



M&G Investment Funds (14)

Interim Long Report and unaudited Financial Statements
for the six months ended 31 October 2017



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M&G Investment Funds (14)

Authorised Corporate Director's Report

The Authorised Corporate Director (ACD) of M&G Investment Funds (14) presents its Interim Long Report and unaudited Financial Statements for the six months ended 31 October 2017.

The unaudited financial statements of M&G Investment Funds (14) and the investment report and unaudited financial statements and notes of each sub-fund are presented in their individual sections of this report as set out in the contents page.

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

Company information

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

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

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

As at 31 October 2017, none of the funds held shares of the other funds within this OEIC.

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

Fund managers

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

M&G Income Allocation Fund
Steven Andrew

M&G Prudent Allocation Fund
Juan Nevado & Craig Moran

ACD

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

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

Directors of the ACD

W J Nott (Chief Executive),
G N Cotton, N M Donnelly*, P R Jelfs, G W MacDowall, L J Mumford
* Appointed 9 June 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

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.

M&G Investment Funds (14)

Authorised Corporate Director's Report

Investor information

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, L-1616 Luxembourg,
Grand Duchy of Luxembourg

Portuguese distributor:

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

Spanish representative:

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

Swedish paying agent:

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

Swiss paying agent and representative:

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

Authorised Corporate Director's Responsibilities

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

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

M&G Investment Funds (14)

Financial statements and notes

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

Notes to the financial statements

Accounting policies

The interim financial statements have been prepared on the same basis as the audited financial statements for the year ended 30 April 2017. They are prepared under the historical cost convention, as modified by the revaluation of investments, and in accordance with the Statement of Recommended Practice (SORP) for Authorised Funds issued by the Investment Association in May 2014.

Directors' statement

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

G W MACDOWALL }
L J MUMFORD } Directors

14 December 2017

M&G Investment Funds (14)

Financial statements and notes

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M&G Income Allocation Fund

Authorised Corporate Director's Report

Investment objective

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

Investment policy

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

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

Investment approach

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

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

Risk profile

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

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

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

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



The above number:

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

Investment review

As at 1 November 2017, for the six months ended 31 October 2017

Distribution summary

The fund distributed six monthly payments totalling 17.35c per Euro Class 'A' (Income) share over the six months under review. This represents an increase of 5.9% from the 16.38c distributed during the same period a year earlier. As at the end of the reporting period, the payout represented a yield (distributed income as a percentage of the share price at the end of the period) of 3.36%.

The fund's distribution and distribution yield are shown in the 'Specific share class performance' tables in this report. Please note, this fund provides a variable level of income.

Performance against objective

Between 2 May 2017 (the start of the review period) and 1 November 2017, the M&G Income Allocation Fund produced a positive total return (the combination of income and growth of capital) across all of its share classes.* The fund's returns were ahead of that of its peer group, the Morningstar EUR Moderate Allocation Global Sector, which delivered an average return of 2.3% over the same period.

The fund has achieved both its income objective in terms of generating a growing level of income over the three-year period to November 2017, and its aim of capital growth in the same 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 Income Allocation Fund

Authorised Corporate Director's Report

Investment review

Investment performance

Investors' appetite for risk improved steadily through the review period, as economic data was generally better than had been expected. Synchronised economic growth now seems to be taking place almost everywhere in the world. This is being reflected in better earnings figures for companies, which is in turn supporting equities (company shares). Several stockmarkets reached record highs during the review period, including the US and UK, and others attained their highest levels for many years, such as Japan, which ended October at a 20-year high. It appears that investors are now prepared to move on from the fear of recession that caused them to embrace the sort of assets that were more likely to preserve their capital rather than have a chance of increasing it. This is despite the usual crop of worrying events that could have led to weakness in share prices, such as concern over tension between the US and North Korea and rising political populism.

The oil price also rose during the six-month period, although gold weakened due to its status as a safe haven. Against such a positive background, bonds could have been expected to suffer, as they generally experience more demand in times of slow economic growth and risk aversion. (Bonds are loans that are extended by an investor to an issuer – such as a company or government – in exchange for regular interest payments. Bonds issued by companies are referred to as 'corporate bonds', while those issued by governments are called 'government bonds'.) Several central banks were prompted by the strength of their economies to signal that they would reduce the programmes they introduced to keep interest rates low. These policies included massive purchases of government bonds, which have been very beneficial to the prices of such assets. Although talk of potential increases in interest rates led to sporadic bouts of weakness in government bond prices, the stubbornly low level of inflation meant that bonds were only modestly down over the period, if at all. Although interest rates did rise in the US and UK, amongst others, it appears that policymakers will make only very gradual changes.

Since we still believed that better economic activity will eventually be reflected in improved company earnings and, consequently, higher share prices, we maintained a bias towards equities throughout the review period. In our opinion, equities offer significantly better value than most government bonds, which we regard as expensive. In our opinion, government bonds from the UK, Germany and Japan remain overvalued.

The fund was therefore positioned in favour of equities for the whole of the review period and, indeed, the allocation was increased during the six months. We think company shares are more attractively valued than bonds and, if selected carefully, can pay healthy levels of dividend – an important consideration given the fund's income objective. The bias towards equities was the major driver of the fund's robust performance over the six months under review, with substantial value being generated by our holdings of shares in US companies, particularly technology businesses and banks. Elsewhere, positions in shares from Italy, Germany, Taiwan and Japan also added value.

Our allocation to bonds generated a positive contribution to performance as well, with government bonds from peripheral Europe leading the way. Government debt from Portugal and Italy rose in price during the period, helped by improving economic data and, in the case of Portugal, an upgrade to the country's credit rating.

We hold a substantial stake in US government bonds, which are held as 'insurance' against a major drop in equity prices and as a diversifier to some of our emerging market bonds. The increase in yield, or return, on the US bonds should, in our opinion, increase their potential diversification properties in the event of weakness elsewhere. The returns from US government bonds were positive in local terms, helped by inflation remaining benign, the central bank staying investor friendly and investors regularly seeking safe havens whenever geopolitical tensions increased. However, the sharp weakness of the US dollar relative to the euro meant that most of the gains were wiped out in euro terms.

Investment activities

As economic data signalled that the global economy was improving steadily, we maintained our preference for equities, increasing the weighting during the review period. The largest change was an increase in our exposure to Japan. Not only is the economic background in the country improving but we also regard Japanese equity valuations as attractive. One of the themes that we have observed is an improvement in the way Japanese companies are managed and we bought shares in selected companies that we believe could benefit from the potential unwinding of corporate cross-ownership. We also added stakes in selected industrial companies and used earlier price weakness to buy shares in financial companies. To make way for the Japanese shares, we reduced some holdings in Canada and the US. We also added to our positions in South Korea but sold some in Taiwan after good performance. By the end of the period, the proportion of the fund invested in equities was close to the maximum it can reach according to the fund's investment guidelines.

The overall weighting in fixed income also rose during the six months under review, mainly due to the purchase of government bonds in Europe. We added government bonds from Italy and Spain to replace our holding of bonds from Portugal, which had performed very well while in the portfolio and were steadily reduced during the period. We also bought government bonds from Poland, having been attracted by the yield on offer.

In addition, we established a holding in the M&G (Lux) Emerging Markets Hard Currency Bond Fund, so as to add some diversification to our emerging markets fixed income exposure without the underlying currency risk, while benefiting from M&G's emerging market credit expertise. The yields on these bonds are attractive and the fund can provide access to interesting markets, such as the Dominican Republic and Pakistan.

We were fairly active in adjusting our stake in 30-year government bonds from the US, increasing the weighting when prices fell after good economic data was released or when central bankers hinted at higher interest rates. Conversely, when political tensions rose and demand for safe havens increased, leading to lower yields on the bonds, we reduced our exposure.

In Brazil, we adjusted our position in government bonds, switching into 5-year from 2-year bonds so as to take advantage of the higher yields on bonds with a longer time until repayment. Although Brazil's economic fundamentals look challenging, we thought the bonds provided enough compensation for the risk.

The fund's cash holding was reduced during the period as we increased equity and bond holdings. We do, however, retain a meaningful cash position in order to mitigate the risk from potential falls in asset prices in the event of a negative surprise and to give scope to exploit any unwarranted changes in valuation that take place.

M&G Income Allocation Fund

Authorised Corporate Director's Report

Investment review

Outlook

It appears that investors are beginning to believe the good news being released about corporate earnings and the global economy. Improving investor sentiment has contributed to a supportive environment for equities that has seen several stockmarkets reach record highs recently. This seems to mark a welcome turning point from the pessimism that has clouded investors' judgement ever since the global financial crisis and enabled them to take potential stumbling blocks, such as interest rate rises and geopolitical tension, in their stride.

Although we must be aware of possible shocks to the market that could be caused by central bankers taking greater and faster action than is currently anticipated, we think this is unlikely. At the moment, it appears that a gradual return to a more normal level of interest rates, together with continued low inflation and robust economic data, should be supportive of our belief in a steadily improving global economy. This encourages our view that the clearest signal in financial markets at the moment is the difference in valuation that exists between equities and bonds, convincing us that equities represent significantly better value than bonds.

In our opinion, so-called 'safe havens', such as government bonds from the UK, Japan and Germany, are unattractive and not safe at all. Not just because they offer low or negative yields, but also because they remain vulnerable to further improvement in investor sentiment as economic data improves.

At the moment, we remain comfortable with the fund being positioned broadly in favour of assets that would benefit from a gradual pick-up in global economic activity and so we maintain a bias towards equities, particularly those that should do well against a background of rising interest rates. Hence, we have significant weightings in banks from the US, Japan and Europe, whose profits should be supported by higher borrowing charges. We also like certain corporate bonds and government bonds issued by countries in peripheral Europe, such as Italy and Spain, as well as emerging markets. Not only do these bonds provide higher levels of yield but they introduce valuable diversity to the portfolio.

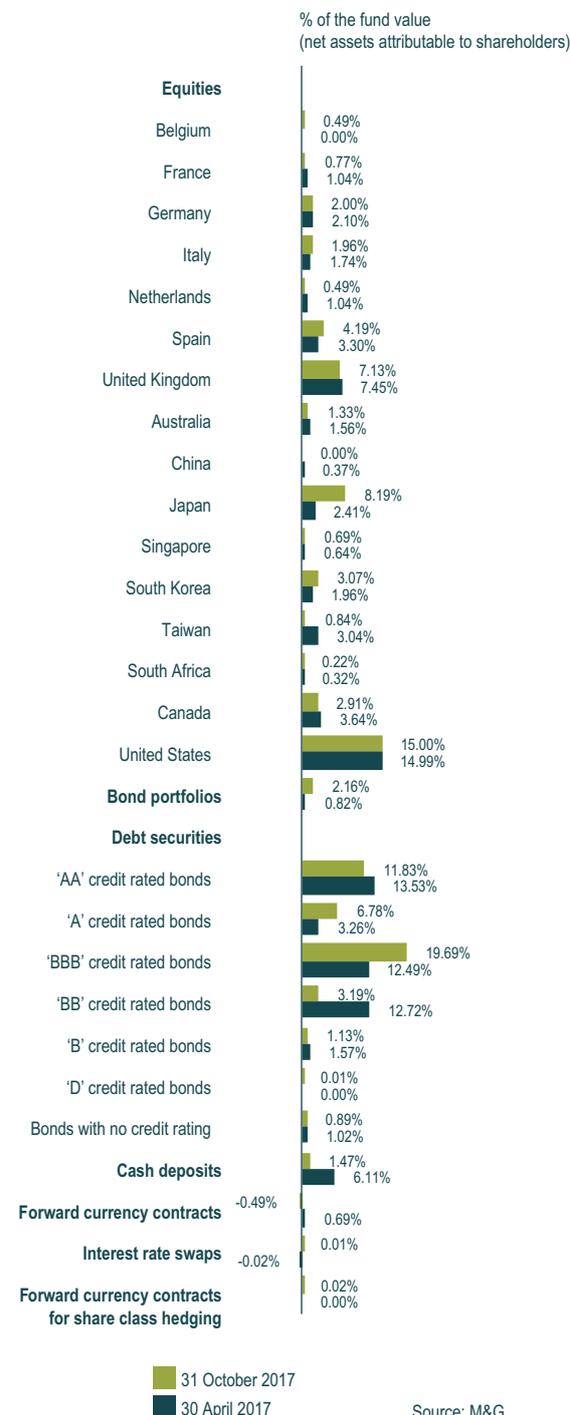
As always, we are closely watching changes in prices and the economic background, along with the global newsflow, so as to determine the relative attractiveness of various assets. We will also be alert to the possibility of investor confidence rising to such an extent that asset prices are pushed to levels that do not seem justified by the facts. In order to generate the best returns for our investors, we will continue to invest in those areas of the market that we believe combine strong growth characteristics with attractive valuations, while diversifying the fund across both sectors and geographies.

Steven Andrew
Fund manager

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

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

Classification of investments



M&G Income Allocation Fund

Authorised Corporate Director's Report

Investments

Portfolio statement

as at Holding	31.10.17 €'000	31.10.17 %	30.04.17 %
Equities	503,479	49.28	45.60
Belgium	4,969	0.49	0.00
69,681 KBC Group	4,969	0.49	
France	7,908	0.77	1.04
2,198 Hermes International	982	0.09	
27,069 LVMH	6,926	0.68	
Germany	20,378	2.00	2.10
160,571 Daimler	11,437	1.12	
46,554 Munich Re	8,941	0.88	
Italy	19,992	1.96	1.74
366,842 Atlantia	10,257	1.01	
626,882 Banca Mediolanum	4,595	0.45	
545,613 Mediobanca	5,140	0.50	
Netherlands	5,022	0.49	1.04
64,017 Akzo Nobel	5,022	0.49	
Spain	42,843	4.19	3.30
4,359,068 Banco de Sabadell	7,445	0.73	
830,185 BBVA	6,244	0.61	
219,490 Grupo Catalana Occidentales	7,908	0.77	
604,507 Iberdrola	4,189	0.41	
251,914 Inditex	8,133	0.80	
1,372,970 Prosegur Compania Seguridad	8,924	0.87	
United Kingdom	72,858	7.13	7.45
1,216,891 BAE Systems	8,175	0.80	
749,152 British Land REIT	5,041	0.49	
2,900,845 Cobham	4,556	0.44	
350,230 easyJet	5,302	0.52	
326,682 GlaxoSmithKline	5,059	0.50	
578,360 Greene King	3,554	0.35	
854,967 HSBC Holdings	7,157	0.70	
574,546 IG Group Holdings	4,320	0.42	
2,196,327 ITV	4,103	0.40	
2,666,728 Legal & General Group	8,050	0.79	
1,350,558 Marks & Spencer Group	5,313	0.52	
381,354 Pearson	3,064	0.30	
123,571 Rio Tinto	4,969	0.49	
572,275 Tate & Lyle	4,195	0.41	
Australia	13,577	1.33	1.56
295,581 BHP Billiton	5,156	0.51	
1,109 BT Investment Management	8	0.00	
76,554 Commonwealth Bank of Australia	3,910	0.38	
1,517,571 Stockland REIT	4,503	0.44	
China	0	0.00	0.37
Japan	83,688	8.19	2.41
1,874 Advance Residence Investment REIT	3,796	0.37	
43,000 East Japan Railway	3,574	0.35	
1,083,000 Hitachi	7,361	0.72	
157,500 Honda Motor	4,205	0.41	
301,700 Itochu	4,523	0.44	
1,205 Japan Excellent Fund REIT	1,220	0.12	
8,001 Japan Hotel Trust REIT	4,549	0.45	
977 Japan Logistics Fund REIT	1,511	0.15	
2,817 Japan Retail Fund REIT	4,299	0.42	
213,500 Mitsubishi	4,285	0.42	
666,000 Mitsubishi UFJ Financial	3,850	0.38	
2,748,200 Mizuho Financial Group	4,269	0.42	

Portfolio statement (continued)

as at Holding	31.10.17 €'000	31.10.17 %	30.04.17 %
Japan (continued)			
690,100 Nissan Motor	5,744	0.56	
1,032,000 Nomura Holdings	5,075	0.49	
353,600 ORIX	5,194	0.51	
3,037 ORIX JREIT	3,578	0.35	
972,500 Resona Bank	4,483	0.44	
127,400 Sumitomo Mitsui Financial	4,363	0.43	
125,500 Sumitomo Mitsui Trust Holdings	4,227	0.41	
59,300 West Japan Railway	3,582	0.35	
Singapore	7,035	0.69	0.64
6,144,820 CapitaCommercial Trust REIT	6,705	0.66	
271,000 Sembcorp Marine	330	0.03	
South Korea	31,365	3.07	1.96
70,091 Coway	5,214	0.51	
463,900 Industrial Bank of Korea	5,443	0.53	
197,073 Kangwon Land	5,176	0.51	
161,671 Kia Motors	4,383	0.43	
131,382 Korea Electric Power	3,944	0.39	
35,659 SK Telecom	7,205	0.70	
Taiwan	8,617	0.84	3.04
966,000 Hon Hai Precision Industry	3,082	0.30	
260,000 Pou Chen	281	0.03	
759,000 Taiwan Semiconductor Manufacturing	5,254	0.51	
South Africa	2,244	0.22	0.32
489,935 Truworths International	2,244	0.22	
Canada	29,714	2.91	3.64
148,672 Bank of Montreal	9,937	0.98	
136,811 Bank of Nova Scotia	7,581	0.74	
11,836 Fairfax Financial	5,322	0.52	
355,179 Shaw Communications	6,874	0.67	
United States	153,269	15.00	14.99
438,700 5th Third Bancorp	10,934	1.07	
129,300 American Express	10,558	1.03	
85,433 Apple	12,237	1.20	
385,600 Bank of America	9,140	0.89	
101,100 Citigroup	6,406	0.63	
771,100 Ford Motor	8,009	0.78	
146,140 JPMorgan Chase	12,729	1.25	
571,100 KeyCorp	8,944	0.88	
65,400 M&T Bank	9,375	0.92	
44,100 MasterCard	5,642	0.55	
493,200 Meridian Bioscience	6,229	0.61	
177,200 Microsoft	12,762	1.25	
163,300 Pfizer	4,929	0.48	
86,800 PNC Financial Services	10,227	1.00	
120,400 SunTrust Banks	6,242	0.61	
227,900 US Bancorp	10,624	1.04	
172,625 Wells Fargo	8,282	0.81	
Bond portfolios	22,035	2.16	0.82
1,664,000 M&G (Lux) Emerging Markets Hard Currency Bond Fund USD 'C' (Distribution)	14,680	1.44	
260,700 SPDR® Barclays 10+ Year US Corporate Bond UCITS ETF	7,355	0.72	
Debt securities	444,670	43.52	44.59
'AA' credit rated bonds	120,869	11.83	13.53
\$143,009,000 US Treasury 2.75% 2042	120,869	11.83	
'A' credit rated bonds	69,240	6.78	3.26
CLP11,760,000,000 Chile (Republic of) 5.5% 2020	16,721	1.64	
MXN596,432,400 Mexico (United Mexican States) 8.5% 2038	29,320	2.87	
PEN17,751,000 Peru (Republic of) 6.95% 2031	5,261	0.51	
PLN66,829,000 Poland (Republic of) 5.75% 2022	17,938	1.76	

M&G Income Allocation Fund

Authorised Corporate Director's Report

Investments

Portfolio statement (continued)				
as at Holding	31.10.17 €'000	31.10.17 %	30.04.17 %	
'BBB' credit rated bonds				
COP44,648,600,000 Colombia (Republic of) 10% 2024	15,192	1.49		
\$800,000 Ford Motor 7.125% 2025	836	0.08		
\$1,752,000 HCA 4.75% 2023	1,571	0.15		
€22,546,000 Italy (Republic of) 4.75% 2044	29,954	2.93		
€40,316,000 Italy (Republic of) 2.7% 2047	37,912	3.71		
£955,000 Marks & Spencer 4.75% 2025	1,214	0.12		
\$240,000 Norfolk Southern Railway 9.75% 2020	245	0.02		
€18,118,000 Portugal (Republic of) 4.1% 2045	19,979	1.96		
\$3,158,000 Qwest 6.875% 2033	2,667	0.26		
£1,077,000 RWE Finance 5.625% 2023	1,479	0.15		
ZAR691,565,416 South Africa (Republic of) 6.25% 2036	29,152	2.85		
€18,668,000 Spain (Kingdom of) 2.15% 2025	20,168	1.98		
€16,562,000 Spain (Kingdom of) 2.9% 2046	17,061	1.67		
€13,660,000 Spain (Kingdom of) 5.15% 2044	20,163	1.97		
\$120,000 Thomson-Reuters 5.85% 2040	121	0.01		
\$327,000 Western Union 6.2% 2036	306	0.03		
\$3,566,000 Zoetis 3.25% 2023	3,115	0.31		
'BB' credit rated bonds				
\$3,714,000 Bank of America Var. Rate Perp. (8%)	3,228	0.32		
£1,139,000 Barclays Bank Var. Rate Perp. (14%)	1,522	0.15		
BRL35,418,000 Brazil (Federal Republic of) 10% 2023	9,441	0.92		
£2,778,000 Enterprise Inns 6% 2023	3,422	0.33		
€3,195,000 KPN Var. Rate Perp. (6.125%)	3,348	0.33		
£1,540,000 Ladbrokes 5.125% 2023	1,818	0.18		
€2,400,000 Telefónica (Europe) Var. Rate Perp. (6.5%)	2,521	0.25		
£1,252,000 Tesco 6.125% 2022	1,647	0.16		
£1,499,000 Virgin Media Secured Finance 4.875% 2027	1,768	0.17		
€3,887,000 Wind Acquisition Finance 4% 2020	3,921	0.38		
'B' credit rated bonds				
€2,806,000 Alice Financing 9% 2023	3,080	0.30		
\$964,000 Frontier Communications 8.5% 2020	814	0.08		
\$2,778,000 Sprint Capital 6.875% 2028	2,526	0.25		
\$3,998,000 Windstream 7.5% 2023	2,509	0.24		
€2,472,000 Ziggo Bond Finance 4.625% 2025	2,639	0.26		
'D' credit rated bonds				
\$131,000 TRU Taj 12% 2021	108	0.01	0.00	
Bonds with no credit rating				
£2,968,000 Admiral 5.5% 2024	3,785	0.37		
£2,792,000 BUPA Finance 5% 2023	3,565	0.35		
£1,292,000 John Lewis 6.125% 2025	1,764	0.17		
Cash deposits				
€15,071,494 BNP 0.5% 2017	15,071	1.47	6.11	
Forward currency contracts				
AUD(11,885,927) Sold for €7,966,039 (expires 29.11.17)	159	0.02		
AUD(6,530,660) Sold for €4,317,221 (expires 19.01.18)	43	0.00		
¥(7,035,783,180) Sold for €53,999,223 (expires 29.11.17)	677	0.07		
PLN(70,081,697) Sold for €16,474,693 (expires 19.01.18)	43	0.00		
£(21,369,506) Sold for €23,392,104 (expires 29.11.17)	(861)	(0.09)		

Portfolio statement (continued)

as at Holding	31.10.17 €'000	31.10.17 %	30.04.17 %
Forward currency contracts (continued)			
£(33,578,825) Sold for €37,299,859 (expires 19.01.18)	(756)	(0.07)	
TWD706,440,000 Bought for \$23,469,767 (expires 30.11.17)	(16)	0.00	
\$19,360,000 Bought for €16,608,545 (expires 29.11.17)	1	0.00	
\$33,353,625 Bought for TWD1,007,779,779 (expires 30.11.17)	(87)	(0.01)	
\$(243,416,363) Sold for €206,138,222 (expires 29.11.17)	(2,699)	(0.26)	
\$(100,720,354) Sold for €84,604,827 (expires 19.01.18)	(1,530)	(0.15)	
Interest rate swaps			
£4,500,000 Pay 1.515% Receive VAR Feb 2047	83	0.01	(0.02)
Portfolio of investments	980,312	95.95	97.79
Forward currency contracts for share class hedging			
SGD\$182,915 Bought for €113,883 (expires 15.11.17)	1	0.00	
CHF903,258 Bought for €784,001 (expires 15.11.17)	(7)	0.00	
CHF(2,510) Sold for €2,181 (expires 15.11.17)	0	0.00	
\$12,164,452 Bought for €10,267,885 (expires 15.11.17)	176	0.02	
\$(502,773) Sold for €425,433 (expires 15.11.17)	(6)	0.00	
Total portfolio	980,476	95.97	97.79
Net other assets / (liabilities)	41,131	4.03	2.21
Net assets attributable to shareholders	1,021,607	100.00	100.00

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

Portfolio transactions

for the six months to 31 October	2017	2016
Portfolio transactions	€'000	€'000
Total purchases	292,694	44,777
Total sales	159,154	113,851

M&G Income Allocation Fund

Financial highlights

Fund performance

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

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

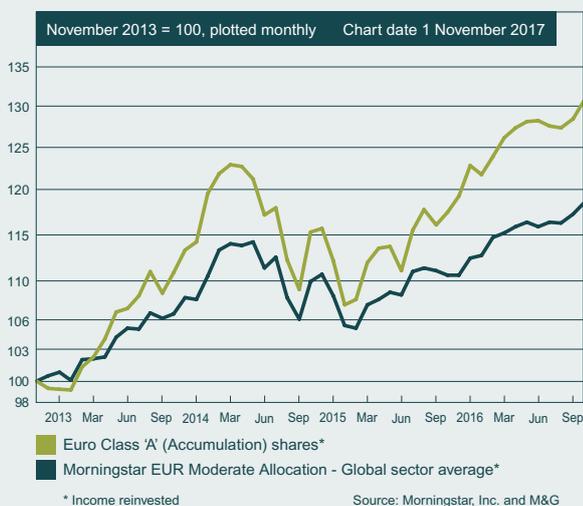
Fund level performance

Fund net asset value

as at	31.10.17 €'000	30.04.17 €'000	30.04.16 €'000
Fund net asset value (NAV)	1,021,607	918,830	907,041

Performance since launch

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



Distribution since launch

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



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

	Six months 02.05.17 % ^[a]	Three years 03.11.14 % p.a.	Five years 01.11.12 % p.a.	Since launch % p.a.
Euro^[b]				
Class 'A'	+2.8	+5.7	n/a	+7.0 ^[c]
Class 'A Q'	+2.9	n/a	n/a	+3.2 ^[d]
Class 'B Q'	+2.6	n/a	n/a	+7.6 ^[e]
Class 'C'	+3.2	+6.4	n/a	+7.7 ^[c]
Class 'C Q'	+3.2	n/a	n/a	+3.9 ^[f]
Singapore dollar^[b]				
Class 'A-H'	+3.5	n/a	n/a	+8.5 ^[f]
Class 'C-H'	+3.9	n/a	n/a	+9.3 ^[f]
Swiss franc^[b]				
Class 'A-H'	+2.7	+4.8	n/a	+6.3 ^[c]
Class 'C-H'	+3.0	+5.4	n/a	+7.0 ^[c]
US dollar^[b]				
Class 'A-H'	+3.8	n/a	n/a	+8.4 ^[f]
Class 'C-H'	+4.2	n/a	n/a	+9.1 ^[f]

^[a] Absolute basis.

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

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

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

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

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

M&G Income Allocation 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.lu/private-investors/fund-literature/ or by calling M&G Customer Relations.

Portfolio transaction costs

	Six months to 31.10.17	Year to 30.04.17	Year to 30.04.16	Average ^[a]
Direct portfolio transaction costs ^[b]	%	%	%	%
Broker commission	0.03	0.03	0.04	0.03
Taxes	0.03	0.03	0.39	0.15
Costs before dilution adjustments	0.06	0.06	0.43	0.18
Dilution adjustments ^[c]	(0.01)	(0.01)	(0.02)	(0.01)
Total direct portfolio transaction costs	0.05	0.05	0.41	0.17
as at	31.10.17	30.04.17	30.04.16	Average ^[a]
Indirect portfolio transaction costs	%	%	%	%
Average portfolio dealing spread	0.17	0.22	0.32	0.24

^[a] Average of first three columns.

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

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

M&G Income Allocation Fund

Financial highlights

Specific share class performance

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

Historic yields for the current period are calculated as at 10 November 2017.

Euro Class 'A' Income share performance

The share class was launched on 7 November 2013.

	Six months to 31.10.17 Euro ¢	Year to 30.04.17 Euro ¢	Year to 30.04.16 Euro ¢
Change in NAV per share			
Opening NAV	1,123.45	1,039.09	1,163.28
Return before operating charges and after direct portfolio transaction costs	39.79	139.34	(65.69)
Operating charges	(9.66)	(17.90)	(17.92)
Return after operating charges	30.13	121.44	(83.61)
Distributions	(17.35)	(37.08)	(40.58)
Closing NAV	1,136.23	1,123.45	1,039.09

	Euro ¢	Euro ¢	Euro ¢
Direct portfolio transaction costs			
Costs before dilution adjustments	0.32	0.62	4.62
Dilution adjustments ^[a]	(0.07)	(0.09)	(0.23)
Total direct portfolio transaction costs	0.25	0.53	4.39

	%	%	%
Performance and charges			
Direct portfolio transaction costs ^[b]	0.05	0.05	0.41
Operating charges	1.70	1.68	1.68
Return after operating charges	+2.68	+11.69	-7.19
Historic yield ^[c]	3.36	3.29	3.99
Effect on yield of charges offset against capital	1.70	1.68	1.68

Other information

Closing NAV (€'000)	459,927	458,369	459,186
Closing NAV percentage of total fund NAV (%)	45.02	49.89	50.63
Number of shares	40,478,378	40,800,095	44,191,108
Highest share price (Euro ¢)	1,148.96	1,135.29	1,163.08
Lowest share price (Euro ¢)	1,109.86	994.21	944.02

Euro Class 'A' Accumulation share performance

The share class was launched on 7 November 2013.

	Six months to 31.10.17 Euro ¢	Year to 30.04.17 Euro ¢	Year to 30.04.16 Euro ¢
Change in NAV per share			
Opening NAV	1,270.20	1,135.16	1,223.11
Return before operating charges and after direct portfolio transaction costs	45.39	154.86	(68.78)
Operating charges	(10.99)	(19.82)	(19.17)
Return after operating charges	34.40	135.04	(87.95)
Distributions	(9.77)	(24.74)	(43.52)
Retained distributions	9.77	24.74	43.52
Closing NAV	1,304.60	1,270.20	1,135.16

	Euro ¢	Euro ¢	Euro ¢
Direct portfolio transaction costs			
Costs before dilution adjustments	0.36	0.68	4.93
Dilution adjustments ^[a]	(0.08)	(0.10)	(0.24)
Total direct portfolio transaction costs	0.28	0.58	4.69

	%	%	%
Performance and charges			
Direct portfolio transaction costs ^[b]	0.05	0.05	0.41
Operating charges	1.70	1.68	1.68
Return after operating charges	+2.71	+11.90	-7.19
Historic yield ^[c]	1.69	1.71	3.92
Effect on yield of charges offset against capital	0.03	0.03	1.68

Other information

Closing NAV (€'000)	360,839	345,351	384,920
Closing NAV percentage of total fund NAV (%)	35.32	37.59	42.44
Number of shares	27,658,888	27,188,764	33,908,782
Highest share price (Euro ¢)	1,307.59	1,277.69	1,222.94
Lowest share price (Euro ¢)	1,266.25	1,089.39	1,018.00

Euro Class 'A-Q' Income share performance

The share class was launched on 8 May 2015.

	Six months to 31.10.17 Euro ¢	Year to 30.04.17 Euro ¢	Year to 30.04.16 Euro ¢
Change in NAV per share			
Opening NAV	976.50	903.05	1,000.00
Return before operating charges and after direct portfolio transaction costs	34.68	121.68	(47.86)
Operating charges	(8.39)	(15.80)	(14.97)
Return after operating charges	26.29	105.88	(62.83)
Distributions	(15.73)	(32.43)	(34.12)
Closing NAV	987.06	976.50	903.05

	Euro ¢	Euro ¢	Euro ¢
Direct portfolio transaction costs			
Costs before dilution adjustments	0.27	0.54	3.90
Dilution adjustments ^[a]	(0.06)	(0.08)	(0.19)
Total direct portfolio transaction costs	0.21	0.46	3.71

	%	%	%
Performance and charges			
Direct portfolio transaction costs ^[b]	0.05	0.05	0.41
Operating charges	1.70	1.68	1.66
Return after operating charges	+2.69	+11.72	-6.28
Historic yield ^[c]	3.44	3.30	3.84
Effect on yield of charges offset against capital	1.70	1.68	1.66

Other information

Closing NAV (€'000)	26,312	14,298	3,074
Closing NAV percentage of total fund NAV (%)	2.58	1.56	0.34
Number of shares	2,665,708	1,464,198	340,390
Highest share price (Euro ¢)	1,001.09	992.64	1,008.35
Lowest share price (Euro ¢)	966.03	866.35	818.94

M&G Income Allocation Fund

Financial highlights

Specific share class performance

Euro Class 'B-Q' Income share performance

The share class was launched on 11 September 2015.

	Six months to 31.10.17 Euro ¢	Year to 30.04.17 Euro ¢	Year to 30.04.16 Euro ¢
Change in NAV per share			
Opening NAV	1,066.29	990.81	1,000.00
Return before operating charges and after direct portfolio transaction costs	38.33	134.50	34.81
Operating charges	(11.84)	(22.60)	(15.49)
Return after operating charges	26.49	111.90	19.32
Distributions	(17.41)	(36.42)	(28.51)
Closing NAV	1,075.37	1,066.29	990.81
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.30	0.60	3.11
Dilution adjustments ^[a]	(0.07)	(0.08)	(0.15)
Total direct portfolio transaction costs	0.23	0.52	2.96
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.05	0.05	0.41
Operating charges	2.20	2.18	2.16
Return after operating charges	+2.48	+11.29	+1.93
Historic yield ^[c]	3.54	3.39	3.33
Effect on yield of charges offset against capital	2.20	2.18	2.16
Other information			
Closing NAV (€'000)	30,499	13,749	1,892
Closing NAV percentage of total fund NAV (%)	2.99	1.50	0.21
Number of shares	2,836,122	1,289,384	190,940
Highest share price (Euro ¢)	1,092.51	1,084.63	1,041.26
Lowest share price (Euro ¢)	1,053.44	949.91	899.32

Euro Class 'B-Q' Accumulation share performance

The share class was launched on 11 September 2015.

	Six months to 31.10.17 Euro ¢	Year to 30.04.17 Euro ¢	Year to 30.04.16 Euro ¢
Change in NAV per share			
Opening NAV	1,136.43	1,019.47	1,000.00
Return before operating charges and after direct portfolio transaction costs	41.10	140.58	35.09
Operating charges	(12.67)	(23.62)	(15.62)
Return after operating charges	28.43	116.96	19.47
Distributions	(6.39)	(18.83)	(28.70)
Retained distributions	6.39	18.83	28.70
Closing NAV	1,164.86	1,136.43	1,019.47
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.32	0.63	3.13
Dilution adjustments ^[a]	(0.07)	(0.09)	(0.15)
Total direct portfolio transaction costs	0.25	0.54	2.98
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.05	0.05	0.41
Operating charges	2.20	2.18	2.15
Return after operating charges	+2.50	+11.47	+1.95
Historic yield ^[c]	1.32	1.33	3.33
Effect on yield of charges offset against capital	0.02	0.03	2.15
Other information			
Closing NAV (€'000)	7,784	3,093	469
Closing NAV percentage of total fund NAV (%)	0.76	0.34	0.05
Number of shares	668,236	272,212	46,041
Highest share price (Euro ¢)	1,167.51	1,143.02	1,046.36
Lowest share price (Euro ¢)	1,131.38	977.51	914.83

Euro Class 'C' Income share performance

The share class was launched on 7 November 2013.

	Six months to 31.10.17 Euro ¢	Year to 30.04.17 Euro ¢	Year to 30.04.16 Euro ¢
Change in NAV per share			
Opening NAV	1,155.62	1,059.87	1,175.62
Return before operating charges and after direct portfolio transaction costs	39.99	141.01	(68.13)
Operating charges	(4.91)	(9.07)	(8.82)
Return after operating charges	35.08	131.94	(76.95)
Distributions	(17.53)	(36.19)	(38.80)
Closing NAV	1,173.17	1,155.62	1,059.87
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.32	0.63	4.60
Dilution adjustments ^[a]	(0.07)	(0.10)	(0.23)
Total direct portfolio transaction costs	0.25	0.53	4.37
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.05	0.05	0.41
Operating charges	0.84	0.83	0.83
Return after operating charges	+3.04	+12.45	-6.55
Historic yield ^[c]	3.21	3.12	3.73
Effect on yield of charges offset against capital	0.84	0.83	0.83
Other information			
Closing NAV (€'000)	69,632	38,584	23,441
Closing NAV percentage of total fund NAV (%)	6.82	4.20	2.59
Number of shares	5,935,373	3,338,820	2,211,725
Highest share price (Euro ¢)	1,183.04	1,166.47	1,175.57
Lowest share price (Euro ¢)	1,144.47	1,015.23	959.52

Euro Class 'C' Accumulation share performance

The share class was launched on 7 November 2013.

	Six months to 31.10.17 Euro ¢	Year to 30.04.17 Euro ¢	Year to 30.04.16 Euro ¢
Change in NAV per share			
Opening NAV	1,299.78	1,153.49	1,235.30
Return before operating charges and after direct portfolio transaction costs	45.43	156.31	(71.96)
Operating charges	(5.57)	(10.02)	(9.85)
Return after operating charges	39.86	146.29	(81.81)
Distributions	(14.58)	(31.90)	(43.74)
Retained distributions	14.58	31.90	43.74
Closing NAV	1,339.64	1,299.78	1,153.49
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.37	0.70	5.13
Dilution adjustments ^[a]	(0.08)	(0.11)	(0.25)
Total direct portfolio transaction costs	0.29	0.59	4.88
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.05	0.05	0.41
Operating charges	0.84	0.83	0.83
Return after operating charges	+3.07	+12.68	-6.62
Historic yield ^[c]	2.34	2.33	3.94
Effect on yield of charges offset against capital	0.02	0.03	0.83
Other information			
Closing NAV (€'000)	55,689	42,993	33,749
Closing NAV percentage of total fund NAV (%)	5.45	4.68	3.73
Number of shares	4,156,986	3,307,715	2,925,854
Highest share price (Euro ¢)	1,342.72	1,307.30	1,235.25
Lowest share price (Euro ¢)	1,298.74	1,109.26	1,033.63

M&G Income Allocation Fund

Financial highlights

Specific share class performance

Euro Class 'C-Q' Income share performance

The share class was launched on 8 May 2015.

	Six months to 31.10.17	Year to 30.04.17	Year to 30.04.16
Change in NAV per share	Euro ¢	Euro ¢	Euro ¢
Opening NAV	991.47	909.07	1,000.00
Return before operating charges and after direct portfolio transaction costs	34.39	120.91	(49.53)
Operating charges	(4.18)	(7.65)	(7.62)
Return after operating charges	30.21	113.26	(57.15)
Distributions	(15.07)	(30.86)	(33.78)
Closing NAV	1,006.61	991.47	909.07
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.27	0.56	4.10
Dilution adjustments ^[a]	(0.06)	(0.08)	(0.20)
Total direct portfolio transaction costs	0.21	0.48	3.90
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.05	0.05	0.41
Operating charges	0.83	0.81	0.83
Return after operating charges	+3.05	+12.46	-5.72
Historic yield ^[c]	3.17	3.11	3.79
Effect on yield of charges offset against capital	0.83	0.81	0.83
Other information			
Closing NAV (€'000)	10	10	9
Closing NAV percentage of total fund NAV (%)	0.00	0.00	0.00
Number of shares	1,000	1,000	1,000
Highest share price (Euro ¢)	1,017.45	1,006.40	1,008.63
Lowest share price (Euro ¢)	983.12	873.12	822.97

Singapore dollar Class 'A-H' Income share performance

The share class was launched on 9 October 2015.

	Six months to 31.10.17	Year to 30.04.17	Year to 30.04.16
Change in NAV per share	Singapore ¢	Singapore ¢	Singapore ¢
Opening NAV	1,075.92	982.22	1,000.00
Return before operating charges and after direct portfolio transaction costs	45.33	145.99	15.51
Operating charges	(9.32)	(17.12)	(10.64)
Return after operating charges	36.01	128.87	4.87
Distributions	(16.68)	(35.17)	(22.65)
Closing NAV	1,095.25	1,075.92	982.22
Direct portfolio transaction costs	Singapore ¢	Singapore ¢	Singapore ¢
Costs before dilution adjustments	0.30	0.59	2.76
Dilution adjustments ^[a]	(0.07)	(0.09)	(0.14)
Total direct portfolio transaction costs	0.23	0.50	2.62
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.05	0.05	0.41
Operating charges	1.71	1.68	1.69
Return after operating charges	+3.35	+13.12	+0.49
Historic yield ^[c]	3.32	3.29	4.02
Effect on yield of charges offset against capital	1.71	1.68	1.69
Other information			
Closing NAV (€'000)	28	28	26
Closing NAV percentage of total fund NAV (%)	0.00	0.00	0.00
Number of shares	4,000	4,000	4,000
Highest share price (Singapore ¢)	1,102.55	1,086.92	1,020.36
Lowest share price (Singapore ¢)	1,068.18	942.85	889.13

Singapore dollar Class 'A-H' Accumulation share performance

The share class was launched on 9 October 2015.

	Six months to 31.10.17	Year to 30.04.17	Year to 30.04.16
Change in NAV per share	Singapore ¢	Singapore ¢	Singapore ¢
Opening NAV	1,139.57	1,005.15	1,000.00
Return before operating charges and after direct portfolio transaction costs	48.54	152.23	15.89
Operating charges	(9.98)	(17.81)	(10.74)
Return after operating charges	38.56	134.42	5.15
Distributions	(8.74)	(21.79)	(22.86)
Retained distributions	8.74	21.79	22.86
Closing NAV	1,178.13	1,139.57	1,005.15
Direct portfolio transaction costs	Singapore ¢	Singapore ¢	Singapore ¢
Costs before dilution adjustments	0.32	0.61	2.79
Dilution adjustments ^[a]	(0.07)	(0.09)	(0.14)
Total direct portfolio transaction costs	0.25	0.52	2.65
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.05	0.05	0.41
Operating charges	1.72	1.69	1.69
Return after operating charges	+3.38	+13.37	+0.51
Historic yield ^[c]	1.66	1.69	4.02
Effect on yield of charges offset against capital	0.02	0.02	1.69
Other information			
Closing NAV (€'000)	30	30	26
Closing NAV percentage of total fund NAV (%)	0.00	0.00	0.00
Number of shares	4,001	4,001	4,001
Highest share price (Singapore ¢)	1,180.83	1,146.12	1,026.04
Lowest share price (Singapore ¢)	1,139.72	967.65	899.48

Singapore dollar Class 'C-H' Income share performance

The share class was launched on 9 October 2015.

	Six months to 31.10.17	Year to 30.04.17	Year to 30.04.16
Change in NAV per share	Singapore ¢	Singapore ¢	Singapore ¢
Opening NAV	1,089.31	986.84	1,000.00
Return before operating charges and after direct portfolio transaction costs	46.27	144.78	13.94
Operating charges	(4.70)	(8.56)	(5.36)
Return after operating charges	41.57	136.22	8.58
Distributions	(16.54)	(33.75)	(21.74)
Closing NAV	1,114.34	1,089.31	986.84
Direct portfolio transaction costs	Singapore ¢	Singapore ¢	Singapore ¢
Costs before dilution adjustments	0.31	0.60	2.77
Dilution adjustments ^[a]	(0.07)	(0.09)	(0.14)
Total direct portfolio transaction costs	0.24	0.51	2.63
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.05	0.05	0.41
Operating charges	0.85	0.83	0.85
Return after operating charges	+3.82	+13.80	+0.86
Historic yield ^[c]	3.16	3.11	3.73
Effect on yield of charges offset against capital	0.85	0.83	0.85
Other information			
Closing NAV (€'000)	28	29	26
Closing NAV percentage of total fund NAV (%)	0.00	0.00	0.00
Number of shares	4,002	4,002	4,002
Highest share price (Singapore ¢)	1,119.58	1,100.06	1,021.39
Lowest share price (Singapore ¢)	1,085.44	948.34	891.47

M&G Income Allocation Fund

Financial highlights

Specific share class performance

Singapore dollar Class 'C-H' Accumulation share performance

The share class was launched on 9 October 2015.

Change in NAV per share	Six months to 31.10.17 Singapore ¢	Year to 30.04.17 Singapore ¢	Year to 30.04.16 Singapore ¢
Opening NAV	1,151.56	1,008.87	1,000.00
Return before operating charges and after direct portfolio transaction costs	48.28	151.60	14.27
Operating charges	(5.06)	(8.91)	(5.40)
Return after operating charges	43.22	142.69	8.87
Distributions	(12.89)	(27.74)	(21.96)
Retained distributions	12.89	27.74	21.96
Closing NAV	1,194.78	1,151.56	1,008.87
Direct portfolio transaction costs	Singapore ¢	Singapore ¢	Singapore ¢
Costs before dilution adjustments	0.33	0.61	2.79
Dilution adjustments ^[a]	(0.07)	(0.09)	(0.14)
Total direct portfolio transaction costs	0.26	0.52	2.65
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.05	0.05	0.41
Operating charges	0.86	0.84	0.85
Return after operating charges	+3.75	+14.14	+0.89
Historic yield ^[c]	2.30	2.31	3.73
Effect on yield of charges offset against capital	0.02	0.02	0.85
Other information			
Closing NAV (€'000)	30	30	27
Closing NAV percentage of total fund NAV (%)	0.00	0.00	0.00
Number of shares	4,003	4,003	4,003
Highest share price (Singapore ¢)	1,197.49	1,158.10	1,027.03
Lowest share price (Singapore ¢)	1,152.13	972.32	901.52

Swiss franc Class 'A-H' Accumulation share performance

The share class was launched on 7 November 2013.

Change in NAV per share	Six months to 31.10.17 Swiss ¢	Year to 30.04.17 Swiss ¢	Year to 30.04.16 Swiss ¢
Opening NAV	1,238.18	1,112.35	1,210.38
Return before operating charges and after direct portfolio transaction costs	41.86	146.08	(78.84)
Operating charges	(10.84)	(20.25)	(19.19)
Return after operating charges	31.02	125.83	(98.03)
Distributions	(9.56)	(24.14)	(43.62)
Retained distributions	9.56	24.14	43.62
Closing NAV	1,269.20	1,238.18	1,112.35
Direct portfolio transaction costs	Swiss ¢	Swiss ¢	Swiss ¢
Costs before dilution adjustments	0.35	0.69	4.89
Dilution adjustments ^[a]	(0.08)	(0.10)	(0.24)
Total direct portfolio transaction costs	0.27	0.59	4.65
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.05	0.05	0.41
Operating charges	1.72	1.70	1.71
Return after operating charges	+2.51	+11.31	-8.10
Historic yield ^[c]	1.69	1.71	4.06
Effect on yield of charges offset against capital	0.02	0.03	1.71
Other information			
Closing NAV (€'000)	608	648	81
Closing NAV percentage of total fund NAV (%)	0.06	0.07	0.01
Number of shares	55,640	56,673	8,019
Highest share price (Swiss ¢)	1,272.10	1,245.23	1,210.11
Lowest share price (Swiss ¢)	1,232.65	1,068.37	1,000.36

Swiss franc Class 'C-H' Accumulation share performance

The share class was launched on 7 November 2013.

Change in NAV per share	Six months to 31.10.17 Swiss ¢	Year to 30.04.17 Swiss ¢	Year to 30.04.16 Swiss ¢
Opening NAV	1,265.34	1,128.91	1,219.06
Return before operating charges and after direct portfolio transaction costs	41.79	146.76	(80.45)
Operating charges	(5.54)	(10.33)	(9.70)
Return after operating charges	36.25	136.43	(90.15)
Distributions	(14.23)	(31.18)	(41.45)
Retained distributions	14.23	31.18	41.45
Closing NAV	1,301.59	1,265.34	1,128.91
Direct portfolio transaction costs	Swiss ¢	Swiss ¢	Swiss ¢
Costs before dilution adjustments	0.36	0.70	4.90
Dilution adjustments ^[a]	(0.08)	(0.11)	(0.24)
Total direct portfolio transaction costs	0.28	0.59	4.66
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.05	0.05	0.41
Operating charges	0.86	0.85	0.86
Return after operating charges	+2.86	+12.09	-7.40
Historic yield ^[c]	2.35	2.36	3.76
Effect on yield of charges offset against capital	0.02	0.03	0.86
Other information			
Closing NAV (€'000)	176	88	10
Closing NAV percentage of total fund NAV (%)	0.02	0.01	0.00
Number of shares	15,696	7,500	1,000
Highest share price (Swiss ¢)	1,304.55	1,272.47	1,218.73
Lowest share price (Swiss ¢)	1,262.70	1,084.93	1,012.97

US dollar Class 'A-H' Income share performance

The share class was launched on 9 October 2015.

Change in NAV per share	Six months to 31.10.17 US ¢	Year to 30.04.17 US ¢	Year to 30.04.16 US ¢
Opening NAV	1,070.71	978.13	1,000.00
Return before operating charges and after direct portfolio transaction costs	47.97	145.98	11.51
Operating charges	(9.24)	(18.17)	(10.70)
Return after operating charges	38.73	127.81	0.81
Distributions	(16.63)	(35.23)	(22.68)
Closing NAV	1,092.81	1,070.71	978.13
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.30	0.62	2.77
Dilution adjustments ^[a]	(0.07)	(0.09)	(0.14)
Total direct portfolio transaction costs	0.23	0.53	2.63
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.05	0.05	0.41
Operating charges	1.71	1.70	1.69
Return after operating charges	+3.62	+13.07	+0.08
Historic yield ^[c]	3.33	3.25	3.99
Effect on yield of charges offset against capital	1.71	1.70	1.69
Other information			
Closing NAV (€'000)	2,408	720	26
Closing NAV percentage of total fund NAV (%)	0.24	0.08	0.00
Number of shares	256,448	73,562	3,000
Highest share price (US ¢)	1,098.16	1,081.61	1,019.12
Lowest share price (US ¢)	1,064.89	937.13	884.64

M&G Income Allocation Fund

Financial highlights

Specific share class performance

US dollar Class 'A-H' Accumulation share performance

The share class was launched on 9 October 2015.

	Six months to 31.10.17 US ¢	Year to 30.04.17 US ¢	Year to 30.04.16 US ¢
Change in NAV per share			
Opening NAV	1,134.29	1,000.82	1,000.00
Return before operating charges and after direct portfolio transaction costs	50.54	152.36	11.61
Operating charges	(9.75)	(18.89)	(10.79)
Return after operating charges	40.79	133.47	0.82
Distributions	(8.81)	(21.86)	(22.89)
Retained distributions	8.81	21.86	22.89
Closing NAV	1,175.08	1,134.29	1,000.82
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.31	0.64	2.81
Dilution adjustments ^[a]	(0.07)	(0.10)	(0.14)
Total direct portfolio transaction costs	0.24	0.54	2.67
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.05	0.05	0.41
Operating charges	1.71	1.70	1.69
Return after operating charges	+3.60	+13.34	+0.08
Historic yield ^[c]	1.68	1.67	3.99
Effect on yield of charges offset against capital	0.02	0.03	1.69
Other information			
Closing NAV (€'000)	7,547	749	26
Closing NAV percentage of total fund NAV (%)	0.74	0.08	0.00
Number of shares	747,611	72,205	3,001
Highest share price (US ¢)	1,177.76	1,140.09	1,024.51
Lowest share price (US ¢)	1,134.35	961.70	894.60

US dollar Class 'C-H' Income share performance

The share class was launched on 9 October 2015.

	Six months to 31.10.17 US ¢	Year to 30.04.17 US ¢	Year to 30.04.16 US ¢
Change in NAV per share			
Opening NAV	1,084.90	982.74	1,000.00
Return before operating charges and after direct portfolio transaction costs	48.24	144.21	9.90
Operating charges	(4.71)	(8.57)	(5.38)
Return after operating charges	43.53	135.64	4.52
Distributions	(16.45)	(33.48)	(21.78)
Closing NAV	1,111.98	1,084.90	982.74
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.30	0.59	2.78
Dilution adjustments ^[a]	(0.07)	(0.09)	(0.14)
Total direct portfolio transaction costs	0.23	0.50	2.64
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.05	0.05	0.41
Operating charges	0.85	0.84	0.85
Return after operating charges	+4.01	+13.80	+0.45
Historic yield ^[c]	3.14	3.08	3.69
Effect on yield of charges offset against capital	0.85	0.84	0.85
Other information			
Closing NAV (€'000)	29	30	26
Closing NAV percentage of total fund NAV (%)	0.00	0.00	0.00
Number of shares	3,002	3,002	3,002
Highest share price (US ¢)	1,117.16	1,094.56	1,019.96
Lowest share price (US ¢)	1,082.01	942.61	886.97

US dollar Class 'C-H' Accumulation share performance

The share class was launched on 9 October 2015.

	Six months to 31.10.17 US ¢	Year to 30.04.17 US ¢	Year to 30.04.16 US ¢
Change in NAV per share			
Opening NAV	1,145.46	1,004.52	1,000.00
Return before operating charges and after direct portfolio transaction costs	51.35	149.85	9.94
Operating charges	(5.05)	(8.91)	(5.42)
Return after operating charges	46.30	140.94	4.52
Distributions	(12.89)	(27.53)	(21.98)
Retained distributions	12.89	27.53	21.98
Closing NAV	1,191.76	1,145.46	1,004.52
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.33	0.61	2.81
Dilution adjustments ^[a]	(0.07)	(0.09)	(0.14)
Total direct portfolio transaction costs	0.26	0.52	2.67
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.05	0.05	0.41
Operating charges	0.86	0.84	0.85
Return after operating charges	+4.04	+14.03	+0.45
Historic yield ^[c]	2.29	2.28	3.69
Effect on yield of charges offset against capital	0.02	0.02	0.85
Other information			
Closing NAV (€'000)	31	31	27
Closing NAV percentage of total fund NAV (%)	0.00	0.00	0.00
Number of shares	3,003	3,003	3,003
Highest share price (US ¢)	1,194.47	1,151.84	1,025.48
Lowest share price (US ¢)	1,146.32	966.33	896.63

^[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 Income Allocation Fund

Financial statements and notes

Financial statements

Statement of total return

for the six months to 31 October	2017		2016	
	€'000	€'000	€'000	€'000
Income				
Net capital gains / (losses)		18,434		22,067
Revenue	16,860		15,543	
Expenses	(7,966)		(7,165)	
Net revenue / (expense) before taxation	8,894		8,378	
Taxation	(1,270)		(1,294)	
Net revenue / (expense) after taxation		7,624		7,084
Total return before distributions		26,058		29,151
Distributions		(11,967)		(11,759)
Change in net assets attributable to shareholders from investment activities		14,091		17,392

Statement of change in net assets attributable to shareholders

for the six months to 31 October	2017		2016	
	€'000	€'000	€'000	€'000
Opening net assets attributable to shareholders		918,830		907,041
Amounts received on issue of shares	130,285		11,498	
Amounts paid on cancellation of shares	(45,122)		(96,553)	
		85,163		(85,055)
Dilution adjustments		165		138
Change in net assets attributable to shareholders from investment activities (see above)		14,091		17,392
Retained distributions on Accumulation shares		3,358		4,262
Closing net assets attributable to shareholders		1,021,607		843,778

The opening net assets attributable to shareholders for 2017 differs to the closing position in 2016 by the change in net assets attributable to shareholders for the second half of the comparative financial year.

Balance sheet

as at	31 October 2017	30 April 2017
	€'000	€'000
Assets		
Fixed assets		
Investments	986,438	899,635
Current assets		
Debtors	10,215	9,804
Cash and bank balances	36,725	14,930
Total assets	1,033,378	924,369
Liabilities		
Investment liabilities	(5,962)	(1,126)
Creditors		
Distribution payable	(1,851)	(2,562)
Other creditors	(3,958)	(1,851)
Total liabilities	(11,771)	(5,539)
Net assets attributable to shareholders	1,021,607	918,830

Notes to the financial statements

1 Accounting policies

The financial statements have been prepared in accordance with the 'Accounting policies' set out on page 3.

2 Distribution policy

In determining the amount available for reinvestment to Accumulation shares, the annual management charge, administration charge and share class hedging charge are no longer offset against capital, reducing the amount available for reinvestment. The audit, depositary, and safe custody charges continue to be offset against capital, increasing the amount available for reinvestment, whilst restraining capital performance to an equivalent extent. In determining the amount available for distribution to Income shares, all expenses with the exception of overdraft interest continue to be offset against capital, increasing the amount available for distribution, whilst restraining capital performance to an equivalent extent.

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

M&G Income Allocation Fund

Financial statements and notes

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M&G Prudent Allocation Fund

Authorised Corporate Director's Report

Investment objective

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

Investment policy

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

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

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

Investment approach

The fund managers believe that the fund's highly flexible investment approach has the potential to deliver returns of 3-6% per annum on average over the medium term (over three to five years), with an annualised volatility in returns of between 3% and 7%. (Volatility measures the degree to which a given security, fund, or index rapidly changes. It is calculated as the degree of deviation from the norm for that type of investment over a given time period. The higher the volatility, the riskier the security tends to be.)

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

Risk profile

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

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

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

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



The above number:

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

Investment review

As at 1 November 2017, for the six months ended 31 October 2017

Performance against objective

Between 2 May 2017 (the start of the review period) and 1 November 2017, the M&G Prudent Allocation Fund delivered a positive total return (the combination of income and growth of capital) across all of its share classes.*

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

* 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 Prudent Allocation Fund

Authorised Corporate Director's Report

Investment review

Investment performance

Global equities advanced over the six-month period under review, supported by an upswing in global economic data and company earnings. This is providing a positive backdrop for assets such as company shares, which tend to do well when the global economy is growing, but can experience a degree of turbulence amid market uncertainty. However, global bond markets experienced mixed performance as growing investor confidence saw bonds issued by some developed market governments at times fall out of favour. These bonds are often considered 'safe' given the high creditworthiness of their issuers, and therefore tend to underperform when investor sentiment over the health of the global economy improves, as their lower-risk attributes are less in demand. This environment largely proved beneficial for the fund which was positioned in favour of equities (company shares) over bonds, based on observations of relative valuation signals and signs of global economic growth.

Most of the gains came from equity positions, where notable value was added through positions in Asia Pacific ex Japan, in particular South Korea, which held up well despite political turbulence in the region towards the end of the period. Our exposure to Europe also added significantly to gains as the region saw sustained economic growth. Holdings of banking stocks generated good returns as well, while Japanese equities rallied as corporate confidence improved. Short exposure (a position designed to benefit from a fall in the value of the asset) to the S&P 500 Index detracted as the index reached new highs.

The fund's exposure to bonds detracted from performance as investors became more confident about taking on risk. The fund's positioning, designed to benefit from a fall in the value of bonds issued by the Western governments, detracted from performance, as these markets benefited from several periods of strength throughout the period. Holdings of emerging market government bonds also detracted. However, exposure to peripheral European countries (Poland and Portugal) helped returns.

Currency positioning gave a further boost to fund returns, as the fund benefited from phases of euro strength during the period. Meanwhile, the exposure to convertibles detracted.

Investment activities

By the end of the review period, we had increased the extent to which the fund is positioned in favour of equities versus bonds. 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. In the latter stages of the period, changes focused on realising profits on positions that had worked well, while retaining the focus of the fund on exploiting the still material difference in valuation between equities and bonds. In our view, many stockmarkets relatively better valued while developed government bond markets seem expensive and vulnerable to price falls.

Specifically, positions in European and UK and US equities were increased, while the portfolio was progressively positioned away from US government bonds. We reduced positions in Latin American bonds after strong performance left them offering somewhat less value than previously. Some of the sale proceeds were reinvested in the new M&G (Lux) Emerging Markets Hard Currency Bond Fund, giving us access to emerging bond markets, and making use of the M&G Retail Fixed Interest Team's credit expertise. Meanwhile, the fund's holdings of corporate bonds in the mining sector were sold in favour of a basket of shares in large mining companies. This was to take advantage of what we believed was unwarranted weakness in the share prices of miners and to diversify exposure to the natural resources sector. We also reduced stakes in the shares of businesses in the oil and gas industry. In order to further diversify the fund, we added two new infrastructure holdings, International Public Partnerships and Greencoat Renewables.

Outlook

It appears that investors are beginning to believe the good news about corporate earnings and the global economy. Improving investor sentiment has contributed to a supportive environment for equities that has seen several stockmarkets reach record highs recently. This seems to mark a welcome turning point from the pessimism that has clouded investors' judgement ever since the global financial crisis and enabled them to take potential stumbling blocks, such as interest rate rises and geopolitical tension, in their stride.

Although we must be aware of possible shocks to the market that could be caused by central bankers taking greater and faster action than is currently anticipated, we think this is unlikely. At the moment, it appears that a gradual return to a more normal level of interest rates, together with continued low inflation and robust economic data, should be supportive of our belief in a steadily improving global economy. This encourages our view that the clearest signal in financial markets at the moment is the difference in valuation that exists between equities and bonds, convincing us that equities represent significantly better value than bonds.

In our opinion, so-called 'safe havens', such as government bonds from the UK, Japan and Germany, are unattractive and not safe at all. Not just because they offer low or negative yields, but also because they remain vulnerable to further improvement in investor sentiment as economic data improves.

For now, we remain positive on company shares overall as we believe, despite the recent rise in prices, that these assets continue to offer the best compensation for genuine risk in terms of the compelling prices at which they can be bought, in the context of an improving economic environment. Meanwhile, the unattractiveness of developed market government bonds also remains a key area of opportunity, in our view, enabling us to establish positions designed to benefit from lower prices.

M&G Prudent Allocation Fund

Authorised Corporate Director's Report

Investment review

Outlook (continued)

As always, we are closely watching changes in prices and the economic background, along with the global newsflow, so as to determine the relative attractiveness of various assets. We will also be alert to the possibility of investor confidence rising to such an extent that asset prices are pushed to levels that do not seem justified by the facts. In order to generate the best returns for our investors, we will continue to invest in those areas of the market that we believe combine strong growth characteristics with attractive valuations, while diversifying the fund across both sectors and geographies.

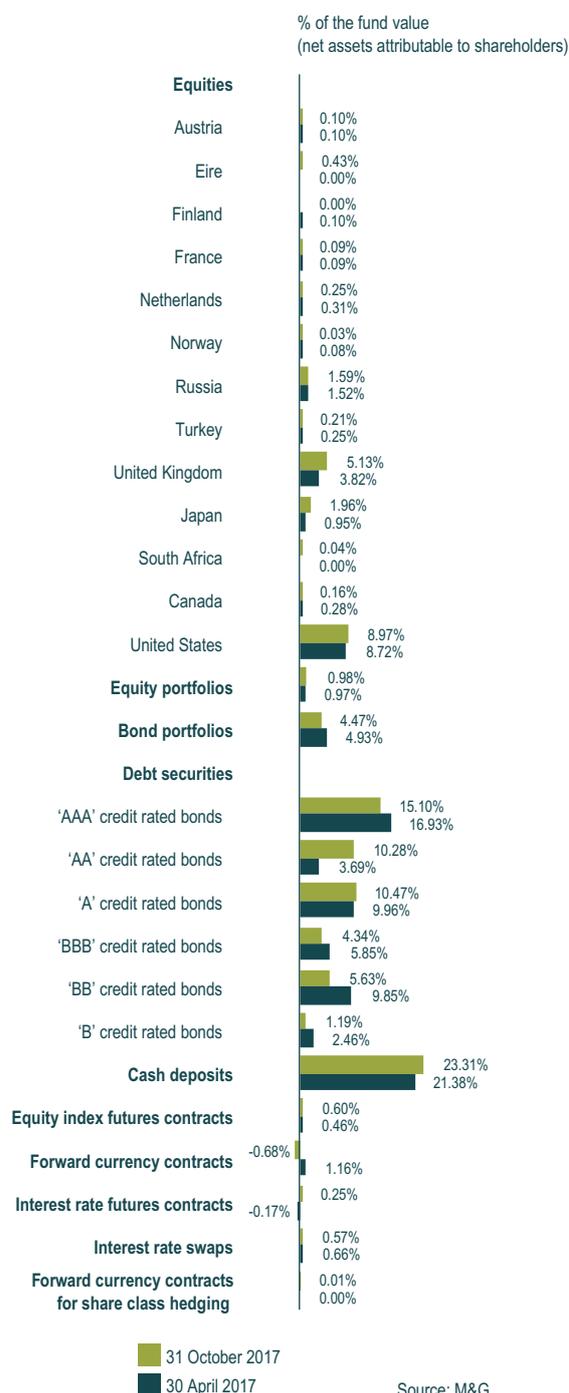
Juan Nevado & Craig Moran

Co-fund managers

Employees 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.

Classification of investments



M&G Prudent Allocation Fund

Authorised Corporate Director's Report

Investments

Portfolio statement

as at Holding	31.10.17 €'000	31.10.17 %	30.04.17 %
Equities	359,687	18.96	16.22
Austria	1,988	0.10	0.10
25,984 ams	1,988	0.10	
Eire	8,210	0.43	0.00
7,672,854 Greencoat Renewables	8,210	0.43	
Finland	0	0.00	0.10
France	1,713	0.09	0.09
47,700 Criteo ADR	1,713	0.09	
Netherlands	4,827	0.25	0.31
8,900 NXP Semiconductors	893	0.04	
138,300 Yandex N.V.	3,934	0.21	
Norway	475	0.03	0.08
23,929 Aker BP	475	0.03	
Russia	30,081	1.59	1.52
223,168 Lukoil ADR	10,225	0.54	
93,448 Magnit GDR	2,369	0.13	
807,028 Sberbank of Russia ADR	10,019	0.53	
563,358 Severstal GDR	7,468	0.39	
Turkey	4,058	0.21	0.25
1,721,358 Haci Omer Sabanci	4,058	0.21	
United Kingdom	97,310	5.13	3.82
4,481,504 3i Infrastructure	10,032	0.53	
434,918 Anglo American	6,964	0.37	
455,088 BHP Billiton	7,039	0.37	
1,653,776 Glencore	6,832	0.36	
14,537,154 Greencoat UK Wind	19,911	1.05	
1,949,463 International Public Partnerships	3,565	0.19	
11,093,610 John Laing Infrastructure Fund	15,673	0.83	
96,940 John Wood Group	787	0.04	
23,186,968 Lloyds Banking Group	17,878	0.94	
175,131 Rio Tinto	7,043	0.37	
57,810 Royal Dutch Shell	1,586	0.08	
Japan	37,207	1.96	0.95
1,605,500 Mitsubishi UFJ Financial	9,280	0.49	
5,909,100 Mizuho Financial Group	9,179	0.48	
270,300 Sumitomo Mitsui Financial	9,256	0.49	
281,800 Sumitomo Mitsui Trust Holdings	9,492	0.50	
South Africa	731	0.04	0.00
3,481 Naspers	731	0.04	
Canada	2,973	0.16	0.28
69,000 Methanex	2,973	0.16	
United States	170,114	8.97	8.72
1,900 Alphabet	1,686	0.09	
12,666 Altaba	749	0.04	
221,788 American Express	18,110	0.96	
26,300 Amgen	3,944	0.21	
17,400 Anadarko Petroleum	728	0.04	
771,236 Bank of America	18,281	0.96	
390,100 Bank of New York Mellon	17,300	0.91	
15,000 Biogen	4,070	0.22	
46,900 Celgene	4,068	0.21	
15,000 Chevron	1,474	0.08	
278,574 Citigroup	17,651	0.93	
6,200 Concho Resources	707	0.04	
11,000 Facebook	1,699	0.09	
59,800 Gilead Sciences	3,903	0.21	
17,800 Halliburton	657	0.03	

Portfolio statement (continued)

as at Holding	31.10.17 €'000	31.10.17 %	30.04.17 %
United States (continued)			
9,500 IPG Photonics	1,694	0.09	
207,985 JPMorgan Chase	18,115	0.95	
111,547 Kosmos Energy	750	0.04	
43,800 Luxoft	1,737	0.09	
49,200 MACOM Technology Solutions	1,692	0.09	
140,755 MasterCard	18,009	0.95	
49,300 Microsoft	3,551	0.19	
11,300 Regeneron Pharmaceuticals	3,946	0.21	
11,800 Schlumberger	650	0.03	
32,400 Shire ADR	4,057	0.21	
927,600 Veon ADR	3,068	0.16	
371,412 Wells Fargo	17,818	0.94	
Equity portfolios	18,673	0.98	0.97
26,764,952 M&G Japan Fund Sterling Class 'A' Income	18,673	0.98	
Bond portfolios [a]	84,819	4.47	4.93
16,180,242 M&G Global Convertibles Fund Sterling 'A'	38,194	2.01	
413,156 M&G Global Corporate Bond Fund Euro 'C-H'	4,961	0.26	
16,054,945 M&G Global High Yield Bond Fund Sterling 'X'	24,271	1.28	
1,233,000 M&G (Lux) Emerging Markets Hard Currency Bond Fund Euro 'CI'	11,085	0.59	
43,231 M&G Total Return Credit Investment Fund Euro 'A'	4,971	0.26	
47,400 SPDR® Barclays 10+ Year US Corporate Bond ETF	1,337	0.07	
Debt securities	891,954	47.01	48.74
'AAA' credit rated bonds	286,609	15.10	16.93
AUD22,742,000 Australia (Commonwealth of) 4.5% 2033	17,807	0.94	
€17,642,000 Germany (Federal Republic of) 0% 2017 (15 Nov)	17,647	0.93	
€17,620,000 Germany (Federal Republic of) 0% 2017 (13 Dec)	17,634	0.93	
€35,180,000 Germany (Federal Republic of) 0% 2017 (15 Dec)	35,200	1.85	
€8,506,000 Germany (Federal Republic of) 0% 2018 (10 Jan)	8,519	0.45	
€35,099,000 Germany (Federal Republic of) 0% 2018 (16 Mar)	35,189	1.85	
€35,040,000 Germany (Federal Republic of) 0% 2018 (15 Jun)	35,198	1.86	
€24,600,000 Germany (Federal Republic of) 0% 2018 (14 Sep)	24,760	1.30	
€24,500,000 Germany (Federal Republic of) 0% 2018 (14 Dec)	24,717	1.30	
\$4,009,000 Microsoft 4% 2055	3,557	0.19	
\$73,510,000 US Treasury 1% 2046	66,381	3.50	
'AA' credit rated bonds	195,052	10.28	3.69
€73,445,977 France (Govt of) 0% 2018 (17 Jan)	73,557	3.88	
€35,947,871 France (Govt of) 0% 2018 (31 Jan)	36,011	1.90	
€24,700,000 France (Govt. of) 0% 2018 (14 Feb)	24,748	1.30	
€35,886,385 France (Govt of) 0% 2018 (24 May)	36,014	1.90	
€24,600,000 France (Govt. of) 0% 2018 (15 Aug)	24,722	1.30	
'A' credit rated bonds	198,608	10.47	9.96
\$2,175,000 Amgen 4.663% 2051	2,015	0.11	
\$1,787,000 Anheuser-Busch InBev 4.9% 2046	1,719	0.09	
\$6,579,000 Intel 4.9% 2045	6,699	0.35	
MXN1,859,103,600 Mexico (United Mexican States) 5.75% 2026	75,610	3.99	
MXN1,667,802,800 Mexico (United Mexican States) 7.75% 2042	75,931	4.00	
PLN166,320,000 Poland (Republic of) 2.5% 2026	36,634	1.93	

M&G Prudent Allocation Fund

Authorised Corporate Director's Report

Investments

Portfolio statement (continued)				
as at Holding	31.10.17 €'000	31.10.17 %	30.04.17 %	
'BBB' credit rated bonds				
\$2,036,000 AT&T 4.5% 2048	1,594	0.08		
\$4,605,000 AT&T 6.375% 2041	4,571	0.24		
\$2,326,000 Bank of America 4.25% 2026	2,094	0.11		
\$1,266,000 Basell Finance 8.1% 2027	1,445	0.08		
COP20,267,400,000 Colombia (Republic of) 7.5% 2026	6,094	0.32		
\$1,657,000 Enel Finance International 6.8% 2037	1,876	0.10		
\$2,348,000 Energy Transfer Partners 4.05% 2025	2,051	0.11		
\$5,070,000 Energy Transfer Partners 6.125% 2045	4,752	0.25		
\$1,591,000 Exelon Generation 5.6% 2042	1,431	0.08		
\$5,062,000 Express Scripts 4.8% 2046	4,512	0.24		
\$1,369,000 Ford Motor Company 6.625% 2028	1,425	0.08		
\$4,300,000 Goldman Sachs Group 6.75% 2037	4,871	0.26		
IDR282,382,000,000 Indonesia (Republic of) 8.375% 2024	19,552	1.03		
\$1,080,000 Johnson Controls 5.125% 2045	1,060	0.05		
\$1,519,000 Kraft Foods Group 6.875% 2039	1,681	0.09		
\$3,979,000 Morgan Stanley 5% 2025	3,735	0.20		
\$2,117,000 Mylan 5.25% 2046	1,943	0.10		
\$4,478,000 Mylan 5.4% 2043	4,177	0.22		
\$1,251,000 Perrigo Finance Unlimited 4.9% 2044	1,112	0.06		
\$3,930,000 Teva Pharmaceutical Finance 4.1% 2046	2,694	0.14		
\$4,612,000 Time Warner Cable 7.3% 2038	4,977	0.26		
\$4,070,000 Verizon Communications 4.862% 2046	3,499	0.18		
\$951,000 Weyerhaeuser 7.375% 2032	1,134	0.06		
'BB' credit rated bonds				
BRL58,911,000 Brazil (Federal Republic of) 10% 2027	15,583	0.82		
€32,907,000 Portugal (Republic of) 4.75% 2019	35,452	1.87		
€49,651,000 Portugal (Republic of) 4.8% 2020	55,767	2.94		
'B' credit rated bonds				
\$11,587,000 Argentina (Republic of) 6.875% 2021	10,867	0.57		
\$11,566,000 Argentina (Republic of) 7.5% 2026	11,275	0.59		
\$493,000 Yum! Brands 6.875% 2037	461	0.03		
Cash deposits				
€228,932,229 BNP (0.5%) 2017	228,932	12.06		
€27,482,156 Lloyds Banking Group (0.65%) 2017	27,482	1.45		
€185,927,032 Rabobank (0.53%) 2017	185,927	9.80		
Equity index futures contracts				
6,390 BIST 30 Dec 2017	338	0.02		
723 CAC 40 Euro Nov 2017	962	0.05		
109 DAX Index Dec 2017	1,998	0.11		
437 FTSE 100 Index Dec 2017	456	0.02		
351 FTSE MIB Index Dec 2017	1,055	0.05		
349 IBEX 35 Index Nov 2017	1,459	0.08		
946 KOSPI 200 Index Dec 2017	4,125	0.22		
795 MSCI Taiwan Index Nov 2017	232	0.01		
(1,539) S&P 500 E-Mini Index Future Dec 2017	(6,809)	(0.36)		
573 TOPIX Index Future Dec 2017	7,515	0.40		
Forward currency contracts				
AUD27,055,933 Bought for €17,973,901 (expires 29.11.17)	(202)	(0.01)		
AUD(111,244,659) Sold for €74,301,930 (expires 29.11.17)	1,229	0.06		

Portfolio statement (continued)

as at Holding	31.10.17 €'000	31.10.17 %	30.04.17 %
Forward currency contracts (continued)			
INR1,121,788,225 Bought for \$17,324,246 (expires 30.11.17)	(57)	0.00	
¥3,750,892,168 Bought for €28,894,803 (expires 29.11.17)	(468)	(0.02)	
¥(2,059,874,970) Sold for €15,687,891 (expires 29.11.17)	77	0.00	
MXN865,233,294 Bought for €38,395,258 (expires 29.11.17)	124	0.01	
MXN(2,456,869,932) Sold for €112,792,905 (expires 29.11.17)	3,416	0.18	
SGD(91,468,640) Sold for €56,828,308 (expires 29.11.17)	(794)	(0.04)	
£(92,764,929) Sold for €102,836,057 (expires 29.11.17)	(2,448)	(0.13)	
TRY55,655,410 Bought for €13,066,491 (expires 29.11.17)	(562)	(0.03)	
\$4,523,408 Bought for CNY32,007,636 (expires 17.11.17)	(259)	(0.01)	
\$5,584,357 Bought for CNY40,413,989 (expires 22.12.17)	(425)	(0.02)	
\$10,621,741 Bought for CNY75,387,810 (expires 23.02.18)	(587)	(0.03)	
\$23,755,755 Bought for CNY168,278,258 (expires 04.04.18)	(1,232)	(0.06)	
\$20,931,159 Bought for CNY148,726,649 (expires 08.05.18)	(1,116)	(0.07)	
\$6,322,547 Bought for CNY44,302,084 (expires 22.06.18)	(249)	(0.01)	
\$15,299,361 Bought for CNY105,450,843 (expires 25.07.18)	(365)	(0.02)	
\$13,029,954 Bought for CNY88,707,927 (expires 21.08.18)	(162)	(0.01)	
\$13,597,074 Bought for CNY91,728,016 (expires 21.09.18)	(52)	0.00	
\$14,065,514 Bought for CNY95,603,297 (expires 25.10.18)	(130)	(0.01)	
\$17,530,696 Bought for €14,848,469 (expires 29.11.17)	192	0.01	
\$(676,722,560) Sold for €571,850,303 (expires 29.11.17)	(8,739)	(0.46)	
\$12,280,064 Bought for KRW13,950,851,267 (expires 30.11.17)	(149)	(0.01)	
\$17,315,065 Bought for PHP899,517,610 (expires 29.11.17)	(68)	0.00	
\$20,692,319 Bought for TWD625,218,418 (expires 30.11.17)	(54)	0.00	
\$17,819,797 Bought for TWD534,593,919 (expires 15.12.17)	50	0.00	
\$25,009,336 Bought for TWD752,530,915 (expires 19.01.18)	(36)	0.00	
Interest rate futures contracts			
(1,849) 5 Year US Treasury Note Dec 2017	1,876	0.10	
(1,773) 10 Year US Treasury Note Dec 2017	3,117	0.17	
(182) Euro Bund Dec 2017	(112)	(0.01)	
(454) Euro Buxl Dec 2017	(173)	(0.01)	
(357) Euro OAT Dec 2017	(489)	(0.03)	
(268) UK Long Gilt Bond Dec 2017	608	0.03	
Interest rate swaps			
¥446,000,000 Pay 0.46% Receive VAR Sep 2046	356	0.02	
¥446,500,000 Pay 0.4925% Receive VAR Sep 2046	337	0.02	
¥400,000,000 Pay 0.7675% Receive VAR Nov 2046	71	0.00	
¥208,440,000 Pay 0.8% Receive VAR Dec 2046	24	0.01	
¥1,000,000,000 Pay 0.835% Receive VAR Sep 2047	82	0.00	
¥350,000,000 Pay 0.85875% Receive VAR May 2047	(1)	0.00	
¥500,000,000 Pay 0.87% Receive VAR Apr 2047	83	0.00	
¥850,000,000 Pay 0.93% Receive VAR Jul 2047	(120)	(0.01)	
¥350,000,000 Pay 0.935% Receive VAR Feb 2047	6	0.00	
£9,500,000 Pay 1.287% Receive VAR Oct 2046	795	0.04	
			0.66

M&G Prudent Allocation Fund

Authorised Corporate Director's Report

Investments

Portfolio statement (continued)			
as at Holding	31.10.17 €'000	31.10.17 %	30.04.17 %
Interest rate swaps (continued)			
£9,000,000 Pay 1.3115% Receive VAR Apr 2047	698	0.04	
£5,000,000 Pay 1.37% Receive VAR Jun 2047	287	0.02	
£5,500,000 Pay 1.471% Receive VAR Aug 2047	159	0.01	
£3,000,000 Pay 1.5% Receive VAR Feb 2047	69	0.00	
£6,500,000 Pay 1.5225% Receive VAR May 2047	91	0.00	
£4,500,000 Pay 1.526% Receive VAR Mar 2047	74	0.00	
£2,155,000 Pay 1.558% Receive VAR Dec 2046	12	0.00	
£5,500,000 Pay 1.605% Receive VAR Jun 2047	(42)	0.00	
£11,000,000 Pay 1.605% Receive VAR Oct 2047	(42)	0.00	
£8,000,000 Pay 1.618% Receive VAR Nov 2046	(98)	(0.01)	
£6,000,000 Pay 1.64% Receive VAR Jul 2047	(104)	(0.01)	
£7,000,000 Pay 1.648% Receive VAR Sep 2047	(121)	(0.01)	
£3,000,000 Pay 1.692% Receive VAR Jan 2047	(92)	0.00	
\$25,000,000 Pay 1.655% Receive VAR Aug 2046	4,243	0.23	
\$7,000,000 Pay 1.8375% Receive VAR Sep 2046	948	0.05	
\$4,000,000 Pay 1.859% Receive VAR Sep 2046	492	0.03	
\$7,500,000 Pay 2.047% Receive VAR Nov 2046	642	0.03	
\$4,000,000 Pay 2.09% Receive VAR May 2046	337	0.02	
\$10,500,000 Pay 2.1275% Receive VAR Apr 2046	871	0.05	
\$18,000,000 Pay 2.379% Receive VAR Sep 2047	673	0.04	
\$7,500,000 Pay 2.3825% Receive VAR Nov 2046	228	0.01	
\$10,000,000 Pay 2.463% Receive VAR Sep 2047	222	0.02	
\$4,000,000 Pay 2.487% Receive VAR Jan 2047	50	0.00	
\$15,000,000 Pay 2.593% Receive VAR Jul 2047	(111)	(0.01)	
\$3,851,300 Pay 2.697% Receive VAR Dec 2046	(106)	(0.01)	
\$9,000,000 Pay 2.719% Receive VAR Mar 2047	(234)	(0.01)	
Portfolio of investments	1,811,345	95.47	94.35
Forward currency contracts for share class hedging			
CHF783,628 Bought for €680,186 (expires 15.11.17)	(6)	0.00	
CHF(1,732) Sold for €1,506 (expires 15.11.17)	0	0.00	
\$15,991,633 Bought for €13,510,996 (expires 15.11.17)	219	0.01	
Total portfolio	1,811,558	95.48	94.35
Net other assets / (liabilities)	85,818	4.52	5.65
Net assets attributable to shareholders	1,897,376	100.00	100.00

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

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

Portfolio transactions

for the six months to 31 October	2017	2016
Portfolio transactions	€'000	€'000
Total purchases	819,526	215,631
Total sales	181,220	72,494

M&G Prudent Allocation Fund

Financial highlights

Fund performance

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

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

Fund level performance

Fund net asset value			
as at	31.10.17 €'000	30.04.17 €'000	30.04.16 €'000
Fund net asset value (NAV)	1,897,376	1,008,192	207,071

Performance since launch

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



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

Long-term performance by share class				
	Six months 02.05.17 % ^[a]	Three years 03.11.14 % p.a.	Five years 01.11.12 % p.a.	Since launch % p.a.
Euro^[b]				
Class 'A'	+3.3	n/a	n/a	+3.6 ^[c]
Class 'B'	+3.0	n/a	n/a	+6.6 ^[d]
Class 'C'	+3.7	n/a	n/a	+4.3 ^[c]
Swiss franc^[b]				
Class 'A-H'	+3.1	n/a	n/a	+8.7 ^[e]
Class 'C-H'	+3.5	n/a	n/a	+9.5 ^[e]
US dollar^[b]				
Class 'A-H'	+4.3	n/a	n/a	+4.7 ^[c]
Class 'C-H'	+4.7	n/a	n/a	+5.5 ^[c]

[a] Absolute basis.

[b] Price to price with net income reinvested.

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

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

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

M&G Prudent Allocation 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 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.lu/private-investors/fund-literature/ or by calling M&G Customer Relations.

Portfolio transaction costs

	Six months to 31.10.17	Year to 30.04.17	Year to 30.04.16	Average ^[a]
	%	%	%	%
Direct portfolio transaction costs ^[b]				
Broker commission	0.02	0.03	0.02	0.02
Taxes	0.02	0.01	0.01	0.01
Costs before dilution adjustments	0.04	0.04	0.03	0.03
Dilution adjustments ^[c]	(0.03)	(0.02)	(0.01)	(0.02)
Total direct portfolio transaction costs	0.01	0.02	0.02	0.01
as at	31.10.17	30.04.17	30.04.16	Average ^[a]
Indirect portfolio transaction costs	%	%	%	%
Average portfolio dealing spread	0.15	0.20	0.53	0.29

^[a] Average of first three columns.

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

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

M&G Prudent Allocation Fund

Financial highlights

Specific share class performance

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

Historic yields for the current period are calculated as at 10 November 2017.

Euro Class 'A' Income share performance

The share class was launched on 23 April 2015.

	Six months to 31.10.17 Euro ¢	Year to 30.04.17 Euro ¢	Year to 30.04.16 Euro ¢
Change in NAV per share			
Opening NAV	1,031.74	958.85	1,000.00
Return before operating charges and after direct portfolio transaction costs	42.64	103.95	(20.11)
Operating charges	(8.94)	(14.98)	(15.31)
Return after operating charges	33.70	88.97	(35.42)
Distributions	(6.81)	(16.08)	(5.73)
Closing NAV	1,058.63	1,031.74	958.85
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.23	0.44	0.31
Dilution adjustments ^[a]	(0.17)	(0.24)	(0.11)
Total direct portfolio transaction costs	0.06	0.20	0.20
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.02	0.02
Operating charges	1.62	1.49	1.62
Return after operating charges	+3.27	+9.28	-3.54
Historic yield ^[c]	1.55	1.78	0.61
Effect on yield of charges offset against capital	1.55	1.55	0.00
Other information			
Closing NAV (€'000)	70,032	33,929	8,922
Closing NAV percentage of total fund NAV (%)	3.69	3.37	4.31
Number of shares	6,615,270	3,288,524	930,504
Highest share price (Euro ¢)	1,064.54	1,039.70	1,002.02
Lowest share price (Euro ¢)	1,035.83	936.22	879.61

Euro Class 'A' Accumulation share performance

The share class was launched on 23 April 2015.

	Six months to 31.10.17 Euro ¢	Year to 30.04.17 Euro ¢	Year to 30.04.16 Euro ¢
Change in NAV per share			
Opening NAV	1,054.82	964.76	1,000.00
Return before operating charges and after direct portfolio transaction costs	43.63	105.32	(19.94)
Operating charges	(9.16)	(15.26)	(15.30)
Return after operating charges	34.47	90.06	(35.24)
Distributions	0.00	(3.41)	(5.75)
Retained distributions	0.00	3.41	5.75
Closing NAV	1,089.29	1,054.82	964.76
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.24	0.45	0.31
Dilution adjustments ^[a]	(0.17)	(0.25)	(0.11)
Total direct portfolio transaction costs	0.07	0.20	0.20
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.02	0.02
Operating charges	1.62	1.49	1.62
Return after operating charges	+3.27	+9.33	-3.52
Historic yield	0.17	0.32	0.61
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€'000)	826,557	392,119	71,695
Closing NAV percentage of total fund NAV (%)	43.57	38.89	34.62
Number of shares	75,880,581	37,174,187	7,431,309
Highest share price (Euro ¢)	1,091.97	1,058.18	1,002.02
Lowest share price (Euro ¢)	1,058.96	942.08	883.34

Euro Class 'B' Income share performance

The share class was launched on 11 September 2015.

	Six months to 31.10.17 Euro ¢	Year to 30.04.17 Euro ¢	Year to 30.04.16 Euro ¢
Change in NAV per share			
Opening NAV	1,088.77	1,015.11	1,000.00
Return before operating charges and after direct portfolio transaction costs	44.88	111.26	31.71
Operating charges	(12.22)	(21.48)	(12.91)
Return after operating charges	32.66	89.78	18.80
Distributions	(7.18)	(16.12)	(3.69)
Closing NAV	1,114.25	1,088.77	1,015.11
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.24	0.47	0.20
Dilution adjustments ^[a]	(0.18)	(0.26)	(0.07)
Total direct portfolio transaction costs	0.06	0.21	0.13
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.02	0.02
Operating charges	2.12	2.00	2.08
Return after operating charges	+3.00	+8.84	+1.88
Historic yield ^[c]	1.55	1.77	0.12
Effect on yield of charges offset against capital	2.05	2.05	0.00
Other information			
Closing NAV (€'000)	44,057	20,567	1,011
Closing NAV percentage of total fund NAV (%)	2.32	2.04	0.49
Number of shares	3,954,006	1,888,978	99,598
Highest share price (Euro ¢)	1,120.49	1,097.12	1,026.67
Lowest share price (Euro ¢)	1,092.96	990.53	931.11

M&G Prudent Allocation Fund

Financial highlights

Specific share class performance

Euro Class 'B' Accumulation share performance

The share class was launched on 11 September 2015.

	Six months to 31.10.17 Euro ¢	Year to 30.04.17 Euro ¢	Year to 30.04.16 Euro ¢
Change in NAV per share			
Opening NAV	1,109.52	1,019.10	1,000.00
Return before operating charges and after direct portfolio transaction costs	45.86	111.96	32.02
Operating charges	(12.49)	(21.54)	(12.92)
Return after operating charges	33.37	90.42	19.10
Distributions	0.00	0.00	(3.78)
Retained distributions	0.00	0.00	3.78
Closing NAV	1,142.89	1,109.52	1,019.10
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.25	0.47	0.20
Dilution adjustments ^[a]	(0.18)	(0.26)	(0.07)
Total direct portfolio transaction costs	0.07	0.21	0.13
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.02	0.02
Operating charges	2.12	2.00	2.07
Return after operating charges	+3.01	+8.87	+1.91
Historic yield	0.00	0.00	0.12
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€'000)	128,312	59,709	3,407
Closing NAV percentage of total fund NAV (%)	6.77	5.92	1.65
Number of shares	11,226,939	5,381,496	334,290
Highest share price (Euro ¢)	1,145.72	1,113.02	1,028.45
Lowest share price (Euro ¢)	1,113.77	994.38	933.73

Euro Class 'C' Income share performance

The share class was launched on 23 April 2015.

	Six months to 31.10.17 Euro ¢	Year to 30.04.17 Euro ¢	Year to 30.04.16 Euro ¢
Change in NAV per share			
Opening NAV	1,038.70	959.02	1,000.00
Return before operating charges and after direct portfolio transaction costs	42.98	102.52	(21.51)
Operating charges	(4.73)	(6.88)	(7.68)
Return after operating charges	38.25	95.64	(29.19)
Distributions	(6.85)	(15.96)	(11.79)
Closing NAV	1,070.10	1,038.70	959.02
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.23	0.44	0.31
Dilution adjustments ^[a]	(0.17)	(0.24)	(0.11)
Total direct portfolio transaction costs	0.06	0.20	0.20
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.02	0.02
Operating charges	0.81	0.69	0.81
Return after operating charges	+3.68	+9.97	-2.92
Historic yield ^[c]	1.47	1.63	1.25
Effect on yield of charges offset against capital	0.75	0.75	0.00
Other information			
Closing NAV (€'000)	93,034	62,544	42,377
Closing NAV percentage of total fund NAV (%)	4.90	6.21	20.47
Number of shares	8,693,923	6,021,414	4,418,800
Highest share price (Euro ¢)	1,076.05	1,046.39	1,002.08
Lowest share price (Euro ¢)	1,042.89	937.39	879.99

Euro Class 'C' Accumulation share performance

The share class was launched on 23 April 2015.

	Six months to 31.10.17 Euro ¢	Year to 30.04.17 Euro ¢	Year to 30.04.16 Euro ¢
Change in NAV per share			
Opening NAV	1,068.52	971.04	1,000.00
Return before operating charges and after direct portfolio transaction costs	44.24	104.55	(20.89)
Operating charges	(4.87)	(7.07)	(8.07)
Return after operating charges	39.37	97.48	(28.96)
Distributions	(2.93)	(9.93)	(11.80)
Retained distributions	2.93	9.93	11.80
Closing NAV	1,107.89	1,068.52	971.04
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.24	0.45	0.31
Dilution adjustments ^[a]	(0.18)	(0.25)	(0.11)
Total direct portfolio transaction costs	0.06	0.20	0.20
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.02	0.02
Operating charges	0.81	0.69	0.84
Return after operating charges	+3.68	+10.04	-2.90
Historic yield	0.73	0.92	1.23
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€'000)	720,618	431,955	76,506
Closing NAV percentage of total fund NAV (%)	37.98	42.84	36.95
Number of shares	65,044,255	40,425,542	7,878,721
Highest share price (Euro ¢)	1,110.60	1,071.94	1,002.08
Lowest share price (Euro ¢)	1,072.82	949.21	887.87

Swiss franc Class 'A-H' Accumulation share performance

The share class was launched on 12 August 2016.

	Six months to 31.10.17 Swiss ¢	Year to 30.04.17 Swiss ¢	Year to 30.04.16 Swiss ¢
Change in NAV per share			
Opening NAV	1,070.02	1,000.00	n/a
Return before operating charges and after direct portfolio transaction costs	42.38	81.12	n/a
Operating charges	(9.39)	(11.10)	n/a
Return after operating charges	32.99	70.02	n/a
Distributions	0.00	(2.29)	n/a
Retained distributions	0.00	2.29	n/a
Closing NAV	1,103.01	1,070.02	n/a
Direct portfolio transaction costs	Swiss ¢	Swiss ¢	Swiss ¢
Costs before dilution adjustments	0.24	0.32	n/a
Dilution adjustments ^[a]	(0.18)	(0.18)	n/a
Total direct portfolio transaction costs	0.06	0.14	n/a
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.02	n/a
Operating charges	1.64	1.50	n/a
Return after operating charges	+3.08	+7.00	n/a
Historic yield	0.16	0.29	n/a
Effect on yield of charges offset against capital	0.00	0.00	n/a
Other information			
Closing NAV (€'000)	48	30	n/a
Closing NAV percentage of total fund NAV (%)	0.00	0.00	n/a
Number of shares	5,098	3,000	n/a
Highest share price (Swiss ¢)	1,105.80	1,073.46	n/a
Lowest share price (Swiss ¢)	1,074.24	994.39	n/a

M&G Prudent Allocation Fund

Financial highlights

Specific share class performance

Swiss franc Class 'C-H' Accumulation share performance

The share class was launched on 12 August 2016.

Change in NAV per share	Six months to 31.10.17 Swiss ¢	Year to 30.04.17 Swiss ¢	Year to 30.04.16 Swiss ¢
Opening NAV	1,074.73	1,000.00	n/a
Return before operating charges and after direct portfolio transaction costs	42.45	80.14	n/a
Operating charges	(4.92)	(5.41)	n/a
Return after operating charges	37.53	74.73	n/a
Distributions	(2.84)	(6.90)	n/a
Retained distributions	2.84	6.90	n/a
Closing NAV	1,112.26	1,074.73	n/a
Direct portfolio transaction costs	Swiss ¢	Swiss ¢	Swiss ¢
Costs before dilution adjustments	0.24	0.32	n/a
Dilution adjustments ^[a]	(0.17)	(0.18)	n/a
Total direct portfolio transaction costs	0.07	0.14	n/a
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.02	n/a
Operating charges	0.83	0.73	n/a
Return after operating charges	+3.49	+7.47	n/a
Historic yield	0.70	0.89	n/a
Effect on yield of charges offset against capital	0.00	0.00	n/a
Other information			
Closing NAV (€'000)	630	46	n/a
Closing NAV percentage of total fund NAV (%)	0.03	0.00	n/a
Number of shares	65,757	4,654	n/a
Highest share price (Swiss ¢)	1,115.02	1,078.23	n/a
Lowest share price (Swiss ¢)	1,079.13	995.19	n/a

US dollar Class 'A-H' Income share performance

The share class was launched on 23 April 2015.

Change in NAV per share	Six months to 31.10.17 US ¢	Year to 30.04.17 US ¢	Year to 30.04.16 US ¢
Opening NAV	1,050.01	961.87	1,000.00
Return before operating charges and after direct portfolio transaction costs	54.18	119.52	(16.97)
Operating charges	(9.22)	(15.26)	(15.54)
Return after operating charges	44.96	104.26	(32.51)
Distributions	(6.91)	(16.12)	(5.62)
Closing NAV	1,088.06	1,050.01	961.87
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.24	0.44	0.31
Dilution adjustments ^[a]	(0.17)	(0.24)	(0.11)
Total direct portfolio transaction costs	0.07	0.20	0.20
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.02	0.02
Operating charges	1.64	1.51	1.64
Return after operating charges	+4.28	+10.84	-3.25
Historic yield ^[c]	1.52	1.74	0.59
Effect on yield of charges offset against capital	1.57	1.57	0.00
Other information			
Closing NAV (€'000)	1,397	857	359
Closing NAV percentage of total fund NAV (%)	0.07	0.09	0.17
Number of shares	149,449	89,328	42,584
Highest share price (US ¢)	1,094.06	1,058.04	1,002.07
Lowest share price (US ¢)	1,054.25	940.62	879.54

US dollar Class 'A-H' Accumulation share performance

The share class was launched on 23 April 2015.

Change in NAV per share	Six months to 31.10.17 US ¢	Year to 30.04.17 US ¢	Year to 30.04.16 US ¢
Opening NAV	1,072.71	967.37	1,000.00
Return before operating charges and after direct portfolio transaction costs	55.67	120.78	(17.13)
Operating charges	(9.46)	(15.44)	(15.50)
Return after operating charges	46.21	105.34	(32.63)
Distributions	0.00	(3.19)	(5.63)
Retained distributions	0.00	3.19	5.63
Closing NAV	1,118.92	1,072.71	967.37
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.24	0.45	0.31
Dilution adjustments ^[a]	(0.18)	(0.25)	(0.11)
Total direct portfolio transaction costs	0.06	0.20	0.20
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.02	0.02
Operating charges	1.64	1.51	1.64
Return after operating charges	+4.31	+10.89	-3.26
Historic yield	0.15	0.29	0.59
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€'000)	8,903	6,262	2,777
Closing NAV percentage of total fund NAV (%)	0.47	0.63	1.34
Number of shares	926,154	638,537	327,219
Highest share price (US ¢)	1,121.64	1,076.12	1,002.07
Lowest share price (US ¢)	1,076.96	946.17	882.94

US dollar Class 'C-H' Income share performance

The share class was launched on 23 April 2015.

Change in NAV per share	Six months to 31.10.17 US ¢	Year to 30.04.17 US ¢	Year to 30.04.16 US ¢
Opening NAV	1,056.55	962.25	1,000.00
Return before operating charges and after direct portfolio transaction costs	54.70	116.88	(17.26)
Operating charges	(4.94)	(6.86)	(8.58)
Return after operating charges	49.76	110.02	(25.84)
Distributions	(6.69)	(15.72)	(11.91)
Closing NAV	1,099.62	1,056.55	962.25
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.24	0.43	0.32
Dilution adjustments ^[a]	(0.18)	(0.23)	(0.11)
Total direct portfolio transaction costs	0.06	0.20	0.21
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.02	0.02
Operating charges	0.83	0.71	0.89
Return after operating charges	+4.71	+11.43	-2.58
Historic yield ^[c]	1.39	1.61	1.25
Effect on yield of charges offset against capital	0.77	0.77	0.00
Other information			
Closing NAV (€'000)	1,722	23	8
Closing NAV percentage of total fund NAV (%)	0.09	0.00	0.00
Number of shares	182,280	2,422	1,000
Highest share price (US ¢)	1,105.67	1,064.30	1,002.14
Lowest share price (US ¢)	1,060.66	942.26	880.06

M&G Prudent Allocation Fund

Financial highlights

Specific share class performance

US dollar Class 'C-H' Accumulation share performance

The share class was launched on 23 April 2015.

	Six months to 31.10.17	Year to 30.04.17	Year to 30.04.16
Change in NAV per share	US ¢	US ¢	US ¢
Opening NAV	1,087.94	974.56	1,000.00
Return before operating charges and after direct portfolio transaction costs	56.60	121.31	(16.83)
Operating charges	(5.07)	(7.93)	(8.61)
Return after operating charges	51.53	113.38	(25.44)
Distributions	(2.96)	(9.64)	(11.57)
Retained distributions	2.96	9.64	11.57
Closing NAV	1,139.47	1,087.94	974.56
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.25	0.49	0.32
Dilution adjustments ^[a]	(0.18)	(0.27)	(0.11)
Total direct portfolio transaction costs	0.07	0.22	0.21
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.02	0.02
Operating charges	0.82	0.74	0.89
Return after operating charges	+4.74	+11.63	-2.54
Historic yield	0.70	0.87	1.19
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€'000)	2,066	151	9
Closing NAV percentage of total fund NAV (%)	0.11	0.01	0.00
Number of shares	211,043	15,155	1,000
Highest share price (US ¢)	1,141.79	1,091.35	1,002.14
Lowest share price (US ¢)	1,092.35	954.46	888.24

^[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 Prudent Allocation Fund

Financial statements and notes

Financial statements

Statement of total return

for the six months to 31 October	2017		2016	
	€'000	€'000	€'000	€'000
Income				
Net capital gains / (losses)		44,560		12,648
Revenue	9,687		3,543	
Expenses	(8,803)		(1,776)	
Interest payable	(55)		(146)	
Net revenue / (expense) before taxation	829		1,621	
Taxation	(647)		(329)	
Net revenue / (expense) after taxation		182		1,292
Total return before distributions		44,742		13,940
Distributions		(2,721)		(1,461)
Change in net assets attributable to shareholders from investment activities		42,021		12,479

Statement of change in net assets attributable to shareholders

for the six months to 31 October	2017		2016	
	€'000	€'000	€'000	€'000
Opening net assets attributable to shareholders		1,008,192		207,071
Amounts received on issue of shares	875,629		241,122	
Amounts paid on cancellation of shares	(31,099)		(15,826)	
		844,530		225,296
Dilution adjustments		845		423
Change in net assets attributable to shareholders from investment activities (see above)		42,021		12,479
Retained distributions on Accumulation shares		1,788		1,244
Closing net assets attributable to shareholders		1,897,376		446,513

The opening net assets attributable to shareholders for 2017 differs to the closing position in 2016 by the change in net assets attributable to shareholders for the second half of the comparative financial year.

Balance sheet

as at	31 October 2017	30 April 2017
	€'000	€'000
Assets		
Fixed assets		
Investments	1,838,372	960,358
Current assets		
Debtors	35,467	21,905
Cash and bank balances	504,333	252,787
Total assets	2,378,172	1,235,050
Liabilities		
Investment liabilities	(26,814)	(9,165)
Creditors		
Overdrawn positions at futures clearing houses and collateral manager	(1,580)	0
Distribution payable	(654)	(513)
Other creditors	(451,748)	(217,180)
Total liabilities	(480,796)	(226,858)
Net assets attributable to shareholders	1,897,376	1,008,192

Notes to the financial statements

1 Accounting policies

The financial statements have been prepared in accordance with the 'Accounting policies' set out on page 3.

2 Distribution policy

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

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

M&G Investment Funds (14)

Other regulatory disclosures

Swiss investor information

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

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

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.

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

Glossary

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

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

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

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

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

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

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

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

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

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

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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