17,500,000 3AB Optique Developpement FRN 2023	22,068	0.40	
€34,000,000 Autodis FRN 2022	42,758	0.78	
\$3,000,000 Bombardier 8.75% 2021	3,340	0.06	
€28,000,000 Bormioli Pharma Bidco FRN 2024	35,270	0.65	
€25,000,000 Burger King France 6% 2024	33,444	0.61	
€26,581,000 Burger King France FRN 2023	33,813	0.62	
£15,000,000 Cabot Financial Luxembourg 7.5% 2023	22,226	0.41	
€30,350,000 Cabot Financial Luxembourg FRN 2021	38,558	0.71	
€32,100,000 Carlson Travel FRN 2023	38,719	0.71	
\$28,502,000 Chesapeake Energy 8% 2022	30,575	0.56	
\$3,000,000 Crown Americas 4.5% 2023	3,073	0.06	
€30,000,000 Federal-Mogul FRN 2024	37,523	0.69	

Portfolio statement (continued)

as at 31 January Holding	2018 \$'000	2018 %	2017 %
'B' credit rated bonds (continued)			
\$28,997,000 FTS International FRN 2020	29,432	0.54	
£17,500,000 Galaxy Bidco FRN 2019	24,596	0.45	
£37,000,000 Garfunkelux Holdco 3 8.5% 2022	54,565	1.00	
€20,000,000 Garfunkelux Holdco 3 FRN 2023 (2 Sep)	23,934	0.44	
€41,500,000 Garfunkelux Holdco 3 FRN 2023 (13 Sep)	48,845	0.90	
€50,997,000 Guala Closures FRN 2021	63,635	1.17	
€19,000,000 HEMA Bondco FRN 2022	24,216	0.44	
€30,000,000 Iceland Bondco 4.625% 2025	40,115	0.73	
£8,000,000 Iceland Bondco 6.75% 2024	11,893	0.22	
£7,904,180 Iceland Bondco FRN 2020	11,110	0.20	
£2,370,000 IDH Finance FRN 2022	3,064	0.06	
€17,500,000 Infopro Digital FRN 2022	22,122	0.41	
€21,765,000 Lecta FRN 2022	27,239	0.50	
€27,500,000 Limacorporate FRN 2023	34,851	0.64	
€25,000,000 Marcolin FRN 2023	31,256	0.57	
€32,500,000 Masaria Investments Var. Rate 2024 (4.922%)	40,403	0.74	
€90,500,000 Matterhorn Telecom 3.875% 2022	114,555	2.10	
€40,000,000 Matterhorn Telecom 4% 2027	48,096	0.88	
€7,428,569 Matterhorn Telecom FRN 2023	9,262	0.17	
€19,150,000 Mercury Bondco FRN 2021	23,976	0.44	
€13,730,000 Montichem Holdco FRN 2021	16,932	0.31	
£15,000,000 Newday Bondco FRN 2023	19,174	0.35	
€19,664,000 Novafives FRN 2020	24,494	0.45	
€119,000,000 Picard Groupe FRN 2023	147,914	2.71	
£20,496,000 Premier Foods Finance FRN 2022	29,334	0.54	
\$5,000,000 Reynolds Group 5.125% 2023	5,143	0.09	
\$65,899,324 Reynolds Group 5.75% 2020	66,885	1.23	
\$75,000,000 Reynolds Group FRN 2021	76,031	1.39	
€16,000,000 Royal Bank of Scotland Group FRN Perp.	19,865	0.36	
€32,370,000 Selecta Group FRN 2024	39,844	0.73	
€15,000,000 SFR Group (formerly Numericable Group) 5.625% 2024	18,998	0.35	
\$5,000,000 SFR Group (formerly Numericable Group) 6% 2022	4,898	0.09	
\$18,000,000 SFR Group (formerly Numericable Group) 6.25% 2024	17,184	0.30	
\$10,000,000 SFR Group (formerly Numericable-SFR) 7.375% 2026	9,824	0.18	
€26,842,000 Sisal Group FRN 2022	33,794	0.62	
€20,364,000 Snaitech (formerly SNAI) FRN 2021	25,743	0.47	
€20,000,000 Stonegate Pub Company 4.875% 2022	28,431	0.52	
€19,000,000 Stonegate Pub Company FRN 2022	26,940	0.49	
€90,938,000 Synlab Bondco FRN 2022	114,367	2.10	
£12,350,000 TVL Finance FRN 2023	17,401	0.32	
€10,000,000 United Group 4.875% 2024	12,842	0.24	
€45,000,000 United Group FRN 2023	56,563	1.04	
€12,500,000 Valeant Pharmaceuticals International (formerly VRX Escrow) 4.5% 2023	13,915	0.25	
\$5,000,000 Veritas 7.5% 2023	5,213	0.10	
£4,000,000 Vue International Bidco 7.875% 2020	5,776	0.11	
€4,900,000 Vue International Bidco FRN 2020	6,130	0.11	
€10,000,000 Ziggo Bond 7.125% 2024	13,647	0.25	
\$2,000,000 Ziggo Bond Finance 5.875% 2025	1,978	0.04	
	70,850	1.30	0.31
'CCC' credit rated bonds			
\$9,675,000 Chesapeake Energy FRN 2019	9,628	0.18	
€6,158,000 Galapagos FRN 2021	7,391	0.14	
£17,500,000 House of Fraser Funding FRN 2020	19,843	0.36	
€29,900,000 New Look FRN 2022	16,464	0.30	
SEK136,890,000 Verisure Holdings FRN 2023	17,524	0.32	

M&G Global Floating Rate High Yield Fund

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Investments

Portfolio statement (continued)			
as at 31 January Holding	2018 \$'000	2018 %	2017 %
Bonds with no credit rating	51,879	0.95	1.53
£11,598,000 Ardonagh Midco 3 (formerly KIRS Midco 3) 8.375% 2023	16,719	0.31	
€2,778,000 Avoca CLO XIII DAC FRN 2030	3,496	0.06	
£22,657,000 Care UK Health FRN 2019	31,664	0.58	
Debt derivatives	80,670	1.48	1.71
Credit default swaps	91,736	1.68	1.81
€(3,000,000) Iceland Bondco Dec 2021	323	0.00	
€(25,000,000) Iceland Bondco Jun 2022	2,496	0.03	
\$(762,550,000) Markit CDX North American High Yield Series 25 5 Year Dec 2020	49,725	0.92	
\$(216,480,000) Markit CDX North American High Yield Series 26 5 Year Jun 2021	17,446	0.33	
\$(24,500,000) Markit CDX North American Investment Grade Series 26 5 Year Jun 2021	1,984	0.03	
€(11,679,960) Markit iTraxx Europe Xover Series 23 5 Year Dec 2020	1,382	0.02	
€(7,000,000) Markit iTraxx Europe Xover Series 25 5 Year Jun 2021	939	0.02	
€(52,000,000) Markit iTraxx Europe Xover Series 26 5 Year Dec 2021	7,498	0.13	
€(5,000,000) Selecta Group Dec 2021	388	0.01	
€(13,500,000) Stonegate Pub Financing Dec 2021	1,964	0.02	
€(10,000,000) Stonegate Pub Financing Jun 2022	1,486	0.03	
€(2,500,000) Vougeot Bidco Jun 2020	267	0.00	
€(25,000,000) Vue International Bidco Dec 2021	3,266	0.08	
€(20,000,000) Vue International Bidco Jun 2022	2,572	0.06	
Asset swaps	(11,066)	(0.20)	(0.10)
\$2,000,000 ADT Pay 3.5% Receive VAR Jul 2022	110	0.00	
\$20,000,000 Alice US Finance Pay 5.375% Receive VAR Jul 2023	(262)	0.00	
€20,000,000 Ardagh Packaging Finance Pay 2.75% Receive VAR Mar 2024	(159)	(0.01)	
€10,000,000 Ardagh Packaging Finance Pay 4.125% Receive VAR May 2023	(592)	(0.01)	
\$31,000,000 Ardagh Packaging Finance Pay 4.625% Receive VAR May 2023	311	0.00	
\$5,000,000 Ardagh Packaging Finance Pay 4.875% Receive VAR May 2027	64	0.00	
€5,000,000 Arena Luxembourg 2.875% Receive VAR Nov 2024	65	0.01	
\$1,000,000 BACR Pay 8.25% Receive VAR Dec 2018	6	0.00	
\$3,000,000 Bombardier Pay 8.75% Receive VAR Dec 2021	77	0.01	
€25,000,000 Burger King France Pay 6% Receive VAR May 2024	(1,949)	(0.03)	
£15,000,000 Cabot Financial Pay 7.5% Receive VAR Oct 2023	(1,296)	(0.02)	
€3,000,000 CBLCSY Pay 5% Receive VAR Oct 2023	47	(0.01)	
\$5,000,000 Cemex Finance Pay 5.7% Receive VAR Jan 2025	(181)	0.00	
\$10,000,000 Cemex Finance Pay 5.75% Receive VAR Jan 2025	208	0.01	
\$10,000,000 Cemex Finance Pay 6% Receive VAR Apr 2024	(209)	0.00	
\$30,000,000 Chesapeake Energy Pay 8% Receive VAR Dec 2022	(835)	0.00	
€10,000,000 Credit Suisse Pay 7.125% Receive VAR Perpetual	(177)	0.00	
\$1,500,000 Crown American Capital Pay 4.5% Receive VAR Jan 2023	19	0.00	

Portfolio statement (continued)

as at 31 January Holding	2018 \$'000	2018 %	2017 %
Asset swaps (continued)			
\$1,500,000 Crown Holdings Pay 4.5% Receive VAR Jan 2023	34	0.00	
\$2,000,000 CVC Pay 6.625% Receive VAR Oct 2025	(53)	0.00	
\$3,000,000 Fiat Chrysler Automobiles Pay 4.5% Receive VAR Apr 2020	51	0.00	
£33,000,000 Garfunkelux Pay 8.5% Receive VAR Nov 2022	(2,328)	(0.06)	
£2,000,000 GFKL Financial Services Pay 8.5% Receive VAR Nov 2020	(29)	(0.01)	
\$43,000,000 HCA Pay 4.5% Receive VAR Feb 2027	2,037	0.04	
\$16,000,000 HCA Pay 5.5% Receive VAR Jun 2047	1,272	0.03	
£25,000,000 Iceland Bondco Pay 4.625% Receive VAR Mar 2025	632	0.01	
£8,000,000 Iceland Bondco Pay 6.75% Receive VAR Jul 2024	(773)	(0.02)	
€1,500,000 INEOS Pay 4% Receive VAR May 2020	(21)	0.00	
€12,500,000 INEOS Pay 4% Receive VAR May 2023	(340)	(0.01)	
€20,000,000 Matterhorn Telecom Pay 3.875% Receive VAR May 2022	(88)	0.00	
€40,000,000 Matterhorn Telecom Pay 4% Receive VAR Nov 2027	1,107	0.02	
€13,000,000 Nomad Foods Pay 3.25% Receive VAR May 2024	83	0.00	
\$3,000,000 Oi Pay 5% Receive VAR Jan 2022	42	0.00	
\$5,000,000 Pay 5.375% Receive VAR Jul 2021	(90)	0.00	
€2,000,000 ProGRP Pay 5.125% Receive VAR May 2020	(61)	0.00	
€7,500,000 Quintiles Pay 3.25% Receive VAR Mar 2025	100	0.00	
\$5,000,000 Reynolds Pay 5.25% Receive VAR Jul 2023	(34)	0.00	
\$7,500,000 Sabine Pass Liquef Pay 5.75% Receive VAR Feb 2024	(430)	(0.02)	
€5,000,000 SFR Group Pay 5.625% VAR May 2024	(313)	0.00	
\$5,000,000 SFR Group Pay 6% VAR May 2020	(66)	0.00	
\$18,000,000 SFR Group Pay 6.25% VAR May 2024	(194)	0.00	
\$10,000,000 SFR Group Pay 7.375% VAR May 2026	(5)	0.00	
€8,000,000 Smurfit Kappa Pay 2.375% Receive VAR Feb 2024	112	0.00	
\$1,000,000 Société Générale Pay 8.25% Receive VAR Nov 2018	(3)	0.00	
€20,000,000 Stonegate Pub Pay 4.875% Receive VAR Mar 2022	(233)	0.00	
€22,000,000 Telenet Finance Pay 4.875% Receive VAR Jul 2027	(1,522)	(0.04)	
€5,000,000 Telnat Finance Pay 4.875% Receive VAR Jul 2027	(396)	(0.01)	
\$5,000,000 THC Escrow Pay 4.625% VAR Apr 2024	134	0.00	
€10,000,000 United Group Pay 4.875% Receive VAR Jul 2024	(95)	0.00	
€10,000,000 Unity Media Kabelbw gmbh Pay 4% Receive VAR Jan 2025	(514)	(0.02)	
€5,000,000 Unity Pay 3.5% Receive VAR Jan 2027	28	0.00	
€25,000,000 Unity Pay 4% Receive VAR Jan 2025	(1,697)	(0.03)	
\$5,000,000 Unity Pay 5% Receive VAR Jan 2023	(43)	0.00	
\$4,000,000 Unity Pay 5% Receive VAR Jan 2025	117	0.00	
\$5,000,000 Veritas Pay 7.5% Receive VAR Feb 2023	262	0.01	
\$14,500,000 Virgin Media Pay 5.25% Receive VAR Jan 2026	378	0.01	
€2,000,000 Ziggo Pay 3.75% Receive VAR Jan 2023	(26)	0.00	
€4,000,000 Ziggo Pay 3.75% Receive VAR Jan 2025	(10)	0.00	
€45,000,000 Ziggo Pay 4.25% Receive VAR Jan 2027	(2,348)	(0.03)	

M&G Global Floating Rate High Yield Fund

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Investments

Portfolio statement (continued)			
as at 31 January	2018	2018	2017
Holding	\$'000	%	%
Asset swaps (continued)			
\$5,000,000 Ziggo Pay 5.5% Receive VAR Jan 2027	187	0.01	
\$2,000,000 Ziggo Pay 5.875% Receive VAR Jan 2025	105	0.00	
€10,000,000 Ziggo Pay 7.125% Receive VAR May 2024	(1,282)	(0.03)	
	(92,032)	(1.68)	(0.85)
CURRENCY			
Forward currency contracts			
€(1,795,917,635) Sold for \$2,163,182,791 (expires 07.02.18)	(74,247)	(1.36)	
£19,200,696 Bought for \$26,715,333 (expires 07.02.18)	479	0.01	
£(302,432,679) Sold for \$410,816,136 (expires 07.02.18)	(17,539)	(0.32)	
SEK(137,700,283) Sold for \$16,849,265 (expires 07.02.18)	(725)	(0.01)	
Portfolio of investments	4,538,850	83.19	72.59
CASH EQUIVALENTS			
	493,073	9.04	8.80
'AAA' rated money market funds [a]			
493,072,011 Northern Trust Global Fund - US dollar	493,073	9.04	
CURRENCY			
Forward currency contracts for share class hedging			
€2,755,325,276 Bought for \$3,320,050,065 (expires 07.02.18)	112,651	2.06	
€(76,469,922) Sold for \$93,131,812 (expires 07.02.18)	(2,138)	(0.04)	
£580,674,166 Bought for \$788,672,854 (expires 07.02.18)	33,773	0.62	
£(27,002,208) Sold for \$37,522,762 (expires 07.02.18)	(722)	(0.01)	
SGD55,185,270 Bought for \$41,523,946 (expires 07.02.18)	672	0.01	
SGD(1,759,243) Sold for \$1,331,201 (expires 07.02.18)	(14)	0.00	
CHF148,915,971 Bought for \$152,973,648 (expires 07.02.18)	6,713	0.12	
CHF(6,793,727) Sold for \$7,057,898 (expires 07.02.18)	(227)	0.00	
Total portfolio (notes 2c & 2d on page 7)	5,182,631	94.99	82.78
Net other assets / (liabilities)	273,615	5.01	17.22
Net assets attributable to shareholders	5,456,246	100.00	100.00

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

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

M&G Global Floating Rate High Yield Fund

Financial highlights

Fund performance

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

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

We show performance for these two share classes because:

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

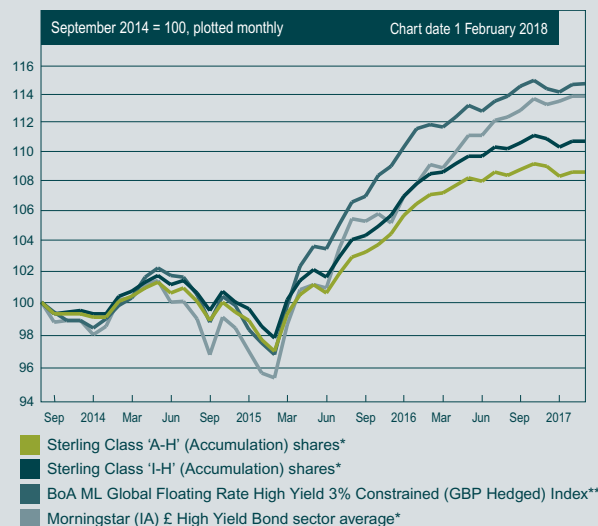
The fund is available for investment in different share classes, each with varying levels of charges and minimum investments; please refer to the Prospectus for M&G Investment Funds (7), which is available free of charge either from our website at www.mandg.co.uk/prospectuses or by calling M&G Customer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

Fund level performance

Fund net asset value			
as at 31 January	2018 \$'000	2017 \$'000	2016 \$'000
Fund net asset value (NAV)	5,456,246	2,160,036	754,845

Performance since launch

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



* Income reinvested

** Past performance shown from 11 September 2014 to 31 March 2016 is the ICE BofAML Global Floating Rate High Yield (GBP Hedged) Index. Past performance shown from 1 April 2016 to 1 February 2018 is the ICE BofAML Global Floating Rate High Yield 3% Constrained (GBP Hedged) Index.

Source: Morningstar, Inc. and M&G

M&G Global Floating Rate High Yield Fund

Financial highlights

Fund performance

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

Long-term performance by share class				
	One year 01.02.17 % ^[a]	Three years 02.02.15 % p.a.	Five years 01.02.13 % p.a.	Since launch % p.a.
Euro^[b]				
Class 'A-H'	+1.2	+2.6	n/a	+2.0 ^[c]
Class 'B-H'	+0.6	n/a	n/a	+2.3 ^[d]
Class 'C-H'	+1.8	+3.2	n/a	+2.6 ^[c]
Singapore dollar^[b]				
Class 'A-H'	+2.7	+4.2	n/a	+4.1 ^[e]
Class 'A-H M'	+2.7	n/a	n/a	+4.9 ^[f]
Class 'C-H M'	+3.4	n/a	n/a	+5.5 ^[f]
Sterling^[g]				
Class 'A-H'	+2.0	+3.1	n/a	+2.4 ^[c]
Class 'E-H'	+2.9	+3.9	n/a	+3.3 ^[c]
Class 'I-H'	+2.6	+3.7	n/a	+3.0 ^[c]
Class 'R-H'	+2.3	+3.4	n/a	+2.7 ^[c]
Swiss franc^[b]				
Class 'A-H'	+0.7	+2.0	n/a	+1.5 ^[c]
Class 'C-H'	+1.3	+2.6	n/a	+2.1 ^[c]
US dollar^[b]				
Class 'A'	+3.3	+4.0	n/a	+3.3 ^[c]
Class 'A M'	+3.3	n/a	n/a	+4.8 ^[f]
Class 'C'	+3.9	+4.6	n/a	+3.9 ^[c]
Class 'C M'	+3.9	n/a	n/a	+5.5 ^[f]

[a] Absolute basis.

[b] Price to price with gross income reinvested.

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

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

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

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

[g] Price to price with income reinvested.

Operating charges and portfolio transaction costs

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

Operating charges

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

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

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

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

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

M&G Global Floating Rate High Yield Fund

Financial highlights

Fund performance

Operating charges and portfolio transaction costs

Portfolio transaction costs

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

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

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

To protect existing investors, portfolio transaction costs incurred as a result of investors buying and selling shares in the fund are recovered from those investors through a 'dilution adjustment' to the price they pay or receive. As the fund invests wholly in fixed interest securities, no direct portfolio transaction costs are applicable. To give an indication of the indirect portfolio dealing costs the table below shows the average portfolio dealing spread.

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

Portfolio transaction costs				
as at 31 January	2018	2017	2016	Average ^[a]
Indirect portfolio transaction costs	%	%	%	%
Average portfolio dealing spread	0.51	0.66	0.92	0.70

^[a] Average of first three columns.

Specific share class performance

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

Euro Class 'A-H' Income share performance

The share class was launched on 11 September 2014.

for the year to 31 January	2018	2017	2016
Change in NAV per share	Euro ¢	Euro ¢	Euro ¢
Opening NAV	974.87	930.76	971.45
Return before operating charges and after direct portfolio transaction costs	30.74	93.98	(1.03)
Operating charges	(14.16)	(13.85)	(13.73)
Return after operating charges	16.58	80.13	(14.76)
Distributions	(40.59)	(36.02)	(25.93)
Closing NAV	950.86	974.87	930.76

Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.00

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges	1.43	1.45	1.42
Return after operating charges	+1.70	+8.61	-1.52
Distribution yield ^[c]	4.10	4.14	2.99
Effect on yield of charges offset against capital	1.42	1.42	0.00

Other information			
Closing NAV (\$'000)	348,615	99,028	14,841
Closing NAV percentage of total fund NAV (%)	6.39	4.59	1.97
Number of shares	29,437,700	9,448,121	1,460,598
Highest share price (Euro ¢)	989.60	992.01	996.84
Lowest share price (Euro ¢)	959.35	923.39	934.79

M&G Global Floating Rate High Yield Fund

Financial highlights

Specific share class performance

Euro Class 'A-H' Accumulation share performance

The share class was launched on 11 September 2014.

for the year to 31 January Change in NAV per share	2018 Euro ¢	2017 Euro ¢	2016 Euro ¢
Opening NAV	1,052.67	968.33	983.16
Return before operating charges and after direct portfolio transaction costs	33.67	99.03	(0.77)
Operating charges	(15.51)	(14.69)	(14.06)
Return after operating charges	18.16	84.34	(14.83)
Distributions	(29.38)	(30.48)	(26.51)
Retained distributions	29.38	30.48	26.51
Closing NAV	1,070.83	1,052.67	968.33
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges	1.43	1.45	1.42
Return after operating charges	+1.73	+8.71	-1.51
Distribution yield	2.71	2.74	2.98
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	1,715,358	585,633	75,957
Closing NAV percentage of total fund NAV (%)	31.44	27.11	10.06
Number of shares	128,620,587	51,744,585	7,185,200
Highest share price (Euro ¢)	1,080.71	1,059.45	1,012.46
Lowest share price (Euro ¢)	1,058.51	960.04	964.99

Euro Class 'B-H' Income share performance

The share class was launched on 11 September 2015.

for the year to 31 January Change in NAV per share	2018 Euro ¢	2017 Euro ¢	2016 Euro ¢
Opening NAV	994.48	952.41	1,000.00
Return before operating charges and after direct portfolio transaction costs	31.74	95.64	(27.37)
Operating charges	(19.51)	(19.11)	(7.17)
Return after operating charges	12.23	76.53	(34.54)
Distributions	(41.32)	(34.46)	(13.05)
Closing NAV	965.39	994.48	952.41
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges	1.93	1.97	1.86*
Return after operating charges	+1.23	+8.04	-3.45
Distribution yield ^[c]	4.11	4.14	2.49
Effect on yield of charges offset against capital	1.92	1.92	0.00
Other information			
Closing NAV (\$'000)	52,998	8,944	409
Closing NAV percentage of total fund NAV (%)	0.97	0.41	0.05
Number of shares	4,407,914	836,515	39,302
Highest share price (Euro ¢)	1,008.40	1,012.02	1,000.00
Lowest share price (Euro ¢)	974.46	944.87	955.38

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

Euro Class 'B-H' Accumulation share performance

The share class was launched on 11 September 2015.

for the year to 31 January Change in NAV per share	2018 Euro ¢	2017 Euro ¢	2016 Euro ¢
Opening NAV	1,043.92	965.30	1,000.00
Return before operating charges and after direct portfolio transaction costs	33.39	98.49	(27.50)
Operating charges	(20.82)	(19.87)	(7.20)
Return after operating charges	12.57	78.62	(34.70)
Distributions	(23.77)	(25.27)	(13.12)
Retained distributions	23.77	25.27	13.12
Closing NAV	1,056.49	1,043.92	965.30
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges	1.93	1.98*	1.86**
Return after operating charges	+1.20	+8.14	-3.47
Distribution yield	2.21	2.26	2.48
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	118,135	22,795	934
Closing NAV percentage of total fund NAV (%)	2.16	1.06	0.12
Number of shares	8,978,117	2,030,993	88,674
Highest share price (Euro ¢)	1,067.63	1,050.60	1,000.00
Lowest share price (Euro ¢)	1,049.63	956.79	961.93

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

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

Euro Class 'C-H' Income share performance

The share class was launched on 11 September 2014.

for the year to 31 January Change in NAV per share	2018 Euro ¢	2017 Euro ¢	2016 Euro ¢
Opening NAV	976.78	930.22	971.37
Return before operating charges and after direct portfolio transaction costs	30.84	93.55	(1.37)
Operating charges	(8.27)	(8.07)	(7.99)
Return after operating charges	22.57	85.48	(9.36)
Distributions	(40.80)	(38.92)	(31.79)
Closing NAV	958.55	976.78	930.22
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges	0.83	0.84	0.82
Return after operating charges	+2.31	+9.19	-0.96
Distribution yield ^[c]	4.10	4.13	3.57
Effect on yield of charges offset against capital	0.82	0.82	0.00
Other information			
Closing NAV (\$'000)	113,986	54,289	7,508
Closing NAV percentage of total fund NAV (%)	2.09	2.51	0.99
Number of shares	9,547,870	5,169,530	739,386
Highest share price (Euro ¢)	992.91	994.03	998.04
Lowest share price (Euro ¢)	966.10	923.19	935.60

M&G Global Floating Rate High Yield Fund

Financial highlights

Specific share class performance

Euro Class 'C-H' Accumulation share performance

The share class was launched on 11 September 2014.

for the year to 31 January Change in NAV per share	2018 Euro ¢	2017 Euro ¢	2016 Euro ¢
Opening NAV	1,066.28	975.64	984.76
Return before operating charges and after direct portfolio transaction costs	34.07	99.24	(0.95)
Operating charges	(9.17)	(8.60)	(8.17)
Return after operating charges	24.90	90.64	(9.12)
Distributions	(36.35)	(36.96)	(32.56)
Retained distributions	36.35	36.96	32.56
Closing NAV	1,091.18	1,066.28	975.64
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges	0.83	0.84	0.82
Return after operating charges	+2.34	+9.29	-0.93
Distribution yield ^[c]	3.30	3.33	3.58
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	984,744	408,045	152,221
Closing NAV percentage of total fund NAV (%)	18.05	18.89	20.17
Number of shares	72,460,427	35,593,143	14,291,683
Highest share price (Euro ¢)	1,099.42	1,073.24	1,016.12
Lowest share price (Euro ¢)	1,072.30	967.42	972.14

Singapore dollar Class 'A-H' Income share performance

The share class was launched on 16 January 2015.

for the year to 31 January Change in NAV per share	2018 Singapore ¢	2017 Singapore ¢	2016 Singapore ¢
Opening NAV	1,027.42	964.63	992.65
Return before operating charges and after direct portfolio transaction costs	48.08	115.11	12.21
Operating charges	(14.87)	(14.48)	(13.66)
Return after operating charges	33.21	100.63	(1.45)
Distributions	(43.24)	(37.84)	(26.57)
Closing NAV	1,017.39	1,027.42	964.63
Direct portfolio transaction costs	Singapore ¢	Singapore ¢	Singapore ¢
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges	1.43	1.46	1.36
Return after operating charges	+3.23	+10.43	-0.15
Distribution yield ^[c]	4.13	4.14	2.95
Effect on yield of charges offset against capital	1.42	1.42	0.00
Other information			
Closing NAV (\$'000)	8,273	3,450	142
Closing NAV percentage of total fund NAV (%)	0.15	0.16	0.02
Number of shares	1,063,585	475,439	20,946
Highest share price (Singapore ¢)	1,046.75	1,045.03	1,021.27
Lowest share price (Singapore ¢)	1,023.21	957.84	968.57

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

The share class was launched on 9 October 2015.

for the year to 31 January Change in NAV per share	2018 Singapore ¢	2017 Singapore ¢	2016 Singapore ¢
Opening NAV	1,026.93	964.67	1,000.00
Return before operating charges and after direct portfolio transaction costs	48.67	114.33	(16.34)
Operating charges	(14.89)	(14.65)	(4.19)
Return after operating charges	33.78	99.68	(20.53)
Distributions	(43.07)	(37.42)	(14.80)
Closing NAV	1,017.64	1,026.93	964.67
Direct portfolio transaction costs	Singapore ¢	Singapore ¢	Singapore ¢
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges	1.43	1.58*	1.40**
Return after operating charges	+3.29	+10.33	-2.05
Distribution yield ^[c]	4.13	4.14	2.95
Effect on yield of charges offset against capital	1.42	1.42	0.00
Other information			
Closing NAV (\$'000)	31,062	3,904	27
Closing NAV percentage of total fund NAV (%)	0.57	0.18	0.00
Number of shares	3,992,367	538,137	4,004
Highest share price (Singapore ¢)	1,040.74	1,037.50	1,005.19
Lowest share price (Singapore ¢)	1,019.15	957.87	963.70

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

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

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

The share class was launched on 9 October 2015.

for the year to 31 January Change in NAV per share	2018 Singapore ¢	2017 Singapore ¢	2016 Singapore ¢
Opening NAV	1,028.97	963.54	1,000.00
Return before operating charges and after direct portfolio transaction costs	49.13	114.11	(16.38)
Operating charges	(8.72)	(8.36)	(2.44)
Return after operating charges	40.41	105.75	(18.82)
Distributions	(43.29)	(40.32)	(17.64)
Closing NAV	1,026.09	1,028.97	963.54
Direct portfolio transaction costs	Singapore ¢	Singapore ¢	Singapore ¢
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges	0.83	0.84	0.82
Return after operating charges	+3.93	+10.98	-1.88
Distribution yield ^[c]	4.13	4.14	3.53
Effect on yield of charges offset against capital	0.82	0.82	0.00
Other information			
Closing NAV (\$'000)	1,349	47	27
Closing NAV percentage of total fund NAV (%)	0.02	0.00	0.00
Number of shares	172,012	6,401	4,005
Highest share price (Singapore ¢)	1,044.87	1,039.54	1,005.48
Lowest share price (Singapore ¢)	1,026.99	956.98	963.00

M&G Global Floating Rate High Yield Fund

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Specific share class performance

Sterling Class 'A-H' Income share performance

The share class was launched on 11 September 2014.

for the year to 31 January Change in NAV per share	2018 UK p	2017 UK p	2016 UK p
Opening NAV	99.59	94.16	97.48
Return before operating charges and after direct portfolio transaction costs	3.99	10.58	0.67
Operating charges	(1.44)	(1.41)	(1.39)
Return after operating charges	2.55	9.17	(0.72)
Distributions	(4.17)	(3.74)	(2.60)
Closing NAV	97.97	99.59	94.16

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

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges	1.43	1.44	1.42
Return after operating charges	+2.56	+9.74	-0.74
Distribution yield ^[c]	4.08	4.12	3.00
Effect on yield of charges offset against capital	1.42	1.42	0.00

Other information

Closing NAV (\$'000)	20,134	9,680	10,117
Closing NAV percentage of total fund NAV (%)	0.37	0.45	1.35
Number of shares	14,513,032	7,799,962	7,511,535
Highest share price (UK p)	101.29	101.12	100.12
Lowest share price (UK p)	98.72	93.38	94.43

Sterling Class 'A-H' Accumulation share performance

The share class was launched on 11 September 2014.

for the year to 31 January Change in NAV per share	2018 UK p	2017 UK p	2016 UK p
Opening NAV	105.77	96.95	98.30
Return before operating charges and after direct portfolio transaction costs	4.29	10.91	0.57
Operating charges	(1.56)	(1.46)	(1.39)
Return after operating charges	2.73	9.45	(0.82)
Distributions	(2.97)	(3.18)	(2.65)
Retained distributions	2.97	2.55	2.12
Closing NAV	108.50	105.77	96.95

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

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges	1.43	1.44	1.41
Return after operating charges	+2.58	+9.75	-0.83
Distribution yield	2.69	2.74	3.02
Effect on yield of charges offset against capital	0.00	0.00	0.00

Other information

Closing NAV (\$'000)	23,374	12,046	2,588
Closing NAV percentage of total fund NAV (%)	0.43	0.56	0.34
Number of shares	15,212,723	9,138,957	1,866,182
Highest share price (UK p)	109.20	106.45	101.32
Lowest share price (UK p)	106.36	96.09	96.62

Sterling Class 'E-H' Income share performance

The share class was launched on 3 October 2014.

for the year to 31 January Change in NAV per share	2018 UK p	2017 UK p	2016 UK p
Opening NAV	99.94	94.15	97.51
Return before operating charges and after direct portfolio transaction costs	4.03	10.52	0.63
Operating charges	(0.59)	(0.58)	(0.57)
Return after operating charges	3.44	9.94	0.06
Distributions	(4.19)	(4.15)	(3.42)
Closing NAV	99.19	99.94	94.15

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

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges	0.58	0.59	0.58
Return after operating charges	+3.44	+10.56	+0.06
Distribution yield ^[c]	4.08	4.12	3.84
Effect on yield of charges offset against capital	0.57	0.57	0.00

Other information

Closing NAV (\$'000)	40,804	42,029	60,928
Closing NAV percentage of total fund NAV (%)	0.75	1.95	8.07
Number of shares	29,048,554	33,748,077	45,236,678
Highest share price (UK p)	102.00	101.47	100.30
Lowest share price (UK p)	99.81	93.39	94.59

Sterling Class 'E-H' Accumulation share performance

The share class was launched on 11 September 2014.

for the year to 31 January Change in NAV per share	2018 UK p	2017 UK p	2016 UK p
Opening NAV	107.69	98.01	98.71
Return before operating charges and after direct portfolio transaction costs	4.33	11.10	0.58
Operating charges	(0.64)	(0.61)	(0.58)
Return after operating charges	3.69	10.49	0.00
Distributions	(3.94)	(4.07)	(3.50)
Retained distributions	3.94	3.26	2.80
Closing NAV	111.38	107.69	98.01

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

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges	0.58	0.59	0.58
Return after operating charges	+3.43	+10.70	-
Distribution yield	3.52	3.57	3.84
Effect on yield of charges offset against capital	0.00	0.00	0.00

Other information

Closing NAV (\$'000)	9,486	40,008	46,433
Closing NAV percentage of total fund NAV (%)	0.17	1.85	6.15
Number of shares	6,013,824	29,813,464	33,118,557
Highest share price (UK p)	112.04	108.38	101.91
Lowest share price (UK p)	108.29	97.15	97.65

M&G Global Floating Rate High Yield Fund

Financial highlights

Specific share class performance

Sterling Class 'I-H' Income share performance

The share class was launched on 11 September 2014.

for the year to 31 January Change in NAV per share	2018 UK p	2017 UK p	2016 UK p
Opening NAV	99.87	94.11	97.47
Return before operating charges and after direct portfolio transaction costs	4.05	10.60	0.63
Operating charges	(0.84)	(0.81)	(0.81)
Return after operating charges	3.21	9.79	(0.18)
Distributions	(4.20)	(4.03)	(3.18)
Closing NAV	98.88	99.87	94.11

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

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges	0.83	0.84	0.83
Return after operating charges	+3.21	+10.40	-0.18
Distribution yield ^[c]	4.08	4.13	3.60
Effect on yield of charges offset against capital	0.82	0.82	0.00

Other information

Closing NAV (\$'000)	312,252	215,208	134,737
Closing NAV percentage of total fund NAV (%)	5.72	9.96	17.85
Number of shares	222,997,145	172,929,829	100,080,364
Highest share price (UK p)	101.80	101.40	100.22
Lowest share price (UK p)	99.53	93.34	94.50

Sterling Class 'I-H' Accumulation share performance

The share class was launched on 11 September 2014.

for the year to 31 January Change in NAV per share	2018 UK p	2017 UK p	2016 UK p
Opening NAV	107.11	97.69	98.52
Return before operating charges and after direct portfolio transaction costs	4.38	11.03	0.65
Operating charges	(0.93)	(0.86)	(0.83)
Return after operating charges	3.45	10.17	(0.18)
Distributions	(3.68)	(3.79)	(3.25)
Retained distributions	3.68	3.04	2.60
Closing NAV	110.56	107.11	97.69

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

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges	0.83	0.84	0.83
Return after operating charges	+3.22	+10.41	-0.18
Distribution yield	3.28	3.32	3.61
Effect on yield of charges offset against capital	0.00	0.00	0.00

Other information

Closing NAV (\$'000)	373,628	113,868	62,256
Closing NAV percentage of total fund NAV (%)	6.85	5.27	8.25
Number of shares	238,628,804	85,306,938	44,549,811
Highest share price (UK p)	111.21	107.80	101.72
Lowest share price (UK p)	107.72	96.83	97.33

Sterling Class 'R-H' Income share performance

The share class was launched on 11 September 2014.

for the year to 31 January Change in NAV per share	2018 UK p	2017 UK p	2016 UK p
Opening NAV	99.68	94.13	97.48
Return before operating charges and after direct portfolio transaction costs	4.06	10.57	0.64
Operating charges	(1.22)	(1.16)	(1.15)
Return after operating charges	2.84	9.41	(0.51)
Distributions	(4.19)	(3.86)	(2.84)
Closing NAV	98.33	99.68	94.13

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

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges	1.18	1.19	1.18
Return after operating charges	+2.85	+10.00	-0.52
Distribution yield ^[c]	4.09	4.13	3.25
Effect on yield of charges offset against capital	1.17	1.17	0.00

Other information

Closing NAV (\$'000)	1,158	106	91
Closing NAV percentage of total fund NAV (%)	0.02	0.01	0.01
Number of shares	831,563	85,320	67,908
Highest share price (UK p)	101.46	101.21	100.13
Lowest share price (UK p)	99.04	93.36	94.45

Sterling Class 'R-H' Accumulation share performance

The share class was launched on 11 September 2014.

for the year to 31 January Change in NAV per share	2018 UK p	2017 UK p	2016 UK p
Opening NAV	106.43	97.31	98.46
Return before operating charges and after direct portfolio transaction costs	4.39	11.01	0.60
Operating charges	(1.31)	(1.21)	(1.17)
Return after operating charges	3.08	9.80	(0.57)
Distributions	(3.28)	(3.41)	(2.89)
Retained distributions	3.28	2.73	2.31
Closing NAV	109.51	106.43	97.31

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

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges	1.18	1.20	1.17
Return after operating charges	+2.89	+10.07	-0.58
Distribution yield	2.95	2.97	3.26
Effect on yield of charges offset against capital	0.00	0.00	0.00

Other information

Closing NAV (\$'000)	388	68	14
Closing NAV percentage of total fund NAV (%)	0.01	0.00	0.00
Number of shares	250,227	51,567	10,000
Highest share price (UK p)	110.15	107.11	101.53
Lowest share price (UK p)	107.02	96.44	96.95

M&G Global Floating Rate High Yield Fund

Financial highlights

Specific share class performance

Swiss franc Class 'A-H' Income share performance

The share class was launched on 14 December 2015.

for the year to 31 January Change in NAV per share	2018 Swiss ¢	2017 Swiss ¢	2016 Swiss ¢
Opening NAV	1,025.62	984.32	1,000.00
Return before operating charges and after direct portfolio transaction costs	28.44	93.84	(6.02)
Operating charges	(14.76)	(14.65)	(1.78)
Return after operating charges	13.68	79.19	(7.80)
Distributions	(42.69)	(37.89)	(7.88)
Closing NAV	996.61	1,025.62	984.32

Direct portfolio transaction costs	Swiss ¢	Swiss ¢	Swiss ¢
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.00

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges	1.43	1.45	1.36*
Return after operating charges	+1.33	+8.05	-0.78
Distribution yield ^[c]	4.06	4.12	3.04
Effect on yield of charges offset against capital	1.42	1.42	0.00

Other information

Closing NAV (\$'000)	10,099	645	29
Closing NAV percentage of total fund NAV (%)	0.18	0.03	0.00
Number of shares	945,305	62,397	3,000
Highest share price (Swiss ¢)	1,040.18	1,043.65	1,012.31
Lowest share price (Swiss ¢)	1,006.11	976.45	988.68

* As the share class was not in existence for the full period on 31.01.16, 1.44% is a more reliable estimate of the 31.01.16 ongoing charges.

Swiss franc Class 'A-H' Accumulation share performance

The share class was launched on 11 September 2014.

for the year to 31 January Change in NAV per share	2018 Swiss ¢	2017 Swiss ¢	2016 Swiss ¢
Opening NAV	1,037.16	958.85	983.63
Return before operating charges and after direct portfolio transaction costs	28.87	92.71	(11.20)
Operating charges	(15.18)	(14.40)	(13.58)
Return after operating charges	13.69	78.31	(24.78)
Distributions	(29.01)	(30.09)	(26.47)
Retained distributions	29.01	30.09	26.47
Closing NAV	1,050.85	1,037.16	958.85

Direct portfolio transaction costs	Swiss ¢	Swiss ¢	Swiss ¢
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.00

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges	1.43	1.44	1.40
Return after operating charges	+1.32	+8.17	-2.52
Distribution yield	2.68	2.74	3.04
Effect on yield of charges offset against capital	0.00	0.00	0.00

Other information

Closing NAV (\$'000)	21,858	5,087	1,272
Closing NAV percentage of total fund NAV (%)	0.40	0.24	0.17
Number of shares	1,940,425	486,868	135,372
Highest share price (Swiss ¢)	1,061.99	1,043.88	1,008.77
Lowest share price (Swiss ¢)	1,043.02	950.53	955.62

Swiss franc Class 'C-H' Income share performance

The share class was launched on 14 December 2015.

for the year to 31 January Change in NAV per share	2018 Swiss ¢	2017 Swiss ¢	2016 Swiss ¢
Opening NAV	1,027.93	983.59	1,000.00
Return before operating charges and after direct portfolio transaction costs	28.68	93.71	(6.10)
Operating charges	(8.63)	(8.72)	(0.96)
Return after operating charges	20.05	84.99	(7.06)
Distributions	(42.95)	(40.65)	(9.35)
Closing NAV	1,005.03	1,027.93	983.59

Direct portfolio transaction costs	Swiss ¢	Swiss ¢	Swiss ¢
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.00

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges	0.83	0.87*	0.78**
Return after operating charges	+1.95	+8.64	-0.71
Distribution yield ^[c]	4.06	4.09	3.64
Effect on yield of charges offset against capital	0.82	0.82	0.00

Other information

Closing NAV (\$'000)	28,187	5,220	29
Closing NAV percentage of total fund NAV (%)	0.52	0.24	0.00
Number of shares	2,616,376	504,019	3,001
Highest share price (Swiss ¢)	1,043.61	1,045.63	1,012.59
Lowest share price (Swiss ¢)	1,013.35	976.04	989.36

* Due to investor inflows, the share class NAV increased significantly towards the end of the year; therefore 0.84% is a more reliable estimate of the year to 31.01.17 ongoing charges.

** As the share class was not in existence for the full period on 31.01.16, 0.83% is a more reliable estimate of the 31.01.16 ongoing charges.

Swiss franc Class 'C-H' Accumulation share performance

The share class was launched on 11 September 2014.

for the year to 31 January Change in NAV per share	2018 Swiss ¢	2017 Swiss ¢	2016 Swiss ¢
Opening NAV	1,053.01	968.51	985.82
Return before operating charges and after direct portfolio transaction costs	29.11	93.11	(9.20)
Operating charges	(9.01)	(8.61)	(8.11)
Return after operating charges	20.10	84.50	(17.31)
Distributions	(35.93)	(36.81)	(32.61)
Retained distributions	35.93	36.81	32.61
Closing NAV	1,073.11	1,053.01	968.51

Direct portfolio transaction costs	Swiss ¢	Swiss ¢	Swiss ¢
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.00

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges	0.83	0.84	0.82
Return after operating charges	+1.91	+8.72	-1.76
Distribution yield	3.26	3.33	3.64
Effect on yield of charges offset against capital	0.00	0.00	0.00

Other information

Closing NAV (\$'000)	91,551	15,968	146
Closing NAV percentage of total fund NAV (%)	1.68	0.74	0.02
Number of shares	7,958,867	1,505,156	15,345
Highest share price (Swiss ¢)	1,082.73	1,059.67	1,013.31
Lowest share price (Swiss ¢)	1,058.82	959.43	964.22

M&G Global Floating Rate High Yield Fund

Financial highlights

Specific share class performance

US dollar Class 'A' Income share performance

The share class was launched on 11 September 2014.

for the year to 31 January Change in NAV per share	2018 US ¢	2017 US ¢	2016 US ¢
Opening NAV	997.78	939.87	975.22
Return before operating charges and after direct portfolio transaction costs	52.43	108.40	4.46
Operating charges	(14.30)	(13.90)	(13.58)
Return after operating charges	38.13	94.50	(9.12)
Distributions	(42.23)	(36.59)	(26.23)
Closing NAV	993.68	997.78	939.87
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges	1.41	1.42	1.38
Return after operating charges	+3.82	+10.05	-0.94
Distribution yield ^[c]	4.16	4.19	3.00
Effect on yield of charges offset against capital	1.40	1.40	0.00
Other information			
Closing NAV (\$'000)	133,320	40,252	22,012
Closing NAV percentage of total fund NAV (%)	2.44	1.86	2.92
Number of shares	13,416,855	4,034,134	2,342,071
Highest share price (US ¢)	1,019.64	1,015.20	1,001.83
Lowest share price (US ¢)	998.42	932.30	943.85

US dollar Class 'A' Accumulation share performance

The share class was launched on 11 September 2014.

for the year to 31 January Change in NAV per share	2018 US ¢	2017 US ¢	2016 US ¢
Opening NAV	1,074.83	975.60	985.07
Return before operating charges and after direct portfolio transaction costs	57.05	113.95	4.52
Operating charges	(15.67)	(14.72)	(13.99)
Return after operating charges	41.38	99.23	(9.47)
Distributions	(30.77)	(31.02)	(26.74)
Retained distributions	30.77	31.02	26.74
Closing NAV	1,116.21	1,074.83	975.60
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges	1.41	1.43	1.40
Return after operating charges	+3.85	+10.17	-0.96
Distribution yield	2.76	2.79	3.00
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	377,860	120,204	38,784
Closing NAV percentage of total fund NAV (%)	6.93	5.57	5.14
Number of shares	33,852,188	11,183,488	3,975,390
Highest share price (US ¢)	1,122.65	1,081.80	1,016.07
Lowest share price (US ¢)	1,081.00	967.03	972.01

US dollar Class 'A M' Income share performance

The share class was launched on 9 October 2015.

for the year to 31 January Change in NAV per share	2018 US ¢	2017 US ¢	2016 US ¢
Opening NAV	1,020.49	961.47	1,000.00
Return before operating charges and after direct portfolio transaction costs	53.42	110.95	(19.26)
Operating charges	(14.59)	(14.63)	(4.32)
Return after operating charges	38.83	96.32	(23.58)
Distributions	(43.04)	(37.30)	(14.95)
Closing NAV	1,016.28	1,020.49	961.47
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges	1.41	1.52*	1.35**
Return after operating charges	+3.81	+10.02	-2.36
Distribution yield ^[c]	4.16	4.19	3.00
Effect on yield of charges offset against capital	1.40	1.40	0.00
Other information			
Closing NAV (\$'000)	165,494	38,940	323
Closing NAV percentage of total fund NAV (%)	3.03	1.80	0.05
Number of shares	16,284,356	3,815,836	33,581
Highest share price (US ¢)	1,035.67	1,030.99	1,005.07
Lowest share price (US ¢)	1,017.23	953.71	960.69

* Due to investor inflows, the share class NAV increased significantly towards the end of the year, therefore 1.43% is a more reliable estimate of the year to 31.01.17 ongoing charges.

** As the share class was not in existence for the full period on 31.01.16, 1.42% is a more reliable estimate of the 31.01.16 ongoing charges.

US dollar Class 'C' Income share performance

The share class was launched on 11 September 2014.

for the year to 31 January Change in NAV per share	2018 US ¢	2017 US ¢	2016 US ¢
Opening NAV	1,000.85	939.85	974.96
Return before operating charges and after direct portfolio transaction costs	52.72	108.52	4.87
Operating charges	(8.30)	(8.25)	(8.01)
Return after operating charges	44.42	100.27	(3.14)
Distributions	(42.49)	(39.27)	(31.97)
Closing NAV	1,002.78	1,000.85	939.85
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges	0.81	0.83	0.82
Return after operating charges	+4.44	+10.67	-0.32
Distribution yield ^[c]	4.16	4.18	3.59
Effect on yield of charges offset against capital	0.80	0.80	0.00
Other information			
Closing NAV (\$'000)	84,464	23,260	3,303
Closing NAV percentage of total fund NAV (%)	1.55	1.08	0.44
Number of shares	8,422,982	2,323,991	351,414
Highest share price (US ¢)	1,025.85	1,018.31	1,003.31
Lowest share price (US ¢)	1,006.63	932.50	945.18

M&G Global Floating Rate High Yield Fund

Financial highlights

Specific share class performance

US dollar Class 'C' Accumulation share performance

The share class was launched on 11 September 2014.

for the year to 31 January Change in NAV per share	2018 US ¢	2017 US ¢	2016 US ¢
Opening NAV	1,089.98	983.41	987.04
Return before operating charges and after direct portfolio transaction costs	57.92	115.11	4.43
Operating charges	(9.16)	(8.54)	(8.06)
Return after operating charges	48.76	106.57	(3.63)
Distributions	(38.02)	(37.70)	(32.82)
Retained distributions	38.02	37.70	32.82
Closing NAV	1,138.74	1,089.98	983.41
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges	0.81	0.82	0.80
Return after operating charges	+4.47	+10.84	-0.37
Distribution yield	3.36	3.39	3.60
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	369,700	284,326	119,688
Closing NAV percentage of total fund NAV (%)	6.78	13.16	15.86
Number of shares	32,465,819	26,085,507	12,170,761
Highest share price (US ¢)	1,145.20	1,097.02	1,020.21
Lowest share price (US ¢)	1,096.25	975.00	979.74

US dollar Class 'C M' Income share performance

The share class was launched on 9 October 2015.

for the year to 31 January Change in NAV per share	2018 US ¢	2017 US ¢	2016 US ¢
Opening NAV	1,022.45	960.36	1,000.00
Return before operating charges and after direct portfolio transaction costs	53.62	110.51	(19.40)
Operating charges	(8.44)	(8.15)	(2.43)
Return after operating charges	45.18	102.36	(21.83)
Distributions	(43.25)	(40.27)	(17.81)
Closing NAV	1,024.38	1,022.45	960.36
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges	0.81	0.88*	0.80
Return after operating charges	+4.42	+10.66	-2.18
Distribution yield ^[c]	4.16	4.19	3.59
Effect on yield of charges offset against capital	0.80	0.80	0.00
Other information			
Closing NAV (\$'000)	17,969	6,986	29
Closing NAV percentage of total fund NAV (%)	0.33	0.32	0.00
Number of shares	1,754,172	683,249	3,000
Highest share price (US ¢)	1,040.23	1,032.97	1,005.38
Lowest share price (US ¢)	1,024.74	952.84	960.02

* Due to investor inflows, the share class NAV increased significantly towards the end of the year; therefore 0.83% is a more reliable estimate of the year to 31.01.17 ongoing charges.

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

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

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

M&G Global Floating Rate High Yield Fund

Financial statements and notes

Financial statements

Statement of total return

for the year to 31 January	Note	2018		2017	
		\$'000	\$'000	\$'000	\$'000
Income					
Net capital gains / (losses)	3		483,591		6,059
Revenue	5	193,674		41,373	
Expenses	6	(53,703)		(9,268)	
Net revenue / (expense) before taxation		139,971		32,105	
Taxation	7	(138)		(21)	
Net revenue / (expense) after taxation			139,833		32,084
Total return before distributions			623,424		38,143
Distributions	8		(153,189)		(33,752)
Change in net assets attributable to shareholders from investment activities			470,235		4,391

Statement of change in net assets attributable to shareholders

for the year to 31 January	2018		2017	
	\$'000	\$'000	\$'000	\$'000
Opening net assets attributable to shareholders		2,160,036		754,845
Amounts received on issue of shares	3,661,118		1,649,732	
Amounts paid on cancellation of shares	(953,276)		(279,806)	
		2,707,842		1,369,926
Dilution adjustments		8,007		5,369
Change in net assets attributable to shareholders from investment activities (see above)		470,235		4,391
Retained distributions on Accumulation shares		110,126		25,505
Closing net assets attributable to shareholders		5,456,246		2,160,036

Balance sheet

as at 31 January	Note	2018 \$'000	2017 \$'000
Assets			
Fixed assets			
Investments		5,296,897	1,811,530
Current assets			
Debtors	9	185,653	252,101
Cash and bank balances	10	351,303	327,984
Total assets		5,833,853	2,391,615
Liabilities			
Investment liabilities		(114,266)	(23,391)
Creditors			
Distribution payable		(14,544)	(6,009)
Other creditors	11	(248,797)	(202,179)
Total liabilities		(377,607)	(231,579)
Net assets attributable to shareholders		5,456,246	2,160,036

Notes to the financial statements

1 Accounting policies

The financial statements have been prepared in accordance with the 'Summary of significant accounting policies' set out on pages 7 and 8.

2 Distribution policy

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

3 Net capital gains / (losses)

for the year to 31 January	2018 \$'000	2017 \$'000
Non-derivative securities	283,627	31,079
Derivative contracts	190,687	(33,804)
Currency gains / (losses)	9,304	8,796
Transaction charges	(27)	(12)
Net capital gains / (losses)	483,591	6,059

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 86 and 87.

for the year to 31 January	2018 \$'000	2017 \$'000
a) Purchases		
Debt securities ^[a]	4,089,964	1,256,131
b) Sales		
Debt securities ^[a]	1,299,218	377,994
Other transaction types		
Corporate actions	65,355	9,922
Total sales after transaction costs	1,364,573	387,916

c) There were no direct portfolio transaction costs

d) Indirect portfolio transaction costs	%	%
Portfolio dealing spread ^[b]	0.51	0.66

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

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

M&G Global Floating Rate High Yield Fund

Financial statements and notes

Notes to the financial statements

5 Revenue

for the year to 31 January	2018 \$'000	2017 \$'000
Bank interest	582	37
Derivative revenue	46,132	7,240
Interest distributions	4,851	520
Interest on debt securities	142,109	33,576
Total revenue	193,674	41,373

6 Expenses

for the year to 31 January	2018 \$'000	2017 \$'000
Payable to the ACD or associate		
Annual management charge	45,070	7,543
Administration charge	6,793	1,407
Share class hedging charge	660	133
	52,523	9,083
Payable to the Depository or associate		
Depository's charge (including VAT)	167	58
Other expenses		
Audit fee (including VAT)	16	14
Interest payable	850	82
Safe custody charge	147	31
	1,013	127
Total expenses	53,703	9,268

7 Taxation

for the year to 31 January	2018 \$'000	2017 \$'000
a) Analysis of charge in the year		
Corporation tax	0	0
Withholding tax	54	21
Current year adjustment	84	0
Deferred tax (note 7c)	0	0
Total taxation	138	21
b) Factors affecting taxation charge for the year		
Net revenue / (expense) before taxation	139,971	32,105
Corporation tax at 20%	27,994	6,421
Effects of:		
Interest distributions	(27,994)	(6,421) ^[a]
Withholding tax	54	21
Current year adjustment	84	0
Total tax charge (note 7a)	138	21
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

[a] Restated.

The fund has not recognised a deferred tax asset in the current financial year (2017: same).

Interest distributions have been made in respect of all distributions during the current and preceding periods. Income tax at 20% was accounted for on shareholders' behalf to HM Revenue & Customs up to 31 January 2017.

8 Distributions

for the year to 31 January Interest distributions	2018		2017	
	Inc ^[a] \$'000	Acc ^[b] \$'000	Inc ^[a] \$'000	Acc ^[b] \$'000
First interim	322	0	1	0
Second interim	577	0	1	0
Third interim	8,320	20,519	2,003	4,100
Fourth interim	845	0	2	0
Fifth interim	816	0	3	0
Sixth interim	11,567	27,839	1,965	3,867
Seventh interim	864	0	4	0
Eighth interim	848	0	4	0
Ninth interim	12,303	29,179	3,174	4,728
Tenth interim	852	0	10	0
Eleventh interim	826	0	14	0
Final	13,717	32,589	5,170	12,810
Total net distributions		161,983		37,856
Income tax deducted at source		0		2,785
Interest distributions		161,983		40,641
Income deducted on cancellation of shares		4,465		1,591
Income received on issue of shares		(13,259)		(8,480)
Distributions		153,189		33,752
Net revenue per statement of total return		139,833		32,084
Expenses offset against capital		13,356		1,669
Undistributed income brought forward		1		0
Undistributed income carried forward		(1)		(1)
Distributions		153,189		33,752

[a] Distributions payable on Income shares.

[b] Retained distributions on Accumulation shares.

9 Debtors

as at 31 January	2018 \$'000	2017 \$'000
Amounts receivable on issues of shares	5,954	120,302
Currency deals outstanding	142,837	80,453
Debt security interest receivable	25,810	9,062
Derivative revenue receivable	2,408	2,169
Distributions receivable	579	100
Sales awaiting settlement	8,000	39,999
Withholding tax recoverable	65	16
Total debtors	185,653	252,101

10 Cash and bank balances

as at 31 January	2018 \$'000	2017 \$'000
Amounts held at futures clearing houses and collateral manager	10,350	1,360
Cash held as bank balances	340,953	326,624
Total cash and bank balances	351,303	327,984

11 Other creditors

as at 31 January	2018 \$'000	2017 \$'000
ACD's annual management charge payable	2,382	704
Administration charge payable	359	118
Amounts payable on cancellation of shares	30,109	348
Currency deals outstanding	142,728	80,976
Expenses payable	109	37
Purchases awaiting settlement	73,076	119,985
Share class hedging charge payable	34	11
Total other creditors	248,797	202,179

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12 Contingent assets, liabilities and outstanding commitments

There were no contingent assets, liabilities or outstanding commitments at the balance sheet date (2017: same).

13 Shares in issue

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

Share class	Opening 01.02.17	Movements		Closing 31.01.18
		Issued	Cancelled	
Euro				
Class 'A-H' Income	9,448,121	21,264,777	(1,275,198)	29,437,700
Class 'A-H' Accumulation	51,744,585	93,638,554	(16,762,552)	128,620,587
Class 'B-H' Income	836,515	3,629,162	(57,763)	4,407,914
Class 'B-H' Accumulation	2,030,993	7,597,188	(650,064)	8,978,117
Class 'C-H' Income	5,169,530	7,387,527	(3,009,187)	9,547,870
Class 'C-H' Accumulation	35,593,143	53,018,073	(16,150,789)	72,460,427
Singapore dollar				
Class 'A-H' Income	475,439	1,245,681	(657,535)	1,063,585
Class 'A-H M' Income	538,137	3,904,193	(449,963)	3,992,367
Class 'C-H M' Income	6,401	165,611	0	172,012
Sterling				
Class 'A-H' Income	7,799,962	11,323,228	(4,610,158)	14,513,032
Class 'A-H' Accumulation	9,138,957	8,778,965	(2,705,199)	15,212,723
Class 'E-H' Income	33,748,077	0	(4,699,523)	29,048,554
Class 'E-H' Accumulation	29,813,464	27,845	(23,827,485)	6,013,824
Class 'I-H' Income	172,929,829	83,590,978	(33,523,662)	222,997,145
Class 'I-H' Accumulation	85,306,938	179,385,230	(26,063,364)	238,628,804
Class 'R-H' Income	85,320	848,249	(102,006)	831,563
Class 'R-H' Accumulation	51,567	243,487	(44,827)	250,227
Swiss franc				
Class 'A-H' Income	62,397	947,413	(64,505)	945,305
Class 'A-H' Accumulation	486,868	1,623,327	(169,770)	1,940,425
Class 'C-H' Income	504,019	2,262,758	(150,401)	2,616,376
Class 'C-H' Accumulation	1,505,156	7,771,388	(1,317,677)	7,958,867
US dollar				
Class 'A' Income	4,034,134	10,643,806	(1,261,085)	13,416,855
Class 'A' Accumulation	11,183,488	26,499,163	(3,830,463)	33,852,188
Class 'A M' Income	3,815,836	18,335,824	(5,867,304)	16,284,356
Class 'C' Income	2,323,991	7,568,458	(1,469,467)	8,422,982
Class 'C' Accumulation	26,085,507	22,748,960	(16,368,648)	32,465,819
Class 'C M' Income	683,249	2,066,525	(995,602)	1,754,172

14 Charging structure

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

Share class	Entry charge %	Exit charge %	Annual management charge %	Share class hedging charge %
Euro				
Class 'A-H'	4.00	n/a	1.25	[a]
Class 'B-H'	n/a	n/a	1.75	[a]
Class 'C-H'	1.25	n/a	0.65	[a]
Singapore dollar				
Class 'A-H'	4.00	n/a	1.25	[a]
Class 'A-H M'	4.00	n/a	1.25	[a]
Class 'C-H M'	1.25	n/a	0.65	[a]
Sterling				
Class 'A-H'	nil	n/a	1.25	[a]
Class 'E-H'	nil	n/a	0.40	[a]
Class 'I-H'	nil	n/a	0.65	[a]
Class 'R-H'	nil	n/a	1.00	[a]
Swiss franc				
Class 'A-H'	4.00	n/a	1.25	[a]
Class 'C-H'	1.25	n/a	0.65	[a]
US dollar				
Class 'A'	4.00	n/a	1.25	n/a
Class 'A M'	4.00	n/a	1.25	n/a
Class 'C'	1.25	n/a	0.65	n/a
Class 'C M'	1.25	n/a	0.65	n/a

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

15 Related parties

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

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

At the balance sheet date, shareholders from within Prudential plc, of which M&G Securities Limited is a wholly owned subsidiary, have holdings totalling 1.08% (2017: 0.16%) of the fund's shares.

16 Events after the balance sheet date

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

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17 Fair value analysis

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

Level 1: Unadjusted quoted price in an active market for an identical instrument

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

Level 2: Valuation technique using observable market data

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

Level 3: Valuation technique using unobservable inputs

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

as at 31 January	Assets	Liabilities	Assets	Liabilities
Basis of valuation	2018	2018	2017	2017
	\$'000	\$'000	\$'000	\$'000
Level 1	961	0	205,249	0
Level 2	5,295,936	(114,266)	1,606,281	(23,391)
Level 3	0	0	0	0
	5,296,897	(114,266)	1,811,530	(23,391)

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 technique using observable market data'.

18 Risk management policies

The general risk management policies for the fund are set out in note 3 to the financial statements on pages 8 to 10.

19 Market risk sensitivity and exposure

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

The VaR limit set during the financial year to 31 January 2018 was 10% (2017: 10%).

The lowest, highest and average VaR calculated during the financial years ended 31 January 2018 and 31 January 2017 are disclosed in the table below.

	2018	2017
for the year to 31 January	%	%
Lowest	2.09	2.91
Highest	3.71	5.72
Average	2.79	3.98

The lowest, highest and average utilisation of VaR is with reference to the limit above.

	2018	2018	2017	2017
for the year to 31 January	% of Var	Utilisation of upper limit VaR [a] 10%	% of Var	Utilisation of upper limit VaR [a] 10%
Lowest	2.09	20.91%	2.91	29.10%
Highest	3.71	37.11%	5.72	57.20%
Average	2.79	27.86%	3.98	39.80%

[a] The VaR on the fund has been divided by its maximum limit.

20 Currency risk sensitivity and exposure

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

21 Interest rate risk sensitivity and exposure

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

22 Credit risk

The fund is exposed to credit risk both through the credit quality of the investments it holds and through the derivative positions with counterparties. The table below shows the credit quality of the investments held in the portfolio.

as at 31 January	2018	2017
	\$'000	\$'000
Investment grade securities	1,364,781	327,276
Below investment grade securities	3,133,552	1,189,165
Unrated securities	51,879	32,971
Other investments	632,419	238,727
Total	5,182,631	1,788,139

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

as at 31 January 2018	Swaps \$'000	Forward currency contracts \$'000
Bank of America Merrill Lynch	4,074	0
Barclays Bank	5,194	0
BNP Paribas	0	416
Citigroup	55,840	(108)
Credit Suisse	20,029	0
Goldman Sachs	(3,792)	0
HSBC	(3,579)	0
J.P.Morgan	2,904	(726)
State Street Bank	0	59,094
Total	80,670	58,676

as at 31 January 2017	Swaps \$'000	Forward currency contracts \$'000
Bank of America Merrill Lynch	1,450	0
Barclays Bank	4,828	0
Citigroup	1,297	0
Credit Suisse	12,267	0
Goldman Sachs	2,556	0
HSBC	(661)	(65)
J.P.Morgan	15,109	(113)
Royal Bank of Scotland	0	(616)
State Street Bank	0	12,504
Total	36,846	11,710

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.

23 Leverage risk

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

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

The lowest, highest and average level of leverage employed and utilisation of the leverage level calculated during the financial years ended 31 January 2018 and 31 January 2017 are disclosed in the table below.

for the year to 31 January	2018 \$'000 [a]	2018 % [a]	2017 \$'000	2017 %
Lowest	3,761,557	80.48	1,802,416	226
Highest	17,229,226	191.62	5,903,644	420
Average	7,416,866	101.85	2,520,706	277

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

24 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.

25 Interest distribution tables

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

Monthly distribution periods

	Start	End	Xd	Payment
First interim	01.02.17	28.02.17	01.03.17	30.04.17
Second interim	01.03.17	31.03.17	03.04.17	31.05.17
Third interim	01.04.17	30.04.17	02.05.17	30.06.17
Fourth interim	01.05.17	31.05.17	01.06.17	31.07.17
Fifth interim	01.06.17	30.06.17	03.07.17	31.08.17
Sixth interim	01.07.17	31.07.17	01.08.17	30.09.17
Seventh interim	01.08.17	31.08.17	01.09.17	31.10.17
Eighth interim	01.09.17	30.09.17	02.10.17	30.11.17
Ninth interim	01.10.17	31.10.17	01.11.17	31.12.17
Tenth interim	01.11.17	30.11.17	01.12.17	31.01.18
Eleventh interim	01.12.17	31.12.17	02.01.18	28.02.18
Final	01.01.18	31.01.18	01.02.18	31.03.18

Quarterly distribution periods

	Start	End	Xd	Payment
First interim	01.02.17	30.04.17	02.05.17	30.06.17
Second interim	01.05.17	31.07.17	01.08.17	30.09.17
Third interim	01.08.17	31.10.17	01.11.17	31.12.17
Final	01.11.17	31.01.18	01.02.18	31.03.18

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

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

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

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25 Interest distribution tables (continued)

Euro Class 'A-H' Income shares

Interest distributions for the year to 31 January	Group 2		Group 1 & 2	
	Income 2018	Equalisation 2018	2018	Distribution 2017
	€	€	€	€
First interim	4.8823	4.3568	9.2391	6.9499
Second interim	5.5490	4.9836	10.5326	7.1760
Third interim	4.4666	5.8195	10.2861	11.0365
Final	5.4015	5.1299	10.5314	10.8555

Euro Class 'A-H' Accumulation shares

Interest distributions for the year to 31 January	Group 2		Group 1 & 2	
	Income 2018	Equalisation 2018	2018	Distribution 2017
	€	€	€	€
First interim	3.5873	2.9091	6.4964	7.1994
Second interim	3.9616	3.6387	7.6003	7.5079
Third interim	3.0263	4.4494	7.4757	8.0242
Final	4.3935	3.4134	7.8069	7.7515

Euro Class 'B-H' Income shares

Ordinary distributions for the year to 31 January	Group 2		Group 1 & 2	
	Income 2018	Equalisation 2018	2018	Distribution 2017
	€	€	€	€
First interim	4.5103	4.9155	9.4258	6.0275
Second interim	5.2985	5.4303	10.7288	6.1090
Third interim	4.9940	5.4704	10.4644	11.2465
Final	5.9875	4.7131	10.7006	11.0763

Euro Class 'B-H' Accumulation shares

Interest distributions for the year to 31 January	Group 2		Group 1 & 2	
	Income 2018	Equalisation 2018	2018	Distribution 2017
	€	€	€	€
First interim	2.7065	2.5035	5.2100	6.0507
Second interim	3.0686	3.1040	6.1726	6.2222
Third interim	2.2920	3.7546	6.0466	6.6626
Final	3.8879	2.4548	6.3427	6.3361

Euro Class 'C-H' Income shares

Interest distributions for the year to 31 January	Group 2		Group 1 & 2	
	Income 2018	Equalisation 2018	2018	Distribution 2017
	€	€	€	€
First interim	3.7995	5.4770	9.2765	8.3366
Second interim	5.7153	4.8599	10.5752	8.6247
Third interim	4.5488	5.7944	10.3432	11.0777
Final	7.2888	3.3186	10.6074	10.8824

Euro Class 'C-H' Accumulation shares

Interest distributions for the year to 31 January	Group 2		Group 1 & 2	
	Income 2018	Equalisation 2018	2018	Distribution 2017
	€	€	€	€
First interim	4.6571	3.4262	8.0833	8.6794
Second interim	4.4406	4.9366	9.3772	9.1018
Third interim	3.4076	5.8482	9.2558	9.7076
Final	4.7207	4.9159	9.6366	9.4760

Singapore dollar Class 'A-H' Income shares

Interest distributions for the year to 31 January	Group 2		Group 1 & 2	
	Income 2018	Equalisation 2018	2018	Distribution 2017
	€	€	€	€
First interim	7.1536	2.5893	9.7429	7.5774
Second interim	7.2861	3.9928	11.2789	7.3093
Third interim	8.5845	2.3023	10.8868	11.5993
Final	11.3293	0.0000	11.3293	11.3545

Singapore dollar Class 'A-H M' Income shares

Interest distributions for the year to 31 January	Group 2		Group 1 & 2	
	Income 2018	Equalisation 2018	2018	Distribution 2017
	€	€	€	€
First interim	1.3990	1.6841	3.0831	2.9963
Second interim	1.8102	1.8092	3.6194	2.2292
Third interim	1.6622	1.4826	3.1448	2.1804
Fourth interim	1.1023	2.9126	4.0149	2.5184
Fifth interim	1.5898	2.0369	3.6267	2.5051
Sixth interim	0.2574	3.3432	3.6006	2.2804
Seventh interim	1.3888	2.2960	3.6848	3.9855
Eighth interim	1.6331	1.8794	3.5125	3.7748
Ninth interim	3.6582	0.0000	3.6582	3.8309
Tenth interim	3.0677	0.4322	3.4999	3.6510
Eleventh interim	1.6857	1.7271	3.4128	3.5652
Final	0.5883	3.6276	4.2159	3.9057

Singapore dollar Class 'C-H M' Income shares

Interest distributions for the year to 31 January	Group 2		Group 1 & 2	
	Income 2018	Equalisation 2018	2018	Distribution 2017
	€	€	€	€
First interim	3.0161	0.0000	3.0161	3.4708
Second interim	3.7029	0.0000	3.7029	2.7238
Third interim	3.1607	0.0000	3.1607	2.6459
Fourth interim	3.0499	0.9782	4.0281	3.0333
Fifth interim	3.6416	0.0000	3.6416	2.9948
Sixth interim	3.6176	0.0000	3.6176	2.7568
Seventh interim	2.7471	0.9569	3.7040	3.9988
Eighth interim	3.5314	0.0000	3.5314	3.7742
Ninth interim	3.6811	0.0000	3.6811	3.8313
Tenth interim	2.6354	0.8881	3.5235	3.6345
Eleventh interim	3.4377	0.0000	3.4377	3.5638
Final	4.2499	0.0000	4.2499	3.8930

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25 Interest distribution tables (continued)

Sterling Class 'A-H' Income shares

Interest distributions for the year to 31 January	Income 2018	Group 2 Equalisation 2018	Group 1 & 2 Distribution 2018	2017
	p	p	p	p
First interim	0.5666	0.3867	0.9533	0.5796
Second interim	0.3009	0.7872	1.0881	0.6096
Third interim	0.4538	0.5887	1.0425	0.9152
Final	0.5933	0.4962	1.0895	0.8868

Sterling Class 'A-H' Accumulation shares

Interest distributions for the year to 31 January	Income 2018	Group 2 Equalisation 2018	Group 1 & 2 Distribution 2018	2017
	p	p	p	p
First interim	0.4268	0.2305	0.6573	0.6296
Second interim	0.4903	0.2841	0.7744	0.6316
Third interim	0.2004	0.5461	0.7465	0.6580
Final	0.4167	0.3766	0.7933	0.6268

Sterling Class 'E-H' Income shares

Interest distributions for the year to 31 January	Income 2018	Group 2 Equalisation 2018	Group 1 & 2 Distribution 2018	2017
	p	p	p	p
First interim	0.9588	0.0000	0.9588	0.7352
Second interim	0.2445	0.8208	1.0653	0.7772
Third interim	1.0635	0.0000	1.0635	0.9196
Final	1.1022	0.0000	1.1022	0.8884

Sterling Class 'E-H' Accumulation shares

Interest distributions for the year to 31 January	Income 2018	Group 2 Equalisation 2018	Group 1 & 2 Distribution 2018	2017
	p	p	p	p
First interim	0.3993	0.4901	0.8894	0.7664
Second interim	0.9787	0.0000	0.9787	0.8148
Third interim	1.0095	0.0000	1.0095	0.8520
Final	1.0593	0.0000	1.0593	0.8232

Sterling Class 'I-H' Income shares

Interest distributions for the year to 31 January	Income 2018	Group 2 Equalisation 2018	Group 1 & 2 Distribution 2018	2017
	p	p	p	p
First interim	0.4461	0.5106	0.9567	0.6904
Second interim	0.6015	0.4920	1.0935	0.7280
Third interim	0.4839	0.5636	1.0475	0.9196
Final	0.6475	0.4510	1.0985	0.8888

Sterling Class 'I-H' Accumulation shares

Interest distributions for the year to 31 January	Income 2018	Group 2 Equalisation 2018	Group 1 & 2 Distribution 2018	2017
	p	p	p	p
First interim	0.3424	0.4762	0.8186	0.7152
Second interim	0.4572	0.4968	0.9540	0.7600
Third interim	0.4059	0.5221	0.9280	0.7956
Final	0.5391	0.4409	0.9800	0.7644

Sterling Class 'R-H' Income shares

Interest distributions for the year to 31 January	Income 2018	Group 2 Equalisation 2018	Group 1 & 2 Distribution 2018	2017
	p	p	p	p
First interim	0.9556	0.0000	0.9556	0.6252
Second interim	0.9348	0.1562	1.0910	0.6640
Third interim	0.6226	0.4229	1.0455	0.9168
Final	0.4151	0.6781	1.0932	0.8824

Sterling Class 'R-H' Accumulation shares

Interest distributions for the year to 31 January	Income 2018	Group 2 Equalisation 2018	Group 1 & 2 Distribution 2018	2017
	p	p	p	p
First interim	0.1673	0.5589	0.7262	0.6464
Second interim	0.3461	0.5052	0.8513	0.6832
Third interim	0.3485	0.4801	0.8286	0.7124
Final	0.2826	0.5892	0.8718	0.6856

Swiss franc Class 'A-H' Income shares

Interest distributions for the year to 31 January	Income 2018	Group 2 Equalisation 2018	Group 1 & 2 Distribution 2018	2017
	¢	¢	¢	¢
First interim	6.4140	3.2716	9.6856	7.3984
Second interim	7.4498	3.6472	11.0970	7.4862
Third interim	4.3732	6.4889	10.8621	11.6258
Final	7.2888	3.7609	11.0497	11.3775

Swiss franc Class 'A-H' Accumulation shares

Interest distributions for the year to 31 January	Income 2018	Group 2 Equalisation 2018	Group 1 & 2 Distribution 2018	2017
	¢	¢	¢	¢
First interim	3.9083	2.4851	6.3934	7.2035
Second interim	4.5414	2.9734	7.5148	7.3540
Third interim	4.0708	3.3462	7.4170	7.9172
Final	4.6893	2.9921	7.6814	7.6104

Swiss franc Class 'C-H' Income shares

Interest distributions for the year to 31 January	Income 2018	Group 2 Equalisation 2018	Group 1 & 2 Distribution 2018	2017
	¢	¢	¢	¢
First interim	4.0441	5.7086	9.7527	8.6662
Second interim	6.9706	4.1744	11.1450	8.9592
Third interim	4.9084	6.0129	10.9213	11.6807
Final	5.6311	5.5028	11.1339	11.3456

Swiss franc Class 'C-H' Accumulation shares

Interest distributions for the year to 31 January	Income 2018	Group 2 Equalisation 2018	Group 1 & 2 Distribution 2018	2017
	¢	¢	¢	¢
First interim	2.0523	5.9196	7.9719	8.8560
Second interim	5.2777	4.0053	9.2830	8.9553
Third interim	4.5519	4.6349	9.1868	9.6766
Final	7.6846	1.8082	9.4928	9.3246

M&G Global Floating Rate High Yield Fund

Financial statements and notes

Notes to the financial statements

25 Interest distribution tables (continued)

US dollar Class 'A' Income shares

Interest distributions for the year to 31 January	Income 2018	Group 2 Equalisation 2018	Group 1 & 2 Distribution	
	2018	2018	2018	2017
	€	€	€	€
First interim	5.2276	4.2349	9.4625	7.2567
Second interim	6.2383	4.7743	11.0126	7.2175
Third interim	5.6267	5.0189	10.6456	11.2038
Final	6.4839	4.6277	11.1116	10.9081

US dollar Class 'A' Accumulation shares

Interest distributions for the year to 31 January	Income 2018	Group 2 Equalisation 2018	Group 1 & 2 Distribution	
	2018	2018	2018	2017
	€	€	€	€
First interim	3.6686	2.9937	6.6623	7.5229
Second interim	4.2366	3.7791	8.0157	7.5424
Third interim	3.8887	3.8949	7.7836	8.1642
Final	3.7629	4.5407	8.3036	7.7884

US dollar Class 'A M' Income shares

Interest distributions for the year to 31 January	Income 2018	Group 2 Equalisation 2018	Group 1 & 2 Distribution	
	2018	2018	2018	2017
	€	€	€	€
First interim	1.5591	1.5027	3.0618	3.0604
Second interim	1.9736	1.6561	3.6297	2.2918
Third interim	1.7519	1.3733	3.1252	2.1906
Fourth interim	1.5418	2.4507	3.9925	2.4689
Fifth interim	1.9602	1.6687	3.6289	2.5536
Sixth interim	1.4606	2.1642	3.6248	2.3349
Seventh interim	1.8052	1.8886	3.6938	3.9608
Eighth interim	1.5982	1.9100	3.5082	3.7360
Ninth interim	1.7492	1.8868	3.6360	3.7850
Tenth interim	1.2484	2.2512	3.4996	3.5527
Eleventh interim	1.7973	1.6147	3.4120	3.4784
Final	0.7991	3.4270	4.2261	3.8889

US dollar Class 'C' Income shares

Interest distributions for the year to 31 January	Income 2018	Group 2 Equalisation 2018	Group 1 & 2 Distribution	
	2018	2018	2018	2017
	€	€	€	€
First interim	6.2444	3.2543	9.4987	8.4215
Second interim	4.4464	6.6242	11.0706	8.6679
Third interim	6.1629	4.5552	10.7181	11.2496
Final	7.5530	3.6511	11.2041	10.9336

US dollar Class 'C' Accumulation shares

Interest distributions for the year to 31 January	Income 2018	Group 2 Equalisation 2018	Group 1 & 2 Distribution	
	2018	2018	2018	2017
	€	€	€	€
First interim	4.5313	3.7628	8.2941	9.1220
Second interim	4.0736	5.7933	9.8669	9.1503
Third interim	4.1374	5.4922	9.6296	9.8747
Final	4.6034	5.6243	10.2277	9.5557

US dollar Class 'C M' Income shares

Interest distributions for the year to 31 January	Income 2018	Group 2 Equalisation 2018	Group 1 & 2 Distribution	
	2018	2018	2018	2017
	€	€	€	€
First interim	1.9543	1.1140	3.0683	3.5314
Second interim	0.5319	3.1040	3.6359	2.7930
Third interim	2.2689	0.8659	3.1348	2.6672
Fourth interim	2.3404	1.6664	4.0068	2.9922
Fifth interim	1.2060	2.4381	3.6441	3.0371
Sixth interim	1.7918	1.8498	3.6416	2.7973
Seventh interim	3.2363	0.4766	3.7129	3.9744
Eighth interim	0.6844	2.8436	3.5280	3.7365
Ninth interim	0.1359	3.5225	3.6584	3.7865
Tenth interim	2.5412	0.9818	3.5230	3.5603
Eleventh interim	3.4363	0.0000	3.4363	3.4937
Final	2.2293	2.0290	4.2583	3.9003

M&G Pan European Dividend Fund

Authorised Corporate Director's Report

Investment objective

The fund has three aims:

- to deliver an income stream that increases every year.
- to deliver a yield above that available from the MSCI Europe Index over any five year period.
- to deliver a higher total return (the combination of income and growth of capital) than that of the MSCI Europe Index over any five-year period.

Investment policy

At least 70% of the fund is invested in a range of European equities. The fund may invest across a wide range of geographies, sectors and market capitalisations. The fund may also invest in collective investment schemes, other transferable securities, cash, near cash, other money market securities, warrants and derivatives. The fund's exposure to European equities may be gained through the use of derivatives. Derivatives may be used for efficient portfolio management.

Investment approach

The fund manager employs a bottom-up stockpicking approach, driven by the fundamental analysis of individual companies. The fund manager seeks to invest in companies with excellent capital discipline and the potential for long-term dividend growth. The fund manager believes rising dividends create upward pressure on the value of shares. Dividend yield is not the primary consideration for stock selection.

The fund manager aims to create a diversified portfolio with exposure to a broad range of countries and sectors. The fund manager selects stocks with different drivers of dividend growth to construct a portfolio that has the potential to cope in a variety of market conditions. The Fund invests with a long-term view of typically three to five years. When attempting to grow distributions, the fund manager's main focus is on delivering an increase in euro terms.

Risk profile

The fund invests in the shares of European-listed companies and is, therefore, subject to the price volatility of the European stockmarket and the performance of its individual companies. The fund's focus is on shares of companies that have the potential to grow their dividends over the long term. Income distributions from the fund's holdings, however, are not guaranteed and may vary. Diversification is therefore key both in managing liquidity risk and reducing market risk. The fund's risks are measured and managed as an integral part of the investment process.

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



The above number:

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

Investment review

As at 1 February 2018, for the year ended 31 January 2018

Distribution summary

Over the 12-month review period, the fund distributed income of 61.167 cents per Euro Class 'A' (Income) share. This is 2.5% higher than the distribution for the same period in the previous financial year. The Sterling Class 'A' (Income) share raised its distribution by 6.2% (5.9019p), the higher growth rate being explained by sterling's weakness in the aftermath of the Brexit vote. The payout for the Euro Class 'A' (Income) share represented a yield (defined as 'distributed income calculated as a percentage of the share price') of 4.02%.

The ability to increase distributions compared to the same period last year is a pleasing result for us, in the face of an adverse currency headwind linked to a weaker sterling.

It is also important to note that the higher distribution was also achieved in a challenging environment in which very few of Europe's largest companies were able to grow significantly and therefore struggled to offer higher dividends. In the banking sector, as an example amongst many, large players such as HSBC and UBS held their dividends flat (in US dollars and Swiss francs respectively), while medium-sized players like Banca Intesa San Paolo managed to deliver a stellar 25% dividend growth. In a similar vein, Nestlé's dividend growth remained pedestrian, with this financial year's payout only 2% higher compared to last year's, but we managed to secure a more exciting increase elsewhere in British American Tobacco (BAT) which raised their dividend payment by more than 10%.

Although we have been cautious about the progress of dividends in Europe overall, we have also been keen to emphasise the excellent opportunities for those who are prepared to look beneath the surface. In this context, we are pleased that our top performers (approximately 20% of the fund) delivered an impressive dividend growth of over 41%, while the majority of our holdings delivered dividend growth well above 10%. On the subject of weighting, our top 10 holdings are well represented in this core group of 'dividend achievers' which includes the insurers Prudential and Sampo, as well as the more defensive British American Tobacco (BAT) and the information company RELX. Defensive companies tend to have steadier earnings and are less affected by the peaks and troughs in the economy, which allows them to offer comparatively more reliable dividends. As an example, BAT

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Investment review

Distribution summary (continued)

raised its dividend for 2016 by 10% in sterling, up from 4% in 2015, while RELX, the provider of information and analytics, stepped up its rate of dividend growth from 5% to 8% in euros as the company reported positive results for the first half of 2017.

A closer examination of our top 10 contributors reveals a few 'super-performers' in terms of dividend growth, such as Countryside Properties, with an eye-catching 147% dividend growth, Micro Focus (technology) with an increase of 32%, closely followed by Banca Intesa San Paolo and NOS which both raised their dividends by 25%. Novo Nordisk (pharmaceuticals) and DS Smith (packaging) closed the ranks of the dividend 'super achievers' with increases of 19% each.

Not all of our holdings delivered growth, however. Golar (oil & gas) only increased its dividend by 1% and ProSafe (oil & gas and semi-submersible accommodation vessels) cut their dividend on the back of a negative earnings outlook, while SES and Provident Financial also both cut their dividends.

In addition to growth in regular dividends, we also saw the continuation of special dividends as a theme, although at a lesser rate than during the first six months of the year. Micro Focus announced a special dividend to accompany the news of the acquisition of Hewlett Packard Enterprise (HPE)'s software business. Jupiter Fund Management announced a return of capital which was 15% higher than the previous year's, GVC (online gaming) and NewRiver Retail (property) also declared special dividends.

Special dividend announcements were not just confined to the UK: Germany's CTS Eventim (online ticketing solutions for live events) reported its maiden special dividend to accompany a 9% increase in the regular dividend. That said, a number of special dividends were not repeated this year; insurers Hiscox and Prudential chose not to pay a special dividend along with the retailer Dunelm, but all three companies reported a significant uptick in the growth of their regular dividends, all three doubling the rate of growth with their full-year dividends rising by more than 10%.

In conclusion, we continue to applaud the discipline of returning excess cash to shareholders if companies cannot invest that cash in a disciplined manner.

Against this overall background, our fund continued to maintain a yield above that of the MSCI Europe Index at 4.02% for our Euro Class 'A' shares, vs. 3.16% for the index. Historically, the distribution for the Euro Class 'A' (Income) share has increased in every single financial year since the introduction of the share class on 18 July 2013. Based on the annual payments, the fund's historic yield has been higher than that of the MSCI Europe Index at the end of each financial year since the share class became available.

Prior to the change in the fund's functional currency from sterling to euros on 1 February 2015, the Sterling Class 'A' (Income) share increased the distribution in every financial year since the fund's launch on 18 July 2008 and the fund's historic yield has been at a premium to the MSCI Europe Index since 2013. The Sterling Class 'I' (Income) share has increased the distribution in every financial year since the launch of the share class in August 2012 and the yield has been at a consistent premium.

The fund's distribution and distribution yield are as shown in the 'Specific share class performance' tables in this report. The distribution is subject to changes in the market environment and there is no guarantee that the fund will increase the distribution in every reporting period. In keeping with prior years under the fund manager's tenure, special dividends formed a key component of the fund's income and these dividends should be seen as special but not necessarily recurring.

Performance against objective

Between 1 February 2017 (the start of the review period) and 1 February 2018, the fund delivered a positive total return (the combination of income and growth of capital) across its share classes.* Over the 12-month period, all share classes outperformed the MSCI Europe Index which returned 11.6% in euros, 14.9% in sterling and 29.3% in US dollars.

Consequently, the fund achieved all three aspects of its objective during the review period by growing distributions, generating a yield higher than that of the MSCI Europe Index and delivering a positive total return through the combination of income and capital growth.

We are delighted to confirm that, over a longer timeframe of five years, the fund has also delivered on all three aspects of its objective.

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

Investment performance

Stock selection was, as should be expected, the main driver of fund performance over the review period, adding value across a broad range of sectors.

Financials led the list of top positive contributors with our Italian holdings, Banca IFIS and Banca Intesa Sanpaolo, making the biggest impact. Banca IFIS, a specialist lender to small and medium-sized businesses, returned 61% in euros as the company reported record profits for 2016. The momentum behind the business has continued into 2017. Banca Intesa San Paolo returned 42%, helped by the news that it was buying the good assets of two failed Veneto banks, Banca Popolare di Vicenza and Veneto Banca.

Outside Italy, Jupiter Fund Management returned 40% in sterling, driven by strong inflows into its core mutual fund business. The insurers Hiscox, Prudential and Sampo also added value, reflecting the continued growth in their respective activities.

Equally, the consumer discretionary sector was another source of strong performance; CTS Eventim (online ticketing solutions) and GVC (online gaming) delivered returns of more than 20% in euros and sterling respectively as their operational performance continued to show progress.

Finally, industrials were led initially by Volvo, the Swedish manufacturer of trucks and construction equipment, as it started to benefit from a recovery in its end markets. Essentra, the UK provider of components, packaging and filter products, also outperformed in the materials sector after it put an end to its series of profit warnings and maintained its dividend as a sign of confidence. The company is pursuing a new strategy under the guidance of its new chief executive Paul Forman and we continue to engage closely with the management team. We believe that the shares remain significantly undervalued.

M&G Pan European Dividend Fund

Authorised Corporate Director's Report

Investment review

Investment performance (continued)

Turning to the detractors, underperformance was due to specific situations rather than broader sector issues. Pandora, the Danish jewellery brand, was hit after a capital markets day during which the company implied a softer long-term guidance. The company has been under pressure due to concerns about its retail presence and a slowdown in the US, but we believe the company's brand power, medium growth prospects and cash-generative qualities are undervalued by the market. We remain confident that with its attractive valuation, significant opportunities in China and a strong board of directors, the company will ultimately deliver on its brand potential.

SES (a global satellite broadband service/operator) suffered from the impact of a loss-making acquisition, technology disruption in corporate data as well as from the perceived increasing competition from Netflix and Amazon.

ProSafe (a Norwegian company and the leading owner and operator of semi-submersible accommodation rigs) saw its latest results affected by lower utilisation due to a lack of contract wins.

Golar LNG, which owns and operates a fleet of liquefied natural gas (LNG) carriers, was hit by weaker end markets with delays in the recovery of oil services and concerns about the delivery of its major project and future projects in general.

Finally, Provident Financial (a UK consumer finance company) was another detractor as it warned that the transition to a new operating model following regulatory issues was generating greater disruption than planned. Although the company seemed confident that the strategic change would improve performance over the long term, we felt that the length and disruption of the 'transition' might last longer than our investment horizon allows. The company ended up having two consecutive profit warnings during the review period, but we managed to sell our entire position after the first profit warning and found better opportunities in the sector.

The market's tendency to sell abruptly in the face of uncertainty has always provided buying opportunities in the past and we believe that knee-jerk reactions to unexpected events can be used to the advantage of long-term investors. We continue to aim to separate market noise from fundamentals and we are monitoring all these situations very closely.

Investment activities

We made nine new purchases and nine complete sales during the 12 months under review. The fund's exposure to the consumer discretionary sector rose after building new positions in Pandora and Countryside Properties, a UK home builder and urban regeneration specialist. In Pandora, we see significant growth prospects and cash-generative qualities largely undervalued by the market. Countryside Properties is already performing well across its two businesses and the shares look cheap in light of a very strong pipeline of business, which, we believe, will set the company up for multi-year growth.

We also increased our exposure to healthcare, betting primarily on the cancer franchises for their long-term potential. We bought shares in Roche for its stable growth and added to our holding in Novartis in the belief that the potential for a recovery is not yet reflected in the valuation. AstraZeneca also joined our stable, based on a very

attractive valuation, as we expect an improving pipeline through a number of applications and decisions regarding new and existing drugs.

We added two new stocks in industrials. We invested opportunistically in VolkerWessels by participating in its initial public offering (IPO). The Dutch company is a potential beneficiary of the recovery taking place in the construction cycle and we felt that the shares, offering a double digit free cash flow yield, were attractively priced.

Bureau Veritas was the other new holding in the sector. The business of testing, inspection and certification has benefited from growth driven by increased regulation, outsourcing and the need for independent verification. The increased complexity of the world companies operate in and the company's high barriers to entry have resulted in good pricing power. The company has a very strong cashflow generation and market expectations look too low. Bureau Veritas was valued at a very significant discount to its peers at the time of purchase and the stock is already starting to deliver on its promises, as we see recovery in oil and gas construction and shipping, all late cycle markets.

We also added on weakness to our existing position in Kone, confident that the company can deploy capital to the benefit of its shareholders.

Elsewhere, we started positions in Alfa Laval and Legrand to exploit the upswing in European economies. We currently see an opportunity for the construction markets of Italy and France to recover from the significant declines suffered since the global financial crisis. Legrand has continued to deliver margin improvement in tough times, helped by its ability to deploy capital to finance 'bolt-on' acquisitions generating attractive returns.

Alfa Laval's business is split between food & beverages and heat exchangers, a market in which the company has a virtual oligopoly and solid mid-single-digit growth. We have been watching the business closely since 2012 and always thought it was a remarkable company with a very impressive ethos, but we needed to wait for the right opportunity. In addition, the company appointed last year a new chief executive who comes from the highly competitive steel industry. This should offer the prospect of further margin improvement, boosted by 'self-help' measures.

Finally, and perhaps most importantly, we increased our exposure to financials, in the biggest departure from our previous strategy as we have been consistently below-index in banks and reluctant to have much exposure to the sector in the past. We initiated a new holding in Erste Bank in July 2017 and in KBC in January 2018. Erste Bank is an Austrian bank with market-leading positions in Central and Eastern Europe, and is benefiting from loan growth, high net interest margin and improving asset quality. We believe the company offers good earnings generation, as well as capital levels and a balance sheet supportive of a rising dividend and the valuation is currently undemanding.

We will continue to buy shares in European banks opportunistically as we believe they offer strong upside in the context of the European economic recovery, but also that the regulatory capital requirement issues are finally measurable. For the first time in a decade, thanks to new international guidelines, we now have reasonable clarity as to how much capital each bank should hold, which means we are finally able to assess how much earnings they need to retain, how much they can control and crucially whether and how much they could distribute as dividends, all depending on how advanced they are in the journey to repair their capital base. Additionally, we anticipate that rising rates will impact earnings positively.

M&G Pan European Dividend Fund

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Investment review

Investment activities (continued)

In terms of sales, Volvo was fully divested having returned more than 50% over our investment period since our purchase in April 2016. We felt that the valuation had risen to our expectations and therefore was no longer truly compelling. Infineon (the semiconductor company) also delivered a solid performance. The stake in Micro Focus was sold entirely just ahead of its profit warning as we had captured sufficient upside in the share price and were concerned about the cost and length of the integration of Hewlett-Packard's software business which the company acquired in September 2017. We now see better opportunities elsewhere in the technology sector.

As a result of these developments, the number of holdings rose to 38. We remain committed to our aim of providing a concentrated fund of our best ideas only and we see the ideal size of the fund at 30-40 stocks.

Outlook

European stocks have attracted much attention in 2017 as the outlook for earnings growth is considerably stronger than it has been for many years. The pattern of successive downgrades every year since 2011 has been broken and consensus is now expecting between 10-15% earnings growth across the eurozone, with some of the latest estimates reaching 18%. We are encouraged by the favourable backdrop, but the real attraction of the European stockmarket lies in the long-term structural potential of its underlying companies, some of them being world-class leaders in their fields. The undervaluation of European relative to US stocks, and to some extent, to the bond market, simply offers chances to gain exposure to great quality, at attractive long term valuations. The importance of being selective, however, cannot be emphasised enough: if Europe continues to offer excellent opportunities for stockpickers, the wide divergence of valuations requires insight and the ability to cut through the noise and short-term market sentiment. We also feel that medium-sized companies remain a source of attractive opportunities given their potential to deliver superior long-term growth compared to more mature companies, all for the benefit of shareholders, as long as their financial credentials have been thoroughly tested.

As active investors, we remain focused on the analysis of company fundamentals and valuation, in the strong belief that these are the factors which genuinely drive stockmarket returns over the long term. We remain committed to our pursuit of a dividend growth strategy, and through our focus on our best ideas only, we are ready to take advantage of new opportunities.

We take comfort from the fact that the fund's holdings continue to raise their dividends in line with previous years, and although special dividends are not as prevalent as they once were, we believe that the cash-generative nature of the companies we are invested in, combined with their attractive valuations, stands us in good stead for the future.

Phil Cliff

Fund manager

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

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

Investments

Portfolio statement			
as at 31 January	2018	2018	2017 ^[a]
Holding	€'000	%	%
EQUITIES	195,563	100.31	100.99
Energy equipment & services	485	0.25	1.24
384,948 Prosafe	485	0.25	
Oil, gas & consumable fuels	8,087	4.15	2.80
1,047,252 BP	6,036	3.10	
93,206 Golar LNG	2,051	1.05	
Chemicals	9,376	4.81	4.89
1,127,346 Essentra	6,525	3.35	
57,000 Methanex	2,851	1.46	
Containers & packaging	5,975	3.06	3.54
1,039,813 DS Smith	5,975	3.06	
Paper & forest products	0	0.00	3.05
Construction & engineering	4,154	2.13	0.00
174,373 Koninklijke VolkerWessels	4,154	2.13	
Electrical equipment	6,040	3.10	3.02
90,914 Legrand	6,040	3.10	
Industrial conglomerates	8,139	4.17	3.34
66,535 Siemens	8,139	4.17	
Machinery	17,359	8.90	11.02
258,357 Alfa Laval	5,524	2.83	
381,381 IMI	5,789	2.97	
131,207 Kone	6,046	3.10	
Professional services	12,019	6.16	3.93
288,919 Bureau Veritas	6,807	3.49	
291,367 RELX	5,212	2.67	
Transportation infrastructure	0	0.00	2.74
Auto components	5,723	2.93	3.34
140,685 Nokian Renkaat	5,723	2.93	
Household durables	4,379	2.25	0.00
1,204,222 Countryside Properties	4,379	2.25	
Textiles, apparel & luxury goods	4,657	2.39	0.00
60,463 Pandora	4,657	2.39	
Hotels, restaurants & leisure	6,855	3.52	1.71
181,081 Compass Group	3,055	1.57	
360,918 GVC Holdings	3,800	1.95	
Media	14,398	7.38	8.00
125,804 CTS EVENTIM	5,040	2.58	
917,007 NOS	5,025	2.58	
344,040 SES FDR (formerly SES Global)	4,333	2.22	
Specialty retail	0	0.00	1.29
Tobacco	12,669	6.50	6.16
155,617 British American Tobacco	8,593	4.41	
123,371 Imperial Tobacco Group	4,076	2.09	
Household products	5,122	2.63	0.00
211,479 Essity 'B'	5,122	2.63	
Pharmaceuticals	24,796	12.72	11.44
100,086 AstraZeneca	5,649	2.90	
90,385 Novartis (Regd.)	6,652	3.41	
125,756 Novo-Nordisk 'B'	5,711	2.93	
34,099 Roche Holding 'Genussscheine'	6,784	3.48	
Banks	25,273	12.96	5.17
172,170 Erste Group	6,954	3.57	
1,885,440 Intesa Sanpaolo Pref.	5,749	2.95	
85,950 KBC Group	6,640	3.40	
596,537 Nordea Bank	5,930	3.04	

M&G Pan European Dividend Fund

Authorised Corporate Director's Report

Investments

Portfolio statement (continued)			
as at 31 January	2018	2018	2017 ^[a]
Holding	€'000	%	%
Diversified financial services	2,389	1.23	3.54
62,564 Banca IFIS	2,389	1.23	
Consumer finance	0	0.00	1.29
Capital markets	0	0.00	2.27
Insurance	12,299	6.31	10.76
257,814 Prudential ^[b]	5,599	2.87	
142,554 Sampo	6,700	3.44	
Software	0	0.00	2.98
Semiconductors & semiconductor equipment	1,317	0.68	2.55
56,605 Infineon Technologies	1,317	0.68	
Equity real estate investment trusts (REITs)	4,052	2.08	0.92
1,189,937 NewRiver	4,052	2.08	
Portfolio of investments	195,563	100.31	100.99
CASH EQUIVALENTS	0	0.00	0.12
'AAA' rated money market funds^[c]	0	0.00	0.12
Total portfolio (notes 2c & 2d on page 7)	195,563	100.31	101.11
Net other assets / (liabilities)	(601)	(0.31)	(1.11)
Net assets attributable to shareholders	194,962	100.00	100.00

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

^[a] The portfolio has been reclassified to more appropriately reflect how the fund is managed. 2017 comparatives have been restated to reflect this.

^[b] Related party to the fund.

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

Top ten portfolio transactions

for the year to 31 January 2018

	€'000
Largest purchases	
Roche Holding 'Genussscheine'	8,206
Koninklijke VolkerWessels	7,201
Erste Group	6,615
KBC Group	6,322
BP	6,135
Bureau Veritas	5,891
Pandora	5,498
IMI	5,483
Provident Financial	4,785
Countryside Properties	4,476
Other purchases	76,348
Total purchases	136,960
Largest sales	
Volvo 'B'	6,848
Micro Focus International	6,346
Banca IFIS	5,649
Scandinavian Tobacco Group	5,289
Jupiter Fund Management	4,778
Abertis Infraestructuras	4,229
Hiscox	4,095
Infineon Technologies	3,859
Provident Financial	3,492
Dunelm Group	3,323
Other sales	29,976
Total sales	77,884

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

M&G Pan European Dividend Fund

Financial highlights

Fund performance

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

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

We show performance for these two share classes because:

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

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

Fund level performance

Fund net asset value			
as at 31 January	2018 €'000	2017 €'000	2016 €'000
Fund net asset value (NAV)	194,962	121,486	97,317

Performance since launch

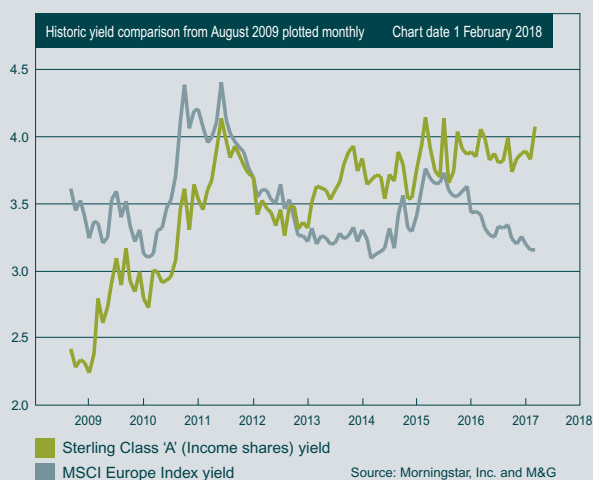
To give an indication of how the fund has performed since launch, the chart below shows total return of Sterling Class 'A' (Accumulation) shares and Sterling Class 'I' (Accumulation) shares.



The fund's Sterling Class 'I' (Accumulation) shares were launched on 3 August 2012. Performance data shown prior to this date is that of the fund's Sterling Class 'A' (Accumulation) shares.

Historic yield

The charts below show the historic yield of Sterling Class 'A' (Income) shares and Sterling Class 'I' (Income) shares against that of a comparative index.

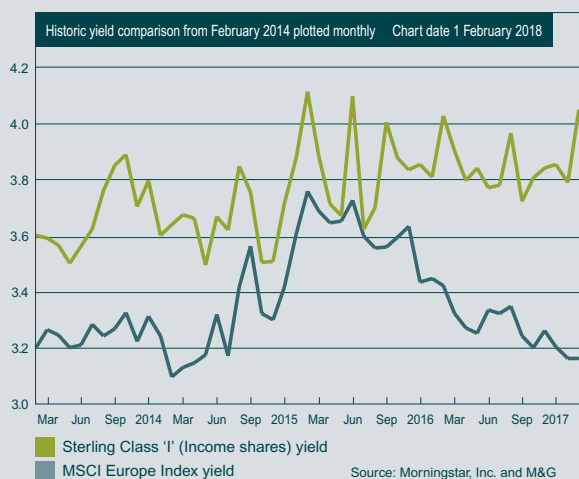


M&G Pan European Dividend Fund

Financial highlights

Fund performance

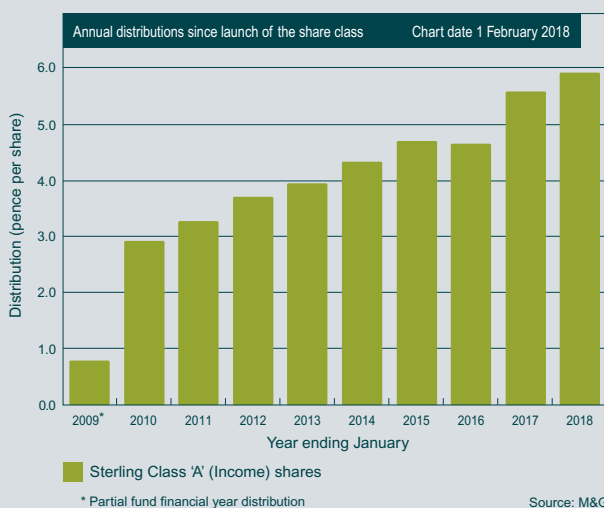
Historic yield (continued)



Historic yield: The historic yield reflects distributions declared over the past twelve months as a percentage of the mid-market price, as at the date shown. It does not include any preliminary charge and investors may be subject to tax on their distributions.

Distribution since launch

The charts below show the annual distribution of Sterling Class 'A' (Income) shares and Sterling Class 'I' (Income) shares since launch.



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

Long-term performance by share class

	One year 01.02.17 % [a]	Three years 02.02.15 % p.a.	Five years 01.02.13 % p.a.	Since launch % p.a.
Euro [b]				
Class 'A'	+13.8	+5.9	+9.6	+6.7 [c]
Class 'B'	+13.3	n/a	n/a	+8.1 [d]
Class 'C'	+14.7	+6.7	+10.5	+7.5 [c]
Sterling [e]				
Class 'A'	+16.6	+11.3	+10.0	+7.8 [c]
Class 'I'	+17.5	+12.1	+10.8	+13.2 [f]
Class 'R'	+17.2	+11.8	+10.5	+12.9 [f]
US dollar [b]				
Class 'A'	+31.1	+9.3	n/a	+6.9 [g]
Class 'C'	+32.1	+10.1	n/a	+7.7 [g]

[a] Absolute basis.

[b] Price to price with net income reinvested.

[c] 18 July 2008, the launch date of the fund.

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

[e] Price to price with income reinvested.

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

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

M&G Pan European Dividend Fund

Financial highlights

Fund performance

Operating charges and portfolio transaction costs

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

Operating charges

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

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

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

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

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

Portfolio transaction costs

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

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

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

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

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

Portfolio transaction costs

for the year to 31 January	2018	2017	2016	Average ^[a]
Direct portfolio transaction costs ^[b]	%	%	%	%
Broker commission	0.06	0.08	0.10	0.08
Taxes	0.17	0.14	0.13	0.15
Costs before dilution adjustments	0.23	0.22	0.23	0.23
Dilution adjustments ^[c]	(0.08)	(0.14)	(0.06)	(0.09)
Total direct portfolio transaction costs	0.15	0.08	0.17	0.14
as at 31 January	2018	2017	2016	Average ^[a]
Indirect portfolio transaction costs	%	%	%	%
Average portfolio dealing spread	0.06	0.14	0.15	0.12

^[a] Average of first three columns.

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

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

M&G Pan European Dividend Fund

Financial highlights

Specific share class performance

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

Historic yields for the current year are calculated as at 9 February 2018.

Euro Class 'A' Income share performance

The share class was launched on 12 July 2013.

for the year to 31 January Change in NAV per share	2018 Euro ¢	2017 Euro ¢	2016 Euro ¢
Opening NAV	1,381.11	1,389.11	1,450.41
Return before operating charges and after direct portfolio transaction costs	218.36	75.12	22.32
Operating charges	(25.71)	(23.43)	(25.97)
Return after operating charges	192.65	51.69	(3.65)
Distributions	(61.17)	(59.69)	(57.65)
Closing NAV	1,512.59	1,381.11	1,389.11
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	3.47	3.02	3.50
Dilution adjustments ^[a]	(1.22)	(0.99)	(0.97)
Total direct portfolio transaction costs	2.25	2.03	2.53
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.15	0.08	0.17
Operating charges	1.68	1.69	1.68
Return after operating charges	+13.95	+3.72	-0.25
Historic yield ^[c]	4.31	4.17	4.53
Effect on yield of charges offset against capital	1.68	1.69	1.67
Other information			
Closing NAV (€'000)	17,166	3,316	3,296
Closing NAV percentage of total fund NAV (%)	8.81	2.73	3.39
Number of shares	1,134,856	240,122	237,309
Highest share price (Euro ¢)	1,583.85	1,454.28	1,685.26
Lowest share price (Euro ¢)	1,390.29	1,248.65	1,365.35

Euro Class 'A' Accumulation share performance

The share class was launched on 18 July 2008.

for the year to 31 January Change in NAV per share	2018 Euro ¢	2017 Euro ¢	2016 Euro ¢
Opening NAV	1,617.08	1,558.29	1,563.48
Return before operating charges and after direct portfolio transaction costs	256.45	85.28	23.11
Operating charges	(30.29)	(26.49)	(28.30)
Return after operating charges	226.16	58.79	(5.19)
Distributions	(42.22)	(53.97)	(62.48)
Retained distributions	42.22	53.97	62.48
Closing NAV	1,843.24	1,617.08	1,558.29
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	4.09	3.42	3.83
Dilution adjustments ^[a]	(1.44)	(1.12)	(1.06)
Total direct portfolio transaction costs	2.65	2.30	2.77
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.15	0.08	0.17
Operating charges	1.68	1.69	1.67
Return after operating charges	+13.99	+3.77	-0.33
Historic yield	2.44	2.42	4.38
Effect on yield of charges offset against capital	0.03	0.04	1.66
Other information			
Closing NAV (€'000)	18,805	10,668	15,941
Closing NAV percentage of total fund NAV (%)	9.65	8.78	16.38
Number of shares	1,020,210	659,681	1,022,986
Highest share price (Euro ¢)	1,885.18	1,658.80	1,819.42
Lowest share price (Euro ¢)	1,627.25	1,400.34	1,497.52

Euro Class 'B' Income share performance

The share class was launched on 18 March 2016.

for the year to 31 January Change in NAV per share	2018 Euro ¢	2017 Euro ¢	2016 Euro ¢
Opening NAV	986.67	1,000.00	n/a
Return before operating charges and after direct portfolio transaction costs	155.82	34.60	n/a
Operating charges	(23.78)	(18.74)	n/a
Return after operating charges	132.04	15.86	n/a
Distributions	(43.67)	(29.19)	n/a
Closing NAV	1,075.04	986.67	n/a
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	2.47	1.88	n/a
Dilution adjustments ^[a]	(0.87)	(0.62)	n/a
Total direct portfolio transaction costs	1.60	1.26	n/a
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.15	0.08	n/a
Operating charges	2.18	2.19	n/a
Return after operating charges	+13.38	+1.59	n/a
Historic yield ^[c]	4.33	4.13	n/a
Effect on yield of charges offset against capital	2.18	2.19	n/a
Other information			
Closing NAV (€'000)	351	44	n/a
Closing NAV percentage of total fund NAV (%)	0.18	0.04	n/a
Number of shares	32,632	4,500	n/a
Highest share price (Euro ¢)	1,129.95	1,030.90	n/a
Lowest share price (Euro ¢)	993.16	907.14	n/a

M&G Pan European Dividend Fund

Financial highlights

Specific share class performance

Euro Class 'B' Accumulation share performance

The share class was launched on 18 March 2016.

for the year to 31 January Change in NAV per share	2018 Euro ¢	2017 Euro ¢	2016 Euro ¢
Opening NAV	1,016.30	1,000.00	n/a
Return before operating charges and after direct portfolio transaction costs	161.32	35.18	n/a
Operating charges	(24.96)	(18.88)	n/a
Return after operating charges	136.36	16.30	n/a
Distributions	(20.97)	(18.44)	n/a
Retained distributions	20.97	18.44	n/a
Closing NAV	1,152.66	1,016.30	n/a

Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	2.60	1.88	n/a
Dilution adjustments ^[a]	(0.92)	(0.62)	n/a
Total direct portfolio transaction costs	1.68	1.26	n/a

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.15	0.08	n/a
Operating charges	2.18	2.19	n/a
Return after operating charges	+13.42	+1.63	n/a
Historic yield	1.94	3.13	n/a
Effect on yield of charges offset against capital	0.03	0.04	n/a

Other information

Closing NAV (€'000)	608	38	n/a
Closing NAV percentage of total fund NAV (%)	0.31	0.03	n/a
Number of shares	52,709	3,707	n/a
Highest share price (Euro ¢)	1,178.99	1,042.92	n/a
Lowest share price (Euro ¢)	1,022.67	907.15	n/a

Euro Class 'C' Income share performance

The share class was launched on 8 August 2014.

for the year to 31 January Change in NAV per share	2018 Euro ¢	2017 Euro ¢	2016 Euro ¢
Opening NAV	1,561.12	1,557.94	1,613.71
Return before operating charges and after direct portfolio transaction costs	247.07	84.83	24.48
Operating charges	(16.09)	(14.62)	(16.00)
Return after operating charges	230.98	70.21	8.48
Distributions	(69.29)	(67.03)	(64.25)
Closing NAV	1,722.81	1,561.12	1,557.94

Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	3.93	3.41	3.95
Dilution adjustments ^[a]	(1.39)	(1.12)	(1.10)
Total direct portfolio transaction costs	2.54	2.29	2.85

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.15	0.08	0.17
Operating charges	0.93	0.94	0.93
Return after operating charges	+14.80	+4.51	+0.53
Historic yield ^[c]	4.28	4.14	4.50
Effect on yield of charges offset against capital	0.93	0.94	0.92

Other information

Closing NAV (€'000)	29,133	11,426	19
Closing NAV percentage of total fund NAV (%)	14.94	9.41	0.02
Number of shares	1,690,984	731,922	1,209
Highest share price (Euro ¢)	1,801.59	1,638.83	1,882.22
Lowest share price (Euro ¢)	1,571.52	1,400.80	1,530.86

Euro Class 'C' Accumulation share performance

The share class was launched on 18 July 2008.

for the year to 31 January Change in NAV per share	2018 Euro ¢	2017 Euro ¢	2016 Euro ¢
Opening NAV	1,726.51	1,651.21	1,644.02
Return before operating charges and after direct portfolio transaction costs	274.31	90.91	23.51
Operating charges	(18.05)	(15.61)	(16.32)
Return after operating charges	256.26	75.30	7.19
Distributions	(59.62)	(63.68)	(65.88)
Retained distributions	59.62	63.68	65.88
Closing NAV	1,982.77	1,726.51	1,651.21

Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	4.41	3.63	4.00
Dilution adjustments ^[a]	(1.55)	(1.19)	(1.11)
Total direct portfolio transaction costs	2.86	2.44	2.89

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.15	0.08	0.17
Operating charges	0.93	0.94	0.93
Return after operating charges	+14.84	+4.56	+0.44
Historic yield	3.20	3.13	4.36
Effect on yield of charges offset against capital	0.03	0.04	0.92

Other information

Closing NAV (€'000)	27,664	7,019	8,085
Closing NAV percentage of total fund NAV (%)	14.19	5.78	8.31
Number of shares	1,395,217	406,537	489,613
Highest share price (Euro ¢)	2,027.58	1,770.02	1,920.22
Lowest share price (Euro ¢)	1,737.39	1,484.25	1,586.55

Sterling Class 'A' Income share performance

The share class was launched on 18 July 2008.

for the year to 31 January Change in NAV per share	2018 UK p	2017 UK p	2016 UK p
Opening NAV	129.90	115.57	118.83
Return before operating charges and after direct portfolio transaction costs	23.46	22.00	3.43
Operating charges	(2.44)	(2.11)	(2.06)
Return after operating charges	21.02	19.89	1.37
Distributions	(5.90)	(5.56)	(4.63)
Closing NAV	145.02	129.90	115.57

Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.33	0.27	0.28
Dilution adjustments ^[a]	(0.12)	(0.09)	(0.08)
Total direct portfolio transaction costs	0.21	0.18	0.20

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.15	0.08	0.17
Operating charges	1.68	1.69	1.68
Return after operating charges	+16.18	+17.21	+1.15
Historic yield ^[c]	4.34	4.13	4.41
Effect on yield of charges offset against capital	1.68	1.69	1.67

Other information

Closing NAV (€'000)	65,652	59,940	41,571
Closing NAV percentage of total fund NAV (%)	33.67	49.34	42.72
Number of shares	39,816,138	39,811,476	27,451,648
Highest share price (UK p)	152.29	135.94	130.58
Lowest share price (UK p)	129.41	107.05	115.04

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Specific share class performance

Sterling Class 'A' Accumulation share performance

The share class was launched on 18 July 2008.

for the year to 31 January Change in NAV per share	2018 UK p	2017 UK p	2016 UK p
Opening NAV	175.89	149.92	148.14
Return before operating charges and after direct portfolio transaction costs	31.82	28.74	4.40
Operating charges	(3.34)	(2.77)	(2.62)
Return after operating charges	28.48	25.97	1.78
Distributions	(4.72)	(5.80)	(5.81)
Retained distributions	4.72	5.80	5.81
Closing NAV	204.37	175.89	149.92

Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.45	0.36	0.35
Dilution adjustments ^[a]	(0.16)	(0.12)	(0.10)
Total direct portfolio transaction costs	0.29	0.24	0.25

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.15	0.08	0.17
Operating charges	1.68	1.69	1.68
Return after operating charges	+16.19	+17.32	+1.20
Historic yield	2.47	2.48	4.26
Effect on yield of charges offset against capital	0.03	0.04	1.68

Other information

Closing NAV (€'000)	30,291	26,570	25,627
Closing NAV percentage of total fund NAV (%)	15.54	21.87	26.34
Number of shares	13,035,866	13,033,469	13,045,310
Highest share price (UK p)	209.85	179.73	163.04
Lowest share price (UK p)	175.16	138.84	145.90

Sterling Class 'I' Income share performance

The share class was launched on 3 August 2012.

for the year to 31 January Change in NAV per share	2018 UK p	2017 UK p	2016 UK p
Opening NAV	1,430.80	1,263.16	1,289.08
Return before operating charges and after direct portfolio transaction costs	259.00	241.42	36.89
Operating charges	(15.03)	(12.89)	(12.45)
Return after operating charges	243.97	228.53	24.44
Distributions	(65.18)	(60.89)	(50.36)
Closing NAV	1,609.59	1,430.80	1,263.16

Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	3.67	3.00	3.03
Dilution adjustments ^[a]	(1.29)	(0.98)	(0.84)
Total direct portfolio transaction costs	2.38	2.02	2.19

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.15	0.08	0.17
Operating charges	0.93	0.94	0.93
Return after operating charges	+17.05	+18.09	+1.90
Historic yield ^[c]	4.32	4.11	4.39
Effect on yield of charges offset against capital	0.93	0.94	0.92

Other information

Closing NAV (€'000)	1,657	683	403
Closing NAV percentage of total fund NAV (%)	0.85	0.56	0.41
Number of shares	90,555	41,156	24,375
Highest share price (UK p)	1,689.21	1,496.74	1,418.56
Lowest share price (UK p)	1,425.45	1,170.40	1,257.08

Sterling Class 'I' Accumulation share performance

The share class was launched on 3 August 2012.

for the year to 31 January Change in NAV per share	2018 UK p	2017 UK p	2016 UK p
Opening NAV	1,691.65	1,431.07	1,406.08
Return before operating charges and after direct portfolio transaction costs	306.66	275.22	38.74
Operating charges	(17.92)	(14.64)	(13.75)
Return after operating charges	288.74	260.58	24.99
Distributions	(59.96)	(61.71)	(55.14)
Retained distributions	59.96	61.71	55.14
Closing NAV	1,980.39	1,691.65	1,431.07

Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	4.37	3.41	3.34
Dilution adjustments ^[a]	(1.54)	(1.12)	(0.92)
Total direct portfolio transaction costs	2.83	2.29	2.42

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.15	0.08	0.17
Operating charges	0.93	0.94	0.93
Return after operating charges	+17.07	+18.21	+1.78
Historic yield	3.23	3.14	4.24
Effect on yield of charges offset against capital	0.03	0.04	0.92

Other information

Closing NAV (€'000)	2,707	1,361	1,668
Closing NAV percentage of total fund NAV (%)	1.39	1.12	1.71
Number of shares	120,233	69,415	88,943
Highest share price (UK p)	2,032.38	1,728.06	1,546.95
Lowest share price (UK p)	1,684.72	1,325.62	1,392.52

Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012.

for the year to 31 January Change in NAV per share	2018 UK p	2017 UK p	2016 UK p
Opening NAV	141.41	125.16	128.04
Return before operating charges and after direct portfolio transaction costs	25.60	23.89	3.69
Operating charges	(1.89)	(1.61)	(1.57)
Return after operating charges	23.71	22.28	2.12
Distributions	(6.43)	(6.03)	(5.00)
Closing NAV	158.69	141.41	125.16

Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.36	0.30	0.30
Dilution adjustments ^[a]	(0.13)	(0.10)	(0.08)
Total direct portfolio transaction costs	0.23	0.20	0.22

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.15	0.08	0.17
Operating charges	1.18	1.19	1.18
Return after operating charges	+16.77	+17.80	+1.66
Historic yield ^[c]	4.33	4.11	4.39
Effect on yield of charges offset against capital	1.18	1.19	1.17

Other information

Closing NAV (€'000)	294	42	44
Closing NAV percentage of total fund NAV (%)	0.15	0.04	0.05
Number of shares	162,852	25,845	26,740
Highest share price (UK p)	166.57	147.95	140.85
Lowest share price (UK p)	140.88	115.96	124.57

M&G Pan European Dividend Fund

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Specific share class performance

Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012.

for the year to 31 January Change in NAV per share	2018 UK p	2017 UK p	2016 UK p
Opening NAV	166.91	141.56	139.21
Return before operating charges and after direct portfolio transaction costs	30.23	27.20	4.08
Operating charges	(2.23)	(1.85)	(1.73)
Return after operating charges	28.00	25.35	2.35
Distributions	(5.43)	(5.90)	(5.46)
Retained distributions	5.43	5.90	5.46
Closing NAV	194.91	166.91	141.56

Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.43	0.34	0.37
Dilution adjustments ^[a]	(0.15)	(0.11)	(0.10)
Total direct portfolio transaction costs	0.28	0.23	0.27

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.15	0.08	0.17
Operating charges	1.18	1.19	1.18
Return after operating charges	+16.78	+17.91	+1.69
Historic yield	2.98	2.92	4.24
Effect on yield of charges offset against capital	0.03	0.04	1.18

Other information

Closing NAV (€'000)	85	48	2
Closing NAV percentage of total fund NAV (%)	0.04	0.04	0.00
Number of shares	38,441	25,000	1,000
Highest share price (UK p)	200.06	170.52	153.34
Lowest share price (UK p)	166.23	131.12	137.75

US dollar Class 'A' Income share performance

The share class was launched on 8 August 2014.

for the year to 31 January Change in NAV per share	2018 US ¢	2017 US ¢	2016 US ¢
Opening NAV	860.53	878.81	952.69
Return before operating charges and after direct portfolio transaction costs	291.22	34.42	(20.94)
Operating charges	(17.05)	(14.96)	(16.45)
Return after operating charges	274.17	19.46	(37.39)
Distributions	(43.00)	(37.74)	(36.49)
Closing NAV	1,091.70	860.53	878.81

Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	2.30	1.94	2.28
Dilution adjustments ^[a]	(0.81)	(0.64)	(0.63)
Total direct portfolio transaction costs	1.49	1.30	1.65

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.15	0.08	0.17
Operating charges	1.68	1.69	1.64
Return after operating charges	+31.86	+2.21	-3.92
Historic yield ^[c]	4.18	4.26	4.53
Effect on yield of charges offset against capital	1.68	1.69	1.63

Other information

Closing NAV (€'000)	108	52	39
Closing NAV percentage of total fund NAV (%)	0.06	0.04	0.04
Number of shares	12,349	6,478	4,881
Highest share price (US ¢)	1,131.48	949.78	1,081.27
Lowest share price (US ¢)	870.20	818.90	862.97

US dollar Class 'A' Accumulation share performance

The share class was launched on 8 August 2014.

for the year to 31 January Change in NAV per share	2018 US ¢	2017 US ¢	2016 US ¢
Opening NAV	952.41	931.93	972.42
Return before operating charges and after direct portfolio transaction costs	324.17	36.57	(23.54)
Operating charges	(19.01)	(16.09)	(16.95)
Return after operating charges	305.16	20.48	(40.49)
Distributions	(27.84)	(32.37)	(37.44)
Retained distributions	27.84	32.37	37.44
Closing NAV	1,257.57	952.41	931.93

Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	2.57	2.07	2.30
Dilution adjustments ^[a]	(0.91)	(0.68)	(0.64)
Total direct portfolio transaction costs	1.66	1.39	1.66

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.15	0.08	0.17
Operating charges	1.68	1.70	1.66
Return after operating charges	+32.04	+2.20	-4.16
Historic yield	2.35	2.47	4.39
Effect on yield of charges offset against capital	0.03	0.05	1.65

Other information

Closing NAV (€'000)	431	270	614
Closing NAV percentage of total fund NAV (%)	0.22	0.22	0.63
Number of shares	42,672	30,482	71,888
Highest share price (US ¢)	1,274.30	1,006.89	1,103.72
Lowest share price (US ¢)	962.77	868.14	894.77

US dollar Class 'C' Income share performance

The share class was launched on 8 August 2014.

for the year to 31 January Change in NAV per share	2018 US ¢	2017 US ¢	2016 US ¢
Opening NAV	877.40	889.05	956.51
Return before operating charges and after direct portfolio transaction costs	297.90	34.90	(21.52)
Operating charges	(9.33)	(8.29)	(9.18)
Return after operating charges	288.57	26.61	(30.70)
Distributions	(43.97)	(38.26)	(36.76)
Closing NAV	1,122.00	877.40	889.05

Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	2.52	2.27	2.37
Dilution adjustments ^[a]	(0.89)	(0.75)	(0.66)
Total direct portfolio transaction costs	1.63	1.52	1.71

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.15	0.08	0.17
Operating charges	0.91	0.92	0.91
Return after operating charges	+32.89	+2.99	-3.21
Historic yield ^[c]	4.16	4.24	4.51
Effect on yield of charges offset against capital	0.91	0.92	0.91

Other information

Closing NAV (€'000)	5	4	4
Closing NAV percentage of total fund NAV (%)	0.00	0.00	0.00
Number of shares	500	500	500
Highest share price (US ¢)	1,162.61	963.44	1,087.92
Lowest share price (US ¢)	887.26	830.24	872.82

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Specific share class performance

US dollar Class 'C' Accumulation share performance

The share class was launched on 8 August 2014.

for the year to 31 January	2018	2017	2016
Change in NAV per share	US ¢	US ¢	US ¢
Opening NAV	970.70	942.57	976.15
Return before operating charges and after direct portfolio transaction costs	331.39	36.99	(24.18)
Operating charges	(10.33)	(8.86)	(9.40)
Return after operating charges	321.06	28.13	(33.58)
Distributions	(37.75)	(36.31)	(37.62)
Retained distributions	37.75	36.31	37.62
Closing NAV	1,291.76	970.70	942.57
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	2.52	2.28	2.41
Dilution adjustments ^[a]	(0.89)	(0.75)	(0.67)
Total direct portfolio transaction costs	1.63	1.53	1.74
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.15	0.08	0.17
Operating charges	0.90	0.92	0.91
Return after operating charges	+33.08	+2.98	-3.44
Historic yield	3.10	3.19	4.36
Effect on yield of charges offset against capital	0.00	0.02	0.91
Other information			
Closing NAV (€'000)	5	5	4
Closing NAV percentage of total fund NAV (%)	0.00	0.00	0.00
Number of shares	500	500	500
Highest share price (US ¢)	1,308.74	1,021.16	1,110.30
Lowest share price (US ¢)	981.27	879.98	904.85

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

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

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

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Statement of total return					
for the year to 31 January	Note	2018		2017	
		€'000	€'000	€'000	€'000
Income					
Net capital gains / (losses)	3		14,775		1,377
Revenue	5	6,511		4,414	
Expenses	6	(2,481)		(1,643)	
Net revenue / (expense) before taxation		4,030		2,771	
Taxation	7	(305)		(179)	
Net revenue / (expense) after taxation			3,725		2,592
Total return before distributions			18,500		3,969
Distributions	8		(5,215)		(3,870)
Change in net assets attributable to shareholders from investment activities			13,285		99

Statement of change in net assets attributable to shareholders					
for the year to 31 January		2018		2017	
		€'000	€'000	€'000	€'000
Opening net assets attributable to shareholders			121,486		97,317
Amounts received on issue of shares		75,606		44,045	
Amounts paid on cancellation of shares		(17,540)		(21,725)	
			58,066		22,320
Dilution adjustments			185		122
Change in net assets attributable to shareholders from investment activities (see above)			13,285		99
Retained distributions on Accumulation shares			1,940		1,628
Closing net assets attributable to shareholders			194,962		121,486

Balance sheet				
as at 31 January	Note	2018	2017	
		€'000	€'000	
Assets				
Fixed assets				
Investments		195,563	122,837	
Current assets				
Debtors	9	1,801	523	
Cash and bank balances	10	1,144	742	
Total assets		198,508	124,102	
Liabilities				
Creditors				
Distribution payable		(2,595)	(1,821)	
Other creditors	11	(951)	(795)	
Total liabilities		(3,546)	(2,616)	
Net assets attributable to shareholders		194,962	121,486	

Notes to the financial statements

1 Accounting policies

The financial statements have been prepared in accordance with the 'Summary of significant accounting policies' set out on pages 7 and 8.

2 Distribution policy

In determining the amount available for reinvestment to Accumulation shares, all expenses with the exception of the annual management charge, administration charge and overdraft interest are offset against capital, increasing the amount available for reinvestment whilst restraining capital performance to an equivalent extent. In determining the amount available for distribution to Income shares, all expenses with the exception of overdraft interest are offset against capital, increasing the amount available for distribution whilst restraining capital performance to an equivalent extent.

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

3 Net capital gains / (losses)

for the year to 31 January	2018	2017
	€'000	€'000
Non-derivative securities	14,669	1,468
Derivative contracts	224	135
Currency gains / (losses)	(112)	(220)
Transaction charges	(6)	(6)
Net capital gains / (losses)	14,775	1,377

4 Portfolio transactions and associated costs

The following tables show portfolio transactions and their associated transaction costs. For more information about the nature of the costs please see the section on 'Operating charges and portfolio transaction costs' on page 110.

for the year to 31 January	2018	% of	2017	% of
	€'000	transaction	€'000	transaction
a) Purchases				
Equities				
Equities before transaction costs	136,618		85,634	
Commissions	61	0.04	48	0.06
Taxes	281	0.21	140	0.16
Total purchases after transaction costs	136,960		85,822	
b) Sales				
Equities				
Equities before transaction costs	77,917		60,402	
Commissions	(33)	0.04	(39)	0.06
Total sales after transaction costs	77,884		60,363	
c) Direct portfolio transaction costs				
	2018	% of	2017	% of
	€'000	average NAV	€'000	average NAV
Commissions paid				
Equities	94	0.06	87	0.08
Taxes paid				
Equities	281	0.17	140	0.14
Total direct portfolio transaction costs [a]	375	0.23	227	0.22
d) Indirect portfolio transaction costs				
Portfolio dealing spread [b]		0.06		0.14

[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.

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5 Revenue

	2018	2017
for the year to 31 January	€'000	€'000
Distributions from collective investment schemes: taxable	71	106
Distributions from collective investment schemes: property income dividends	209	45
Dividends from equity investments: non-taxable	5,962	3,940
Dividends from equity investments: taxable	268	243
Interest distributions	1	3
Stock dividends	0	57
Underwriting commission	0	20
Total revenue	6,511	4,414

6 Expenses

	2018	2017
for the year to 31 January	€'000	€'000
Payable to the ACD or associate		
Annual management charge	2,170	1,447
Administration charge	249	156
	2,419	1,603
Payable to the Depositary or associate		
Depositary's charge (including VAT)	15	9
	15	9
Other expenses		
Audit fee (including VAT)	10	10
Interest payable	20	10
Safe custody charge	17	10
Tax fees (including VAT)	0	1
	47	31
Total expenses	2,481	1,643

7 Taxation

	2018	2017
for the year to 31 January	€'000	€'000
a) Analysis of charge in the year		
Corporation tax	0	0
Withholding tax	305	179
Deferred tax (note 7c)	0	0
Total taxation	305	179
b) Factors affecting taxation charge for the year		
Net revenue / (expense) before taxation	4,030	2,771
Corporation tax at 20%	806	554
Effects of:		
Dividends from equity investments: non-taxable	(1,192)	(788)
Stock dividends not taxable	0	(11)
Current year expenses not utilised	388	247
Withholding tax	305	179
Withholding tax expensed	(5)	(2)
Prior year adjustment to expenses not utilised	3	0
Total tax charge (note 7a)	305	179
c) Provision for deferred taxation		
Provision at the start of the year	0	0
Deferred tax in profit and loss account (note 7a)	0	0
Provision at the end of the year	0	0

The fund has not recognised a deferred tax asset of €1,682,000 (2017: €1,294,000) arising as a result of having excess management expenses and interest distributions. We do not expect this asset to be utilised in the foreseeable future.

8 Distributions

	2018		2017	
for the year to 31 January	Inc ^[a]	Acc ^[b]	Inc ^[a]	Acc ^[b]
Dividend distributions	€'000	€'000	€'000	€'000
Interim	1,719	964	964	904
Final	2,595	976	1,821	724
Total net distributions		6,254		4,413
Income deducted on cancellation of shares		332		387
Income received on issue of shares		(1,371)		(930)
Distributions		5,215		3,870
Net revenue per statement of total return		3,725		2,592
Expenses offset against capital		1,490		1,278
Distributions		5,215		3,870

^[a] Distributions payable on Income shares.

^[b] Retained distributions on Accumulation shares.

9 Debtors

	2018	2017
as at 31 January	€'000	€'000
Amounts receivable on issues of shares	683	48
Currency deals outstanding	404	0
Dividends receivable	273	43
Tax recoverable	24	24
Withholding tax recoverable	417	408
Total debtors	1,801	523

10 Cash and bank balances

	2018	2017
as at 31 January	€'000	€'000
Cash held as bank balances	1,144	742
Total cash and bank balances	1,144	742

11 Other creditors

	2018	2017
as at 31 January	€'000	€'000
ACD's annual management charge payable	110	69
Administration charge payable	13	8
Amounts payable on cancellation of shares	0	702
Currency deals outstanding	404	0
Expenses payable	21	16
Purchases awaiting settlement	403	0
Total other creditors	951	795

12 Contingent assets, liabilities and outstanding commitments

There were no contingent assets, liabilities or outstanding commitments at the balance sheet date (2017: same).

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13 Shares in issue

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

Share class	Opening 01.02.17	Movements		Closing 31.01.18
		Issued	Cancelled	
Euro				
Class 'A' Income	240,122	914,837	(20,103)	1,134,856
Class 'A' Accumulation	659,681	1,066,259	(705,730)	1,020,210
Class 'B' Income	4,500	31,499	(3,367)	32,632
Class 'B' Accumulation	3,707	54,524	(5,522)	52,709
Class 'C' Income	731,922	974,213	(15,151)	1,690,984
Class 'C' Accumulation	406,537	1,125,002	(136,322)	1,395,217
Sterling				
Class 'A' Income	39,811,476	575,324	(570,662)	39,816,138
Class 'A' Accumulation	13,033,469	86,502	(84,105)	13,035,866
Class 'I' Income	41,156	53,646	(4,247)	90,555
Class 'I' Accumulation	69,415	70,257	(19,439)	120,233
Class 'R' Income	25,845	140,690	(3,683)	162,852
Class 'R' Accumulation	25,000	30,117	(16,676)	38,441
US dollar				
Class 'A' Income	6,478	7,140	(1,269)	12,349
Class 'A' Accumulation	30,482	24,010	(11,820)	42,672
Class 'C' Income	500	0	0	500
Class 'C' Accumulation	500	0	0	500

14 Charging structure

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

Share class	Entry charge %	Exit charge %	Annual
			management charge %
Euro			
Class 'A'	4.00	n/a	1.50
Class 'B'	n/a	n/a	2.00
Class 'C'	1.25	n/a	0.75
Sterling			
Class 'A'	nil	n/a	1.50
Class 'I'	nil	n/a	0.75
Class 'R'	nil	n/a	1.00
US dollar			
Class 'A'	4.00	n/a	1.50
Class 'C'	1.25	n/a	0.75

15 Related parties

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

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

During the year, there were transactions in Prudential plc, a related party of M&G Securities Limited with a total value of €2,058,000 (2017: €3,789,000).

At the balance sheet date, the fund held shares in related parties of M&G Securities Limited with a value of €5,599,000 (2017: €3,982,000).

At the balance sheet date, shareholders from within Prudential plc, of which M&G Securities Limited is a wholly owned subsidiary, have holdings totalling 88.27% (2017: 94.41%) of the fund's shares.

16 Events after the balance sheet date

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

17 Fair value analysis

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

Level 1: Unadjusted quoted price in an active market for an identical instrument

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

Level 2: Valuation technique using observable market data

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

Level 3: Valuation technique using unobservable inputs

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

as at 31 January Basis of valuation	Assets	Liabilities	Assets	Liabilities
	2018 €'000	2018 €'000	2017 €'000	2017 €'000
Level 1	195,563	0	122,696	0
Level 2	0	0	141	0
Level 3	0	0	0	0
	195,563	0	122,837	0

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

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18 Risk management policies

The general risk management policies for the fund are set out in note 3 to the financial statements on pages 8 to 10.

19 Market risk sensitivity

A five per cent increase in the value of the fund's investment portfolio would have the effect of increasing the return and net assets by €9,778,000 (2017: €6,135,000). A five per cent decrease would have an equal and opposite effect.

20 Currency risk sensitivity and exposure

A five per cent increase in the value of the fund's currency exposure would have the effect of increasing the return and net assets by €9,748,000 (2017: €6,074,000). A five per cent decrease would have an equal and opposite effect.

	2018 €'000	2017 €'000
as at 31 January		
Currency exposure in respect of the fund		
Danish krone	10,467	7,053
Euro	86,394	48,780
Norwegian krone	485	1,501
Sterling	62,514	34,931
Swedish krona	16,576	19,182
Swiss franc	13,626	3,977
US dollar	4,900	6,062
Total	194,962	121,486

21 Dividend distribution tables

This fund pays semi-annual ordinary distributions and the following table sets out the distribution periods.

Semi-annual distribution periods				
	Start	End	Xd	Payment
Interim	01.02.17	31.07.17	01.08.17	30.09.17
Final	01.08.17	31.01.18	01.02.18	31.03.18

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

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

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

Euro Class 'A' Income shares

Ordinary distributions for the year to 31 January	Group 2		Group 1 & 2 Distribution	
	Income 2018	Equalisation 2018	2018	2017
	¢	¢	¢	¢
Interim	0.0000	26.7960	26.7960	26.4000
Final	4.9420	29.4290	34.3710	33.2857

Euro Class 'A' Accumulation shares

Ordinary distributions for the year to 31 January	Group 2		Group 1 & 2 Distribution	
	Income 2018	Equalisation 2018	2018	2017
	¢	¢	¢	¢
Interim	0.0000	23.5434	23.5434	29.6072
Final	0.0000	18.6786	18.6786	24.3647

Euro Class 'B' Income shares

Ordinary distributions for the year to 31 January	Group 2		Group 1 & 2 Distribution	
	Income 2018	Equalisation 2018	2018	2017
	¢	¢	¢	¢
Interim	0.0000	19.1490	19.1490	11.2685
Final	2.4756	22.0478	24.5234	17.9166

Euro Class 'B' Accumulation shares

Ordinary distributions for the year to 31 January	Group 2		Group 1 & 2 Distribution	
	Income 2018	Equalisation 2018	2018	2017
	¢	¢	¢	¢
Interim	0.0000	13.3441	13.3441	11.2685
Final	0.0000	7.6233	7.6233	7.1674

Euro Class 'C' Income shares

Ordinary distributions for the year to 31 January	Group 2		Group 1 & 2 Distribution	
	Income 2018	Equalisation 2018	2018	2017
	¢	¢	¢	¢
Interim	0.0000	30.3288	30.3288	29.6177
Final	7.0592	31.8982	38.9574	37.4155

Euro Class 'C' Accumulation shares

Ordinary distributions for the year to 31 January	Group 2		Group 1 & 2 Distribution	
	Income 2018	Equalisation 2018	2018	2017
	¢	¢	¢	¢
Interim	0.0000	28.9931	28.9931	31.4115
Final	0.7197	29.9022	30.6219	32.2692

Sterling Class 'A' Income shares

Ordinary distributions for the year to 31 January	Group 2		Group 1 & 2 Distribution	
	Income 2018	Equalisation 2018	2018	2017
	p	p	p	p
Interim	0.0000	2.6083	2.6083	2.4198
Final	0.5107	2.7829	3.2936	3.1380

M&G Pan European Dividend Fund

Financial statements and notes

Notes to the financial statements

21 Dividend distribution tables (continued)

Sterling Class 'A' Accumulation shares

Ordinary distributions for the year to 31 January	Group 2		Group 1 & 2 Distribution	
	Income 2018	Equalisation 2018	2018	2017
	p	p	p	p
Interim	0.0000	2.6516	2.6516	3.1383
Final	0.0000	2.0706	2.0706	2.6597

Sterling Class 'I' Income shares

Ordinary distributions for the year to 31 January	Group 2		Group 1 & 2 Distribution	
	Income 2018	Equalisation 2018	2018	2017
	p	p	p	p
Interim	0.0000	28.7868	28.7868	26.4884
Final	4.3413	32.0554	36.3967	34.4015

Sterling Class 'I' Accumulation shares

Ordinary distributions for the year to 31 January	Group 2		Group 1 & 2 Distribution	
	Income 2018	Equalisation 2018	2018	2017
	p	p	p	p
Interim	0.0000	29.3962	29.3962	30.0005
Final	1.3705	29.1967	30.5672	31.7143

Sterling Class 'R' Income shares

Ordinary distributions for the year to 31 January	Group 2		Group 1 & 2 Distribution	
	Income 2018	Equalisation 2018	2018	2017
	p	p	p	p
Interim	0.6797	2.1623	2.8420	2.6232
Final	0.1494	3.4431	3.5925	3.4048

Sterling Class 'R' Accumulation shares

Ordinary distributions for the year to 31 January	Group 2		Group 1 & 2 Distribution	
	Income 2018	Equalisation 2018	2018	2017
	p	p	p	p
Interim	2.7714	0.0000	2.7714	2.9686
Final	0.0000	2.6632	2.6632	2.9289

US dollar Class 'A' Income shares

Ordinary distributions for the year to 31 January	Group 2		Group 1 & 2 Distribution	
	Income 2018	Equalisation 2018	2018	2017
	¢	¢	¢	¢
Interim	3.7807	14.2897	18.0704	16.8573
Final	5.7746	19.1548	24.9294	20.8789

US dollar Class 'A' Accumulation shares

Ordinary distributions for the year to 31 January	Group 2		Group 1 & 2 Distribution	
	Income 2018	Equalisation 2018	2018	2017
	¢	¢	¢	¢
Interim	5.4578	9.5452	15.0030	17.8707
Final	0.0000	12.8413	12.8413	14.4987

US dollar Class 'C' Income shares

Ordinary distributions for the year to 31 January	Group 2		Group 1 & 2 Distribution	
	Income 2018	Equalisation 2018	2018	2017
	¢	¢	¢	¢
Interim	18.4605	0.0000	18.4605	17.0787
Final	25.5140	0.0000	25.5140	21.1780

US dollar Class 'C' Accumulation shares

Ordinary distributions for the year to 31 January	Group 2		Group 1 & 2 Distribution	
	Income 2018	Equalisation 2018	2018	2017
	¢	¢	¢	¢
Interim	17.6491	0.0000	17.6491	18.0955
Final	20.1020	0.0000	20.1020	18.2140

M&G Investment Funds (7)

Other regulatory disclosures

Remuneration

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

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

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

Swiss investor information

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

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

Glossary

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

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

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

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

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

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

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

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

Bunds: Fixed income securities issued by the German government.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Glossary

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

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

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

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

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

Equities: Shares of ownership in a company.

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

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

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

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

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

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

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

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

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

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

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

Gilts: Fixed income securities issued by the UK government.

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

Hedging: A method of reducing unnecessary or unintended risk.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Glossary

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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.

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