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## **M&G Investment Funds (1)**

Interim Long Report and unaudited Financial Statements  
for the six months ended 29 February 2020

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# M&G Investment Funds (1)

## Authorised Corporate Director's Report

The Authorised Corporate Director (ACD) of M&G Investment Funds (1) presents its Interim Long Report and unaudited Financial Statements for the six months ended 29 February 2020.

The unaudited financial statements of M&G Investment Funds (1) 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 (1) is an umbrella Open-Ended Investment Company (OEIC) and contains 11 sub-funds, hereinafter referred to as 'funds' in the rest of this report. Each fund is a UCITS (Undertakings for Collective Investment in Transferable Securities) scheme as defined in the Collective Investment Schemes sourcebook, as issued (and amended) by the Financial Conduct Authority (FCA). This OEIC is an Investment Company with Variable Capital (ICVC) incorporated under the Open-Ended Investment Companies Regulations 2001. It is authorised and regulated by the FCA under the Financial Services and Markets Act 2000.

The Company was authorised on 6 June 2001 and was launched on 1 November 2001, following the conversion of a series of authorised unit trusts.

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

As at 29 February 2020, none of the funds held shares of the other funds within this OEIC.

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

### Fund managers

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

#### M&G Asian Fund

David Perrett

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

#### M&G European Index Tracker Fund

Nigel Booth

#### M&G European Select Fund

Richard Halle

#### M&G Global Select Fund

John William Olsen

#### M&G Global Themes Fund

Alex Araujo

#### M&G Japan Fund

Carl Vine

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

#### M&G Japan Smaller Companies Fund

Carl Vine

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

#### M&G North American Dividend Fund

John Weavers

#### M&G North American Value Fund

Daniel White

#### M&G Pan European Select Fund

John William Olsen

#### M&G Pan European Select Smaller Companies Fund

Michael Oliveros

### ACD

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

Telephone: 0800 390 390 (UK only)

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

### Directors of the ACD

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

\* Resigned 17 October 2019.

\*\* Resigned 27 September 2019.

### Investment manager

M&G Investment Management Limited,  
10 Fenchurch Avenue, London EC3M 5AG, UK

Telephone: +44 (0)20 7626 4588

(Authorised and regulated by the Financial Conduct Authority)

### Registrar

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

### Depositary

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

### Independent auditor

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

# M&G Investment Funds (1)

## Authorised Corporate Director's Report

### Important information

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

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

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

Between 29 February 2020 and 9 April 2020 the net asset values (NAV) per share have fallen. The fall in NAV stems from a fall in the value of investments driven by fears of the negative impact on global growth from COVID-19. For further details on the share class movements, please refer to the table in each fund's Notes to the Financial Statements.

### Investor information

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

#### Customer services and administration for UK clients:

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

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

Telephone: 0800 390 390 (UK only)

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

#### Customer services and administration for non-UK clients:

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

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

Telephone: +352 2605 9944

Email: csmandg@rbc.com

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

#### Austrian paying and information agent:

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

#### Belgian financial agent:

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

#### Danish representative agent:

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

#### French centralising agent:

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

#### German information agent:

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

#### Greek paying agents and distributors:

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

#### Irish facilities agent:

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

#### Italian paying agents:

Allfunds Bank, S.A.,  
Via Santa Margherita 7, 20121 Milano, Italy  
Banca Monte dei Paschi di Siena S.p.A.,  
Piazza Salimbeni 3, 53100 Siena, Italy  
Banca Sella Holding S.p.A.,  
Piazza Gaudenzio Sella 1, 13900 Biella, Italy  
BNP PARIBAS Securities Services,  
Piazza Lina Bo Bardi 3, 20124 Milano, Italy  
CACEIS Bank Luxembourg,  
Milan Branch, Piazza Cavour 2, 20121 Milano, Italy  
RBC Investor Services Bank S.A., Milan Branch  
Via Vittor Pisani 26, 20124 Milano, Italy  
State Street Bank S.p.A.,  
Via Ferrante Aporti 10, 20125 Milano, Italy  
Société Générale Securities Services S.A.,  
Via Benigno Crespi 19A - MAC 2, 20159 Milano, Italy

#### Luxembourg paying and information agent:

Société Générale Luxembourg,  
Centre opérationnel, 28-32, place de la Gare, 1616 Luxembourg,  
Grand Duchy of Luxembourg

# M&G Investment Funds (1)

## Authorised Corporate Director's Report

### Portuguese distributor:

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

### Spanish representative:

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

### Swedish paying agent:

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

### Swiss paying agent and representative:

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

## Authorised Corporate Director's Responsibilities

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

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

## Directors' statement

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

M&G Securities Limited  
15 April 2020

# M&G Investment Funds (1)

## Financial statements and notes

The financial statements for M&G Investment Funds (1) comprise the individual financial statements for each fund and the notes below.

### Notes to the financial statements

#### Accounting policies

The interim financial statements have been prepared on the same basis as the audited financial statements for the year ended 31 August 2019. 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 and as amended in June 2017.

# M&G Asian Fund

## Authorised Corporate Director's Report

### Investment objective

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

### Investment policy

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

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

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

Derivatives may be used for efficient portfolio management and hedging.

### Investment approach

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

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

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

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

### Benchmark

Benchmark: MSCI AC Asia Pacific ex Japan Index.

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

### Risk profile

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

Asia (ex Japan) is a region that is regarded as having emerging economies. Hence, the fund's focus on Asia may result in greater volatility compared to a fund that invests mainly in the securities of companies in developed countries. The reasons for this greater volatility include: the financial infrastructure in emerging markets is typically less mature, the regulatory systems and disclosure standards are less developed, and adverse market and political circumstances are more likely to occur in these markets. Diversification across countries, industries and market capitalisation is therefore key in managing liquidity and default risks as well as reducing market risk. The fund's risks are measured and managed as an integral part of the investment process.

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



The above number:

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

### Investment review

**As at 2 March 2020, for the six months ended 29 February 2020**

#### Performance against objective

Between 2 September 2019 (the start of the review period) and 2 March 2020, the sterling share classes of the M&G Asian Fund produced a negative total return (the combination of income and growth of capital). Fund returns were behind the benchmark, the MSCI AC Asia Pacific ex Japan Index, which fell by -0.7% over the six months.

Over five years, the fund's sterling share classes\* produced positive returns but underperformed its benchmark, which returned 8.0% p.a. over this period. The fund therefore did not meet the current objective over its specified timeframe of five years.

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

# M&G Asian Fund

## Authorised Corporate Director's Report

### Investment review

#### Investment performance

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

The positive momentum continued into the new year, until share prices went into reverse after the outbreak of the coronavirus in Wuhan, China was identified. Initially at least it seemed the virus might be contained in China, but by the end of the review period, COVID-19 (as it is known) had spread to most parts of the world.

As it became clear that the global economy could be seriously affected, investors became increasingly concerned about global supply chains and travel restrictions, and companies began to warn that the virus would reduce earnings. Fears about lower demand caused the oil price to plunge and, in the last week of the review period, stockmarkets experienced near-panic selling.

Over the six months, the biggest stockmarket falls were seen in the Southeast Asian countries (Indonesia, Malaysia, Philippines, Singapore and Thailand) and Australia. In addition, social unrest in Hong Kong weighed on investor sentiment.

Conversely, stockmarkets in the north of Asia, including China, South Korea and Taiwan were relatively resilient. Share prices in South Korea and Taiwan (two large exporting nations) were supported by expectations of an increase in technology demand.

At the sector level, information technology stocks led the way over the review period, buoyed by investors' expectations of growing demand for 5G equipment and general ongoing adoption of more technology uses. The healthcare sector outperformed the broader market as well, receiving a fillip from its defensive quality and potential benefit from virus concerns.

Conversely, industrials (particularly transportation stocks), automobiles, energy and commodities lagged the broader market on near-term concerns over the outlook for economic activity, as fears intensified over the spread of the virus. Bank and insurance shares were additionally hurt by the sharp fall in interest rates towards the end of the period.

Against this background, the fund's return lagged the benchmark, with stockpicking in Hong Kong and the Philippines the main detractors from performance. Conversely, stockpicking in Singapore and Indonesia added value, as did the fund's above-index position in technology and a small basket of stocks from Pakistan. The fund's below-index weighting in Thailand also added value.

The fund's biggest detractor was FAR, an African-focused, Australia-listed oil and gas exploration company. FAR's share price fell as investors expressed concerns about the company's ability to fund its exploration project in Senegal. During the review period, FAR launched a capital raising which we chose not to participate in, and we have now almost fully exited the position.

A sharp decline in the oil price also hurt Canada-based integrated energy company Husky Energy, owned by one of Asia's richest men, Li Ka Shing. We view Husky as very undervalued compared to its Chinese peers and have used recent weakness to add to the position.

Several holdings in the Philippines, including Metro Pacific and GT Capital, also held back performance. Metro Pacific is an infrastructure-focused group and supplies water and electricity and operates hospitals and toll roads in the Philippines. The stock came under pressure during the review period as the government sought to overturn water concession agreements with utility firms. We have maintained the position in Metro Pacific, but trimmed GT Capital and fully exited its parent First Pacific, which offered less compelling value.

In China, the fund's holdings in Greatview Aseptic Packaging, a drinks packaging firm, and Fufeng, a food ingredients company, were among the leading detractors. Greatview's share price fell when it announced that the company was planning to acquire a business providing smart packaging. This is part of Greatview's strategy to establish its position in the liquid food packaging industry. We have reduced our holdings in these less liquid names.

Several of the fund's top contributors were from the technology sector. Buoyed by expectations of a recovery in the semiconductor industry, the fund's holdings in South Korean technology giant Samsung Electronics and WONIK IPS, a South Korean manufacturer of semiconductor machinery, added value.

Samsung's shares climbed to their highest level since the end of 2017 amid optimism about rising demand for memory chips and improving US-China trade relations. Taiwan's Silicon Motion Technology, a developer of controllers for solid state storage devices, also aided performance.

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

In healthcare, the share price of Mesoblast jumped on the news of a strategic partnership with Grunenthal (a German pharmaceutical firm and global leader in pain management), to develop and commercialise Mesoblast's Phase III stem cell therapy for chronic lower back pain. We used the share price strength to trim our position.

#### Investment activities

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

Prior to 2 December, portfolio activity included the reduction of the fund's holdings in Taiwanese technology firms, Chicony Electronics, a producer of electronic components, and Catcher Technology, which is part of Apple's supply chain. A position in Electric & Machinery, a manufacturer of motors and wind turbines, was also decreased and the fund's position in Greatview Aseptic Packaging, a Chinese drinks packaging company, was added to.

In December, we began to reposition the portfolio incrementally to reflect the opportunities we saw across Asia ex Japan and we have made material progress in rebalancing the portfolio.

# M&G Asian Fund

## Authorised Corporate Director's Report

### Investment review

#### Investment activities (continued)

Notable changes included starting positions in Chinese internet firms Alibaba and Tencent. Both companies are significant constituents of the benchmark index and are dominant industry leaders. We also added Hong Kong-listed stocks Sun Hung Kai Properties, a property company, and MTR a subway operator, two valuable long-term franchises which we believe are attractively valued after the recent market turbulence caused by popular protests in Hong Kong.

We also added to several stocks where we are excited about the prospect of attractive medium-term returns. They included Netlink, a Singapore broadband infrastructure provider, COSCO Shipping Ports, China Resources Power, a Chinese coal and wind power company, Sinopec Kantons, an oil jetty and gas pipeline owner, Pacific Basin Shipping which is engaged in international dry bulk shipping and in Thailand, Kasikorn Bank.

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

We disposed of the holding in Downer, the timing of which proved fortuitous, as the company warned on profits after our sale. The fund's stakes in PCCW, a Hong Kong-listed group with interests in telecoms and media, and Standard Chartered, a UK-listed Asia-focused bank, were sold as well.

#### Outlook

Having invested in Asia for nearly 30 years – a period which includes the Asian financial crisis of 1997/98, the SARS epidemic in 2003 and the global financial crisis of 2008/9 – we would argue the current situation is not without parallels.

Of the three disruptions, SARS is the most relevant to COVID-19, in our view – not because of the medical analogy, but from a valuation and economic activity standpoint.

We would remind investors that the three to four years after SARS proved to be a golden period for Asian equities. Whilst today's backdrop is not the same – it would be unwise to ignore the debt levels across the region – there are some strong similarities.

Valuations are undemanding and economic policy is now extremely supportive, with global interest rates at very low levels, oil prices having recently declined sharply and countries like China, Singapore, Korea and Hong Kong, to name but a few, ramping up government spending.

Since the change of manager in early December, several incremental changes have been made to the portfolio. In particular, we have selectively added exposure to several global cyclical sectors.

The key criteria has been to focus on industries where we are confident that the supply side in terms of new capacity is well controlled. The smaller bulk shipping sector being a case in point and typified by a company like Pacific Basin Shipping. Recent global growth concerns tied to the coronavirus have afforded us the opportunity to add to these positions at particularly attractive valuation levels.

We have also reduced the fund's exposure to smaller companies. There are times when, in order to access attractive investment opportunities, it is necessary to target smaller and less liquid stocks. However, in the current environment, there are numerous excellent investment opportunities in larger companies and, as a result, there is less need to make a trade-off between liquidity and returns.

Finally, and most importantly, we have added several stocks which we have followed for a long time and where we believe investing now is particularly attractive.

This is the core of our investment approach where we nurture and follow an investment universe of regional stocks, over an extended period. Through this process we can develop a superior perspective around the risk of ownership, allowing us to identify at times material gaps between price and underlying intrinsic value. Examples include Netlink, a Singapore broadband infrastructure provider, China Resources Power, a Chinese power company that is rapidly expanding its wind capacity, COSCO Shipping Ports, Sun Hung Kai, Hong Kong's leading property company and more recently in Thailand, Kasikorn Bank.

This accumulation of a basket of unconnected, attractively valued stocks is at the very core of the investment programme that we have developed over more than 20 years. Current global uncertainty has created a rich opportunity set in Asian markets and one our investment approach should be well positioned to take advantage of.

#### David Perrett

Fund manager

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

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

# M&G Asian Fund

## Authorised Corporate Director's Report

### Investments

#### Portfolio statement

as at Holding	29.02.20 \$'000	29.02.20 %	31.08.19 %
<b>EQUITIES</b>	<b>188,550</b>	<b>96.97</b>	<b>100.00</b>
<b>United States</b>	<b>13,268</b>	<b>6.82</b>	<b>0.00</b>
44,217 Alibaba ADR	9,065	4.66	
106,030 Trip.com ADR	3,182	1.64	
23,341 Yum China	1,021	0.52	
<b>Canada</b>	<b>3,558</b>	<b>1.83</b>	<b>0.00</b>
716,555 Husky Energy	3,558	1.83	
<b>Australia</b>	<b>13,185</b>	<b>6.78</b>	<b>7.43</b>
159,497 Australia & New Zealand Banking	2,571	1.32	
60,947 BHP	1,331	0.68	
6,367 CSL	1,280	0.66	
51,239,119 FAR	732	0.38	
762,931 Mesoblast	1,106	0.57	
175,457 National Australia Bank	2,861	1.47	
374,112 QBE Insurance	3,304	1.70	
<b>China</b>	<b>27,462</b>	<b>14.13</b>	<b>29.81</b>
11,394,000 AMVIG	2,558	1.32	
29,412 Baidu ADR	3,516	1.81	
4,242,000 China Lesso	6,325	3.25	
5,653,000 Far East Horizon	4,940	2.54	
7,495,000 Greatview Aseptic Packaging	2,923	1.50	
249,459 HollySys Automation Technologies	3,724	1.92	
397,800 Vtech	3,476	1.79	
<b>Hong Kong</b>	<b>54,301</b>	<b>27.92</b>	<b>14.74</b>
397,400 AIA	3,916	2.01	
9,467,000 CGN Power	2,296	1.18	
253,000 China Mobile	1,990	1.02	
3,226,000 China Resources Power	3,837	1.97	
3,122,000 China Telecom	1,170	0.60	
6,481,000 Chongqing Rural Commercial Bank	2,919	1.50	
501,000 CITIC Securities	1,070	0.55	
411,350 CK Hutchison	3,573	1.84	
6,528,000 COSCO SHIPPING Ports	4,347	2.24	
5,785,000 Fufeng	2,235	1.15	
2,435,200 GF Securities	2,912	1.50	
32,894,000 Global Brands	1,625	0.84	
370,500 MTR	2,082	1.07	
29,162,000 Pacific Basin Shipping	4,303	2.21	
5,346,000 Sinopec Kantons	2,147	1.10	
216,500 Sun Hung Kai Properties	3,075	1.58	
130,900 Tencent	6,484	3.34	
4,256,500 WH	4,320	2.22	
<b>India</b>	<b>7,662</b>	<b>3.94</b>	<b>3.39</b>
487,852 ICICI Bank	3,370	1.74	
2,266,615 NTPC	3,354	1.72	
51,003 Reliance Industries	938	0.48	
<b>Indonesia</b>	<b>3,112</b>	<b>1.60</b>	<b>2.22</b>
6,202,100 Bank Mandiri	3,112	1.60	
<b>Philippines</b>	<b>7,136</b>	<b>3.67</b>	<b>8.95</b>
297,389 GT Capital	4,148	2.13	
49,619,200 Metro Pacific Investments	2,988	1.54	
<b>Pakistan</b>	<b>0</b>	<b>0.00</b>	<b>1.95</b>
<b>Singapore</b>	<b>12,343</b>	<b>6.35</b>	<b>4.76</b>
336,809 DBS	5,818	2.99	
577,767 Ezion Warrants 24/04/2020	0	0.00	
10,728,468 Ezion Warrants 16/04/2023 <sup>[a]</sup>	0	0.00	
5,571,800 Japfa	2,215	1.14	
6,138,900 NetLink NBN Trust	4,310	2.22	

#### Portfolio statement (continued)

as at Holding	29.02.20 \$'000	29.02.20 %	31.08.19 %
<b>South Korea</b>	<b>25,215</b>	<b>12.97</b>	<b>14.29</b>
140,704 Hana Financial	3,632	1.87	
9,241 Hyundai Heavy Industries	2,054	1.06	
254,825 Samsung Electronics	11,372	5.85	
137,135 Shinhan Financial	3,647	1.88	
30,459 SK Hynix	2,205	1.13	
89,880 Wonik IPS	2,305	1.18	
<b>Taiwan</b>	<b>16,706</b>	<b>8.59</b>	<b>12.46</b>
236,000 Catcher Technology	1,847	0.95	
616,220 Delta Electronics	2,849	1.47	
172,000 eMemory Technology	1,795	0.92	
42,372 Silicon Motion Technology ADR	1,634	0.84	
822,178 Taiwan Semiconductor Manufacturing	8,581	4.41	
<b>Thailand</b>	<b>4,602</b>	<b>2.37</b>	<b>0.00</b>
322,300 Bangkok Bank	1,343	0.69	
860,400 Kasikornbank	3,259	1.68	
<b>Portfolio of investments</b>	<b>188,550</b>	<b>96.97</b>	<b>100.00</b>
<b>CASH EQUIVALENTS</b>	<b>3,220</b>	<b>1.66</b>	<b>1.86</b>
<b>Eire 'AAA' rated money market funds <sup>[b]</sup></b>	<b>3,220</b>	<b>1.66</b>	<b>1.86</b>
3,220,000 Northern Trust Global Fund - US dollar	3,220	1.66	
<b>Total portfolio</b>	<b>191,770</b>	<b>98.63</b>	<b>101.86</b>
<b>Net other assets / (liabilities)</b>	<b>2,667</b>	<b>1.37</b>	<b>(1.86)</b>
<b>Net assets attributable to shareholders</b>	<b>194,437</b>	<b>100.00</b>	<b>100.00</b>

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

<sup>[a]</sup> Suspended.

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

#### Top ten portfolio transactions

for the six months to 29 February 2020

Largest purchases	\$'000
Alibaba ADR	8,777
Tencent	5,941
Pacific Basin Shipping	5,686
Husky Energy	5,274
COSCO SHIPPING Ports	5,160
WH	4,357
China Resources Power	4,333
NetLink NBN Trust	4,261
Kasikornbank	3,951
Chongqing Rural Commercial Bank	3,243
Other purchases	38,228
<b>Total purchases</b>	<b>89,211</b>
Largest sales	\$'000
China Lesso	8,904
CK Hutchison	7,658
First Pacific	4,661
Chicony Electronics	4,418
Trip.com ADR	3,996
Samsung Electronics	3,673
CNOOC	3,498
Standard Chartered	3,410
China Petroleum & Chemical	3,242
Silicon Motion Technology ADR	3,124
Other sales	51,325
<b>Total sales</b>	<b>97,909</b>

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

# M&G Asian Fund

## Financial highlights

### Fund performance

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

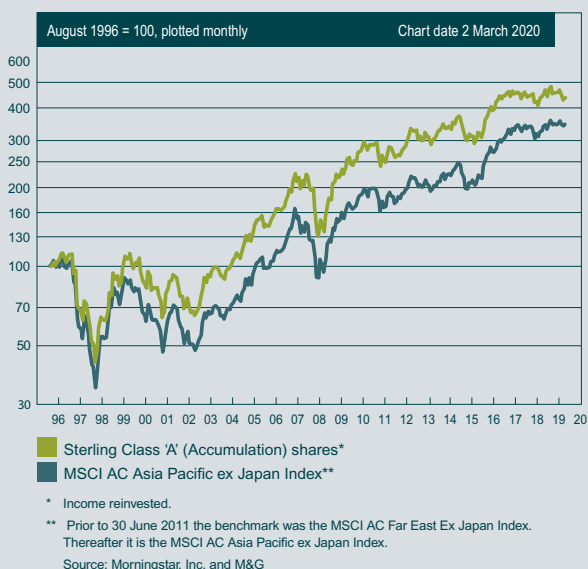
The following chart and tables reflect the key financial information of a representative share class, Sterling Class 'A' (Accumulation) shares. As different share classes have different attributes, for example charging structures and minimum investments, please be aware that their performance may be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

### Fund level performance

Fund net asset value			
as at	29.02.20 \$'000	31.08.19 \$'000	31.08.18 \$'000
Fund net asset value (NAV)	194,437	197,015	409,725

### Performance since launch

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



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

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

### Long-term performance by share class

	Six months 02.09.19 % <sup>[a]</sup>	Three years 02.03.17 % p.a.	Five years 02.03.15 % p.a.	Since launch % p.a.
<b>Sterling <sup>[b]</sup></b>				
Class 'A'	-4.1	+0.1	+4.5	+8.6 <sup>[c]</sup>
Class 'I'	-3.8	+0.8	+5.2	+7.6 <sup>[d]</sup>
Class 'R'	-4.0	+0.5	+5.0	+7.4 <sup>[d]</sup>
Class 'X'	-4.1	+0.1	+4.5	+13.5 <sup>[e]</sup>

<sup>[a]</sup> Absolute basis.

<sup>[b]</sup> Price to price with income reinvested.

<sup>[c]</sup> 14 September 1973, the end of the initial offer period of the predecessor unit trust.

<sup>[d]</sup> 3 August 2012, the launch date of the share class.

<sup>[e]</sup> 1 October 2002, the launch date of the share class.

# M&G Asian Fund

## Financial highlights

### Fund performance

## Operating charges and portfolio transaction costs

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

### Operating charges

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

- **Annual charge:** Charge paid to M&G covering the annual cost of M&G managing and administering the fund and the costs of third parties providing services to the fund. From 1 August 2019, this charge rolls all costs that make up the operating charges into one annual charge.  
  
For every £1 billion of a fund's net asset value, a discount of 0.02% will be applied to that fund's annual charge (up to a maximum of 0.12%).
- **Extraordinary legal and tax expenses:** Costs that specifically relate to legal or tax claims that are both exceptional and unforeseeable. Such expenses are uncommon, and would not be expected in most years. Although they result in a short-term cost to the fund, generally they can deliver longer term benefits for investors.
- **Investment management:** Charge paid to M&G for investment management of the fund. From 1 August 2019 this charge forms part of the annual charge.
- **Administration:** Charge paid for administration services in addition to investment management – any surplus from this charge will be retained by M&G. From 1 August 2019 this charge is rolled into the annual charge.
- **Oversight and other independent services:** Charges paid to providers independent of M&G for services which include depositary, custody and audit. From 1 August 2019 these charges will be paid by M&G and rolled into the annual charge.
- **Ongoing charges from underlying funds:** Ongoing charges on holdings in underlying funds that are not rebated. From 1 August 2019 charges from underlying funds (excluding Investment Trusts Companies and Real Estate Investment Trusts) will be rebated.

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

Once the annual charge has been operational for twelve months, operating charges will be in line with the ongoing charges shown in the Key Investor Information Document, other than where there have been extraordinary legal or tax expenses, or an estimate has been used for the ongoing charge because a material change has made the operating charges unreliable as an estimate of future charges.

### Portfolio transaction costs

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

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

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

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

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

### Portfolio transaction costs

	Six months to 29.02.20	Year to 31.08.19	Year to 31.08.18	Average <sup>[a]</sup>
Direct portfolio transaction costs <sup>[b]</sup>	%	%	%	%
Broker commission	0.12	0.05	0.04	0.07
Taxes	0.17	0.09	0.11	0.12
Costs before dilution adjustments	0.29	0.14	0.15	0.19
Dilution adjustments <sup>[c]</sup>	(0.01)	(0.04)	(0.11)	(0.05)
Total direct portfolio transaction costs	0.28	0.10	0.04	0.14
as at	29.02.20	31.08.19	31.08.18	Average <sup>[a]</sup>
Indirect portfolio transaction costs	%	%	%	%
Average portfolio dealing spread	0.42	0.28	0.26	0.32

<sup>[a]</sup> Average of first three columns.

<sup>[b]</sup> As a percentage of average net asset value.

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

# M&G Asian Fund

## Financial highlights

### Specific share class performance

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

Historic yields for the current period are calculated as at 13 March 2020.

#### Sterling Class 'A' Income share performance

The share class was launched on 14 September 1973.

Change in NAV per share	Six months to 29.02.20 UK p	Year to 31.08.19 UK p	Year to 31.08.18 UK p
Opening NAV	1,364.88	1,384.50	1,467.64
Return before operating charges and after direct portfolio transaction costs	(65.81)	46.69	(15.90)
Operating charges	(5.02)	(23.84)	(24.80)
Return after operating charges	(70.83)	22.85	(40.70)
Distributions	n/a	(42.47)	(42.44)
Closing NAV	1,294.05	1,364.88	1,384.50
<b>Direct portfolio transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	2.00	2.62	2.22
Dilution adjustments <sup>[a]</sup>	(0.05)	(0.74)	(1.66)
Total direct portfolio transaction costs	1.95	1.88	0.56
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.28	0.10	0.04
Operating charges <sup>[c]</sup>	1.45	1.73	1.72
Return after operating charges	-5.19	+1.65	-2.77
Historic yield	3.71	2.93	3.06
Effect on yield of charges offset against capital	1.45	1.63	1.65
<b>Other information</b>			
Closing NAV (\$'000)	120,510	120,535	147,696
Closing NAV percentage of total fund NAV (%)	61.98	61.18	36.05
Number of shares	7,229,167	7,251,747	8,202,557
Highest share price (UK p)	1,469.16	1,504.84	1,511.84
Lowest share price (UK p)	1,291.32	1,254.15	1,365.59

#### Sterling Class 'A' Accumulation share performance

The share class was launched on 14 September 1973.

Change in NAV per share	Six months to 29.02.20 UK p	Year to 31.08.19 UK p	Year to 31.08.18 UK p
Opening NAV	2,325.87	2,288.15	2,353.57
Return before operating charges and after direct portfolio transaction costs	(112.17)	76.69	(25.64)
Operating charges	(8.56)	(38.97)	(39.78)
Return after operating charges	(120.73)	37.72	(65.42)
Distributions	n/a	(31.05)	(28.57)
Retained distributions	n/a	31.05	28.57
Closing NAV	2,205.14	2,325.87	2,288.15
<b>Direct portfolio transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	3.41	4.27	3.56
Dilution adjustments <sup>[a]</sup>	(0.08)	(1.21)	(2.66)
Total direct portfolio transaction costs	3.33	3.06	0.90
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.28	0.10	0.04
Operating charges <sup>[c]</sup>	1.45	1.73	1.72
Return after operating charges	-5.19	+1.65	-2.78
Historic yield	1.59	1.16	1.25
Effect on yield of charges offset against capital	0.00	0.00	0.00
<b>Other information</b>			
Closing NAV (\$'000)	16,241	16,902	57,067
Closing NAV percentage of total fund NAV (%)	8.35	8.58	13.93
Number of shares	571,725	596,743	1,917,667
Highest share price (UK p)	2,503.54	2,486.98	2,424.29
Lowest share price (UK p)	2,200.49	2,072.68	2,189.76

#### Sterling Class 'I' Income share performance

The share class was launched on 3 August 2012.

Change in NAV per share	Six months to 29.02.20 UK p	Year to 31.08.19 UK p	Year to 31.08.18 UK p
Opening NAV	1,575.67	1,586.60	1,669.18
Return before operating charges and after direct portfolio transaction costs	(74.24)	53.87	(18.09)
Operating charges	(3.81)	(15.90)	(15.97)
Return after operating charges	(78.05)	37.97	(34.06)
Distributions	n/a	(48.90)	(48.52)
Closing NAV	1,497.62	1,575.67	1,586.60
<b>Direct portfolio transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	2.31	3.01	2.54
Dilution adjustments <sup>[a]</sup>	(0.05)	(0.85)	(1.89)
Total direct portfolio transaction costs	2.26	2.16	0.65
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.28	0.10	0.04
Operating charges <sup>[c]</sup>	0.95	1.00	0.97
Return after operating charges	-4.95	+2.39	-2.04
Historic yield	3.69	2.90	3.05
Effect on yield of charges offset against capital	0.95	0.90	0.90
<b>Other information</b>			
Closing NAV (\$'000)	12,862	13,161	14,401
Closing NAV percentage of total fund NAV (%)	6.61	6.68	3.50
Number of shares	666,670	685,863	697,908
Highest share price (UK p)	1,699.38	1,736.34	1,721.72
Lowest share price (UK p)	1,494.47	1,438.43	1,562.97

# M&G Asian Fund

## Financial highlights

### Specific share class performance

#### Sterling Class 'I' Accumulation share performance

The share class was launched on 3 August 2012.

	Six months to 29.02.20 UK p	Year to 31.08.19 UK p	Year to 31.08.18 UK p
<b>Change in NAV per share</b>			
Opening NAV	1,806.50	1,764.31	1,801.20
Return before operating charges and after direct portfolio transaction costs	(85.14)	59.87	(19.69)
Operating charges	(4.37)	(17.68)	(17.20)
Return after operating charges	(89.51)	42.19	(36.89)
Distributions	n/a	(37.59)	(35.80)
Retained distributions	n/a	37.59	35.80
Closing NAV	1,716.99	1,806.50	1,764.31
<b>Direct portfolio transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	2.65	3.35	2.73
Dilution adjustments <sup>[a]</sup>	(0.06)	(0.95)	(2.04)
Total direct portfolio transaction costs	2.59	2.40	0.69
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.28	0.10	0.04
Operating charges <sup>[c]</sup>	0.95	1.00	0.97
Return after operating charges	-4.95	+2.39	-2.05
Historic yield	2.47	1.87	2.03
Effect on yield of charges offset against capital	0.00	0.00	0.00
<b>Other information</b>			
Closing NAV (\$'000)	26,850	27,963	29,073
Closing NAV percentage of total fund NAV (%)	13.81	14.19	7.10
Number of shares	1,213,914	1,271,080	1,267,044
Highest share price (UK p)	1,948.29	1,930.78	1,857.75
Lowest share price (UK p)	1,713.38	1,599.52	1,686.47

#### Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012.

	Six months to 29.02.20 UK p	Year to 31.08.19 UK p	Year to 31.08.18 UK p
<b>Change in NAV per share</b>			
Opening NAV	156.20	157.68	166.30
Return before operating charges and after direct portfolio transaction costs	(7.44)	5.34	(1.79)
Operating charges	(0.48)	(1.97)	(2.00)
Return after operating charges	(7.92)	3.37	(3.79)
Distributions	n/a	(4.85)	(4.83)
Closing NAV	148.28	156.20	157.68
<b>Direct portfolio transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.23	0.30	0.25
Dilution adjustments <sup>[a]</sup>	(0.01)	(0.08)	(0.19)
Total direct portfolio transaction costs	0.22	0.22	0.06
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.28	0.10	0.04
Operating charges <sup>[c]</sup>	1.20	1.25	1.22
Return after operating charges	-5.07	+2.14	-2.28
Historic yield	3.70	2.91	3.06
Effect on yield of charges offset against capital	1.20	1.15	1.15
<b>Other information</b>			
Closing NAV (\$'000)	830	909	848
Closing NAV percentage of total fund NAV (%)	0.43	0.46	0.21
Number of shares	434,755	477,710	413,646
Highest share price (UK p)	168.30	172.17	171.47
Lowest share price (UK p)	147.97	142.92	155.40

#### Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012.

	Six months to 29.02.20 UK p	Year to 31.08.19 UK p	Year to 31.08.18 UK p
<b>Change in NAV per share</b>			
Opening NAV	177.55	173.83	177.91
Return before operating charges and after direct portfolio transaction costs	(8.46)	5.89	(1.94)
Operating charges	(0.54)	(2.17)	(2.14)
Return after operating charges	(9.00)	3.72	(4.08)
Distributions	n/a	(3.24)	(3.08)
Retained distributions	n/a	3.24	3.08
Closing NAV	168.55	177.55	173.83
<b>Direct portfolio transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.26	0.33	0.27
Dilution adjustments <sup>[a]</sup>	(0.01)	(0.09)	(0.20)
Total direct portfolio transaction costs	0.25	0.24	0.07
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.28	0.10	0.04
Operating charges <sup>[c]</sup>	1.20	1.25	1.22
Return after operating charges	-5.07	+2.14	-2.29
Historic yield	2.17	1.63	1.77
Effect on yield of charges offset against capital	0.00	0.00	0.00
<b>Other information</b>			
Closing NAV (\$'000)	8,300	8,183	7,888
Closing NAV percentage of total fund NAV (%)	4.27	4.15	1.92
Number of shares	3,822,660	3,784,734	3,489,146
Highest share price (UK p)	191.30	189.81	183.42
Lowest share price (UK p)	168.19	157.56	166.23

#### Sterling Class 'X' Income share performance

The share class was launched on 1 October 2002.

	Six months to 29.02.20 UK p	Year to 31.08.19 UK p	Year to 31.08.18 UK p
<b>Change in NAV per share</b>			
Opening NAV	1,363.03	1,382.63	1,465.67
Return before operating charges and after direct portfolio transaction costs	(65.70)	46.68	(15.89)
Operating charges	(5.02)	(23.86)	(24.76)
Return after operating charges	(70.72)	22.82	(40.65)
Distributions	n/a	(42.42)	(42.39)
Closing NAV	1,292.31	1,363.03	1,382.63
<b>Direct portfolio transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	2.00	2.61	2.22
Dilution adjustments <sup>[a]</sup>	(0.05)	(0.74)	(1.65)
Total direct portfolio transaction costs	1.95	1.87	0.57
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.28	0.10	0.04
Operating charges <sup>[c]</sup>	1.45	1.74	1.72
Return after operating charges	-5.19	+1.65	-2.77
Historic yield	3.71	2.93	3.06
Effect on yield of charges offset against capital	1.45	1.63	1.65
<b>Other information</b>			
Closing NAV (\$'000)	6,496	6,653	8,185
Closing NAV percentage of total fund NAV (%)	3.34	3.38	2.00
Number of shares	390,207	400,812	455,159
Highest share price (UK p)	1,467.18	1,502.80	1,509.80
Lowest share price (UK p)	1,289.58	1,252.46	1,363.74

# M&G Asian Fund

## Financial highlights

### Specific share class performance

#### Sterling Class 'X' Accumulation share performance

The share class was launched on 1 October 2002.

	Six months to 29.02.20 UK p	Year to 31.08.19 UK p	Year to 31.08.18 UK p
<b>Change in NAV per share</b>			
Opening NAV	2,304.11	2,266.72	2,331.55
Return before operating charges and after direct portfolio transaction costs	(111.12)	76.50	(25.41)
Operating charges	(8.48)	(39.11)	(39.42)
Return after operating charges	(119.60)	37.39	(64.83)
Distributions	n/a	(30.76)	(28.30)
Retained distributions	n/a	30.76	28.30
Closing NAV	2,184.51	2,304.11	2,266.72
<b>Direct portfolio transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	3.38	4.28	3.53
Dilution adjustments <sup>[a]</sup>	(0.08)	(1.21)	(2.63)
Total direct portfolio transaction costs	3.30	3.07	0.90
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.28	0.10	0.04
Operating charges <sup>[c]</sup>	1.45	1.74	1.72
Return after operating charges	-5.19	+1.65	-2.78
Historic yield	1.59	1.16	1.25
Effect on yield of charges offset against capital	0.00	0.00	0.00
<b>Other information</b>			
Closing NAV (\$'000)	2,348	2,709	3,326
Closing NAV percentage of total fund NAV (%)	1.21	1.38	0.81
Number of shares	83,462	96,556	112,822
Highest share price (UK p)	2,480.11	2,463.70	2,401.60
Lowest share price (UK p)	2,179.90	2,053.28	2,169.26

<sup>[a]</sup> In respect of direct portfolio transaction costs.

<sup>[b]</sup> As a percentage of average net asset value.

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

# M&G Asian Fund

## Financial statements and notes

### Financial statements

#### Statement of total return

for the six months to 29 and 28 February	2020		2019	
	\$'000	\$'000	\$'000	\$'000
Income				
Net capital gains / (losses)		233		(14,324)
Revenue	2,485		3,214	
Expenses	(1,406)		(2,137)	
Net revenue / (expense) before taxation	1,079		1,077	
Taxation	(389)		(265)	
Net revenue / (expense) after taxation		690		812
<b>Total return before equalisation</b>		<b>923</b>		<b>(13,512)</b>
Equalisation		(18)		(333)
<b>Change in net assets attributable to shareholders from investment activities</b>		<b>905</b>		<b>(13,845)</b>

#### Statement of change in net assets attributable to shareholders

for the six months to 29 and 28 February	2020		2019	
	\$'000	\$'000	\$'000	\$'000
Opening net assets attributable to shareholders		197,015		409,725
Amounts received on issue of shares	1,654		5,588	
Amounts paid on cancellation of shares	(5,153)		(60,281)	
Transfer to M&G (Lux) Asian Fund	0		(121,968)	
		(3,499)		(176,661)
Dilution adjustments		16		224
Change in net assets attributable to shareholders from investment activities (see above)		905		(13,845)
Retained distributions on Accumulation shares		0		208
Unclaimed distributions		0		1
<b>Closing net assets attributable to shareholders</b>		<b>194,437</b>		<b>219,652</b>

The opening net assets attributable to shareholders for 2020 differs to the closing position in 2019 by the change in net assets attributable to shareholders for the second half of the comparative financial year.

#### Balance sheet

as at	29 February 2020	31 August 2019
	\$'000	\$'000
<b>Assets</b>		
<b>Fixed assets</b>		
Investments	188,550	197,020
<b>Current assets</b>		
Debtors	4,558	332
Cash and bank balances	1,473	799
Cash equivalents	3,220	3,656
<b>Total assets</b>	<b>197,801</b>	<b>201,807</b>
<b>Liabilities</b>		
<b>Creditors</b>		
Bank overdrafts	0	(25)
Distribution payable	0	(4,395)
Other creditors	(3,364)	(372)
<b>Total liabilities</b>	<b>(3,364)</b>	<b>(4,792)</b>
<b>Net assets attributable to shareholders</b>	<b>194,437</b>	<b>197,015</b>

### Notes to the financial statements

#### Accounting policies

The financial statements have been prepared in accordance with the 'Accounting policies' set out on page 4.

#### Distribution policy

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

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

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

#### Events after the balance sheet date

Between 29 February 2020 and 9 April 2020 there has been a fall in the value of investments driven by fears of the negative impact on global growth from COVID-19. The resulting impact on net asset values (NAV) can be seen in the table below.

Net asset	29.02.20	09.04.20	% change
<b>Sterling</b>			
Class 'A' Income	1,294.05	1,150.13	-11.12
Class 'A' Accumulation	2,205.14	1,959.89	-11.12
Class 'I' Income	1,497.62	1,331.82	-11.07
Class 'I' Accumulation	1,716.99	1,526.90	-11.07
Class 'R' Income	148.28	131.83	-11.09
Class 'R' Accumulation	168.55	149.85	-11.09
Class 'X' Income	1,292.31	1,148.57	-11.12
Class 'X' Accumulation	2,184.51	1,941.55	-11.12

# M&G European Index Tracker Fund

## Authorised Corporate Director's Report

### Investment objective and policy

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

### Investment approach

The M&G European Index Tracker Fund is a European ex UK fund that tracks the performance of the FTSE World Europe ex UK Index\* using a technique called stratified sampling. The fund will normally hold the largest 100 stocks in the index as well as a selection of the remaining smaller stocks to ensure that the fund's capitalisation and industry weights are in line with the index weightings.

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

### Benchmark

Benchmark: FTSE World Europe ex UK Index.

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

### Risk profile

The fund is designed to track the performance of the FTSE World Europe ex UK Index, which represents a broad spread of European company shares. Its performance, therefore, reflects the price volatility of the European stockmarket and the performance of individual companies. The fund will typically hold around 350 stocks, including the largest 100 stocks in the index, as well as a selection of the remaining smaller stocks to ensure that the fund's market capitalisation and industry weights are in line with the index. The fund's risks are measured and managed as an integral part of the investment process.

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



The above number:

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

### Investment review

As at 2 March 2020, for the six months ended 29 February 2020

#### Performance against objective

The M&G European Index Tracker Fund is designed to track the FTSE World Europe ex UK Index. Between 2 September 2019 (the start of the review period) and 2 March 2020, the fund's Sterling Class 'A' shares returned -6.3%, while the Euro Class 'A' shares returned -2.2%. The difference in returns between the share classes reflects currency movements over the period. Meanwhile, the FTSE World Europe ex UK Index returned -4.1% and -0.2% in sterling and euro terms, respectively.

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

#### Investment performance

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

**Timing** – This reflects the fact that the fund is priced at midday while the index is priced at close of business. The fund's apparent underperformance of the index over the six-month period was mainly due to timing – the index rose on the afternoon of the last business day, whereas the performance of the fund did not reflect this because of its midday pricing.

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

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

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

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

European stockmarkets rose for much of the six-month period as international trade concerns eased and central banks maintained a supportive stance. However, heightened anxiety about the emergence and rapid spread of coronavirus, and the potential impact on the world economy, led to significant volatility in global stockmarkets at the end of the period under review. Steep declines in stockmarket indices including the FTSE World Europe ex UK Index, particularly in the final week, outweighed earlier gains.

# M&G European Index Tracker Fund

## Authorised Corporate Director's Report

### Investment review

#### Investment performance (continued)

Concerns about ongoing international trade tensions eased towards the end of 2019 thanks to increased expectations of a trade deal between the US and China. Investors were also encouraged by ongoing supportive monetary measures from central banks globally, including the European Central Bank (ECB), which announced a string of measures designed to boost the region's economy.

Meanwhile, a comprehensive victory for the Conservative Party in the UK's general election in December meant that the UK was virtually certain to leave the European Union (EU) in the near term, potentially with a deal, greatly reducing uncertainty. As expected, the UK left the EU at the end of January 2020, with the UK continuing to abide by EU rules during a transition period lasting until the end of December 2020. Trade talks between the two parties are under way, with the aim of securing a deal with the EU before the end of the year, or risk a 'no deal' scenario.

In terms of the eurozone economy, growth in the final quarter of 2019 was broadly flat overall, while German growth stagnated, held back by a slowdown in Chinese growth and weaker exports. Meanwhile, the key economies of France and Italy contracted slightly over the quarter. In other data, unemployment figures continue to improve, while inflation remains modest and below the ECB's target level of 2.0%.

The outbreak of the coronavirus in China initially made little impact on market observers, but the rapid spread of the virus soon sparked concern. Investors worried that steps taken by the Chinese authorities to contain the spread of the virus would affect the global supply chain, due to factory closures and transport restrictions, as well as dampening demand for goods. Investors were particularly anxious about Germany, a major export economy with China a key trading partner.

In the final week of February, a rush of cases of the virus outside China, particularly a relatively large number of people in northern Italy, fuelled further worries. As the reach of the virus spread rapidly, authorities around the world increasingly adopted measures aimed at containing the virus. The European stockmarket fell at this time as investors contemplated the potential effect of such measures on the Italian economy and further afield.

In terms of sector performance, oil and mining stocks fell sharply due to concerns of reduced demand from China resulting from factory closures and travel restrictions relating to the virus outbreak as well as the prospect of lower economic growth. Travel restrictions also affected stocks in the aerospace and travel sectors. Bucking the trend, tobacco stocks made robust gains over the six-month period, while utilities made modest advances.

#### Investment activities

Certain companies joined or left the index and some changes to the portfolio reflect these moves. Examples of companies entering the index and the portfolio included Netherlands-based consumer internet firm Prosus, Italian hearing aid retailer Amplifon and biotechnology company Argenx, based in the Netherlands.

Meanwhile, the sale of some holdings reflects their departure from the index. Such disposals included Spanish stainless steel manufacturer Acerinox, Turkish real estate developer Emlat Konut, Spanish pharmaceutical and chemical manufacturer Grifols and German energy firm Innogy.

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

We took the opportunity to buy more shares in Cellnex Telecom, headquartered in Spain, as part of a rights issue. A rights issue by a firm gives existing shareholders the right to buy additional new shares in the company. This move enabled us to keep our weighting in the stock in line with the index.

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

#### Outlook

Continued stockmarket volatility is likely in the near term, with investor sentiment expected to be buffeted by developments in the spread of the coronavirus around the world. Already hurt by slower Chinese growth, the global economy is also starting to feel the effect of supply chain disruptions and weaker demand as authorities in affected areas seek to contain the virus.

Following turbulence in global markets at the end of the review period, the US Federal Reserve (Fed) made an emergency cut to interest rates of 50 basis points to support the domestic economy and bolster confidence. The Fed subsequently cut rates to almost zero and launched a massive stimulus programme. Meanwhile, the ECB extended its stimulus measures and other central banks around the world also sought to mitigate the economic impact of the health crisis. Governments around the world have also taken steps to try and halt the spread of the virus. Investors were briefly reassured by central bank action but stockmarkets remain highly volatile as market observers await developments and seek to assess the potential economic effect of the virus.

#### Nigel Booth

Fund manager

An employee of M&G FA Limited (formerly M&G Limited) which is an associate of M&G Securities Limited.

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

# M&G European Index Tracker Fund

## Authorised Corporate Director's Report

### Investments

#### Portfolio statement

as at Holding	29.02.20 €'000	29.02.20 %	31.08.19 %
<b>EQUITIES</b>	<b>86,357</b>	<b>99.03</b>	<b>99.88</b>
<b>Austria</b>	<b>384</b>	<b>0.44</b>	<b>0.45</b>
950 Andritz	30	0.03	
4,185 Erste Group Bank	125	0.14	
2,214 OMV	83	0.10	
1,956 Raiffeisen International Bank	36	0.04	
1,652 Telekom Austria	11	0.01	
800 Verbund	34	0.04	
1,114 Vienna Insurance	24	0.03	
2,113 Voestalpine	41	0.05	
<b>Belgium</b>	<b>1,698</b>	<b>1.95</b>	<b>2.31</b>
411 Ackermans & van Haaren	53	0.06	
3,141 Ageas	134	0.15	
11,423 Anheuser-Busch InBev	597	0.69	
400 Argenx	48	0.06	
1,182 Bruxelles Lambert	97	0.11	
500 Galapagos	94	0.11	
4,237 KBC	254	0.29	
2,246 Proximus	49	0.06	
1,008 Solvay	82	0.09	
757 Telenet	26	0.03	
1,751 UCB	148	0.17	
3,078 Umicore	116	0.13	
<b>Czech Republic</b>	<b>89</b>	<b>0.10</b>	<b>0.11</b>
1,745 CEZ	31	0.04	
1,318 Komerční banka	37	0.04	
7,000 Moneta Money Bank	21	0.02	
<b>Denmark</b>	<b>3,587</b>	<b>4.11</b>	<b>3.85</b>
2,000 Ambu	40	0.04	
151 AP Moller-Maersk	136	0.16	
1,474 Carlsberg	175	0.20	
1,642 Chr. Hansen	106	0.12	
2,358 Coloplast	286	0.33	
10,339 Danske Bank	144	0.16	
1,500 Demant	41	0.05	
2,845 DSV PANALPINA	258	0.30	
954 Genmab	195	0.22	
1,500 GN Store Nord	75	0.09	
2,892 ISS	45	0.05	
1,339 JYSKE Bank	42	0.05	
24,665 Novo-Nordisk	1,322	1.52	
3,120 Novozymes	143	0.16	
2,265 Orsted	209	0.24	
1,374 Pandora	55	0.06	
2,333 Tryg	58	0.07	
2,998 Vestas Wind Systems	257	0.29	
<b>Finland</b>	<b>2,324</b>	<b>2.67</b>	<b>2.58</b>
2,250 Elisa	119	0.14	
6,514 Fortum	126	0.15	
1,013 Huhtamaki	38	0.04	
1,039 Kesko	65	0.08	
5,805 Kone	291	0.33	
1,797 Metso	52	0.06	
6,250 Neste	224	0.26	
81,609 Nokia	288	0.33	
1,479 Nokian Renkaat	36	0.04	
737 Nordea Bank (Helsinki listing)	5	0.01	
50,014 Nordea Bank (Stockholm listing)	356	0.41	
1,554 Orion	55	0.06	

#### Portfolio statement (continued)

as at Holding	29.02.20 €'000	29.02.20 %	31.08.19 %
<b>Finland (continued)</b>			
7,378 Sampo	273	0.31	
8,332 Stora Enso	89	0.10	
8,346 UPM-Kymmene	230	0.26	
8,213 Wartsila	77	0.09	
<b>France</b>	<b>19,903</b>	<b>22.83</b>	<b>23.34</b>
3,142 Accor	103	0.12	
443 Aéroports de Paris	59	0.07	
538 Air Liquide	67	0.08	
6,379 Air Liquide (prime de fidélité 2012)	788	0.90	
8,171 Airbus	905	1.04	
2,409 Alstom	107	0.12	
800 Amundi	51	0.06	
1,006 Arkema	85	0.10	
1,477 AtoS	98	0.11	
28,098 AXA	593	0.68	
686 BioMérieux	57	0.07	
16,065 BNP Paribas	695	0.80	
14,298 Bolloré	45	0.05	
3,057 Bouygues	110	0.13	
4,650 Bureau Veritas	102	0.12	
2,396 Capgemini	235	0.27	
9,006 Carrefour	143	0.16	
1,028 Casino Guichard Perrachon	36	0.04	
2,656 CNP Assurances	37	0.04	
820 Covivio REIT	81	0.09	
18,184 Crédit Agricole	197	0.23	
8,815 Danone	567	0.65	
34 Dassault Aviation	33	0.04	
1,948 Dassault Systemes	273	0.31	
4,254 Edenred	196	0.22	
4,574 EDF	57	0.07	
3,522 EDF (prime de fidélité 2017)	44	0.05	
1,065 Eiffage	105	0.12	
3,000 Elis	47	0.05	
3,042 ENGIE	46	0.05	
22,798 ENGIE (prime de fidélité regd)	348	0.40	
4,314 EssilorLuxottica	529	0.61	
627 Eurazeo	38	0.04	
170 Eurofins Scientific	76	0.09	
800 Euronext	61	0.07	
3,283 Eutelsat Communications	41	0.05	
1,404 Faurecia	56	0.06	
940 Gecina REIT	153	0.18	
7,126 Getlink	105	0.12	
450 Hermes International	284	0.33	
352 Iliad	45	0.05	
835 Imerys	30	0.03	
960 Ingenico	123	0.14	
587 Ipsen	35	0.04	
1,115 Kering	562	0.64	
3,192 Klepierre REIT	88	0.10	
3,124 LafargeHolcim	131	0.15	
2,137 Lagardère	33	0.04	
3,980 Legrand	275	0.32	
141 L'Oréal	34	0.04	
3,416 L'Oréal (prime de fidélité 2012)	822	0.94	
3,704 LVMH	1,372	1.57	
2,649 Michelin	258	0.30	
13,227 Natixis	48	0.05	
28,387 Orange	349	0.40	
873 Orpea	101	0.12	
3,179 Pernod Ricard	476	0.55	
6,692 Peugeot	117	0.13	

# M&G European Index Tracker Fund

## Authorised Corporate Director's Report

### Investments

Portfolio statement (continued)				
as at Holding	29.02.20 €'000	29.02.20 %	31.08.19 %	
<b>France (continued)</b>				
1,180 Plastic Omnium	23	0.03		
3,062 Publicis	106	0.12		
2,777 Renault	73	0.08		
5,263 Rexel	58	0.07		
1,610 Rubis	79	0.09		
4,823 Safran	603	0.69		
7,002 Saint-Gobain	225	0.26		
16,144 Sanofi	1,363	1.56		
7,781 Schneider Electric	703	0.81		
1,961 SCOR	65	0.07		
321 SEB	37	0.04		
5,836 SES FDR	60	0.07		
577 Société BIC	32	0.04		
10,589 Société Générale	270	0.31		
1,500 Sodexo (prime de fidélité regd)	129	0.15		
9,763 STMicroelectronics	234	0.27		
3,139 Suez	46	0.05		
6,956 TechnipFMC	96	0.11		
839 Teleperformance	185	0.21		
1,607 Thales	148	0.17		
35,674 Total	1,372	1.57		
1,264 Ubisoft	86	0.10		
3,748 Valeo	85	0.10		
7,794 Veolia Environnement	203	0.23		
6,976 Vinci	642	0.74		
12,223 Vivendi	285	0.33		
621 Wendel	69	0.08		
1,075 Worldline	74	0.08		
<b>Germany</b>	<b>15,720</b>	<b>18.02</b>	<b>18.38</b>	
2,915 adidas	725	0.83		
6,092 Allianz	1,202	1.38		
8,244 Aroundtown	65	0.07		
13,748 BASF	736	0.84		
13,700 Bayer	884	1.01		
5,259 Bayerische Motoren Werke	304	0.35		
159 Bayerische Motoren Werke Preference Shares	7	0.01		
1,209 Beiersdorf	115	0.13		
2,285 Brenntag	92	0.11		
17,101 Commerzbank	88	0.10		
1,758 Continental	180	0.21		
2,443 Covestro	86	0.10		
12,188 Daimler	455	0.52		
1,950 Delivery Hero	129	0.15		
28,489 Deutsche Bank	226	0.26		
2,966 Deutsche Börse	423	0.49		
4,178 Deutsche Lufthansa	50	0.06		
15,007 Deutsche Post	411	0.47		
48,655 Deutsche Telekom	727	0.83		
5,512 Deutsche Wohnen	200	0.23		
32,143 E.ON	337	0.39		
2,417 Evonik Industries	54	0.06		
665 Fraport	38	0.04		
6,771 Fresenius	286	0.33		
3,355 Fresenius Medical Care	231	0.27		
374 Fuchs Petrolub	12	0.01		
1,397 Fuchs Petrolub Preference Shares	49	0.06		
2,659 GEA	64	0.07		

### Portfolio statement (continued)

as at Holding	29.02.20 €'000	29.02.20 %	31.08.19 %	
<b>Germany (continued)</b>				
937 Hannover Rueck	152	0.17		
2,460 HeidelbergCement	131	0.15		
3,931 Henkel Preference Shares	332	0.38		
228 Hochtief	21	0.02		
934 HUGO BOSS	37	0.04		
17,539 Infineon Technologies	322	0.37		
2,471 K&S	18	0.02		
991 Kion	47	0.05		
500 Knorr-Bremse	47	0.05		
1,244 LANXESS	59	0.07		
1,019 LEG Immobilien	112	0.13		
2,006 Merck	220	0.25		
4,029 Metro	42	0.05		
801 MTU Aero Engines	176	0.20		
2,158 Munich Re	506	0.58		
1,709 OSRAM Licht	70	0.08		
2,294 Porsche Automobil Preference Shares	125	0.14		
3,925 ProSiebenSat.1 Media	42	0.05		
1,070 Puma	74	0.09		
3,915 QIAGEN	126	0.15		
70 Rational	42	0.05		
500 Rheinmetall	41	0.05		
570 RTL	22	0.03		
8,119 RWE	255	0.29		
14,493 SAP	1,608	1.84		
525 Sartorius Preference Shares	108	0.12		
1,500 Scout24	88	0.10		
11,407 Siemens	1,061	1.22		
1,800 Siemens Healthineers	66	0.08		
1,729 Südzucker	25	0.03		
2,022 Symrise	178	0.20		
11,445 Telefónica Deutschland	27	0.03		
7,236 ThyssenKrupp	63	0.07		
3,272 Uniper	88	0.10		
2,146 United Internet	58	0.07		
1,250 Volkswagen	183	0.21		
1,998 Volkswagen Preference Shares	287	0.33		
8,012 Vonovia	394	0.45		
1,780 Wirecard	203	0.23		
2,167 Zalando	88	0.10		
<b>Greece</b>	<b>195</b>	<b>0.22</b>	<b>0.24</b>	
26,395 Alpha Bank	34	0.04		
3,141 FF <sup>[a]</sup>	0	0.00		
2,568 Hellenic Petroleum	16	0.02		
4,617 Hellenic Telecommunications	59	0.06		
1,807 Jumbo	25	0.03		
12,171 National Bank of Greece	25	0.03		
3,526 OPAP	36	0.04		
<b>Hungary</b>	<b>233</b>	<b>0.27</b>	<b>0.26</b>	
5,015 MOL Hungarian Oil & Gas	35	0.04		
3,463 OTP Bank	140	0.16		
3,103 Richter Gedeon	58	0.07		
<b>Ireland</b>	<b>504</b>	<b>0.58</b>	<b>0.51</b>	
12,064 AIB	24	0.03		
16,629 Bank of Ireland	55	0.06		
3,306 Glanbia	35	0.04		
16,490 Irish Bank Resolution <sup>[a]</sup>	0	0.00		
2,317 Kerry	268	0.31		
2,161 Kingspan	122	0.14		
<b>Italy</b>	<b>4,795</b>	<b>5.50</b>	<b>5.40</b>	
1,500 Amplifon	37	0.04		
19,430 Assicurazioni Generali	321	0.37		

# M&G European Index Tracker Fund

## Authorised Corporate Director's Report

### Investments

Portfolio statement (continued)				
as at Holding	29.02.20 €'000	29.02.20 %	31.08.19 %	
<b>Italy (continued)</b>				
8,615 Atlantia	165	0.19		
7,715 Banca Mediolanum	57	0.07		
26,896 Banco BPM	54	0.06		
1,563 Buzzi Unicem	30	0.03		
13,834 CNH Industrial	114	0.13		
10,963 Davide Campari Milano	82	0.09		
400 DiaSorin	41	0.05		
117,417 Enel	902	1.03		
36,980 Eni	419	0.48		
1,658 EXOR	106	0.12		
1,817 Ferrari	259	0.30		
16,260 Fiat Chrysler Automobiles	183	0.21		
8,187 FinecoBank	78	0.09		
12,000 Hera	48	0.06		
225,267 Intesa Sanpaolo	499	0.57		
6,526 Italgas	37	0.04		
8,596 Leonardo	80	0.09		
8,891 Mediaset	19	0.02		
7,809 Mediobanca	65	0.07		
2,934 Moncler	103	0.12		
7,706 Pirelli	33	0.04		
3,982 Prysmian	84	0.10		
1,519 Recordati	59	0.07		
12,040 Saipem	42	0.05		
27,101 Snam	124	0.14		
145,178 Telecom Italia	74	0.09		
119,508 Telecom Italia (Savings Shares)	60	0.07		
6,165 Tenaris	51	0.06		
22,884 Terna	140	0.16		
15,009 UBI Banca	55	0.06		
32,378 UniCredit	374	0.43		
<b>Netherlands</b>				
1,400 Aalberts	47	0.05		
6,736 ABN AMRO Bank	84	0.10		
340 Adyen	261	0.30		
25,227 Aegon	78	0.09		
3,306 Akzo Nobel	242	0.28		
9,191 ArcelorMittal	117	0.13		
5,949 ASML	1,461	1.68		
2,516 ASR Nederland	76	0.09		
1,973 Boskalis Westminster	39	0.03		
2,555 DSM	259	0.30		
3,879 Heineken	350	0.40		
1,281 Heineken Holding	103	0.12		
56,697 ING	483	0.55		
15,685 Koninklijke Ahold Delhaize	332	0.38		
50,352 KPN	112	0.13		
5,520 NN	173	0.20		
13,511 Philips	513	0.59		
6,049 Prosus	378	0.43		
2,068 Randstad	95	0.11		
2,010 Unibail-Rodamco-Westfield REIT	217	0.25		
21,704 Unilever	1,052	1.21		
1,161 Vopak	51	0.06		
3,869 Wolters Kluwer	256	0.29		
<b>Norway</b>				
3,076 Adevinta 'B' Shares	30	0.03		
15,574 DnB	237	0.27		
15,955 Equinor	218	0.25		

### Portfolio statement (continued)

as at Holding	29.02.20 €'000	29.02.20 %	31.08.19 %
<b>Norway (continued)</b>			
2,895 Gjensidige Forsikring	53	0.06	
6,000 Leroy Seafood	33	0.04	
6,327 Mowi	122	0.14	
16,352 Norsk Hydro	42	0.05	
11,741 Orkla	91	0.10	
1,051 Schibsted 'A'	24	0.03	
2,013 Schibsted 'B'	44	0.05	
10,831 Telenor	158	0.18	
2,771 Yara International	92	0.11	
<b>Poland</b>			
2,120 Bank Pekao	44	0.05	
1,096 CD Projekt	70	0.08	
2,335 KGHM Polska Miedz	40	0.05	
22 LPP	35	0.04	
369 mBank	27	0.03	
12,048 PGE Polska Grupa Energetyczna	13	0.02	
35,447 PGNiG	25	0.03	
4,617 PKN Orlen	62	0.07	
12,046 PKO Bank Polski	87	0.10	
8,031 PZU	65	0.07	
480 Santander Bank Polska	29	0.03	
<b>Portugal</b>			
36,873 EDP - Energias de Portugal	157	0.18	
7,816 Galp Energia	99	0.11	
3,706 Jerónimo Martins	59	0.07	
<b>Spain</b>			
455 Acciona	51	0.06	
3,623 ACS Actividades de Construcción y Servicios	97	0.11	
3,623 ACS Actividades de Construcción y Servicios Rights 03/03/2020	1	0.00	
982 Aena	144	0.17	
5,929 Amadeus IT	356	0.41	
95,224 Banco de Sabadell	74	0.09	
242,758 Banco Santander	806	0.92	
21,278 Bankia	30	0.03	
10,644 Bankinter	57	0.07	
95,967 BBVA	416	0.48	
55,332 CaixaBank	128	0.15	
4,341 Cellnex Telecom	194	0.22	
4,071 Enagas	94	0.11	
4,860 Endesa	114	0.13	
7,418 Ferrovial	192	0.22	
4,553 Grifols	135	0.15	
88,884 Iberdrola	922	1.06	
15,300 Inditex	428	0.49	
17,345 Mapfre	35	0.04	
6,335 Merlin Properties REIT	74	0.08	
4,656 Naturgy Energy	99	0.11	
7,697 Red Electrica	134	0.15	
20,225 Repsol	207	0.24	
2,967 Siemens Gamesa Renewable Energy	42	0.05	
68,965 Telefónica	376	0.43	
3,592 Zardoya Otis	24	0.03	
<b>Sweden</b>			
4,929 Alfa Laval	99	0.11	
14,151 Assa Abloy	284	0.33	
14,376 Atlas Copco	450	0.52	
4,222 Boliden	79	0.09	
3,900 Castellum	82	0.09	
3,232 Electrolux	59	0.07	
5,000 Elekta	48	0.06	
15,092 Epiroc	155	0.18	
44,102 Ericsson	319	0.37	

# M&G European Index Tracker Fund

## Authorised Corporate Director's Report

### Investments

Portfolio statement (continued)				
as at Holding	29.02.20 €'000	29.02.20 %	31.08.19 %	
<b>Sweden (continued)</b>				
9,401 Essity	255	0.29		
1,760 Fastighets AB Balder	76	0.09		
13,773 Hennes & Mauritz	227	0.26		
3,693 Hexagon	175	0.20		
6,957 Husqvarna	42	0.05		
1,261 ICA	43	0.05		
5,807 Industrivarden	121	0.14		
2,471 Investment AB Latour	34	0.04		
7,967 Investor	360	0.41		
3,580 Kinnevik	65	0.07		
2,765 Lundin Petroleum	69	0.08		
4,000 Nibe Industrier	59	0.07		
1,500 Saab	36	0.04		
15,783 Sandvik	233	0.27		
4,722 Securitas	58	0.07		
21,045 Skandinaviska Enskilda Banken	181	0.21		
5,626 Skanska	111	0.13		
5,877 SKF	92	0.10		
8,611 Svenska Cellulosa	74	0.08		
21,799 Svenska Handelsbanken	199	0.23		
15,437 Swedbank	212	0.24		
2,499 Swedish Match	134	0.15		
2,900 Swedish Orphan Biovitrum	45	0.05		
4,969 Tele2	65	0.07		
43,715 Telia	157	0.18		
3,888 Trelleborg	54	0.06		
21,975 Volvo	308	0.35		
<b>Switzerland</b>				
26,479 ABB	519	0.60	20.09	
2,189 Adecco	106	0.12		
6,719 Alcon	370	0.42		
676 Baloise	99	0.11		
33 Banque Cantonale Vaudoise	24	0.03		
25 Barry Callebaut	47	0.05		
2,660 Clariant	51	0.06		
37,607 Credit Suisse	381	0.44		
646 Dufry	42	0.05		
101 EMS-Chemie	53	0.06		
286 Flughafen Zurich	39	0.04		
515 Geberit	232	0.27		
60 Georg Fischer	46	0.05		
142 Givaudan	407	0.47		
480 Helvetia	58	0.07		
3,014 Julius Baer	114	0.13		
701 Kuehne & Nagel	92	0.11		
4,402 LafargeHolcim	185	0.21		
3 Lindt & Sprüngli	236	0.27		
2,628 Logitech	90	0.10		
1,073 Lonza	383	0.44		
42,731 Nestlé	4,020	4.61		
31,077 Novartis	2,388	2.74		
865 Pargesa	57	0.07		
257 Partners	203	0.23		
738 PSP Swiss Property	101	0.12		
7,705 Richemont	465	0.53		
10,739 Roche	3,152	3.61		
853 Schindler	166	0.19		
83 SGS	187	0.21		
1,988 Sika	323	0.37		

### Portfolio statement (continued)

as at Holding	29.02.20 €'000	29.02.20 %	31.08.19 %
<b>Switzerland (continued)</b>			
849 Sonova	184	0.21	
157 Straumann	133	0.15	
384 Sulzer	32	0.04	
488 Swatch	101	0.12	
523 Swiss Life	214	0.25	
1,112 Swiss Prime Site	123	0.14	
4,109 Swiss Re	358	0.41	
359 Swisscom	177	0.20	
980 Temenos	125	0.14	
49,686 UBS	496	0.57	
696 Vifor Pharma	106	0.12	
2,177 Zurich Insurance	765	0.88	
<b>Turkey</b>			
26,709 Akbank	26	0.03	0.55
7,086 Anadolu Efes Biracılık Ve Malt Sanayii	24	0.03	
8,110 BIM Birlesik Magazalar	55	0.06	
11,298 ENKA	10	0.01	
25,696 Ereğli Demir Celik Fabrikalari	31	0.04	
2,369 Ford Otomotiv Sanayi	27	0.03	
24,329 Hacı Ömer Sabancı	31	0.04	
18,764 Koç	49	0.06	
1,105 Tofaş Türk Otomobil Fabrikası	4	0.00	
2,754 Tüpraş	41	0.05	
2,099 Türk Hava Yollari	4	0.00	
19,783 Turkcell İletisim Hizmetleri	39	0.04	
34,312 Türkiye Garanti Bankası	48	0.06	
31,496 Türkiye İş Bankası	27	0.03	
26,528 Türkiye Şişe ve Cam Fabrikaları	19	0.02	
18,551 Türkiye Vakıflar Bankası	15	0.02	
<b>EQUITY DERIVATIVES</b>			
<b>Equity futures contracts</b>			
14 Euro Stoxx 50 Index Futures March 2020	(36)	(0.04)	0.02
<b>Portfolio of investments</b>			
	86,321	98.99	99.90
<b>CASH EQUIVALENTS</b>			
<b>'AAA' rated money market funds <sup>[b]</sup></b>			
139,000 Northern Trust Global Fund - Sterling	163	0.19	0.66
<b>Total portfolio</b>			
	86,484	99.18	100.56
<b>Net other assets / (liabilities)</b>			
	713	0.82	(0.56)
<b>Net assets attributable to shareholders</b>			
	87,197	100.00	100.00

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

<sup>[a]</sup> Delisted.

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

# M&G European Index Tracker Fund

## Authorised Corporate Director's Report

### Investments

Top ten portfolio transactions	
for the six months to 29 February 2020	
<b>Largest purchases</b>	<b>€'000</b>
Prosus	437
Adyen	155
Euronext	56
Argenx	45
Verbund	41
Sartorius Preference Shares	38
Worldline	35
Amplifon	33
Banco Santander	30
Cellnex Telecom	28
Other purchases	63
<b>Total purchases</b>	<b>961</b>
<b>Largest sales</b>	<b>€'000</b>
Nestlé	259
Novartis	204
Total	129
Allianz	95
Daimler	80
ASML	76
Innogy	75
Vivendi	71
Koninklijke Ahold Delhaize	70
Unilever	68
Other sales	3,035
<b>Total sales</b>	<b>4,162</b>

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

# M&G European Index Tracker Fund

## Financial highlights

### Fund performance

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

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

### Index tracking

The tracking difference between the fund's investment return and that of the FTSE World Europe ex UK Index for the 12 month period ending 29 February 2020 was -0.17% (28 February 2018: -0.04%). The investment returns are calculated gross of fees using end of day pricing in order to be comparable with the index.

The historic tracking error of the investment return of the fund relative to the FTSE World Europe ex UK Index for the period ending 29 February 2020 was 0.18% (28 February 2019: 0.19%), which falls within the predicted tracking error range of 0.0% to 0.50%. Historic tracking error is a measure of the monthly volatility of the investment returns relative to the index over a 36 month period.

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

### Fund level performance

Fund net asset value			
as at	29.02.20 €'000	31.08.19 €'000	31.08.18 €'000
Fund net asset value (NAV)	87,197	90,100	102,314

### Performance since launch

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



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

### Long-term performance by share class

	Six months 02.09.19 % [a]	Three years 02.03.17 % p.a.	Five years 02.03.15 % p.a.	Since launch % p.a.
<b>Euro [b]</b>				
Class 'A'	-2.2	+2.8	+2.2	+4.1 [c]
<b>Sterling [d]</b>				
Class 'A'	-6.3	+3.3	+5.9	+4.6 [e]
Class 'I'	n/a	n/a	n/a	-4.9 [f]

[a] Absolute basis.

[b] Price to price with net income reinvested.

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

[d] Price to price with income reinvested.

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

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

# M&G European Index Tracker Fund

## Financial highlights

### Fund performance

### Operating charges and portfolio transaction costs

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

#### Operating charges

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

- **Annual charge:** Charge paid to M&G covering the annual cost of M&G managing and administering the fund and the costs of third parties providing services to the fund. From 1 August 2019, this charge rolls all costs that make up the operating charges into one annual charge.  
  
For every £1 billion of a fund's net asset value, a discount of 0.02% will be applied to that fund's annual charge (up to a maximum of 0.12%).
- **Extraordinary legal and tax expenses:** Costs that specifically relate to legal or tax claims that are both exceptional and unforeseeable. Such expenses are uncommon, and would not be expected in most years. Although they result in a short-term cost to the fund, generally they can deliver longer term benefits for investors.
- **Investment management:** Charge paid to M&G for investment management of the fund. From 1 August 2019 this charge forms part of the annual charge.
- **Administration:** Charge paid for administration services in addition to investment management – any surplus from this charge will be retained by M&G. From 1 August 2019 this charge is rolled into the annual charge.
- **Oversight and other independent services:** Charges paid to providers independent of M&G for services which include depositary, custody and audit. From 1 August 2019 these charges will be paid by M&G and rolled into the annual charge.
- **Ongoing charges from underlying funds:** Ongoing charges on holdings in underlying funds that are not rebated. From 1 August 2019 charges from underlying funds (excluding Investment Trusts Companies and Real Estate Investment Trusts) will be rebated.

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

Once the annual charge has been operational for twelve months, operating charges will be in line with the ongoing charges shown in the Key Investor Information Document, other than where there have been extraordinary legal or tax expenses, or an estimate has been used for the ongoing charge because a material change has made the operating charges unreliable as an estimate of future charges.

### Portfolio transaction costs

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

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

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

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

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

#### Portfolio transaction costs

	Six months to 29.02.20	Year to 31.08.19	Year to 31.08.18	Average <sup>[a]</sup>
Direct portfolio transaction costs <sup>[b]</sup>	%	%	%	%
Broker commission	0.00	0.00	0.01	0.00
Taxes	0.00	0.00	0.01	0.00
Costs before dilution adjustments	0.00	0.00	0.02	0.01
Dilution adjustments <sup>[c]</sup>	0.00	0.00	(0.02)	(0.01)
Total direct portfolio transaction costs	0.00	0.00	0.00	0.00
as at	29.02.20	31.08.19	31.08.18	Average <sup>[a]</sup>
Indirect portfolio transaction costs	%	%	%	%
Average portfolio dealing spread	0.06	0.04	0.05	0.05

<sup>[a]</sup> Average of first three columns.

<sup>[b]</sup> As a percentage of average net asset value.

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

# M&G European Index Tracker Fund

## Financial highlights

### Specific share class performance

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

Historic yields for the current period are calculated as at 13 March 2020.

#### Euro Class 'A' Accumulation share performance

The share class was launched on 28 November 2001.

	Six months to 29.02.20 Euro ¢	Year to 31.08.19 Euro ¢	Year to 31.08.18 Euro ¢
<b>Change in NAV per share</b>			
Opening NAV	2,112.21	2,048.64	1,988.51
Return before operating charges and after direct portfolio transaction costs	(8.66)	77.49	74.51
Operating charges	(3.63)	(13.92)	(14.38)
Return after operating charges	(12.29)	63.57	60.13
Distributions	n/a	(47.91)	(45.40)
Retained distributions	n/a	47.91	45.40
Closing NAV	2,099.92	2,112.21	2,048.64
<b>Direct portfolio transaction costs</b>	<b>Euro ¢</b>	<b>Euro ¢</b>	<b>Euro ¢</b>
Costs before dilution adjustments	0.03	0.09	0.47
Dilution adjustments <sup>[a]</sup>	(0.03)	(0.09)	(0.47)
Total direct portfolio transaction costs	0.00	0.00	0.00
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.00	0.00	0.00
Operating charges <sup>[c]</sup>	0.65	0.69	0.70
Return after operating charges	-0.58	+3.10	+3.02
Historic yield	2.69	2.08	2.22
Effect on yield of charges offset against capital	0.00	0.00	0.00
<b>Other information</b>			
Closing NAV (€'000)	3,512	3,880	15,220
Closing NAV percentage of total fund NAV (%)	4.03	4.31	14.88
Number of shares	167,278	183,710	742,930
Highest share price (Euro ¢)	2,415.12	2,182.13	2,147.55
Lowest share price (Euro ¢)	2,107.01	1,804.22	1,946.58

#### Sterling Class 'A' Income share performance

The share class was launched on 31 January 2000.

	Six months to 29.02.20 UK p	Year to 31.08.19 UK p	Year to 31.08.18 UK p
<b>Change in NAV per share</b>			
Opening NAV	85.12	84.44	86.23
Return before operating charges and after direct portfolio transaction costs	(5.30)	3.76	1.30
Operating charges	(0.11)	(0.55)	(0.61)
Return after operating charges	(5.41)	3.21	0.69
Distributions	n/a	(2.53)	(2.48)
Closing NAV	79.71	85.12	84.44
<b>Direct portfolio transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.00	0.00	0.02
Dilution adjustments <sup>[a]</sup>	0.00	0.00	(0.02)
Total direct portfolio transaction costs	0.00	0.00	0.00
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.00	0.00	0.00
Operating charges <sup>[c]</sup>	0.50	0.67	0.71
Return after operating charges	-6.36	+3.80	+0.80
Historic yield	3.67	2.79	2.95
Effect on yield of charges offset against capital	0.50	0.64	0.65
<b>Other information</b>			
Closing NAV (€'000)	34,534	34,903	36,196
Closing NAV percentage of total fund NAV (%)	39.60	38.74	35.38
Number of shares	36,965,349	37,177,047	38,461,709
Highest share price (UK p)	89.97	89.99	89.43
Lowest share price (UK p)	80.44	74.46	80.23

#### Sterling Class 'A' Accumulation share performance

The share class was launched on 31 January 2000.

	Six months to 29.02.20 UK p	Year to 31.08.19 UK p	Year to 31.08.18 UK p
<b>Change in NAV per share</b>			
Opening NAV	129.58	125.03	123.90
Return before operating charges and after direct portfolio transaction costs	(8.10)	5.36	2.01
Operating charges	(0.16)	(0.81)	(0.88)
Return after operating charges	(8.26)	4.55	1.13
Distributions	n/a	(2.95)	(2.76)
Retained distributions	n/a	2.95	2.76
Closing NAV	121.32	129.58	125.03
<b>Direct portfolio transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.00	0.01	0.03
Dilution adjustments <sup>[a]</sup>	0.00	(0.01)	(0.03)
Total direct portfolio transaction costs	0.00	0.00	0.00
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.00	0.00	0.00
Operating charges <sup>[c]</sup>	0.50	0.67	0.71
Return after operating charges	-6.37	+3.64	+0.91
Historic yield	2.81	2.03	2.21
Effect on yield of charges offset against capital	0.00	0.00	0.00
<b>Other information</b>			
Closing NAV (€'000)	45,160	51,317	50,898
Closing NAV percentage of total fund NAV (%)	51.79	56.95	49.74
Number of shares	31,761,002	35,904,969	36,521,977
Highest share price (UK p)	136.94	133.03	128.46
Lowest share price (UK p)	122.42	110.08	115.24

# M&G European Index Tracker Fund

## Financial highlights

### Specific share class performance

#### Sterling Class 'I' Accumulation share performance

The share class was launched on 6 December 2019.

Change in NAV per share	Six months to 29.02.20 UK p	Year to 31.08.19 UK p	Year to 31.08.18 UK p
Opening NAV	100.00	n/a	n/a
Return before operating charges and after direct portfolio transaction costs	(5.96)	n/a	n/a
Operating charges	(0.01)	n/a	n/a
Return after operating charges	(5.97)	n/a	n/a
Distributions	n/a	n/a	n/a
Retained distributions	n/a	n/a	n/a
Closing NAV	94.03	n/a	n/a
<b>Direct portfolio transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.00	n/a	n/a
Dilution adjustments <sup>[a]</sup>	0.00	n/a	n/a
Total direct portfolio transaction costs	0.00	n/a	n/a
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.00	n/a	n/a
Operating charges	0.25	n/a	n/a
Return after operating charges	-5.97	n/a	n/a
Historic yield	3.12	n/a	n/a
Effect on yield of charges offset against capital	0.00	n/a	n/a
<b>Other information</b>			
Closing NAV (€'000)	3,991	n/a	n/a
Closing NAV percentage of total fund NAV (%)	4.58	n/a	n/a
Number of shares	3,621,233	n/a	n/a
Highest share price (UK p)	106.13	n/a	n/a
Lowest share price (UK p)	94.89	n/a	n/a

<sup>[a]</sup> In respect of direct portfolio transaction costs.

<sup>[b]</sup> As a percentage of average net asset value.

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

# M&G European Index Tracker Fund

## Financial statements and notes

### Financial statements

#### Statement of total return

for the six months to 29 and 28 February	2020		2019	
	€'000	€'000	€'000	€'000
Income				
Net capital gains / (losses)		(387)		(3,248)
Revenue	364		425	
Expenses	(238)		(298)	
Net revenue / (expense) before taxation	126		127	
Taxation	(38)		(18)	
Net revenue / (expense) after taxation		88		109
<b>Total return before equalisation</b>		<b>(299)</b>		<b>(3,139)</b>
Equalisation		0		(2)
<b>Change in net assets attributable to shareholders from investment activities</b>		<b>(299)</b>		<b>(3,141)</b>

#### Statement of change in net assets attributable to shareholders

for the six months to 29 and 28 February	2020		2019	
	€'000	€'000	€'000	€'000
<b>Opening net assets attributable to shareholders</b>		<b>90,100</b>		<b>102,314</b>
Amounts received on issue of shares	6,253		1,519	
Amounts paid on cancellation of shares	(8,862)		(13,534)	
		(2,609)		(12,015)
Dilution adjustments		5		11
Change in net assets attributable to shareholders from investment activities (see above)		(299)		(3,141)
<b>Closing net assets attributable to shareholders</b>		<b>87,197</b>		<b>87,169</b>

The opening net assets attributable to shareholders for 2020 differs to the closing position in 2019 by the change in net assets attributable to shareholders for the second half of the comparative financial year.

#### Balance sheet

as at	29 February 2020	31 August 2019
	€'000	€'000
<b>Assets</b>		
<b>Fixed assets</b>		
Investments	86,357	90,007
<b>Current assets</b>		
Debtors	927	866
Cash and bank balances	246	258
Cash equivalents	163	596
<b>Total assets</b>	<b>87,693</b>	<b>91,727</b>
<b>Liabilities</b>		
Investment liabilities	(36)	0
<b>Creditors</b>		
Overdrawn positions at futures clearing houses and collateral manager	0	(10)
Distribution payable	0	(1,038)
Other creditors	(460)	(579)
<b>Total liabilities</b>	<b>(496)</b>	<b>(1,627)</b>
<b>Net assets attributable to shareholders</b>	<b>87,197</b>	<b>90,100</b>

### Notes to the financial statements

#### Accounting policies

The financial statements have been prepared in accordance with the 'Accounting policies' set out on page 4.

#### Distribution policy

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

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

#### Events after the balance sheet date

Between 29 February 2020 and 9 April 2020 there has been a fall in the value of investments driven by fears of the negative impact on global growth from COVID-19. The resulting impact on net asset values (NAV) can be seen in the table below.

Net asset	29.02.20	09.04.20	% change
<b>Euro</b>			
Class 'A' Accumulation	2,099.92	1,869.56	-10.97
<b>Sterling</b>			
Class 'A' Income	79.71	72.64	-8.87
Class 'A' Accumulation	121.32	110.54	-8.89
Class 'I' Accumulation	94.03	85.71	-8.85

# M&G European Select Fund

## Authorised Corporate Director's Report

### Investment objective

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

### Investment policy

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

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

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

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

Derivatives may be used for efficient portfolio management and hedging.

### Investment approach

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

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

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

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

### Benchmark

Benchmark: FTSE World Europe ex UK Index.

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

### Risk profile

The fund invests in the shares of companies listed in Europe and is, therefore, subject to the price volatility of the European stockmarket and the performance of individual companies. The fund may also be subject to fluctuations in currency exchange rates. The fund's focus is on European (ex UK) companies with sustainable competitive advantages, which have the opportunity to reinvest their capital at high rates of return, and some of these stocks could potentially experience a degree of illiquidity in times of market distress. The fund is a concentrated portfolio, but is mainly invested in the shares of large and medium-sized companies, which are normally traded with relative ease. The fund also invests in the shares of smaller companies, which can be more unpredictable and difficult to buy and sell. Diversification across countries, industries and market capitalisation is therefore key in managing liquidity risk and reducing market risk. The fund's risks are measured and managed as an integral part of the investment process.

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



The above number:

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

### Investment review

**As at 2 March 2020, for the six months ended 29 February 2020**

#### Performance against objective

Between 2 September 2019 (the start of the review period) and 2 March 2020, the M&G European Select Fund delivered a negative total return (the combination of income and growth of capital) across all its Euro and Sterling share classes. The fund lagged behind its benchmark, the FTSE World Europe ex UK Index, which returned 6.1% and 12.1% in euro and sterling terms, respectively.

Over five years, all of the fund's share classes have delivered positive returns but they are behind the benchmark, which returned 6.5% p.a. and 9.4% p.a., in euro and sterling terms, respectively.\* Therefore the fund did not meet its objective to provide a combination of capital growth and income, net of the ongoing charge figure, that is higher than the FTSE World Europe ex UK Index over any five-year period.

\* 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 European Select Fund

## Authorised Corporate Director's Report

### Investment review

#### Investment performance

European stockmarkets declined in the six months under review, although the losses were largely concentrated at the end of the period, when the coronavirus outbreak rattled investors.

For most of the period company share prices (equities) climbed as investors cheered the prospect of a deal to end the year-long trade dispute between the US and China. Amid optimism about the outlook for global economic growth and corporate earnings, major stockmarkets, notably the S&P 500 Index in the US, advanced to record highs in mid-February.

However, in the final two weeks of February, there was a dramatic reversal as concerns about the new coronavirus sparked risk aversion. As fears about the economic impact of the pandemic began to increase, stockmarkets experienced their worst falls since the global financial crisis of 2008/9. Investors flocked to perceived 'safe-haven' assets, such as US and German government bonds and gold.

In the European market, the oil & gas sector was the weakest, dragged down by a sharp fall in oil prices. Consumer goods and telecoms were notable laggards too.

In contrast, the utilities sector was the stand-out performer, as risk-averse investors favoured companies that are perceived to offer reliable earnings and attractive levels of income. Information technology and healthcare stocks were also relatively resilient in the falling market.

Against this background, our relatively large allocation to the oil & gas sector held back fund returns as oil stocks were hit hard by the drop in oil prices. Our holdings in French energy firm Total and Spanish oil company Repsol were among the leading detractors, amid worries about weak demand for crude oil. As long-term investors, we remain invested in this sector while the market works through the panic and comes to a new equilibrium.

Travel companies have been badly affected by the coronavirus outbreak, and our holding in German airline Deutsche Lufthansa was a notable drag on performance. The company's share price fell amid fears that the introduction of travel restrictions to contain the virus would lead to a significant drop in passenger demand. However, we believe Lufthansa has a solid balance sheet, and will come out of this crisis in a much better competitive position.

German automotive and defence group Rheinmetall also held back returns. The stock declined when the company warned that weakness in the global car industry would dampen its sales this year.

Although our large weighting in healthcare added value as the sector outperformed, this was outweighed by poor performance of the French pharmaceutical company Ipsen. Its share price fell sharply when the company put clinical trials for one of its key drugs on hold. Despite concerns about the impact of this setback, we continue to believe Ipsen's drug pipeline is not being fully valued by the market.

On the other hand, our holdings in UCB, a drugmaker from Belgium, and Swiss pharmaceutical Roche added value as their shares bucked the market's downward trend. Investors cheered robust results from Roche, particularly rising sales in China and strong demand for new drugs. This performance helped ease concerns about challenges to its existing drugs.

UCB's stock advanced after the company raised its revenue and earnings forecasts for the whole of 2019, following robust sales in the fourth quarter. This reflects our positive view of the portfolio of drugs this company owns.

As investors favoured utilities during the period, our holding in German energy firm E.ON made a positive contribution. As well as being a defensive business that is considered to be stable during times of economic uncertainty, E.ON is expected to benefit from the shift towards renewable energy sources and electrification.

Stainless steelmaker Aperam and Finnish paper and pulp company UPM-Kymmene also added value. UPM-Kymmene's shares have been supported by encouraging results and optimism about the firm's plans to increase pulp production to meet growing demand for packaging.

Elsewhere, French train maker Alstom was also a notable contributor as the shares climbed on reports that the company was planning to merge with Canadian rival Bombardier.

#### Investment activities

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

During the period under review, we continued to reshape the portfolio in line with where we see the most attractive opportunities in the European market. We started a position in Danish container shipping company AP Moller-Maersk, which is going through a significant transformation process. Maersk has recently sold a number of businesses, including its oil tanker and drilling rig companies, as it focuses on becoming an end-to-end global logistics solutions company.

In Sweden, we invested in telecoms equipment firm Ericsson. In our view, the company is well positioned to benefit from the roll-out of new 5G networks around the world. We also continued to build our position in Swedish security services firm Securitas, which joined the portfolio just before the start of the review period. The company is also undergoing a significant transformation, moving from traditional guarding to more technology-driven protective solutions. We believe the potential benefits of this process are not being recognised by the market.

Other notable trades included buying more shares in Belgium-based biopharmaceutical company UCB, which we think has a very attractive pipeline of drugs, and Finnish paper and pulp company UPM-Kymmene, which is shifting its focus from print paper toward the growing area of pulp.

We added to our holdings in German energy company E.ON. and Norwegian financial services company Storebrand, among others, as well.

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

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

In addition, we reduced our holdings in Anglo-Dutch consumer goods firm Unilever and German dialysis products firm Fresenius Medical Care, as we identified better opportunities elsewhere.

# M&G European Select Fund

## Authorised Corporate Director's Report

### Investment review

#### Outlook

Uncertainty about the coronavirus and its economic impact have caused considerable turmoil in global stockmarkets in just a short period of time. At the start of 2020, investor sentiment was fairly buoyant following the trade deal between the US and China. Now, investors are panicking about the spread of COVID-19 and the prospect of a global economic recession.

The difficulty for investors is that we are in uncharted territory and it is not possible to accurately predict what might happen next. Given the disruption to economic activity around the world that has happened already and the fact that the virus continues to spread, there will certainly be a slowdown in global economic growth this year.

While we are hopeful that the virus will be brought under control in due course, the impact on the macroeconomic environment depends on the length and severity of the epidemic. And at this stage, that is the big unknown. However, it is encouraging that policymakers are implementing bold measures to support the financial system and the global economy.

Periods of extreme turbulence can often offer opportunities for long-term investors to identify mispriced stocks. We are currently seeing some attractive valuations in the market and will look to take advantage of stocks that we think have been oversold in the panic.

Given the high degree of uncertainty that exists about the current situation, we will act in a measured way. It is now more important than ever for us to focus on balance sheet strength, including operational cashflow. Our aim is to ensure the companies we invest in can weather the storm and come out the other side without their business or earning potential being permanently impaired. We feel many of our investee companies will have a better competitive environment in the long run.

#### Richard Halle Fund manager

An employee of M&G FA Limited (formerly M&G Limited) which is an associate of M&G Securities Limited.

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

### Investments

#### Portfolio statement

as at Holding	29.02.20 €'000	29.02.20 %	31.08.19 %
<b>EQUITIES</b>	<b>141,082</b>	<b>92.30</b>	<b>95.92</b>
Technology hardware & equipment	2,336	1.53	2.83
322,414 Ericsson	2,336	1.53	
Medical equipment & services	1,256	0.82	2.16
18,238 Fresenius Medical Care	1,256	0.82	
Pharmaceuticals & biotechnology	29,969	19.61	19.22
77,994 Bayer	5,035	3.29	
34,413 Ipsen	2,044	1.34	
97,896 Novartis	7,522	4.92	
33,439 Roche	9,813	6.42	
65,913 UCB	5,555	3.64	
Banks	15,040	9.84	9.59
885,572 AIB	1,790	1.17	
807,639 Bank of Ireland	2,654	1.74	
764,578 Bankia	1,093	0.72	
156,269 Erste Group Bank	4,654	3.04	
80,813 KBC	4,849	3.17	
Non-life insurance	6,512	4.26	4.42
1,377,021 Mapfre	2,818	1.84	
7,768 Munich Re	1,820	1.19	
329,163 Storebrand	1,874	1.23	
Automobiles & parts	4,610	3.01	3.74
55,642 Nokian Renkaat	1,333	0.87	
22,798 Volkswagen Preference Shares	3,277	2.14	
Personal goods	1,977	1.29	3.57
40,802 Unilever	1,977	1.29	
Media	2,676	1.75	2.13
114,862 Vivendi	2,676	1.75	
Retailers	1,275	0.83	0.51
294,913 CECONOMY	1,275	0.83	
Travel & leisure	4,611	3.02	2.95
214,337 Deutsche Lufthansa	2,555	1.67	
165,947 Ryanair	2,056	1.35	
Food producers	10,056	6.58	7.10
87,115 Nestlé	8,196	5.36	
238,606 Orkla	1,860	1.22	
Personal care, drug & grocery stores	7,055	4.62	4.43
32,825 Kesko	2,058	1.35	
236,055 Koninklijke Ahold Delhaize	4,997	3.27	
Construction & materials	3,462	2.27	2.13
178,628 Buzzi Unicem	3,462	2.27	
Aerospace & defence	1,951	1.28	1.68
23,884 Rheinmetall	1,951	1.28	
Electronic & electrical equipment	0	0.00	1.42
General industrials	6,174	4.04	3.83
66,363 Siemens	6,174	4.04	
Industrial engineering	1,928	1.26	1.64
43,404 Alstom	1,928	1.26	
Industrial support services	8,787	5.75	5.23
64,963 Bilfinger	1,746	1.14	
60,348 Randstad	2,779	1.82	
347,518 Securitas	4,262	2.79	
Industrial transportation	3,103	2.03	0.62
1,938 AP Moller-Maersk	1,742	1.14	
166,124 Euronav	1,361	0.89	

# M&G European Select Fund

## Authorised Corporate Director's Report

### Investments

Portfolio statement (continued)				
as at Holding	29.02.20 €'000	29.02.20 %	31.08.19 %	
<b>Industrial materials</b>	<b>4,576</b>	<b>2.99</b>	<b>2.34</b>	
166,281 UPM-Kymmene	4,576	2.99		
<b>Industrial metals &amp; mining</b>	<b>4,266</b>	<b>2.79</b>	<b>1.67</b>	
119,435 APERAM	3,171	2.07		
133,712 Tenaris	1,095	0.72		
<b>Chemicals</b>	<b>4,495</b>	<b>2.94</b>	<b>3.23</b>	
53,034 BASF	2,839	1.86		
50,093 Yara International	1,656	1.08		
<b>Non-renewable energy</b>	<b>11,351</b>	<b>7.42</b>	<b>8.06</b>	
169,088 Eni	1,915	1.25		
734,476 PGS	958	0.63		
140,940 Repsol	1,445	0.94		
182,821 Total	7,033	4.60		
<b>Gas, water &amp; multi-utilities</b>	<b>3,616</b>	<b>2.37</b>	<b>1.42</b>	
344,958 E.ON	3,616	2.37		
<b>Portfolio of investments</b>	<b>141,082</b>	<b>92.30</b>	<b>95.92</b>	
<b>CASH EQUIVALENTS</b>	<b>7,869</b>	<b>5.15</b>	<b>3.71</b>	
<b>'AAA' rated money market funds [a]</b>	<b>7,869</b>	<b>5.15</b>	<b>3.71</b>	
8,065,315 Northern Trust Global Fund - Euro	7,869	5.15		
<b>Total portfolio</b>	<b>148,951</b>	<b>97.45</b>	<b>99.63</b>	
<b>Net other assets / (liabilities)</b>	<b>3,890</b>	<b>2.55</b>	<b>0.37</b>	
<b>Net assets attributable to shareholders</b>	<b>152,841</b>	<b>100.00</b>	<b>100.00</b>	

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

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

### Top ten portfolio transactions

for the six months to 29 February 2020

<b>Largest purchases</b>	<b>€'000</b>
Ericsson	2,568
AP Moller-Maersk	2,058
Euronav	1,576
Tenaris	1,374
Total	1,318
Securitas	1,038
UCB	995
E.ON	965
AIB	965
Novartis	776
Other purchases	12,593
<b>Total purchases</b>	<b>26,226</b>
<b>Largest sales</b>	<b>€'000</b>
ASML	5,304
Unilever	2,867
Fresenius Medical Care	2,485
Legrand	2,083
Roche	1,696
Alstom	1,007
DSV	899
KBC	878
Nokian Renkaat	843
Munich Re	840
Other sales	1,931
<b>Total sales</b>	<b>20,833</b>

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

# M&G European Select Fund

## Financial highlights

### Fund performance

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

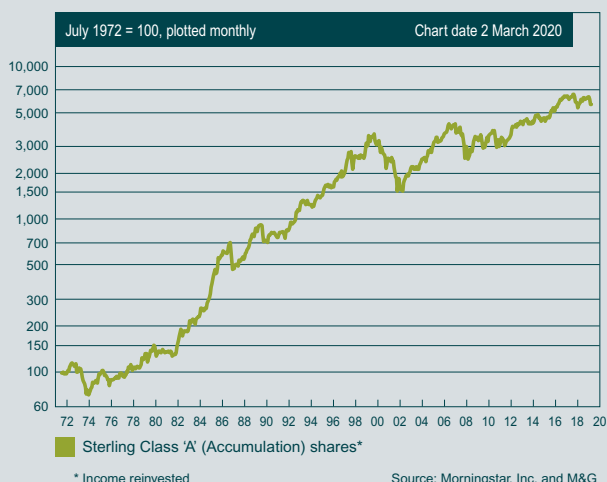
The following charts and tables reflect the key financial information of a representative share class, Sterling Class 'A' (Accumulation) shares. As different share classes have different attributes, for example charging structures and minimum investments, please be aware that their performance may be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

### Fund level performance

Fund net asset value			
as at	29.02.20 €'000	31.08.19 €'000	31.08.18 €'000
Fund net asset value (NAV)	152,841	144,736	144,483

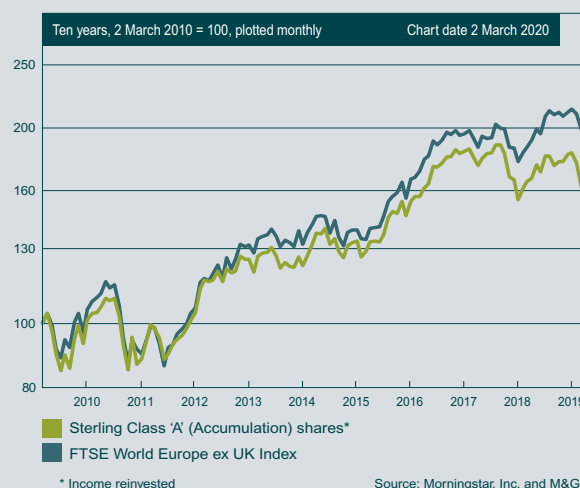
### Performance since launch

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



### Ten-year performance

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



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 02.09.19 % [a]	Three years 02.03.17 % p.a.	Five years 02.03.15 % p.a.	Since launch % p.a.
<b>Euro [b]</b>				
Class 'A'	-3.6	-0.0	+0.5	+2.4 [c]
Class 'C'	-3.1	+0.8	+1.3	+3.2 [c]
<b>Sterling [d]</b>				
Class 'A'	-7.5	+0.6	+4.2	+8.9 [e]
Class 'I'	-7.2	+1.3	+4.9	+8.5 [f]
Class 'PP'	-7.2	n/a	n/a	-5.3 [g]
Class 'R'	-7.4	+1.0	+4.7	+8.2 [f]
Class 'X'	-7.5	+0.6	+4.2	+9.4 [h]

[a] Absolute basis.

[b] Price to price with net income reinvested.

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

[d] Price to price with income reinvested.

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

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

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

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

# M&G European Select Fund

## Financial highlights

### Fund performance

## Operating charges and portfolio transaction costs

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

### Operating charges

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

- **Annual charge:** Charge paid to M&G covering the annual cost of M&G managing and administering the fund and the costs of third parties providing services to the fund. From 1 August 2019, this charge rolls all costs that make up the operating charges into one annual charge.  
  
For every £1 billion of a fund's net asset value, a discount of 0.02% will be applied to that fund's annual charge (up to a maximum of 0.12%).
- **Extraordinary legal and tax expenses:** Costs that specifically relate to legal or tax claims that are both exceptional and unforeseeable. Such expenses are uncommon, and would not be expected in most years. Although they result in a short-term cost to the fund, generally they can deliver longer term benefits for investors.
- **Investment management:** Charge paid to M&G for investment management of the fund. From 1 August 2019 this charge forms part of the annual charge.
- **Administration:** Charge paid for administration services in addition to investment management – any surplus from this charge will be retained by M&G. From 1 August 2019 this charge is rolled into the annual charge.
- **Oversight and other independent services:** Charges paid to providers independent of M&G for services which include depositary, custody and audit. From 1 August 2019 these charges will be paid by M&G and rolled into the annual charge.
- **Ongoing charges from underlying funds:** Ongoing charges on holdings in underlying funds that are not rebated. From 1 August 2019 charges from underlying funds (excluding Investment Trusts Companies and Real Estate Investment Trusts) will be rebated.

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

Once the annual charge has been operational for twelve months, operating charges will be in line with the ongoing charges shown in the Key Investor Information Document, other than where there have been extraordinary legal or tax expenses, or an estimate has been used for the ongoing charge because a material change has made the operating charges unreliable as an estimate of future charges.

### Portfolio transaction costs

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

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

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

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

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

### Portfolio transaction costs

	Six months to 29.02.20	Year to 31.08.19	Year to 31.08.18	Average <sup>[a]</sup>
Direct portfolio transaction costs <sup>[b]</sup>	%	%	%	%
Broker commission	0.02	0.07	0.04	0.04
Taxes	0.02	0.10	0.07	0.07
Costs before dilution adjustments	0.04	0.17	0.11	0.11
Dilution adjustments <sup>[c]</sup>	(0.02)	(0.03)	(0.02)	(0.02)
Total direct portfolio transaction costs	0.02	0.14	0.09	0.09
as at	29.02.20	31.08.19	31.08.18	Average <sup>[a]</sup>
Indirect portfolio transaction costs	%	%	%	%
Average portfolio dealing spread	0.07	0.05	0.07	0.06

<sup>[a]</sup> Average of first three columns.

<sup>[b]</sup> As a percentage of average net asset value.

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

# M&G European Select Fund

## Financial highlights

### Specific share class performance

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

Historic yields for the current period are calculated as at 13 March 2020.

#### Euro Class 'A' Accumulation share performance

The share class was launched on 26 November 2001.

Change in NAV per share	Six months to 29.02.20 Euro ¢	Year to 31.08.19 Euro ¢	Year to 31.08.18 Euro ¢
Opening NAV	1,600.38	1,742.73	1,624.92
Return before operating charges and after direct portfolio transaction costs	(21.71)	(115.56)	146.55
Operating charges	(7.01)	(26.79)	(28.74)
Return after operating charges	(28.72)	(142.35)	117.81
Distributions	n/a	(13.09)	(9.26)
Retained distributions	n/a	13.09	9.26
Closing NAV	1,571.66	1,600.38	1,742.73
<b>Direct portfolio transaction costs</b>	<b>Euro ¢</b>	<b>Euro ¢</b>	<b>Euro ¢</b>
Costs before dilution adjustments	0.37	2.76	1.82
Dilution adjustments <sup>[a]</sup>	(0.18)	(0.42)	(0.28)
Total direct portfolio transaction costs	0.19	2.34	1.54
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.02	0.14	0.09
Operating charges <sup>[c]</sup>	1.65	1.68	1.68
Return after operating charges	-1.79	-8.17	+7.25
Historic yield	0.98	0.56	0.54
Effect on yield of charges offset against capital	0.00	0.00	0.00
<b>Other information</b>			
Closing NAV (€'000)	410	813	1,190
Closing NAV percentage of total fund NAV (%)	0.27	0.56	0.82
Number of shares	26,119	50,822	68,262
Highest share price (Euro ¢)	1,802.52	1,744.16	1,763.12
Lowest share price (Euro ¢)	1,570.63	1,412.82	1,619.86

#### Euro Class 'C' Accumulation share performance

The share class was launched on 26 November 2001.

Change in NAV per share	Six months to 29.02.20 Euro ¢	Year to 31.08.19 Euro ¢	Year to 31.08.18 Euro ¢
Opening NAV	1,834.18	1,982.17	1,834.43
Return before operating charges and after direct portfolio transaction costs	(20.98)	(131.23)	165.61
Operating charges	(3.44)	(16.76)	(17.87)
Return after operating charges	(24.42)	(147.99)	147.74
Distributions	n/a	(28.89)	(25.03)
Retained distributions	n/a	28.89	25.03
Closing NAV	1,809.76	1,834.18	1,982.17
<b>Direct portfolio transaction costs</b>	<b>Euro ¢</b>	<b>Euro ¢</b>	<b>Euro ¢</b>
Costs before dilution adjustments	0.43	3.13	2.04
Dilution adjustments <sup>[a]</sup>	(0.21)	(0.48)	(0.31)
Total direct portfolio transaction costs	0.22	2.65	1.73
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.02	0.14	0.09
Operating charges <sup>[c]</sup>	0.70	0.92	0.93
Return after operating charges	-1.33	-7.47	+8.05
Historic yield	1.87	1.31	1.28
Effect on yield of charges offset against capital	0.00	0.00	0.00
<b>Other information</b>			
Closing NAV (€'000)	27	32	188
Closing NAV percentage of total fund NAV (%)	0.02	0.02	0.13
Number of shares	1,468	1,768	9,468
Highest share price (Euro ¢)	2,074.85	1,983.92	1,997.86
Lowest share price (Euro ¢)	1,808.59	1,610.83	1,836.17

#### Sterling Class 'A' Income share performance

The share class was launched on 27 June 1977.

Change in NAV per share	Six months to 29.02.20 UK p	Year to 31.08.19 UK p	Year to 31.08.18 UK p
Opening NAV	1,871.14	2,066.36	2,020.73
Return before operating charges and after direct portfolio transaction costs	(132.17)	(117.30)	125.25
Operating charges	(5.71)	(30.66)	(34.26)
Return after operating charges	(137.88)	(147.96)	90.99
Distributions	n/a	(47.26)	(45.36)
Closing NAV	1,733.26	1,871.14	2,066.36
<b>Direct portfolio transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.42	3.22	2.17
Dilution adjustments <sup>[a]</sup>	(0.21)	(0.49)	(0.33)
Total direct portfolio transaction costs	0.21	2.73	1.84
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.02	0.14	0.09
Operating charges <sup>[c]</sup>	1.20	1.64	1.68
Return after operating charges	-7.37	-7.16	+4.50
Historic yield	3.14	2.31	2.22
Effect on yield of charges offset against capital	1.20	1.61	1.65
<b>Other information</b>			
Closing NAV (€'000)	42,503	44,085	52,434
Closing NAV percentage of total fund NAV (%)	27.81	30.46	36.29
Number of shares	2,092,299	2,136,153	2,276,657
Highest share price (UK p)	1,980.70	2,077.93	2,140.81
Lowest share price (UK p)	1,732.14	1,683.86	1,914.24

# M&G European Select Fund

## Financial highlights

### Specific share class performance

#### Sterling Class 'A' Accumulation share performance

The share class was launched on 24 July 1972.

	Six months to 29.02.20 UK p	Year to 31.08.19 UK p	Year to 31.08.18 UK p
<b>Change in NAV per share</b>			
Opening NAV	2,999.49	3,230.95	3,092.21
Return before operating charges and after direct portfolio transaction costs	(212.06)	(183.52)	191.16
Operating charges	(9.15)	(47.94)	(52.42)
Return after operating charges	(221.21)	(231.46)	138.74
Distributions	n/a	(25.61)	(17.16)
Retained distributions	n/a	25.61	17.16
Closing NAV	2,778.28	2,999.49	3,230.95
<b>Direct portfolio transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.67	5.04	3.32
Dilution adjustments <sup>[a]</sup>	(0.33)	(0.77)	(0.51)
Total direct portfolio transaction costs	0.34	4.27	2.81
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.02	0.14	0.09
Operating charges <sup>[c]</sup>	1.20	1.64	1.68
Return after operating charges	-7.37	-7.16	+4.49
Historic yield	1.06	0.54	0.54
Effect on yield of charges offset against capital	0.00	0.00	0.00
<b>Other information</b>			
Closing NAV (€'000)	52,351	55,524	66,456
Closing NAV percentage of total fund NAV (%)	34.25	38.37	46.00
Number of shares	1,607,771	1,678,347	1,845,398
Highest share price (UK p)	3,174.90	3,248.92	3,275.47
Lowest share price (UK p)	2,776.48	2,632.78	2,928.82

#### Sterling Class 'T' Income share performance

The share class was launched on 3 August 2012.

	Six months to 29.02.20 UK p	Year to 31.08.19 UK p	Year to 31.08.18 UK p
<b>Change in NAV per share</b>			
Opening NAV	1,734.79	1,901.74	1,845.74
Return before operating charges and after direct portfolio transaction costs	(120.72)	(107.55)	115.00
Operating charges	(3.10)	(15.72)	(17.39)
Return after operating charges	(123.82)	(123.27)	97.61
Distributions	n/a	(43.68)	(41.61)
Closing NAV	1,610.97	1,734.79	1,901.74
<b>Direct portfolio transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.39	2.98	1.99
Dilution adjustments <sup>[a]</sup>	(0.19)	(0.46)	(0.30)
Total direct portfolio transaction costs	0.20	2.52	1.69
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.02	0.14	0.09
Operating charges <sup>[c]</sup>	0.70	0.91	0.93
Return after operating charges	-7.14	-6.48	+5.29
Historic yield	3.12	2.28	2.21
Effect on yield of charges offset against capital	0.70	0.88	0.90
<b>Other information</b>			
Closing NAV (€'000)	7,255	7,346	8,470
Closing NAV percentage of total fund NAV (%)	4.75	5.08	5.86
Number of shares	384,246	383,921	399,585
Highest share price (UK p)	1,839.67	1,912.51	1,970.02
Lowest share price (UK p)	1,609.92	1,553.49	1,756.25

#### Sterling Class 'T' Accumulation share performance

The share class was launched on 3 August 2012.

	Six months to 29.02.20 UK p	Year to 31.08.19 UK p	Year to 31.08.18 UK p
<b>Change in NAV per share</b>			
Opening NAV	1,991.96	2,130.10	2,023.40
Return before operating charges and after direct portfolio transaction costs	(138.74)	(120.87)	125.79
Operating charges	(3.57)	(17.27)	(19.09)
Return after operating charges	(142.31)	(138.14)	106.70
Distributions	n/a	(31.42)	(26.90)
Retained distributions	n/a	31.42	26.90
Closing NAV	1,849.65	1,991.96	2,130.10
<b>Direct portfolio transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.45	3.34	2.19
Dilution adjustments <sup>[a]</sup>	(0.22)	(0.51)	(0.33)
Total direct portfolio transaction costs	0.23	2.83	1.86
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.02	0.14	0.09
Operating charges <sup>[c]</sup>	0.70	0.89	0.93
Return after operating charges	-7.14	-6.49	+5.27
Historic yield	1.95	1.29	1.28
Effect on yield of charges offset against capital	0.00	0.00	0.00
<b>Other information</b>			
Closing NAV (€'000)	43,792	30,382	8,804
Closing NAV percentage of total fund NAV (%)	28.65	20.99	6.09
Number of shares	2,020,119	1,382,888	370,839
Highest share price (UK p)	2,112.24	2,142.08	2,159.32
Lowest share price (UK p)	1,848.44	1,739.96	1,925.02

#### Sterling Class 'PP' Income share performance

The share class was launched on 5 August 2019.

	Six months to 29.02.20 UK p	Year to 31.08.19 UK p	Year to 31.08.18 UK p
<b>Change in NAV per share</b>			
Opening NAV	97.79	100.00	n/a
Return before operating charges and after direct portfolio transaction costs	(6.77)	0.24	n/a
Operating charges	(0.14)	(0.04)	n/a
Return after operating charges	(6.91)	0.20	n/a
Distributions	n/a	(2.41)	n/a
Closing NAV	90.88	97.79	n/a
<b>Direct portfolio transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.02	0.01	n/a
Dilution adjustments <sup>[a]</sup>	(0.01)	0.00	n/a
Total direct portfolio transaction costs	0.01	0.01	n/a
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.02	0.14	n/a
Operating charges	0.55	0.55	n/a
Return after operating charges	-7.07	+0.20	n/a
Historic yield	3.04	2.34	n/a
Effect on yield of charges offset against capital	0.55	0.55	n/a
<b>Other information</b>			
Closing NAV (€'000)	21	22	n/a
Closing NAV percentage of total fund NAV (%)	0.01	0.02	n/a
Number of shares	20,000	20,000	n/a
Highest share price (UK p)	103.76	101.27	n/a
Lowest share price (UK p)	90.82	97.39	n/a

# M&G European Select Fund

## Financial highlights

### Specific share class performance

#### Sterling Class 'PP' Accumulation share performance

The share class was launched on 8 April 2019.

	Six months to 29.02.20 UK p	Year to 31.08.19 UK p	Year to 31.08.18 UK p
<b>Change in NAV per share</b>			
Opening NAV	101.67	100.00	n/a
Return before operating charges and after direct portfolio transaction costs	(7.06)	1.97	n/a
Operating charges	(0.14)	(0.30)	n/a
Return after operating charges	(7.20)	1.67	n/a
Distributions	n/a	(1.67)	n/a
Retained distributions	n/a	1.67	n/a
Closing NAV	94.47	101.67	n/a
<b>Direct portfolio transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.02	0.07	n/a
Dilution adjustments <sup>[a]</sup>	(0.01)	(0.01)	n/a
Total direct portfolio transaction costs	0.01	0.06	n/a
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.02	0.14	n/a
Operating charges <sup>[c]</sup>	0.55	0.61	n/a
Return after operating charges	-7.08	+1.67	n/a
Historic yield	2.03	1.14	n/a
Effect on yield of charges offset against capital	0.00	0.00	n/a
<b>Other information</b>			
Closing NAV (€'000)	90	56	n/a
Closing NAV percentage of total fund NAV (%)	0.06	0.04	n/a
Number of shares	81,635	49,636	n/a
Highest share price (UK p)	107.86	106.85	n/a
Lowest share price (UK p)	94.41	97.39	n/a

#### Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012.

	Six months to 29.02.20 UK p	Year to 31.08.19 UK p	Year to 31.08.18 UK p
<b>Change in NAV per share</b>			
Opening NAV	172.30	189.35	184.24
Return before operating charges and after direct portfolio transaction costs	(12.08)	(10.72)	11.47
Operating charges	(0.42)	(1.99)	(2.21)
Return after operating charges	(12.50)	(12.71)	9.26
Distributions	n/a	(4.34)	(4.15)
Closing NAV	159.80	172.30	189.35
<b>Direct portfolio transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.04	0.30	0.20
Dilution adjustments <sup>[a]</sup>	(0.02)	(0.05)	(0.03)
Total direct portfolio transaction costs	0.02	0.25	0.17
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.02	0.14	0.09
Operating charges <sup>[c]</sup>	0.95	1.16	1.18
Return after operating charges	-7.25	-6.71	+5.03
Historic yield	3.13	2.29	2.22
Effect on yield of charges offset against capital	0.95	1.13	1.15
<b>Other information</b>			
Closing NAV (€'000)	620	657	703
Closing NAV percentage of total fund NAV (%)	0.40	0.45	0.49
Number of shares	331,267	345,993	332,919
Highest share price (UK p)	182.55	190.42	196.16
Lowest share price (UK p)	159.69	154.55	175.05

#### Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012.

	Six months to 29.02.20 UK p	Year to 31.08.19 UK p	Year to 31.08.18 UK p
<b>Change in NAV per share</b>			
Opening NAV	195.78	209.87	199.87
Return before operating charges and after direct portfolio transaction costs	(13.75)	(11.88)	12.41
Operating charges	(0.47)	(2.21)	(2.41)
Return after operating charges	(14.22)	(14.09)	10.00
Distributions	n/a	(2.60)	(2.14)
Retained distributions	n/a	2.60	2.14
Closing NAV	181.56	195.78	209.87
<b>Direct portfolio transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.04	0.33	0.22
Dilution adjustments <sup>[a]</sup>	(0.02)	(0.05)	(0.03)
Total direct portfolio transaction costs	0.02	0.28	0.19
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.02	0.14	0.09
Operating charges <sup>[c]</sup>	0.95	1.16	1.18
Return after operating charges	-7.26	-6.71	+5.00
Historic yield	1.65	1.04	1.03
Effect on yield of charges offset against capital	0.00	0.00	0.00
<b>Other information</b>			
Closing NAV (€'000)	3,960	3,969	3,873
Closing NAV percentage of total fund NAV (%)	2.59	2.74	2.68
Number of shares	1,861,166	1,838,251	1,655,817
Highest share price (UK p)	207.41	211.06	212.76
Lowest share price (UK p)	181.44	171.30	189.86

#### Sterling Class 'X' Income share performance

The share class was launched on 1 October 2002.

	Six months to 29.02.20 UK p	Year to 31.08.19 UK p	Year to 31.08.18 UK p
<b>Change in NAV per share</b>			
Opening NAV	1,852.72	2,046.03	2,000.83
Return before operating charges and after direct portfolio transaction costs	(130.86)	(116.11)	124.00
Operating charges	(5.66)	(30.40)	(33.89)
Return after operating charges	(136.52)	(146.51)	90.11
Distributions	n/a	(46.80)	(44.91)
Closing NAV	1,716.20	1,852.72	2,046.03
<b>Direct portfolio transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.41	3.19	2.15
Dilution adjustments <sup>[a]</sup>	(0.20)	(0.49)	(0.33)
Total direct portfolio transaction costs	0.21	2.70	1.82
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.02	0.14	0.09
Operating charges <sup>[c]</sup>	1.20	1.64	1.68
Return after operating charges	-7.37	-7.16	+4.50
Historic yield	3.14	2.31	2.22
Effect on yield of charges offset against capital	1.20	1.62	1.65
<b>Other information</b>			
Closing NAV (€'000)	1,140	1,149	1,457
Closing NAV percentage of total fund NAV (%)	0.75	0.79	1.01
Number of shares	56,663	56,223	63,905
Highest share price (UK p)	1,961.19	2,057.47	2,119.74
Lowest share price (UK p)	1,715.08	1,667.28	1,895.40

# M&G European Select Fund

## Financial highlights

### Specific share class performance

#### Sterling Class 'X' Accumulation share performance

The share class was launched on 1 October 2002.

	Six months to 29.02.20 UK p	Year to 31.08.19 UK p	Year to 31.08.18 UK p
<b>Change in NAV per share</b>			
Opening NAV	2,967.91	3,196.92	3,059.63
Return before operating charges and after direct portfolio transaction costs	(209.82)	(181.58)	189.16
Operating charges	(9.06)	(47.43)	(51.87)
Return after operating charges	(218.88)	(229.01)	137.29
Distributions	n/a	(25.34)	(16.98)
Retained distributions	n/a	25.34	16.98
Closing NAV	2,749.03	2,967.91	3,196.92
<b>Direct portfolio transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.66	4.98	3.29
Dilution adjustments <sup>[a]</sup>	(0.33)	(0.76)	(0.50)
Total direct portfolio transaction costs	0.33	4.22	2.79
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.02	0.14	0.09
Operating charges <sup>[c]</sup>	1.20	1.64	1.68
Return after operating charges	-7.37	-7.16	+4.49
Historic yield	1.06	0.54	0.54
Effect on yield of charges offset against capital	0.00	0.00	0.00
<b>Other information</b>			
Closing NAV (€'000)	672	701	908
Closing NAV percentage of total fund NAV (%)	0.44	0.48	0.63
Number of shares	20,846	21,416	25,479
Highest share price (UK p)	3,141.46	3,214.71	3,240.98
Lowest share price (UK p)	2,747.23	2,605.06	2,897.97

<sup>[a]</sup> In respect of direct portfolio transaction costs.

<sup>[b]</sup> As a percentage of average net asset value.

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

# M&G European Select Fund

## Financial statements and notes

### Financial statements

#### Statement of total return

for the six months to 29 and 28 February	2020		2019	
	€'000	€'000	€'000	€'000
Income				
Net capital gains / (losses)		(3,153)		(11,782)
Revenue	902		577	
Expenses	(847)		(1,025)	
Net revenue / (expense) before taxation	55		(448)	
Taxation	(185)		(39)	
Net revenue / (expense) after taxation		(130)		(487)
<b>Total return before equalisation</b>		<b>(3,283)</b>		<b>(12,269)</b>
Equalisation		6		6
<b>Change in net assets attributable to shareholders from investment activities</b>		<b>(3,277)</b>		<b>(12,263)</b>

#### Statement of change in net assets attributable to shareholders

for the six months to 29 and 28 February	2020		2019	
	€'000	€'000	€'000	€'000
Opening net assets attributable to shareholders		144,736		144,483
Amounts received on issue of shares	17,006		3,010	
Amounts paid on cancellation of shares	(5,648)		(5,737)	
		11,358		(2,727)
Dilution adjustments		24		8
Change in net assets attributable to shareholders from investment activities (see above)		(3,277)		(12,263)
Unclaimed distributions		0		1
<b>Closing net assets attributable to shareholders</b>		<b>152,841</b>		<b>129,502</b>

The opening net assets attributable to shareholders for 2020 differs to the closing position in 2019 by the change in net assets attributable to shareholders for the second half of the comparative financial year.

#### Balance sheet

as at	29 February 2020	31 August 2019
	€'000	€'000
<b>Assets</b>		
<b>Fixed assets</b>		
Investments	141,082	138,836
<b>Current assets</b>		
Debtors	1,410	2,432
Cash and bank balances	2,988	1,242
Cash equivalents	7,869	5,371
<b>Total assets</b>	<b>153,349</b>	<b>147,881</b>
<b>Liabilities</b>		
<b>Creditors</b>		
Bank overdrafts	0	(170)
Distribution payable	0	(1,345)
Other creditors	(508)	(1,630)
<b>Total liabilities</b>	<b>(508)</b>	<b>(3,145)</b>
<b>Net assets attributable to shareholders</b>	<b>152,841</b>	<b>144,736</b>

### Notes to the financial statements

#### Accounting policies

The financial statements have been prepared in accordance with the 'Accounting policies' set out on page 4.

#### Distribution policy

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

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

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

#### Events after the balance sheet date

Between 29 February 2020 and 9 April 2020 there has been a fall in the value of investments driven by fears of the negative impact on global growth from COVID-19. The resulting impact on net asset values (NAV) can be seen in the table below.

Net asset	29.02.20	09.04.20	% change
<b>Euro</b>			
Class 'A' Accumulation	1,571.66	1,407.74	-10.43
Class 'C' Accumulation	1,809.76	1,622.76	-10.33
<b>Sterling</b>			
Class 'A' Income	1,733.26	1,589.33	-8.30
Class 'A' Accumulation	2,778.28	2,547.57	-8.30
Class 'I' Income	1,610.97	1,478.03	-8.25
Class 'I' Accumulation	1,849.65	1,697.01	-8.25
Class 'PP' Income	90.88	83.39	-8.24
Class 'PP' Accumulation	94.47	86.69	-8.24
Class 'R' Income	159.80	146.57	-8.28
Class 'R' Accumulation	181.56	166.53	-8.28
Class 'X' Income	1,716.20	1,573.68	-8.30
Class 'X' Accumulation	2,749.03	2,520.74	-8.30

# M&G European Select Fund

Financial statements and notes

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# M&G Global Select Fund

## Authorised Corporate Director's Report

### Investment objective up to 28 November 2019

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

### Investment policy up to 28 November 2019

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

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

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

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

Derivatives may be used for efficient portfolio management.

### Investment approach up to 28 November 2019

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

Sustainability considerations are fully integrated into the investment process.

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

### Investment objective from 29 November 2019

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

### Investment policy from 29 November 2019

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

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

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

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

Derivatives may be used for efficient portfolio management and hedging.

### Investment approach from 29 November 2019

The fund is a focused core global equity fund.

The fund is based on an investment process that uses fundamental analysis to identify companies with sustainable business models and competitively advantageous characteristics to protect their profitability. The fund makes long-term investments in these companies and importantly, the fund manager invests in businesses where short-term issues have provided a clear valuation opportunity.

Sustainability considerations are fully integrated into the investment process.

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

### Benchmark

Benchmark: MSCI World Index.

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

# M&G Global Select Fund

## Authorised Corporate Director's Report

### Risk profile

The fund invests globally in the shares of listed companies and is, therefore, subject to the price volatility of the global stockmarket and the performance of individual companies. The fund may also be subject to fluctuations in currency exchange rates. The fund's focus is on quality businesses where an element of change is helping to drive their value, and these stocks could potentially experience a degree of illiquidity in times of market distress. The fund is a concentrated portfolio of between 30 and 40 holdings, but is mainly invested in the shares of large and medium-sized companies, which are normally traded with relative ease. Diversification across countries, industries and market capitalisation is key in managing liquidity risk and reducing market risk. The fund's risks are measured and managed as an integral part of the investment process.

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



The above number:

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

### Investment review

**As at 2 March 2020, for the six months ended 29 February 2020**

#### Performance against objective

Between 2 September 2019 (the start of the review period) and 2 March 2020, the fund's sterling share classes delivered a negative total return (the combination of income and growth of capital). The fund's sterling returns lagged its benchmark, the MSCI World Index, which declined by 1.0% for the period in sterling terms. However, the shortfall was the result of market timing differences. The fund is priced at midday in London, and therefore did not capture the gains from a strong market rally on the last day of the review period.

Over five years, the fund has delivered positive total returns, however, it has not finished ahead of the benchmark for the period. The benchmark returned 11.2% p.a. in sterling terms over five years.\* Therefore, the fund's performance has not met its current objective over its specified timeframe of five years, but this is a reflection of the market timing difference mentioned above.

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

### Investment performance

Stockmarkets in developed countries delivered negative returns for the six months under review, with the end of the period witnessing levels of volatility, or market turbulence, not seen since the financial crisis in 2008.

For much of the period, market sentiment had been dominated by a number of repeat themes, one of the most destabilising of which was the ongoing 'trade war' between the US and China. Concerns about on-again / off-again trade negotiations drove waves of both euphoria and risk aversion, depending on how those negotiations were perceived to be progressing. Other sources of disillusionment included an apparent slowdown in China and signs of weakness in the US economy, political difficulties in Europe, exacerbated by the looming presence of Brexit, geopolitical tensions in the Middle East and weakness in the oil price, amid potential declining demand in the face of reduced economic activity.

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

This positive sentiment, however, was to prove short-lived. The mood darkened as news of the new coronavirus – COVID-19 – outbreak spreading from China took a detrimental toll. As we moved through the end of the period under review, initial hopes that the virus might be contained faded as new outbreaks were reported beyond China, notably in Iran, Italy and South Korea. Fearful of the emergence of a global pandemic and its potential negative effects on the global economy, stocks sold off in dramatic fashion at the end of February, resulting in the largest weekly stockmarket fall since 2008. Oil prices also tumbled, amid fears that a global economic slowdown would reduce demand for crude.

Against this background, some of the more defensive sectors, (that is, those that have relatively predictable and stable earnings regardless of the state of the overall economy) including healthcare and utilities, proved more resilient than the wider market, as risk-averse investors tend to favour these sectors in periods of uncertainty. The best-performing sector for the period was information technology. Conversely, energy was the clear laggard for the period, given turbulence in the oil price, while consumer staples, materials and real estate all underperformed the wider market.

For the fund, stock selection within the information technology and financial sectors led to the largest drag on relative returns, while selection within the consumer staples and materials sectors also weighed on relative performance. On the upside, stockpicking within the consumer discretionary, communication services and healthcare sectors was supportive.

At an individual stock level, the fund's largest detractor was US supply chain systems IT specialist Manhattan Associates. The company's shares had risen by around 10% in US dollar terms from the beginning of the review period on the back of ongoing operational success, but then declined at the beginning of February. This was despite the company reporting record-beating annual revenue as it continues to transition to a subscription-based software-as-a-service cloud model. Manhattan's shares fell further in the sell-off at the end of the month, partially in relation to its association with retail, given the negative effects of coronavirus on the sector.

# M&G Global Select Fund

## Authorised Corporate Director's Report

### Investment review

#### Investment performance (continued)

Danish global services provider ISS dragged on returns as well. The company's shares fell sharply after it cut its earnings and cashflow guidance for the year, while warning that it might not reach its ambitious medium-term targets until 2022, a year later than previously forecast, with lower profits partly resulting from problems in France, Denmark and Hong Kong. ISS also suffered a major malware attack in February that disrupted its global operations.

Other laggards included US metal packaging specialist Ball Corporation and Anglo-Dutch consumer goods company Unilever. At the end of October Ball Corp reported a 25% year-on-year increase in third-quarter earnings per share on the back of strong demand trends in both aluminium packaging and its aerospace business. This, however, fell below some analysts' estimates and its shares declined, regained some ground and then declined again in the general market sell-off in February.

For Unilever, while consumer staples companies were generally out of favour for the period, Unilever also cut its sales guidance amid growth concerns in India, its largest market by volume, as well as experiencing a slowdown in South Asia and weakness in West Africa.

On the upside, the fund's largest contributor was US luxury jeweller Tiffany & Co. Tiffany's shares rose sharply on news that French luxury goods giant LVMH was bidding some US\$14.5 billion to acquire the company, in part to leverage Tiffany's US exposure and its appeal to high-spending Chinese consumers. Its shares rose further on news that shareholders had approved the deal, expected to complete in the middle of this year, provided regulatory approval is granted.

Other supportive holdings included US tech giant Microsoft, which has produced solid returns, boosted by its cloud-based solution Azure and its Office 365 subscription service, and multinational energy management company Schneider Electric. Schneider has continued to deliver operational success, and this has been reflected in solid, ongoing share price performance. Its shares rallied to an all-time high in February after publishing financial results that beat expectations, as well as the firm saying it was confident it could offset the impact of the coronavirus outbreak in China.

#### Investment activities

We run a concentrated portfolio of between 30 and 40 holdings, maintaining a watchlist of around 300 quality 'moated' companies that we would like to own when the timing and price are right (moated companies are those where we feel the business model is well protected from competition). We monitor our watchlist closely, waiting patiently for short-term issues to create buying opportunities.

During the review period, one such opportunity presented itself: Danish allergy immunotherapy specialist ALK-Abelló. ALK is a quality company that specialises in autoimmune therapy for dust mite and grass allergies. These treatments were traditionally injectable, which could result in sometimes fatal allergic reactions, but ALK has developed much safer, and easier to administer, pills. These have been approved for distribution to adults in Europe and the US, and the company is currently conducting clinical trials in children to establish

if the pills are effective for allergic asthma – this could open up the large paediatric market when completed in 2020. We believe that ALK has a unique, well-protected, skill-set, having developed its R&D capabilities since the early 1900s. We see strong growth potential for the business if its distribution strategy plays out, particularly in the US.

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

#### Outlook

Events like the extreme market reaction to the COVID-19 outbreak are difficult to predict, and while, from an investment viewpoint, such events can be painful in the short term, they can also create opportunities for long-term investors. We believe that investing in quality companies when they are being undervalued can help to deliver long-term benefits for our customers, as markets return to more normal levels.

It is unlikely that the market will go up in a straight line from where we find ourselves at the end of the review period, but we see great long-term value at these levels. Companies with less robust business models have seen a very substantial setback, limiting the future downside risk, while stable growth companies have seen a smaller setback, but still look very cheap, in our opinion.

We focus on company fundamentals more so than macroeconomics, but it seems likely that the coronavirus outbreak will slow down economies for a while and potentially push Europe into a recession – but we do not believe that all recessions are created equal. In the current situation we do not see extreme excess in the corporate system or exuberance in the banking sector, and government efforts to fight the downturn will potentially make it a shallow recession, as it presently appears to us. This could still lead to bankruptcies and rising unemployment, but we do not now think it poses a systemic threat, and there is not currently a stockmarket bubble to deflate.

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

#### John William Olsen

Fund manager

An employee of M&G FA Limited (formerly M&G Limited) which is an associate of M&G Securities Limited.

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

# M&G Global Select Fund

## Authorised Corporate Director's Report

### Investments

Portfolio statement			
as at Holding	29.02.20 \$'000	29.02.20 %	31.08.19 %
<b>EQUITIES</b>	<b>663,953</b>	<b>97.90</b>	<b>98.11</b>
<b>Energy equipment &amp; services</b>	<b>7,243</b>	<b>1.07</b>	<b>1.13</b>
385,064 National Oilwell Varco	7,243	1.07	
<b>Chemicals</b>	<b>18,314</b>	<b>2.70</b>	<b>2.86</b>
94,776 Linde	18,314	2.70	
<b>Containers &amp; packaging</b>	<b>26,093</b>	<b>3.85</b>	<b>4.82</b>
362,448 Ball	26,093	3.85	
<b>Building products</b>	<b>18,316</b>	<b>2.70</b>	<b>3.27</b>
483,264 Johnson Controls International	18,316	2.70	
<b>Electrical equipment</b>	<b>26,460</b>	<b>3.90</b>	<b>3.29</b>
266,594 Schneider Electric	26,460	3.90	
<b>Machinery</b>	<b>17,780</b>	<b>2.62</b>	<b>2.33</b>
349,166 Graco	17,780	2.62	
<b>Commercial services &amp; supplies</b>	<b>10,252</b>	<b>1.51</b>	<b>2.20</b>
592,415 ISS	10,252	1.51	
<b>Marine</b>	<b>14,006</b>	<b>2.06</b>	<b>2.09</b>
97,597 Kuehne & Nagel	14,006	2.06	
<b>Specialty retail</b>	<b>68,559</b>	<b>10.11</b>	<b>7.93</b>
211,009 Tiffany	28,062	4.14	
1,607,213 WH Smith	40,497	5.97	
<b>Food products</b>	<b>20,933</b>	<b>3.09</b>	<b>3.34</b>
202,430 Nestlé	20,933	3.09	
<b>Household products</b>	<b>14,340</b>	<b>2.11</b>	<b>2.23</b>
194,886 Reckitt Benckiser	14,340	2.11	
<b>Personal products</b>	<b>20,225</b>	<b>2.98</b>	<b>3.46</b>
379,715 Unilever	20,225	2.98	
<b>Health care equipment &amp; supplies</b>	<b>33,022</b>	<b>4.87</b>	<b>5.08</b>
136,110 Becton Dickinson	33,022	4.87	
<b>Health care providers &amp; services</b>	<b>40,943</b>	<b>6.04</b>	<b>5.45</b>
161,365 UnitedHealth	40,943	6.04	
<b>Pharmaceuticals</b>	<b>43,565</b>	<b>6.42</b>	<b>4.87</b>
69,180 ALK-Abelló	17,564	2.59	
441,415 Novo-Nordisk	26,001	3.83	
<b>Banks</b>	<b>21,698</b>	<b>3.20</b>	<b>3.26</b>
1,188,847 ING	11,135	1.64	
73,016 M&T Bank	10,563	1.56	
<b>Consumer finance</b>	<b>39,035</b>	<b>5.76</b>	<b>6.47</b>
193,443 American Express	21,817	3.22	
260,175 Discover Financial Services	17,218	2.54	
<b>Capital markets</b>	<b>17,503</b>	<b>2.58</b>	<b>2.86</b>
319,886 Bank of New York Mellon	13,096	1.93	
511,419 Georgia Capital	4,407	0.65	
<b>Insurance</b>	<b>25,199</b>	<b>3.71</b>	<b>3.81</b>
473,100 Tokio Marine	25,199	3.71	
<b>IT services</b>	<b>23,788</b>	<b>3.51</b>	<b>3.51</b>
132,156 Visa	23,788	3.51	
<b>Software</b>	<b>93,730</b>	<b>13.82</b>	<b>14.95</b>
79,737 ANSYS	19,467	2.87	
418,323 Manhattan Associates	28,893	4.26	
287,150 Microsoft	45,370	6.69	
<b>Entertainment</b>	<b>14,077</b>	<b>2.08</b>	<b>1.87</b>
137,053 Electronic Arts	14,077	2.08	

### Portfolio statement (continued)

as at Holding	29.02.20 \$'000	29.02.20 %	31.08.19 %
<b>Interactive media &amp; services</b>	<b>48,872</b>	<b>7.21</b>	<b>7.03</b>
22,545 Alphabet	29,640	4.37	
388,300 Tencent	19,232	2.84	
<b>Portfolio of investments</b>	<b>663,953</b>	<b>97.90</b>	<b>98.11</b>
<b>CASH EQUIVALENTS</b>	<b>16,719</b>	<b>2.47</b>	<b>2.30</b>
<b>'AAA' rated money market funds [a]</b>	<b>16,719</b>	<b>2.47</b>	<b>2.30</b>
16,719,000 Northern Trust Global Fund - US dollar	16,719	2.47	
<b>Total portfolio</b>	<b>680,672</b>	<b>100.37</b>	<b>100.41</b>
<b>Net other assets / (liabilities)</b>	<b>(2,509)</b>	<b>(0.37)</b>	<b>(0.41)</b>
<b>Net assets attributable to shareholders</b>	<b>678,163</b>	<b>100.00</b>	<b>100.00</b>

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

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

### Top ten portfolio transactions

for the six months to 29 February 2020

Purchases	\$'000
ALK-Abelló	14,561
WH Smith	6,871
<b>Total purchases</b>	<b>21,432</b>
Largest sales	\$'000
Microsoft	8,597
Novo-Nordisk	7,721
WH Smith	6,571
Alphabet	6,021
ANSYS	5,914
Ball	4,075
Teva Pharmaceuticals ADR	3,744
Tokio Marine	2,379
Linde	2,212
Johnson Controls International	2,197
Other sales	9,561
<b>Total sales</b>	<b>58,992</b>

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

# M&G Global Select Fund

## Financial highlights

### Fund performance

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

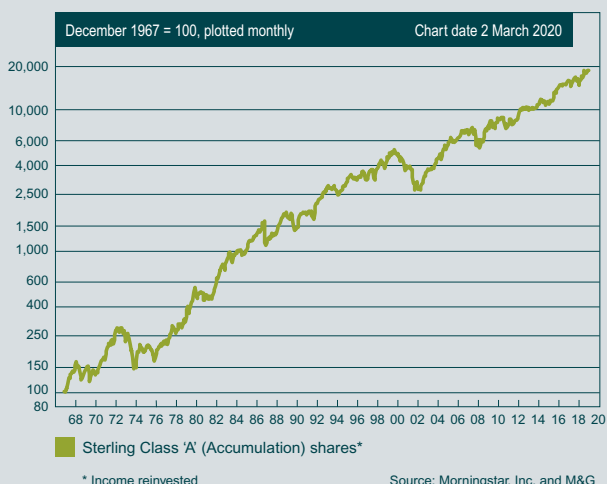
The following charts and tables reflect the key financial information of a representative share class, Sterling Class 'A' (Accumulation) shares. As different share classes have different attributes, for example charging structures and minimum investments, please be aware that their performance may be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

### Fund level performance

Fund net asset value			
as at	29.02.20 \$'000	31.08.19 \$'000	31.08.18 \$'000
Fund net asset value (NAV)	678,163	697,719	971,265

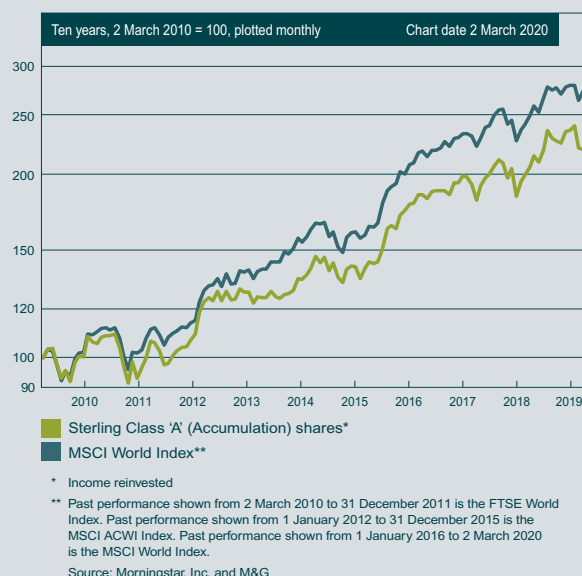
### Performance since launch

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



### Ten-year performance

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



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

Long-term performance by share class				
	six months 02.09.19 % <sup>[a]</sup>	three years 02.03.17 %p.a.	five years 02.03.15 %p.a.	since launch %p.a.
Sterling <sup>[b]</sup>				
Class 'A'	-5.0	+5.2	+9.4	+10.4 <sup>[c]</sup>
Class 'I'	-4.8	+6.0	+10.2	+11.7 <sup>[d]</sup>
Class 'R'	-4.9	+5.7	+9.9	+11.4 <sup>[d]</sup>
Class 'X'	-5.0	+5.2	+9.4	+15.3 <sup>[e]</sup>

<sup>[a]</sup> Absolute basis.

<sup>[b]</sup> Price to price with income reinvested.

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

<sup>[d]</sup> 3 August 2012, the launch date of the share class.

<sup>[e]</sup> 1 October 2002, the launch date of the share class.

# M&G Global Select Fund

## Financial highlights

### Fund performance

## Operating charges and portfolio transaction costs

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

### Operating charges

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

- **Annual charge:** Charge paid to M&G covering the annual cost of M&G managing and administering the fund and the costs of third parties providing services to the fund. From 1 August 2019, this charge rolls all costs that make up the operating charges into one annual charge.  
  
For every £1 billion of a fund's net asset value, a discount of 0.02% will be applied to that fund's annual charge (up to a maximum of 0.12%).
- **Extraordinary legal and tax expenses:** Costs that specifically relate to legal or tax claims that are both exceptional and unforeseeable. Such expenses are uncommon, and would not be expected in most years. Although they result in a short-term cost to the fund, generally they can deliver longer term benefits for investors.
- **Investment management:** Charge paid to M&G for investment management of the fund. From 1 August 2019 this charge forms part of the annual charge.
- **Administration:** Charge paid for administration services in addition to investment management – any surplus from this charge will be retained by M&G. From 1 August 2019 this charge is rolled into the annual charge.
- **Oversight and other independent services:** Charges paid to providers independent of M&G for services which include depositary, custody and audit. From 1 August 2019 these charges will be paid by M&G and rolled into the annual charge.
- **Ongoing charges from underlying funds:** Ongoing charges on holdings in underlying funds that are not rebated. From 1 August 2019 charges from underlying funds (excluding Investment Trusts Companies and Real Estate Investment Trusts) will be rebated.

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

Once the annual charge has been operational for twelve months, operating charges will be in line with the ongoing charges shown in the Key Investor Information Document, other than where there have been extraordinary legal or tax expenses, or an estimate has been used for the ongoing charge because a material change has made the operating charges unreliable as an estimate of future charges.

### Portfolio transaction costs

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

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

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

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

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

### Portfolio transaction costs

	Six months to 29.02.20	Year to 31.08.19	Year to 31.08.18	Average <sup>[a]</sup>
Direct portfolio transaction costs <sup>[b]</sup>	%	%	%	%
Broker commission	0.01	0.02	0.01	0.01
Taxes	0.00	0.00	0.02	0.01
Costs before dilution adjustments	0.01	0.02	0.03	0.02
Dilution adjustments <sup>[c]</sup>	(0.01)	(0.01)	(0.01)	(0.01)
Total direct portfolio transaction costs	0.00	0.01	0.02	0.01
as at	29.02.20	31.08.19	31.08.18	Average <sup>[a]</sup>
Indirect portfolio transaction costs	%	%	%	%
Average portfolio dealing spread	0.05	0.04	0.03	0.04

<sup>[a]</sup> Average of first three columns.

<sup>[b]</sup> As a percentage of average net asset value.

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

# M&G Global Select Fund

## Financial highlights

### Specific share class performance

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

Historic yields for the current period are calculated as at 13 March 2020.

#### Sterling Class 'A' Income share performance

The share class was launched on 19 December 1967.

Change in NAV per share	Six months to 29.02.20 UK p	Year to 31.08.19 UK p	Year to 31.08.18 UK p
Opening NAV	445.72	417.51	378.07
Return before operating charges and after direct portfolio transaction costs	(14.40)	42.28	52.34
Operating charges	(1.57)	(6.33)	(6.50)
Return after operating charges	(15.97)	35.95	45.84
Distributions	n/a	(7.74)	(6.40)
Closing NAV	429.75	445.72	417.51
<b>Direct portfolio transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.03	0.09	0.10
Dilution adjustments <sup>[a]</sup>	(0.01)	(0.07)	(0.06)
Total direct portfolio transaction costs	0.02	0.02	0.04
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.00	0.01	0.02
Operating charges <sup>[c]</sup>	1.40	1.65	1.66
Return after operating charges	-3.58	+8.61	+12.12
Historic yield	2.03	1.40	1.56
Effect on yield of charges offset against capital	1.40	1.63	1.65
<b>Other information</b>			
Closing NAV (\$'000)	266,251	264,576	446,672
Closing NAV percentage of total fund NAV (%)	39.26	37.92	45.99
Number of shares	48,093,249	48,742,517	82,262,177
Highest share price (UK p)	487.00	466.80	428.55
Lowest share price (UK p)	426.72	359.45	358.74

#### Sterling Class 'A' Accumulation share performance

The share class was launched on 19 December 1967.

Change in NAV per share	Six months to 29.02.20 UK p	Year to 31.08.19 UK p	Year to 31.08.18 UK p
Opening NAV	911.27	839.00	748.20
Return before operating charges and after direct portfolio transaction costs	(29.42)	85.74	103.61
Operating charges	(3.21)	(13.47)	(12.81)
Return after operating charges	(32.63)	72.27	90.80
Distributions	n/a	(1.45)	0.00
Retained distributions	n/a	1.45	0.00
Closing NAV	878.64	911.27	839.00
<b>Direct portfolio transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.06	0.17	0.20
Dilution adjustments <sup>[a]</sup>	(0.03)	(0.15)	(0.11)
Total direct portfolio transaction costs	0.03	0.02	0.09
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.00	0.01	0.02
Operating charges <sup>[c]</sup>	1.40	1.64	1.66
Return after operating charges	-3.58	+8.61	+12.14
Historic yield	0.19	0.00	0.00
Effect on yield of charges offset against capital	0.00	0.00	0.00
<b>Other information</b>			
Closing NAV (\$'000)	148,860	147,531	115,527
Closing NAV percentage of total fund NAV (%)	21.95	21.14	11.89
Number of shares	13,151,764	13,293,991	10,587,533
Highest share price (UK p)	995.67	938.08	848.18
Lowest share price (UK p)	872.43	722.35	710.03

#### Sterling Class 'T' Income share performance

The share class was launched on 3 August 2012.

Change in NAV per share	Six months to 29.02.20 UK p	Year to 31.08.19 UK p	Year to 31.08.18 UK p
Opening NAV	2,177.47	2,024.71	1,819.69
Return before operating charges and after direct portfolio transaction costs	(67.82)	207.12	253.26
Operating charges	(4.95)	(16.69)	(17.29)
Return after operating charges	(72.77)	190.43	235.97
Distributions	n/a	(37.67)	(30.95)
Closing NAV	2,104.70	2,177.47	2,024.71
<b>Direct portfolio transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.14	0.42	0.50
Dilution adjustments <sup>[a]</sup>	(0.07)	(0.36)	(0.27)
Total direct portfolio transaction costs	0.07	0.06	0.23
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.00	0.01	0.02
Operating charges <sup>[c]</sup>	0.90	0.92	0.91
Return after operating charges	-3.34	+9.41	+12.97
Historic yield	2.02	1.38	1.55
Effect on yield of charges offset against capital	0.90	0.90	0.90
<b>Other information</b>			
Closing NAV (\$'000)	28,003	27,426	27,970
Closing NAV percentage of total fund NAV (%)	4.13	3.93	2.88
Number of shares	1,032,859	1,034,286	1,062,204
Highest share price (UK p)	2,384.77	2,279.31	2,078.07
Lowest share price (UK p)	2,086.10	1,747.30	1,734.35

# M&G Global Select Fund

## Financial highlights

### Specific share class performance

#### Sterling Class 'I' Accumulation share performance

The share class was launched on 3 August 2012.

	Six months to 29.02.20 UK p	Year to 31.08.19 UK p	Year to 31.08.18 UK p
<b>Change in NAV per share</b>			
Opening NAV	2,409.49	2,202.35	1,949.35
Return before operating charges and after direct portfolio transaction costs	(75.04)	227.04	271.50
Operating charges	(5.46)	(19.90)	(18.50)
Return after operating charges	(80.50)	207.14	253.00
Distributions	n/a	(20.44)	(14.29)
Retained distributions	n/a	20.44	14.29
Closing NAV	2,328.99	2,409.49	2,202.35
<b>Direct portfolio transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.16	0.46	0.54
Dilution adjustments <sup>[a]</sup>	(0.08)	(0.40)	(0.29)
Total direct portfolio transaction costs	0.08	0.06	0.25
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.00	0.01	0.02
Operating charges <sup>[c]</sup>	0.90	0.92	0.91
Return after operating charges	-3.34	+9.41	+12.98
Historic yield	0.99	0.58	0.68
Effect on yield of charges offset against capital	0.00	0.00	0.00
<b>Other information</b>			
Closing NAV (\$'000)	204,739	229,078	101,913
Closing NAV percentage of total fund NAV (%)	30.19	32.83	10.49
Number of shares	6,824,168	7,806,934	3,558,078
Highest share price (UK p)	2,638.91	2,479.30	2,226.36
Lowest share price (UK p)	2,308.42	1,900.61	1,858.10

#### Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012.

	Six months to 29.02.20 UK p	Year to 31.08.19 UK p	Year to 31.08.18 UK p
<b>Change in NAV per share</b>			
Opening NAV	216.10	201.45	181.51
Return before operating charges and after direct portfolio transaction costs	(6.85)	20.48	25.24
Operating charges	(0.63)	(2.09)	(2.22)
Return after operating charges	(7.48)	18.39	23.02
Distributions	n/a	(3.74)	(3.08)
Closing NAV	208.62	216.10	201.45
<b>Direct portfolio transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.01	0.04	0.05
Dilution adjustments <sup>[a]</sup>	(0.01)	(0.04)	(0.03)
Total direct portfolio transaction costs	0.00	0.00	0.02
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.00	0.01	0.02
Operating charges <sup>[c]</sup>	1.15	1.17	1.16
Return after operating charges	-3.46	+9.13	+12.68
Historic yield	2.02	1.39	1.55
Effect on yield of charges offset against capital	1.15	1.15	1.15
<b>Other information</b>			
Closing NAV (\$'000)	3,646	2,853	2,236
Closing NAV percentage of total fund NAV (%)	0.54	0.41	0.23
Number of shares	1,356,642	1,084,153	853,347
Highest share price (UK p)	236.40	226.26	206.77
Lowest share price (UK p)	206.97	173.71	172.74

#### Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012.

	Six months to 29.02.20 UK p	Year to 31.08.19 UK p	Year to 31.08.18 UK p
<b>Change in NAV per share</b>			
Opening NAV	236.69	216.88	192.44
Return before operating charges and after direct portfolio transaction costs	(7.50)	22.30	26.80
Operating charges	(0.69)	(2.49)	(2.36)
Return after operating charges	(8.19)	19.81	24.44
Distributions	n/a	(1.45)	(0.89)
Retained distributions	n/a	1.45	0.89
Closing NAV	228.50	236.69	216.88
<b>Direct portfolio transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.02	0.05	0.05
Dilution adjustments <sup>[a]</sup>	(0.01)	(0.04)	(0.03)
Total direct portfolio transaction costs	0.01	0.01	0.02
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.00	0.01	0.02
Operating charges <sup>[c]</sup>	1.15	1.17	1.16
Return after operating charges	-3.46	+9.13	+12.70
Historic yield	0.71	0.37	0.44
Effect on yield of charges offset against capital	0.00	0.00	0.00
<b>Other information</b>			
Closing NAV (\$'000)	13,978	13,239	10,932
Closing NAV percentage of total fund NAV (%)	2.06	1.90	1.13
Number of shares	4,748,565	4,592,924	3,875,753
Highest share price (UK p)	258.92	243.60	219.24
Lowest share price (UK p)	226.68	187.02	183.16

#### Sterling Class 'X' Income share performance

The share class was launched on 1 October 2002.

	Six months to 29.02.20 UK p	Year to 31.08.19 UK p	Year to 31.08.18 UK p
<b>Change in NAV per share</b>			
Opening NAV	445.69	417.48	378.04
Return before operating charges and after direct portfolio transaction costs	(14.40)	42.21	52.33
Operating charges	(1.57)	(6.26)	(6.49)
Return after operating charges	(15.97)	35.95	45.84
Distributions	n/a	(7.74)	(6.40)
Closing NAV	429.72	445.69	417.48
<b>Direct portfolio transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.03	0.09	0.10
Dilution adjustments <sup>[a]</sup>	(0.01)	(0.07)	(0.06)
Total direct portfolio transaction costs	0.02	0.02	0.04
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.00	0.01	0.02
Operating charges <sup>[c]</sup>	1.40	1.64	1.66
Return after operating charges	-3.58	+8.61	+12.13
Historic yield	2.03	1.40	1.56
Effect on yield of charges offset against capital	1.40	1.63	1.65
<b>Other information</b>			
Closing NAV (\$'000)	7,440	7,673	8,555
Closing NAV percentage of total fund NAV (%)	1.10	1.10	0.88
Number of shares	1,344,080	1,413,602	1,575,647
Highest share price (UK p)	486.96	466.77	428.52
Lowest share price (UK p)	426.69	359.43	358.72

# M&G Global Select Fund

## Financial highlights

### Specific share class performance

#### Sterling Class 'X' Accumulation share performance

The share class was launched on 1 October 2002.

Change in NAV per share	Six months to 29.02.20 UK p	Year to 31.08.19 UK p	Year to 31.08.18 UK p
Opening NAV	903.62	831.96	741.92
Return before operating charges and after direct portfolio transaction costs	(29.17)	85.06	102.79
Operating charges	(3.19)	(13.40)	(12.75)
Return after operating charges	(32.36)	71.66	90.04
Distributions	n/a	(1.44)	0.00
Retained distributions	n/a	1.44	0.00
Closing NAV	871.26	903.62	831.96
<b>Direct portfolio transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.06	0.17	0.20
Dilution adjustments <sup>[a]</sup>	(0.03)	(0.15)	(0.11)
Total direct portfolio transaction costs	0.03	0.02	0.09
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.00	0.01	0.02
Operating charges <sup>[c]</sup>	1.40	1.64	1.66
Return after operating charges	-3.58	+8.61	+12.14
Historic yield	0.19	0.00	0.00
Effect on yield of charges offset against capital	0.00	0.00	0.00
<b>Other information</b>			
Closing NAV (\$'000)	5,246	5,343	6,284
Closing NAV percentage of total fund NAV (%)	0.77	0.77	0.65
Number of shares	467,372	485,528	580,758
Highest share price (UK p)	987.31	930.20	841.06
Lowest share price (UK p)	865.10	716.28	704.06

<sup>[a]</sup> In respect of direct portfolio transaction costs.

<sup>[b]</sup> As a percentage of average net asset value.

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

# M&G Global Select Fund

## Financial statements and notes

### Financial statements

#### Statement of total return

for the six months to 29 and 28 February	2020 \$'000	2019 \$'000
Income		
Net capital gains / (losses)	16,762	(35,516)
Revenue	4,335	5,839
Expenses	(4,430)	(5,368)
Net revenue / (expense) before taxation	(95)	471
Taxation	(514)	(447)
Net revenue / (expense) after taxation	(609)	24
<b>Total return before equalisation</b>	<b>16,153</b>	<b>(35,492)</b>
Equalisation	(24)	(457)
<b>Change in net assets attributable to shareholders from investment activities</b>	<b>16,129</b>	<b>(35,949)</b>

#### Statement of change in net assets attributable to shareholders

for the six months to 29 and 28 February	2020 \$'000	2019 \$'000
Opening net assets attributable to shareholders	697,719	971,265
Amounts received on issue of shares	11,892	131,456
Amounts paid on cancellation of shares	(47,615)	(296,305)
Transferred to M&G (Lux) Global Select Fund	0	(85,056)
	(35,723)	(249,905)
Dilution adjustments	32	139
Change in net assets attributable to shareholders from investment activities (see above)	16,129	(35,949)
Retained distributions on Accumulation shares	0	17
Unclaimed distributions	6	5
<b>Closing net assets attributable to shareholders</b>	<b>678,163</b>	<b>685,572</b>

The opening net assets attributable to shareholders for 2020 differs to the closing position in 2019 by the change in net assets attributable to shareholders for the second half of the comparative financial year.

#### Balance sheet

as at	29 February 2020 \$'000	31 August 2019 \$'000
<b>Assets</b>		
<b>Fixed assets</b>		
Investments	663,953	684,513
<b>Current assets</b>		
Debtors	4,141	2,933
Cash and bank balances	0	4,192
Cash equivalents	16,719	16,044
<b>Total assets</b>	<b>684,813</b>	<b>707,682</b>
<b>Liabilities</b>		
<b>Creditors</b>		
Bank overdrafts	(3,322)	0
Distribution payable	0	(5,249)
Other creditors	(3,328)	(4,714)
<b>Total liabilities</b>	<b>(6,650)</b>	<b>(9,963)</b>
<b>Net assets attributable to shareholders</b>	<b>678,163</b>	<b>697,719</b>

### Notes to the financial statements

#### Accounting policies

The financial statements have been prepared in accordance with the 'Accounting policies' set out on page 4.

#### Distribution policy

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

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

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

#### Events after the balance sheet date

Between 29 February 2020 and 9 April 2020 there has been a fall in the value of investments driven by fears of the negative impact on global growth from COVID-19. The resulting impact on net asset values (NAV) can be seen in the table below.

Net asset	29.02.20	09.04.20	% change
<b>Sterling</b>			
Class 'A' Income	429.75	406.50	-5.41
Class 'A' Accumulation	878.64	831.08	-5.41
Class 'I' Income	2,104.70	1,991.89	-5.36
Class 'I' Accumulation	2,328.99	2,204.16	-5.36
Class 'R' Income	208.62	197.39	-5.38
Class 'R' Accumulation	228.50	216.19	-5.39
Class 'X' Income	429.72	406.46	-5.41
Class 'X' Accumulation	871.26	824.10	-5.41

# M&G Global Themes Fund

## Authorised Corporate Director's Report

### Investment objective

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

### Investment policy

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

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

Derivatives may be used for efficient portfolio management.

### Investment approach

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

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

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

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

### Benchmark

Benchmark: MSCI ACWI Index.

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

### Risk profile

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

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

However, the fund is mainly invested in the shares of large and medium-sized companies, which are normally traded with relative ease. Moreover, the fund is diversified across countries, industries and market capitalisation, which is key in managing liquidity risk and reducing market risk. The fund's risks are measured and managed as an integral part of the investment process.

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



The above number:

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

### Investment review

**As at 2 March 2020, for the six months ended 29 February 2020**

#### Performance against objective

Between 2 September 2019 (the start of the review period) and 2 March 2020, the fund delivered a negative total return (the combination of income and growth of capital) for its sterling and euro share classes and underperformed the MSCI ACWI Index which returned -1.1% in sterling and 3.0% in euros. The US dollar share classes generated mixed returns and lagged the benchmark return of 4.5% in US dollars.\* Consequently, over this six-month review period, the fund did not meet its objective of providing a higher total return than that of the MSCI ACWI Index, which was introduced on 17 November 2017.

The shortfall was exacerbated by market timing differences. The fund is priced at midday in London, and therefore did not capture the gains from North America on the last day of the review period when the Dow Jones Industrial Average recorded its biggest one-day rally since the financial crisis in 2009. The US and Canada account for more than 50% of the fund.

Over five years, the fund has generated a positive total return across all its share classes but underperformed its benchmark, which was the FTSE Global Basics Composite Index (comprising all sub-sectors of the FTSE World Index except media, IT, telecommunications, financials and healthcare) until 16 November 2017 and the MSCI ACWI Index thereafter. The benchmark returned 10.5%, 6.6% and 6.4% in sterling, euros and US dollars, respectively over five years. The fund therefore did not meet the current objective over its specified timeframe of five years.

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

# M&G Global Themes Fund

## Authorised Corporate Director's Report

### Investment review

#### Investment performance

Stockmarkets worldwide made progress during the six months under review, although returns in sterling were hampered by the strength of the currency. It was a time of extremes. The market rallied for most of the review period, with the MSCI ACWI Index reaching a record high in mid-February, before reversing abruptly in the last two weeks. Concerns about the spread of the coronavirus took their toll on financial markets and risk aversion prompted a flight to safety. Yields on government bonds fell to all-time lows. Gold rose to levels not seen since 2013. The US outperformed during the six-month period, while Japan and Europe led the laggards. Technology was the standout sector as Apple and Microsoft surged. Energy was the worst performer against the backdrop of a weaker oil price.

The fund underperformed the MSCI ACWI Index in this fickle environment, although the shortfall was primarily a reflection of market timing differences.

Stock selection added value with contributions from financials and materials offsetting the negative influence of sector allocation. The overweight position in energy and the underweight stance in technology held back relative performance.

Looking at individual stocks, Samsung Electronics and Infineon Technologies delivered double-digit gains in a buoyant technology sector. The semiconductor companies continued to demonstrate solid fundamentals with better-than-expected results.

First Republic Bank was another beneficiary of strong operating performance. Belgian bank KBC also added value. London Stock Exchange (LSE) rallied as the company remains on track to complete its transformational acquisition of Refinitiv. The combined entity will be a powerhouse in data, analytics and financial market services, and will have an important role to play in the structural growth in long-term savings.

Franco-Nevada bucked the trend in a materials sector which tracked commodity prices lower. The Canadian royalty company, which owns rights to cashflows from mineral landholdings, benefited from a higher gold price.

Swiss pharmaceutical Roche outperformed during a period of mixed fortunes for defensive sectors. Healthcare and utilities proved resilient, while consumer staples and real estate were considerably weaker. (Defensive stocks are companies that tend to have stable earnings and are less affected by peaks and troughs in the economy.) Roche continued to deliver steady growth, which was well received by investors. Unilever and Yum! Brands, by contrast, disappointed the market as a tough operating environment weighed on these consumer staples businesses.

Energy stocks featured prominently among the top detractors as the sector was completely out of favour. PrairieSky Royalty came under most pressure. The Canadian company, which receives royalties from oil & gas-bearing lands, offers cashflows running into perpetuity with minimal operating costs, capital requirement or environmental liabilities, and the valuation looks highly attractive. Cheniere Energy and Kunlun Energy, which are critical parts of the natural gas supply chain, also underperformed. We added to all three stocks on weakness.

#### Investment activities

It was a relatively quiet period for portfolio activity, with one new purchase and one complete sale. The fund is managed with a long-term investment horizon of three to five years.

We initiated a holding in Nokia in January. The technology company, based in Finland, is a leading manufacturer of telecoms equipment and a long-term beneficiary of structural growth trends including 5G deployment. Expectations are undemanding and the valuation, at a five-year low, provided an attractive entry point.

We also added to the recent purchases of Tencent and Kunlun Energy. Tencent, the leading provider of internet services in China, has excellent long-term potential by connecting more people with content and applications in the world's most populous economy. Kunlun Energy commands a strong presence in China's natural gas infrastructure, making it a long-term beneficiary of the demand for clean energy. The company's assets have a crucial role to play in China's transition from coal to gas in a country where air pollution and carbon emissions need to be tackled drastically.

We completed the sale of our legacy holding in Hutchison China MediTech. We have greater conviction in other healthcare holdings such as Bristol-Myers Squibb.

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

The number of holdings therefore rose to 62, although the number of active investments remained at 60. We expect the number to range between 40 and 60 over the long term.

Regional weightings saw Asia and continental Europe increase at the expense of North America and the UK. The 13% in Asia Pacific ex Japan and the 23% in Europe ex UK are overweight positions relative to the MSCI ACWI Index. The US and Canada continue to account for the largest part of the portfolio, although the 54% exposure remains an underweight position relative to the benchmark. The UK weighting dropped below 5% after we halved our position in LSE. The 6% in Japan remains a small underweight position.

# M&G Global Themes Fund

## Authorised Corporate Director's Report

### Investment review

#### Outlook

Investors have reacted to the spread of the coronavirus with an increasing sense of panic, but we believe that the indiscriminate selling that has ensued has left some high-quality growth businesses trading on compelling valuations. Despite the lack of visibility in the short term, many companies are demonstrating their long-term confidence by reinvesting their cashflows for future growth, applying capital discipline and returning excess cash to shareholders in the form of higher dividends – the ultimate sign of management confidence. We remain true to our mantra of 'themes grounded in reality'.

We strongly believe that company fundamentals are reflected in share prices over time and we are excited by the growth opportunities provided by multi-decade themes – opportunities which are available today without the burden of excessive valuations. We are taking advantage of the opportunity by acting on our conviction.

#### Alex Araujo

Fund manager

An employee of M&G FA Limited (formerly M&G Limited) which is an associate of M&G Securities Limited.

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

### Investments

#### Portfolio statement

as at Holding	29.02.20 \$'000	29.02.20 %	31.08.19 %
<b>EQUITIES</b>	<b>2,569,113</b>	<b>99.39</b>	<b>99.37</b>
<b>United Kingdom</b>	<b>117,973</b>	<b>4.56</b>	<b>6.15</b>
298,309 AstraZeneca	26,477	1.02	
267,085 London Stock Exchange	26,575	1.03	
731,200 Unilever	39,509	1.53	
1,699,103 UNITE REIT	25,412	0.98	
<b>Austria</b>	<b>30,158</b>	<b>1.17</b>	<b>1.17</b>
921,341 Erste Group Bank	30,158	1.17	
<b>Belgium</b>	<b>30,754</b>	<b>1.19</b>	<b>1.10</b>
466,321 KBC	30,754	1.19	
<b>Denmark</b>	<b>46,065</b>	<b>1.78</b>	<b>1.60</b>
455,051 Ørsted	46,065	1.78	
<b>Finland</b>	<b>28,501</b>	<b>1.10</b>	<b>0.00</b>
7,350,814 Nokia	28,501	1.10	
<b>France</b>	<b>50,823</b>	<b>1.97</b>	<b>2.08</b>
502,807 Vinci	50,823	1.97	
<b>Germany</b>	<b>145,763</b>	<b>5.64</b>	<b>6.34</b>
274,698 Henkel Preference Shares	25,465	0.99	
2,341,822 Infineon Technologies	47,331	1.83	
132,218 Linde	25,549	0.99	
463,680 Siemens	47,418	1.83	

#### Portfolio statement (continued)

as at Holding	29.02.20 \$'000	29.02.20 %	31.08.19 %
<b>Ireland</b>	<b>26,135</b>	<b>1.01</b>	<b>1.00</b>
205,867 Kerry	26,135	1.01	
<b>Italy</b>	<b>26,997</b>	<b>1.05</b>	<b>1.05</b>
3,197,756 Enel	26,997	1.05	
<b>Netherlands</b>	<b>24,161</b>	<b>0.94</b>	<b>1.03</b>
210,758 NXP Semiconductors	24,161	0.94	
<b>Spain</b>	<b>76,011</b>	<b>2.94</b>	<b>2.86</b>
1,778,383 Ferrovial	50,608	1.96	
1,090,689 Naturgy Energy	25,403	0.98	
<b>Sweden</b>	<b>25,384</b>	<b>0.98</b>	<b>1.01</b>
2,248,987 Epiroc	25,384	0.98	
<b>Switzerland</b>	<b>51,068</b>	<b>1.98</b>	<b>3.78</b>
158,316 Roche	51,068	1.98	
<b>United States</b>	<b>1,126,649</b>	<b>43.58</b>	<b>42.89</b>
229,743 Air Products & Chemicals	51,460	1.99	
120,316 American Tower REIT	28,026	1.08	
212,344 American Water Works	27,127	1.05	
198,214 Becton Dickinson	48,089	1.86	
483,613 Bristol-Myers Squibb	28,804	1.11	
275,332 Bristol-Myers Squibb Rights 31/03/2021	939	0.04	
389,783 Bunge	18,639	0.72	
826,648 Cheniere Energy	39,522	1.53	
1,254,775 Comcast	51,433	1.99	
381,639 CoreSite Realty REIT	39,790	1.54	
282,094 Crown Castle International REIT	41,871	1.62	
722,284 CSX	52,163	2.02	
916,757 CVS Health	54,391	2.10	
369,151 Edison International	25,900	1.00	
47,081 Equinix REIT	28,130	1.09	
834,065 First Republic Bank	87,235	3.37	
545,907 Garmin	48,733	1.88	
152,409 Honeywell International	24,315	0.94	
286,107 Johnson & Johnson	39,792	1.54	
467,491 Microsoft	73,864	2.86	
229,828 Motorola Solutions	38,783	1.50	
107,739 NextEra Energy	27,551	1.07	
779,899 ONEOK	52,667	2.04	
388,257 PepsiCo	52,923	2.05	
596,138 Republic Services	54,487	2.11	
142,247 Visa	25,604	0.99	
392,389 Walt Disney	46,271	1.79	
195,703 Yum! Brands	18,140	0.70	
<b>Canada</b>	<b>262,141</b>	<b>10.14</b>	<b>9.59</b>
581,827 Franco Nevada	65,904	2.55	
3,203,950 Manulife Financial	54,019	2.09	
9,445,031 PrairieSky Royalty	87,258	3.37	
1,028,251 TC Energy	54,960	2.13	
<b>Japan</b>	<b>152,058</b>	<b>5.88</b>	<b>6.03</b>
535,900 Shimano	74,293	2.87	
1,190,800 Toyota Motor	77,765	3.01	
<b>Australia</b>	<b>76,713</b>	<b>2.97</b>	<b>3.09</b>
326,423 Erinbarr <sup>[a]</sup>	0	0.00	
38,888,602 Starpharma	25,904	1.00	
5,275,707 Transurban	50,809	1.97	
<b>Hong Kong</b>	<b>147,122</b>	<b>5.69</b>	<b>4.06</b>
8,091,368 AIA	79,735	3.09	
37,520,000 Kunlun Energy	26,189	1.01	
831,800 Tencent	41,198	1.59	

# M&G Global Themes Fund

## Authorised Corporate Director's Report

### Investments

Portfolio statement (continued)			
as at Holding	29.02.20 \$'000	29.02.20 %	31.08.19 %
Singapore	48,144	1.86	1.78
2,787,433 DBS	48,144	1.86	
South Korea	76,493	2.96	2.76
1,714,032 Samsung Electronics	76,493	2.96	
Portfolio of investments	2,569,113	99.39	99.37
Net other assets / (liabilities)	15,813	0.61	0.63
Net assets attributable to shareholders	2,584,926	100.00	100.00

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

[a] Unlisted / unquoted (formerly Australian Zircon).

Top ten portfolio transactions	
for the six months to 29 February 2020	
Largest purchases	\$'000
Bristol-Myers Squibb	37,217
PrairieSky Royalty	34,177
Nokia	29,692
Kunlun Energy	22,214
Tencent	20,176
Cheniere Energy	9,219
Naturgy Energy	8,807
CoreSite Realty REIT	6,594
Ørsted	5,429
Comcast	5,063
Other purchases	59,361
<b>Total purchases</b>	<b>237,949</b>
Largest sales	\$'000
Celgene	40,848
London Stock Exchange	35,268
Microsoft	19,914
Samsung Electronics	16,487
Franco Nevada	16,009
Infineon Technologies	14,476
Siemens	14,375
Motorola Solutions	13,387
Johnson & Johnson	11,707
Henkel Preference Shares	11,335
Other sales	184,541
<b>Total sales</b>	<b>378,347</b>

# M&G Global Themes Fund

## Financial highlights

### Fund performance

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

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

### Fund level performance

Fund net asset value			
as at	29.02.20 \$'000	31.08.19 \$'000	31.08.18 \$'000
Fund net asset value (NAV)	2,584,926	2,678,721	3,077,684

### Performance since launch

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



\* Income reinvested

\*\* Prior to 17 November 2017 the benchmark was the FTSE Global Basics Composite Index (comprising all subsectors of the FTSE World Index except media, IT, telecommunications, financials and healthcare). Thereafter it is the MSCI ACWI Index.

Source: Morningstar, Inc. and M&G

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

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

### Long-term performance by share class

	Six months 02.09.19 % <sup>[a]</sup>	Three years 02.03.17 % p.a.	Five years 02.03.15 % p.a.	Since launch % p.a.
<b>Euro <sup>[b]</sup></b>				
Class 'A'	-1.5	+4.7	+4.4	+7.2 <sup>[c]</sup>
Class 'C'	-1.0	+5.8	+5.4	+8.2 <sup>[c]</sup>
<b>Sterling <sup>[d]</sup></b>				
Class 'A'	-5.5	+5.6	+8.4	+7.7 <sup>[e]</sup>
Class 'I'	-5.3	+6.3	+9.2	+8.1 <sup>[f]</sup>
Class 'PP'	-5.2	n/a	n/a	+7.2 <sup>[g]</sup>
Class 'R'	-5.4	+6.0	+8.9	+7.8 <sup>[f]</sup>
Class 'X'	-5.5	+5.6	+8.4	+13.5 <sup>[h]</sup>
<b>US dollar <sup>[b]</sup></b>				
Class 'A'	-0.2	+6.7	+4.2	+2.6 <sup>[i]</sup>
Class 'C'	+0.3	+7.7	+5.2	+3.7 <sup>[i]</sup>

<sup>[a]</sup> Absolute basis.

<sup>[b]</sup> Price to price with net income reinvested.

<sup>[c]</sup> 28 November 2001, the launch date of the share class.

<sup>[d]</sup> Price to price with income reinvested.

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

<sup>[f]</sup> 3 August 2012, the launch date of the share class.

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

<sup>[h]</sup> 1 October 2002, the launch date of the share class.

<sup>[i]</sup> 9 March 2007, the launch date of the share class.

# M&G Global Themes Fund

## Financial highlights

### Fund performance

### Operating charges and portfolio transaction costs

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

#### Operating charges

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

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

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

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

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

Once the annual charge has been operational for twelve months, operating charges will be in line with the ongoing charges shown in the Key Investor Information Document, other than where there have been extraordinary legal or tax expenses, or an estimate has been used for the ongoing charge because a material change has made the operating charges unreliable as an estimate of future charges.

#### Portfolio transaction costs

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

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

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

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

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

#### Portfolio transaction costs

	Six months to 29.02.20	Year to 31.08.19	Year to 31.08.18	Average <sup>[a]</sup>
Direct portfolio transaction costs <sup>[b]</sup>	%	%	%	%
Broker commission	0.01	0.07	0.04	0.04
Taxes	0.01	0.04	0.02	0.02
Costs before dilution adjustments	0.02	0.11	0.06	0.06
Dilution adjustments <sup>[c]</sup>	(0.01)	(0.01)	(0.01)	(0.01)
Total direct portfolio transaction costs	0.01	0.10	0.05	0.05
as at	29.02.20	31.08.19	31.08.18	Average <sup>[a]</sup>
Indirect portfolio transaction costs	%	%	%	%
Average portfolio dealing spread	0.14	0.25	0.17	0.19

<sup>[a]</sup> Average of first three columns.

<sup>[b]</sup> As a percentage of average net asset value.

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

# M&G Global Themes Fund

## Financial highlights

### Specific share class performance

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

Historic yields for the current period are calculated as at 13 March 2020.

#### Euro Class 'A' Income share performance

The share class was launched on 12 July 2013.

Change in NAV per share	Six months to 29.02.20 Euro ¢	Year to 31.08.19 Euro ¢	Year to 31.08.18 Euro ¢
Opening NAV	3,355.12	3,119.11	2,922.01
Return before operating charges and after direct portfolio transaction costs	83.06	360.58	314.66
Operating charges	(16.42)	(59.62)	(59.73)
Return after operating charges	66.64	300.96	254.93
Distributions	n/a	(64.95)	(57.83)
Closing NAV	3,421.76	3,355.12	3,119.11
<b>Direct portfolio transaction costs</b>	<b>Euro ¢</b>	<b>Euro ¢</b>	<b>Euro ¢</b>
Costs before dilution adjustments	0.43	3.46	1.89
Dilution adjustments <sup>[a]</sup>	(0.25)	(0.40)	(0.27)
Total direct portfolio transaction costs	0.18	3.06	1.62
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.01	0.10	0.05
Operating charges <sup>[c]</sup>	1.86	1.92	1.92
Return after operating charges	+1.99	+9.65	+8.72
Historic yield	2.24	1.69	1.86
Effect on yield of charges offset against capital	1.86	1.90	1.90
<b>Other information</b>			
Closing NAV (\$'000)	6,703	5,258	5,968
Closing NAV percentage of total fund NAV (%)	0.26	0.20	0.19
Number of shares	178,214	141,928	163,979
Highest share price (Euro ¢)	3,871.78	3,432.94	3,268.60
Lowest share price (Euro ¢)	3,361.01	2,729.51	2,928.48

#### Euro Class 'A' Accumulation share performance

The share class was launched on 28 November 2001.

Change in NAV per share	Six months to 29.02.20 Euro ¢	Year to 31.08.19 Euro ¢	Year to 31.08.18 Euro ¢
Opening NAV	3,580.57	3,265.29	3,003.89
Return before operating charges and after direct portfolio transaction costs	88.58	377.68	322.62
Operating charges	(17.51)	(62.40)	(61.22)
Return after operating charges	71.07	315.28	261.40
Distributions	n/a	(4.46)	0.00
Retained distributions	n/a	4.46	0.00
Closing NAV	3,651.64	3,580.57	3,265.29
<b>Direct portfolio transaction costs</b>	<b>Euro ¢</b>	<b>Euro ¢</b>	<b>Euro ¢</b>
Costs before dilution adjustments	0.45	3.62	1.93
Dilution adjustments <sup>[a]</sup>	(0.27)	(0.42)	(0.28)
Total direct portfolio transaction costs	0.18	3.20	1.65
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.01	0.10	0.05
Operating charges <sup>[c]</sup>	1.86	1.92	1.92
Return after operating charges	+1.98	+9.66	+8.70
Historic yield	0.14	0.00	0.00
Effect on yield of charges offset against capital	0.00	0.00	0.00
<b>Other information</b>			
Closing NAV (\$'000)	1,642,314	1,711,878	2,027,137
Closing NAV percentage of total fund NAV (%)	63.54	63.90	65.88
Number of shares	40,917,672	43,300,407	53,204,357
Highest share price (Euro ¢)	4,131.89	3,594.06	3,359.41
Lowest share price (Euro ¢)	3,586.81	2,857.61	3,009.84

#### Euro Class 'C' Income share performance

The share class was launched on 8 August 2014.

Change in NAV per share	Six months to 29.02.20 Euro ¢	Year to 31.08.19 Euro ¢	Year to 31.08.18 Euro ¢
Opening NAV	3,874.79	3,566.16	3,307.75
Return before operating charges and after direct portfolio transaction costs	105.43	416.12	357.05
Operating charges	(8.79)	(32.82)	(32.55)
Return after operating charges	96.64	383.30	324.50
Distributions	n/a	(74.67)	(66.09)
Closing NAV	3,971.43	3,874.79	3,566.16
<b>Direct portfolio transaction costs</b>	<b>Euro ¢</b>	<b>Euro ¢</b>	<b>Euro ¢</b>
Costs before dilution adjustments	0.49	3.98	2.15
Dilution adjustments <sup>[a]</sup>	(0.29)	(0.46)	(0.31)
Total direct portfolio transaction costs	0.20	3.52	1.84
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.01	0.10	0.05
Operating charges <sup>[c]</sup>	0.86	0.92	0.92
Return after operating charges	+2.49	+10.75	+9.81
Historic yield	2.22	1.67	1.86
Effect on yield of charges offset against capital	0.86	0.90	0.90
<b>Other information</b>			
Closing NAV (\$'000)	1,415	1,386	1,485
Closing NAV percentage of total fund NAV (%)	0.05	0.05	0.05
Number of shares	32,405	32,405	35,695
Highest share price (Euro ¢)	4,492.38	3,960.40	3,713.16
Lowest share price (Euro ¢)	3,885.93	3,130.84	3,317.13

# M&G Global Themes Fund

## Financial highlights

### Specific share class performance

#### Euro Class 'C' Accumulation share performance

The share class was launched on 28 November 2001.

	Six months to 29.02.20 Euro ¢	Year to 31.08.19 Euro ¢	Year to 31.08.18 Euro ¢
<b>Change in NAV per share</b>			
Opening NAV	4,246.28	3,834.19	3,492.19
Return before operating charges and after direct portfolio transaction costs	115.77	447.19	376.32
Operating charges	(9.68)	(35.10)	(34.32)
Return after operating charges	106.09	412.09	342.00
Distributions	n/a	(44.93)	(35.11)
Retained distributions	n/a	44.93	35.11
Closing NAV	4,352.37	4,246.28	3,834.19
<b>Direct portfolio transaction costs</b>	<b>Euro ¢</b>	<b>Euro ¢</b>	<b>Euro ¢</b>
Costs before dilution adjustments	0.54	4.25	2.26
Dilution adjustments <sup>[a]</sup>	(0.32)	(0.50)	(0.32)
Total direct portfolio transaction costs	0.22	3.75	1.94
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.01	0.10	0.05
Operating charges <sup>[c]</sup>	0.86	0.92	0.92
Return after operating charges	+2.50	+10.75	+9.79
Historic yield	1.22	0.81	0.92
Effect on yield of charges offset against capital	0.00	0.00	0.00
<b>Other information</b>			
Closing NAV (\$'000)	6,332	13,397	16,151
Closing NAV percentage of total fund NAV (%)	0.24	0.50	0.52
Number of shares	132,355	285,735	361,002
Highest share price (Euro ¢)	4,923.28	4,258.34	3,919.55
Lowest share price (Euro ¢)	4,258.58	3,366.37	3,501.73

#### Sterling Class 'A' Income share performance

The share class was launched on 28 February 1973.

	Six months to 29.02.20 UK p	Year to 31.08.19 UK p	Year to 31.08.18 UK p
<b>Change in NAV per share</b>			
Opening NAV	993.10	911.11	873.84
Return before operating charges and after direct portfolio transaction costs	(34.21)	115.97	68.93
Operating charges	(3.38)	(14.78)	(14.79)
Return after operating charges	(37.59)	101.19	54.14
Distributions	n/a	(19.20)	(16.87)
Closing NAV	955.51	993.10	911.11
<b>Direct portfolio transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.12	1.00	0.54
Dilution adjustments <sup>[a]</sup>	(0.07)	(0.12)	(0.08)
Total direct portfolio transaction costs	0.05	0.88	0.46
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.01	0.10	0.05
Operating charges <sup>[c]</sup>	1.36	1.65	1.67
Return after operating charges	-3.79	+11.11	+6.20
Historic yield	2.33	1.64	1.85
Effect on yield of charges offset against capital	1.36	1.63	1.65
<b>Other information</b>			
Closing NAV (\$'000)	143,768	144,504	156,489
Closing NAV percentage of total fund NAV (%)	5.56	5.39	5.08
Number of shares	11,679,937	11,948,404	13,206,458
Highest share price (UK p)	1,060.73	1,018.69	944.06
Lowest share price (UK p)	954.81	802.05	833.29

#### Sterling Class 'A' Accumulation share performance

The share class was launched on 28 February 1973.

	Six months to 29.02.20 UK p	Year to 31.08.19 UK p	Year to 31.08.18 UK p
<b>Change in NAV per share</b>			
Opening NAV	1,602.82	1,442.51	1,358.67
Return before operating charges and after direct portfolio transaction costs	(55.23)	183.71	106.95
Operating charges	(5.45)	(23.40)	(23.11)
Return after operating charges	(60.68)	160.31	83.84
Distributions	n/a	(6.07)	(2.45)
Retained distributions	n/a	6.07	2.45
Closing NAV	1,542.14	1,602.82	1,442.51
<b>Direct portfolio transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.19	1.58	0.84
Dilution adjustments <sup>[a]</sup>	(0.11)	(0.18)	(0.12)
Total direct portfolio transaction costs	0.08	1.40	0.72
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.01	0.10	0.05
Operating charges <sup>[c]</sup>	1.36	1.65	1.67
Return after operating charges	-3.79	+11.11	+6.17
Historic yield	0.46	0.15	0.17
Effect on yield of charges offset against capital	0.00	0.00	0.00
<b>Other information</b>			
Closing NAV (\$'000)	290,143	295,883	322,760
Closing NAV percentage of total fund NAV (%)	11.23	11.05	10.50
Number of shares	14,605,123	15,158,538	17,204,174
Highest share price (UK p)	1,711.95	1,612.96	1,467.51
Lowest share price (UK p)	1,541.01	1,269.93	1,295.40

#### Sterling Class 'T' Income share performance

The share class was launched on 3 August 2012.

	Six months to 29.02.20 UK p	Year to 31.08.19 UK p	Year to 31.08.18 UK p
<b>Change in NAV per share</b>			
Opening NAV	1,687.32	1,536.70	1,462.82
Return before operating charges and after direct portfolio transaction costs	(56.19)	197.07	115.98
Operating charges	(3.63)	(13.93)	(13.74)
Return after operating charges	(59.82)	183.14	102.24
Distributions	n/a	(32.52)	(28.36)
Closing NAV	1,627.50	1,687.32	1,536.70
<b>Direct portfolio transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.20	1.69	0.91
Dilution adjustments <sup>[a]</sup>	(0.12)	(0.20)	(0.13)
Total direct portfolio transaction costs	0.08	1.49	0.78
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.01	0.10	0.05
Operating charges <sup>[c]</sup>	0.86	0.92	0.92
Return after operating charges	-3.55	+11.92	+6.99
Historic yield	2.32	1.62	1.84
Effect on yield of charges offset against capital	0.86	0.90	0.90
<b>Other information</b>			
Closing NAV (\$'000)	58,612	60,204	68,915
Closing NAV percentage of total fund NAV (%)	2.27	2.25	2.24
Number of shares	2,795,648	2,929,887	3,448,246
Highest share price (UK p)	1,806.51	1,729.96	1,591.42
Lowest share price (UK p)	1,626.31	1,356.06	1,401.16

# M&G Global Themes Fund

## Financial highlights

### Specific share class performance

#### Sterling Class 'I' Accumulation share performance

The share class was launched on 3 August 2012.

	Six months to 29.02.20 UK p	Year to 31.08.19 UK p	Year to 31.08.18 UK p
<b>Change in NAV per share</b>			
Opening NAV	1,879.96	1,679.67	1,570.26
Return before operating charges and after direct portfolio transaction costs	(62.63)	215.52	124.19
Operating charges	(4.05)	(15.23)	(14.78)
Return after operating charges	(66.68)	200.29	109.41
Distributions	n/a	(19.85)	(15.38)
Retained distributions	n/a	19.85	15.38
Closing NAV	1,813.28	1,879.96	1,679.67
<b>Direct portfolio transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.23	1.85	0.97
Dilution adjustments <sup>[a]</sup>	(0.13)	(0.22)	(0.14)
Total direct portfolio transaction costs	0.10	1.63	0.83
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.01	0.10	0.05
Operating charges <sup>[c]</sup>	0.86	0.92	0.92
Return after operating charges	-3.55	+11.92	+6.97
Historic yield	1.27	0.79	0.91
Effect on yield of charges offset against capital	0.00	0.00	0.00
<b>Other information</b>			
Closing NAV (\$'000)	262,844	267,712	283,442
Closing NAV percentage of total fund NAV (%)	10.17	9.99	9.21
Number of shares	11,252,506	11,693,471	12,975,200
Highest share price (UK p)	2,012.73	1,891.03	1,707.96
Lowest share price (UK p)	1,811.95	1,482.31	1,503.81

#### Sterling Class 'PP' Income share performance

The share class was launched on 5 August 2019.

	Six months to 29.02.20 UK p	Year to 31.08.19 UK p	Year to 31.08.18 UK p
<b>Change in NAV per share</b>			
Opening NAV	100.15	100.00	n/a
Return before operating charges and after direct portfolio transaction costs	(3.29)	2.10	n/a
Operating charges	(0.17)	(0.05)	n/a
Return after operating charges	(3.46)	2.05	n/a
Distributions	n/a	(1.90)	n/a
Closing NAV	96.69	100.15	n/a
<b>Direct portfolio transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.01	0.01	n/a
Dilution adjustments <sup>[a]</sup>	(0.01)	0.00	n/a
Total direct portfolio transaction costs	0.00	0.01	n/a
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.01	0.10	n/a
Operating charges	0.66	0.66	n/a
Return after operating charges	-3.45	+2.05	n/a
Historic yield	2.28	1.69	n/a
Effect on yield of charges offset against capital	0.66	0.70	n/a
<b>Other information</b>			
Closing NAV (\$'000)	173	169	n/a
Closing NAV percentage of total fund NAV (%)	0.01	0.01	n/a
Number of shares	138,924	138,924	n/a
Highest share price (UK p)	107.33	102.60	n/a
Lowest share price (UK p)	96.62	99.24	n/a

#### Sterling Class 'PP' Accumulation share performance

The share class was launched on 8 April 2019.

	Six months to 29.02.20 UK p	Year to 31.08.19 UK p	Year to 31.08.18 UK p
<b>Change in NAV per share</b>			
Opening NAV	111.72	100.00	n/a
Return before operating charges and after direct portfolio transaction costs	(3.66)	12.02	n/a
Operating charges	(0.19)	(0.30)	n/a
Return after operating charges	(3.85)	11.72	n/a
Distributions	n/a	(1.27)	n/a
Retained distributions	n/a	1.27	n/a
Closing NAV	107.87	111.72	n/a
<b>Direct portfolio transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.01	0.05	n/a
Dilution adjustments <sup>[a]</sup>	(0.01)	(0.01)	n/a
Total direct portfolio transaction costs	0.00	0.04	n/a
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.01	0.10	n/a
Operating charges <sup>[c]</sup>	0.66	0.67	n/a
Return after operating charges	-3.45	+11.72	n/a
Historic yield	1.36	0.60	n/a
Effect on yield of charges offset against capital	0.00	0.00	n/a
<b>Other information</b>			
Closing NAV (\$'000)	491	188	n/a
Closing NAV percentage of total fund NAV (%)	0.02	0.01	n/a
Number of shares	353,462	138,014	n/a
Highest share price (UK p)	119.72	112.36	n/a
Lowest share price (UK p)	107.79	99.20	n/a

#### Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012.

	Six months to 29.02.20 UK p	Year to 31.08.19 UK p	Year to 31.08.18 UK p
<b>Change in NAV per share</b>			
Opening NAV	167.58	153.00	146.02
Return before operating charges and after direct portfolio transaction costs	(5.68)	19.58	11.55
Operating charges	(0.47)	(1.77)	(1.74)
Return after operating charges	(6.15)	17.81	9.81
Distributions	n/a	(3.23)	(2.83)
Closing NAV	161.43	167.58	153.00
<b>Direct portfolio transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.02	0.17	0.09
Dilution adjustments <sup>[a]</sup>	(0.01)	(0.02)	(0.01)
Total direct portfolio transaction costs	0.01	0.15	0.08
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.01	0.10	0.05
Operating charges <sup>[c]</sup>	1.11	1.17	1.17
Return after operating charges	-3.67	+11.64	+6.72
Historic yield	2.32	1.63	1.84
Effect on yield of charges offset against capital	1.11	1.15	1.15
<b>Other information</b>			
Closing NAV (\$'000)	4,361	4,206	3,913
Closing NAV percentage of total fund NAV (%)	0.17	0.16	0.13
Number of shares	2,097,090	2,061,137	1,966,484
Highest share price (UK p)	179.20	171.86	158.48
Lowest share price (UK p)	161.32	134.91	139.65

# M&G Global Themes Fund

## Financial highlights

### Specific share class performance

#### Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012.

	Six months to 29.02.20 UK p	Year to 31.08.19 UK p	Year to 31.08.18 UK p
<b>Change in NAV per share</b>			
Opening NAV	184.73	165.47	155.07
Return before operating charges and after direct portfolio transaction costs	(6.26)	21.17	12.26
Operating charges	(0.51)	(1.91)	(1.86)
Return after operating charges	(6.77)	19.26	10.40
Distributions	n/a	(1.52)	(1.11)
Retained distributions	n/a	1.52	1.11
Closing NAV	177.96	184.73	165.47
<b>Direct portfolio transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.02	0.18	0.10
Dilution adjustments <sup>[a]</sup>	(0.01)	(0.02)	(0.01)
Total direct portfolio transaction costs	0.01	0.16	0.09
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.01	0.10	0.05
Operating charges <sup>[c]</sup>	1.11	1.17	1.17
Return after operating charges	-3.66	+11.64	+6.71
Historic yield	0.99	0.58	0.67
Effect on yield of charges offset against capital	0.00	0.00	0.00
<b>Other information</b>			
Closing NAV (\$'000)	19,516	19,127	16,709
Closing NAV percentage of total fund NAV (%)	0.75	0.71	0.54
Number of shares	8,513,186	8,502,016	7,764,839
Highest share price (UK p)	197.55	185.87	168.28
Lowest share price (UK p)	177.83	145.90	148.29

#### Sterling Class 'X' Income share performance

The share class was launched on 1 October 2002.

	Six months to 29.02.20 UK p	Year to 31.08.19 UK p	Year to 31.08.18 UK p
<b>Change in NAV per share</b>			
Opening NAV	996.34	914.07	876.72
Return before operating charges and after direct portfolio transaction costs	(34.32)	116.36	69.20
Operating charges	(3.39)	(14.83)	(14.92)
Return after operating charges	(37.71)	101.53	54.28
Distributions	n/a	(19.26)	(16.93)
Closing NAV	958.63	996.34	914.07
<b>Direct portfolio transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.12	1.00	0.54
Dilution adjustments <sup>[a]</sup>	(0.07)	(0.12)	(0.08)
Total direct portfolio transaction costs	0.05	0.88	0.46
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.01	0.10	0.05
Operating charges <sup>[c]</sup>	1.36	1.65	1.67
Return after operating charges	-3.78	+11.11	+6.19
Historic yield	2.33	1.64	1.85
Effect on yield of charges offset against capital	1.36	1.63	1.65
<b>Other information</b>			
Closing NAV (\$'000)	44,193	44,642	47,744
Closing NAV percentage of total fund NAV (%)	1.71	1.67	1.55
Number of shares	3,578,673	3,679,292	4,016,128
Highest share price (UK p)	1,064.19	1,022.01	947.14
Lowest share price (UK p)	957.93	804.66	836.06

#### Sterling Class 'X' Accumulation share performance

The share class was launched on 1 October 2002.

	Six months to 29.02.20 UK p	Year to 31.08.19 UK p	Year to 31.08.18 UK p
<b>Change in NAV per share</b>			
Opening NAV	1,587.10	1,428.35	1,345.33
Return before operating charges and after direct portfolio transaction costs	(54.70)	181.92	105.91
Operating charges	(5.39)	(23.17)	(22.89)
Return after operating charges	(60.09)	158.75	83.02
Distributions	n/a	(6.01)	(2.41)
Retained distributions	n/a	6.01	2.41
Closing NAV	1,527.01	1,587.10	1,428.35
<b>Direct portfolio transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.19	1.56	0.83
Dilution adjustments <sup>[a]</sup>	(0.11)	(0.18)	(0.12)
Total direct portfolio transaction costs	0.08	1.38	0.71
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.01	0.10	0.05
Operating charges <sup>[c]</sup>	1.36	1.65	1.67
Return after operating charges	-3.79	+11.11	+6.17
Historic yield	0.46	0.15	0.17
Effect on yield of charges offset against capital	0.00	0.00	0.00
<b>Other information</b>			
Closing NAV (\$'000)	84,210	89,535	102,920
Closing NAV percentage of total fund NAV (%)	3.26	3.34	3.34
Number of shares	4,280,973	4,632,482	5,540,367
Highest share price (UK p)	1,695.14	1,597.12	1,453.10
Lowest share price (UK p)	1,525.89	1,257.47	1,282.70

#### US dollar Class 'A' Income share performance

The share class was launched on 8 August 2014.

	Six months to 29.02.20 US ¢	Year to 31.08.19 US ¢	Year to 31.08.18 US ¢
<b>Change in NAV per share</b>			
Opening NAV	1,317.67	1,294.54	1,232.44
Return before operating charges and after direct portfolio transaction costs	26.49	72.60	111.54
Operating charges	(6.40)	(23.95)	(25.43)
Return after operating charges	20.09	48.65	86.11
Distributions	n/a	(25.52)	(24.01)
Closing NAV	1,337.76	1,317.67	1,294.54
<b>Direct portfolio transaction costs</b>	<b>US ¢</b>	<b>US ¢</b>	<b>US ¢</b>
Costs before dilution adjustments	0.17	1.39	0.80
Dilution adjustments <sup>[a]</sup>	(0.10)	(0.16)	(0.11)
Total direct portfolio transaction costs	0.07	1.23	0.69
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.01	0.10	0.05
Operating charges <sup>[c]</sup>	1.86	1.92	1.92
Return after operating charges	+1.52	+3.76	+6.99
Historic yield	2.23	1.77	1.88
Effect on yield of charges offset against capital	1.86	1.90	1.90
<b>Other information</b>			
Closing NAV (\$'000)	23	56	89
Closing NAV percentage of total fund NAV (%)	0.00	0.00	0.00
Number of shares	1,704	4,215	6,874
Highest share price (US ¢)	1,492.68	1,366.55	1,426.87
Lowest share price (US ¢)	1,310.44	1,105.71	1,242.08

# M&G Global Themes Fund

## Financial highlights

### Specific share class performance

#### US dollar Class 'A' Accumulation share performance

The share class was launched on 9 March 2007.

	Six months to 29.02.20 US ¢	Year to 31.08.19 US ¢	Year to 31.08.18 US ¢
<b>Change in NAV per share</b>			
Opening NAV	1,401.98	1,351.12	1,263.06
Return before operating charges and after direct portfolio transaction costs	28.23	75.95	113.98
Operating charges	(6.88)	(25.09)	(25.92)
Return after operating charges	21.35	50.86	88.06
Distributions	n/a	(1.75)	0.00
Retained distributions	n/a	1.75	0.00
Closing NAV	1,423.33	1,401.98	1,351.12
<b>Direct portfolio transaction costs</b>	<b>US ¢</b>	<b>US ¢</b>	<b>US ¢</b>
Costs before dilution adjustments	0.18	1.46	0.82
Dilution adjustments <sup>[a]</sup>	(0.10)	(0.17)	(0.12)
Total direct portfolio transaction costs	0.08	1.29	0.70
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.01	0.10	0.05
Operating charges <sup>[c]</sup>	1.86	1.92	1.92
Return after operating charges	+1.52	+3.76	+6.97
Historic yield	0.14	0.00	0.00
Effect on yield of charges offset against capital	0.00	0.00	0.00
<b>Other information</b>			
Closing NAV (\$'000)	19,773	20,522	23,215
Closing NAV percentage of total fund NAV (%)	0.76	0.77	0.75
Number of shares	1,389,200	1,463,766	1,718,205
Highest share price (US ¢)	1,588.17	1,426.36	1,462.09
Lowest share price (US ¢)	1,394.27	1,154.11	1,272.76

#### US dollar Class 'C' Income share performance

The share class was launched on 8 August 2014.

	Six months to 29.02.20 US ¢	Year to 31.08.19 US ¢	Year to 31.08.18 US ¢
<b>Change in NAV per share</b>			
Opening NAV	1,445.32	1,405.70	1,324.82
Return before operating charges and after direct portfolio transaction costs	32.65	79.84	119.70
Operating charges	(3.22)	(12.27)	(12.80)
Return after operating charges	29.43	67.57	106.90
Distributions	n/a	(27.95)	(26.02)
Closing NAV	1,474.75	1,445.32	1,405.70
<b>Direct portfolio transaction costs</b>	<b>US ¢</b>	<b>US ¢</b>	<b>US ¢</b>
Costs before dilution adjustments	0.18	1.53	0.87
Dilution adjustments <sup>[a]</sup>	(0.11)	(0.18)	(0.12)
Total direct portfolio transaction costs	0.07	1.35	0.75
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.01	0.10	0.05
Operating charges <sup>[c]</sup>	0.84	0.90	0.90
Return after operating charges	+2.04	+4.81	+8.07
Historic yield	2.21	1.75	1.87
Effect on yield of charges offset against capital	0.84	0.90	0.90
<b>Other information</b>			
Closing NAV (\$'000)	6	6	6
Closing NAV percentage of total fund NAV (%)	0.00	0.00	0.00
Number of shares	401	401	401
Highest share price (US ¢)	1,645.02	1,496.45	1,540.18
Lowest share price (US ¢)	1,438.71	1,204.50	1,335.35

#### US dollar Class 'C' Accumulation share performance

The share class was launched on 9 March 2007.

	Six months to 29.02.20 US ¢	Year to 31.08.19 US ¢	Year to 31.08.18 US ¢
<b>Change in NAV per share</b>			
Opening NAV	1,584.37	1,511.73	1,394.18
Return before operating charges and after direct portfolio transaction costs	35.73	86.25	131.23
Operating charges	(3.59)	(13.61)	(13.68)
Return after operating charges	32.14	72.64	117.55
Distributions	n/a	(16.66)	(13.85)
Retained distributions	n/a	16.66	13.85
Closing NAV	1,616.51	1,584.37	1,511.73
<b>Direct portfolio transaction costs</b>	<b>US ¢</b>	<b>US ¢</b>	<b>US ¢</b>
Costs before dilution adjustments	0.20	1.64	0.90
Dilution adjustments <sup>[a]</sup>	(0.12)	(0.19)	(0.13)
Total direct portfolio transaction costs	0.08	1.45	0.77
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.01	0.10	0.05
Operating charges <sup>[c]</sup>	0.86	0.92	0.92
Return after operating charges	+2.03	+4.81	+8.43
Historic yield	1.20	0.85	0.93
Effect on yield of charges offset against capital	0.00	0.00	0.00
<b>Other information</b>			
Closing NAV (\$'000)	49	48	741
Closing NAV percentage of total fund NAV (%)	0.00	0.00	0.02
Number of shares	3,051	3,051	48,995
Highest share price (US ¢)	1,803.19	1,609.39	1,626.31
Lowest share price (US ¢)	1,577.17	1,295.48	1,410.11

<sup>[a]</sup> In respect of direct portfolio transaction costs.

<sup>[b]</sup> As a percentage of average net asset value.

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

# M&G Global Themes Fund

## Financial statements and notes

### Financial statements

#### Statement of total return

for the six months to 29 and 28 February	2020		2019	
	\$'000	\$'000	\$'000	\$'000
Income				
Net capital gains / (losses)		48,147		(120,160)
Revenue	29,605		25,017	
Expenses	(22,517)		(24,520)	
Net revenue / (expense) before taxation	7,088		497	
Taxation	(2,981)		(2,104)	
Net revenue / (expense) after taxation		4,107		(1,607)
<b>Total return before equalisation</b>		<b>52,254</b>		<b>(121,767)</b>
Equalisation		(129)		62
<b>Change in net assets attributable to shareholders from investment activities</b>		<b>52,125</b>		<b>(121,705)</b>

#### Statement of change in net assets attributable to shareholders

for the six months to 29 and 28 February	2020		2019	
	\$'000	\$'000	\$'000	\$'000
Opening net assets attributable to shareholders		2,678,721		3,077,684
Amounts received on issue of shares	91,464		23,460	
Amounts paid on cancellation of shares	(237,753)		(137,213)	
		(146,289)		(113,753)
Dilution adjustments		362		148
Change in net assets attributable to shareholders from investment activities (see above)		52,125		(121,705)
Unclaimed distributions		7		10
<b>Closing net assets attributable to shareholders</b>		<b>2,584,926</b>		<b>2,842,384</b>

The opening net assets attributable to shareholders for 2020 differs to the closing position in 2019 by the change in net assets attributable to shareholders for the second half of the comparative financial year.

#### Balance sheet

as at	29 February 2020	31 August 2019
	\$'000	\$'000
<b>Assets</b>		
<b>Fixed assets</b>		
Investments	2,569,113	2,661,734
<b>Current assets</b>		
Debtors	12,400	14,144
Cash and bank balances	21,807	17,433
<b>Total assets</b>	<b>2,603,320</b>	<b>2,693,311</b>
<b>Liabilities</b>		
<b>Creditors</b>		
Distribution payable	0	(5,031)
Other creditors	(18,394)	(9,559)
<b>Total liabilities</b>	<b>(18,394)</b>	<b>(14,590)</b>
<b>Net assets attributable to shareholders</b>	<b>2,584,926</b>	<b>2,678,721</b>

### Notes to the financial statements

#### Accounting policies

The financial statements have been prepared in accordance with the 'Accounting policies' set out on page 4.

#### Distribution policy

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

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

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

#### Events after the balance sheet date

Between 29 February 2020 and 9 April 2020 there has been a fall in the value of investments driven by fears of the negative impact on global growth from COVID-19. The resulting impact on net asset values (NAV) can be seen in the table below.

Net asset	29.02.20	09.04.20	% change
<b>Euro</b>			
Class 'A' Income	3,421.76	3,089.78	-9.70
Class 'A' Accumulation	3,651.64	3,297.36	-9.70
Class 'C' Income	3,971.43	3,590.19	-9.60
Class 'C' Accumulation	4,352.37	3,934.57	-9.60
<b>Sterling</b>			
Class 'A' Income	955.51	883.34	-7.55
Class 'A' Accumulation	1,542.14	1,425.64	-7.55
Class 'I' Income	1,627.50	1,505.41	-7.50
Class 'I' Accumulation	1,813.28	1,677.26	-7.50
Class 'PP' Income	96.69	89.46	-7.48
Class 'PP' Accumulation	107.87	99.79	-7.49
Class 'R' Income	161.43	149.28	-7.53
Class 'R' Accumulation	177.96	164.57	-7.52
Class 'X' Income	958.63	886.21	-7.55
Class 'X' Accumulation	1,527.01	1,411.65	-7.55
<b>US dollar</b>			
Class 'A' Income	1,337.76	1,193.35	-10.79
Class 'A' Accumulation	1,423.33	1,269.69	-10.79
Class 'C' Income	1,474.75	1,317.02	-10.70
Class 'C' Accumulation	1,616.51	1,443.66	-10.69

# M&G Japan Fund

## Authorised Corporate Director's Report

### Investment objective

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

### Investment policy

At least 80% of the fund is invested directly in equity securities and equity related securities of companies across any sectors and market capitalisations that are incorporated, domiciled, or do most of their business in Japan. The fund usually holds a concentrated portfolio of fewer than 50 companies.

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

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

Derivatives may be used for efficient portfolio management and hedging.

### Investment approach

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

The investment approach aims to exploit price volatility.

The fund manager believes that stock market mispricing can, and often does, occur because psychological factors (i.e. behavioural biases) prevent investors from always assessing investments rationally. As a result, market prices do not always reflect the fundamental value of companies. The fund seeks to profit from such behavioural biases.

The investment approach filters the fund's investment universe down to a focused list of companies whose shares trade on low valuations relative to their history and the market. These companies are then subject to rigorous fundamental analysis to attain an understanding of a company's sustainable earnings. This fundamental analysis leads to a high level of conviction for each of the companies held in the fund.

The fund manager expects stock selection to be the main driver of performance.

### Benchmark

Benchmark: MSCI Japan Index.

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

### Risk profile

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

The fund's focus is on companies that are deemed to be undervalued, and these stocks could potentially experience a degree of illiquidity in times of market distress. However, the fund is mainly invested in the shares of large and medium-sized companies, which are normally traded with relative ease. The fund also invests in the shares of smaller companies, which can be more unpredictable and difficult to buy and sell. Diversification across industries and market capitalisation is therefore key in managing liquidity risk and reducing market risk. The fund's risks are measured and managed as an integral part of the investment process.

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



The above number:

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

### Investment review

**As at 2 March 2020, for the six months ended 29 February 2020**

#### Performance against objective

Between 2 September 2019 (the start of the review period) and 2 March 2020, the fund's sterling share classes produced a negative total return (the combination of income and growth of capital). Fund returns were behind the benchmark, the MSCI Japan Index, which fell by -3.8% over the six months.

Over five years, the fund's sterling share classes produced positive returns but underperformed its benchmark, which returned 8.2% p.a. over this period.\* The fund therefore did not meet the current objective over its specified timeframe of five years.

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

# M&G Japan Fund

## Authorised Corporate Director's Report

### Investment review

#### Investment performance

The Japanese stockmarket rallied strongly during the first part of the review period – the last four months of 2019. Over that period, it was one of the best performing developed markets.

For context, as investors moderated their views on the global growth outlook in the first half of 2019, Japanese company shares (equities) underperformed other major markets, with pessimism reaching extreme levels in the summer months. As the year drew to a close, however, Japan's resilient corporate fundamentals, combined with significant evidence of accelerating structural changes, were powerful ingredients for a market recovery.

Indeed, over the review period, there was compelling evidence of a generational shift in Japanese corporate mentality. This shift is firmly in favour of shareholders. Cross-Keiretsu business collaborations (that is, a set of companies with interlocking business relationships and shareholdings), hostile takeovers at the hands of domestic management teams, unprompted improvements in capital allocation, successful outcomes for activist investors and competitive bidding for listed assets, were all exciting features.

In 2020, however, growing evidence of corporate reform has been overtaken by concerns about COVID-19. The Japanese market started the new year somewhat tentatively, with investors responding nervously to evolving news flow relating to the virus. By the end of the review period, market conditions had become highly volatile and Japanese equities, having now declined sharply since the beginning of the year, are showing signs of panic investor behaviour.

Against this backdrop, the fund underperformed the MSCI Japan Index and recorded a negative total return. A large part of the negative return was due to the strength of sterling over the review period.

Consumer-related names featured in the list of detractors, including Ajinomoto, one of Japan's major packaged food producers. Poor quarterly earnings contributed to negative sentiment towards the stock. Fashion retailer United Arrows and department store Shimamura detracted as well. We inherited these stocks when we took over the management of the fund and these holdings have now been sold.

Optical equipment manufacturer Nikon also detracted. We began reducing the fund's exposure to Nikon in the fourth quarter of 2019, following share price strength. With a large portion of its market value held in net cash, Nikon's share price is arguably vulnerable to good news. However, following successive strategy mistakes, its camera business now finds itself in a highly precarious situation. Meanwhile, fresh uncertainties have arisen with respect to its precision business. With clearer risk-reward opportunities elsewhere, we closed the position at the beginning of March.

Industrial stocks suffered from indiscriminate selling in our view and transportation companies were hit particularly hard. East Japan Railway and Kesei Electric Railway are new holdings and ordinarily would be defensive during a market fall. However, with the coronavirus having obvious near-term implications for rail travel, these stocks were less defensive than in previous market downturns.

Having survived the Great Eastern Earthquake of 2011, East Japan Railway is no stranger to disrupted rail traffic and its emergency measures are well rehearsed. Its strong balance sheet puts the

company in a good position to weather this disruptive moment. Moreover, strong mid-term growth from non-rail operations is at odds with the heavily discounted valuation. Following the 2011 quake, from valuations similar to today's levels, JRE's share price doubled in the subsequent two years.

Another industrial stock that held back performance was Mitsubishi Heavy Industries. Shares in the company fell after it cut profit guidance.

On the other hand, Z Holdings (formerly Yahoo Japan) was the fund's largest contributor. The company announced a merger with Line Corp, the owner of Japan's top messenger app, which has positive strategic implications, in our view. When we invested in the stock late last summer, the market's expectation for the company's prospects was very downbeat. News of the merger has reinvigorated optimism about the company's growth potential and its shares have responded positively to this. Over the review period they rose by around 50% in local currency terms.

Meanwhile, technology materials business JSR outperformed as investors took a more balanced assessment of the company's ability to sustain its earnings over the medium term. JSR is another example of a company on an attractive valuation, with a strong balance sheet, quality management and product franchises and a credible long-term growth outlook. We see this as a core holding.

Other holdings that added value were diversified financial Nomura Holdings, which recovered following a period of weakness, and technology company Panasonic, which rallied from highly depressed levels seen in the summer of 2019 amid easing concerns related to its battery operation.

#### Investment activities

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

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

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

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

# M&G Japan Fund

## Authorised Corporate Director's Report

### Investment review

#### Investment activities (continued)

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

The stocks we have added to the portfolio all have a high stock-specific investment rationale. They do not necessarily fit neatly into thematic buckets. However, broadly speaking, the additions fall into one of three categories: quality stocks with cyclical exposure; stocks where we believe quality or growth is highly misunderstood or mispriced; and stocks where we believe a change in corporate behaviour can unlock significant upside potential. (Growth stocks are companies whose sales and earnings are expected to grow faster than other companies. Quality companies are ones which have the ability to generate high returns and margins.)

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

In terms of adding mispriced quality and growth to the portfolio, we added Mitsui Fudosan and Fuji Electric as core holdings. Mitsui Fudosan is one of Japan's biggest owners of prime commercial real estate. Founded some 80 years ago, the company has weathered many financial and economic storms. In the last decade, the company has shown solid growth and the current development pipeline suggests encouraging prospects. Despite its strong track record and management team, the stock is trading at historically low levels of valuation. We are engaged with the company to improve shareholder returns and we believe progress is being made.

In our opinion, Fuji Electric is another case of a high-quality business trading at discounted valuations despite significant business resilience and earnings growth potential. The stable core business (power supplies) sits alongside the company's high-growth power semiconductor business, where Fuji is leading the world in automotive applications. With the rising penetration of electric vehicles and long-term contracts with Toyota, the growth outlook for the business is compelling. These factors, combined with a strong balance sheet and sensible strategy, are at odds with a valuation well below its long-term average.

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

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

#### Outlook

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

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

The Abe administration has presided over an unprecedented state-led campaign to cajole corporate Japan into raising returns on capital. Profit margin improvement has been under way for some time, but the love affair with cash and assets has remained firmly entrenched.

The Corporate Governance Code, the Stewardship Code, the revamped Companies Act, and the revised Fair Merger & Acquisition guidelines are all now bearing down upon corporate Japan, forcing behavioural change. A tipping point has now been reached. We believe we are in the early innings of a process in which long-trapped value is being released from balance sheets.

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

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

#### Carl Vine

Fund manager

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

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

# M&G Japan Fund

## Authorised Corporate Director's Report

### Investments

Portfolio statement				
as at Holding	29.02.20 ¥'000	29.02.20 %	31.08.19 %	
<b>EQUITIES</b>	<b>36,270,615</b>	<b>95.68</b>	<b>100.54</b>	
<b>Oil, gas &amp; consumable fuels</b>	<b>612,150</b>	<b>1.61</b>	<b>0.00</b>	
231,000 Idemitsu Kosan	612,150	1.61		
<b>Chemicals</b>	<b>1,950,931</b>	<b>5.15</b>	<b>7.89</b>	
20,800 DIC	53,061	0.14		
138,600 Fujimi	382,397	1.01		
799,300 JSR	1,515,473	4.00		
<b>Building products</b>	<b>558,767</b>	<b>1.47</b>	<b>3.17</b>	
346,200 LIXIL	558,767	1.47		
<b>Construction &amp; engineering</b>	<b>578,223</b>	<b>1.53</b>	<b>0.00</b>	
156,700 Taisei	578,223	1.53		
<b>Electrical equipment</b>	<b>2,129,268</b>	<b>5.62</b>	<b>3.78</b>	
464,100 Fuji Electric	1,371,415	3.62		
555,000 Mitsubishi Electric	757,853	2.00		
<b>Machinery</b>	<b>2,277,697</b>	<b>6.01</b>	<b>8.31</b>	
223,000 CKD	369,065	0.97		
2,632,600 Hitachi Zosen	984,592	2.60		
270,900 Mitsubishi Heavy Industries	924,040	2.44		
<b>Trading companies &amp; distributors</b>	<b>591,482</b>	<b>1.56</b>	<b>0.00</b>	
332,200 Mitsui	591,482	1.56		
<b>Marine</b>	<b>575,066</b>	<b>1.52</b>	<b>3.63</b>	
257,300 Mitsui O.S.K. Lines	575,066	1.52		
<b>Road &amp; rail</b>	<b>1,719,626</b>	<b>4.54</b>	<b>0.00</b>	
151,000 East Japan Railway	1,254,206	3.31		
135,100 Keisei Electric Railway	465,420	1.23		
<b>Auto components</b>	<b>2,705,645</b>	<b>7.14</b>	<b>3.51</b>	
419,700 Showa	958,595	2.53		
306,500 Toyota Industries	1,747,050	4.61		
<b>Automobiles</b>	<b>3,436,812</b>	<b>9.07</b>	<b>8.42</b>	
362,000 Honda Motor	1,012,514	2.67		
1,040,100 Isuzu Motors	1,052,061	2.78		
193,300 Toyota Motor	1,372,237	3.62		
<b>Household durables</b>	<b>1,770,624</b>	<b>4.67</b>	<b>6.42</b>	
567,300 Haseko	786,845	2.08		
350,900 Nikon	387,745	1.02		
579,800 Panasonic	596,034	1.57		
<b>Textiles, apparel &amp; luxury goods</b>	<b>0</b>	<b>0.00</b>	<b>0.10</b>	
<b>Specialty retail</b>	<b>0</b>	<b>0.00</b>	<b>4.41</b>	
<b>Food &amp; staples retailing</b>	<b>517,374</b>	<b>1.36</b>	<b>3.54</b>	
140,400 Seven & i	517,374	1.36		
<b>Food products</b>	<b>0</b>	<b>0.00</b>	<b>2.80</b>	
<b>Health care providers &amp; services</b>	<b>0</b>	<b>0.00</b>	<b>3.77</b>	
<b>Pharmaceuticals</b>	<b>1,377,654</b>	<b>3.63</b>	<b>3.50</b>	
366,300 Takeda Pharmaceutical	1,377,654	3.63		
<b>Banks</b>	<b>2,616,199</b>	<b>6.90</b>	<b>11.82</b>	
1,673,100 Mitsubishi UFJ Financial	887,747	2.34		
244,300 Sumitomo Mitsui Financial	847,965	2.24		
239,458 Sumitomo Mitsui Trust	880,487	2.32		
<b>Diversified financial services</b>	<b>1,531,804</b>	<b>4.04</b>	<b>0.00</b>	
880,600 ORIX	1,531,804	4.04		
<b>Capital markets</b>	<b>589,736</b>	<b>1.56</b>	<b>4.36</b>	
1,233,500 Nomura	589,736	1.56		
<b>Insurance</b>	<b>1,821,144</b>	<b>4.80</b>	<b>3.94</b>	
1,092,600 Japan Post	1,025,951	2.70		
751,600 T&D	795,193	2.10		

### Portfolio statement (continued)

as at Holding	29.02.20 ¥'000	29.02.20 %	31.08.19 %
Technology hardware, storage & peripherals	0	0.00	5.01
IT services	543,477	1.43	0.00
421,300 NTT Data	543,477	1.43	
Electronic equipment, instruments & components	1,240,734	3.27	4.49
341,800 Hitachi	1,240,734	3.27	
Semiconductors & semiconductor equipment	807,863	2.13	0.00
492,900 SUMCO	807,863	2.13	
Diversified telecommunication services	1,228,384	3.24	0.00
486,200 Nippon Telegraph & Telephone	1,228,384	3.24	
Wireless telecommunication services	836,333	2.21	0.00
167,300 SoftBank	836,333	2.21	
Media	1,103,913	2.91	3.83
656,700 Tokyo Broadcasting System	1,103,913	2.91	
Interactive media & services	473,379	1.25	1.25
1,207,600 Z	473,379	1.25	
Real estate management & development	2,676,330	7.06	2.59
683,300 Mitsui Fudosan	1,688,093	4.45	
426,700 Nomura Real Estate	988,237	2.61	
<b>EQUITY DERIVATIVES</b>	<b>(80,257)</b>	<b>(0.21)</b>	<b>(0.03)</b>
Equity futures contracts	(80,257)	(0.21)	(0.03)
81 Topix Index Future March 2020	(80,257)	(0.21)	
<b>Portfolio of investments</b>	<b>36,190,358</b>	<b>95.47</b>	<b>100.51</b>
<b>Net other assets / (liabilities)</b>	<b>1,717,749</b>	<b>4.53</b>	<b>(0.51)</b>
<b>Net assets attributable to shareholders</b>	<b>37,908,107</b>	<b>100.00</b>	<b>100.00</b>

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

### Top ten portfolio transactions

for the six months to 29 February 2020

Largest purchases	¥'000
Toyota Industries	2,291,903
Mitsui Fudosan	1,812,516
Fuji Electric	1,588,748
Toyota Motor	1,564,154
East Japan Railway	1,526,099
ORIX	1,467,056
Nippon Telegraph & Telephone	1,313,256
Isuzu Motors	1,230,414
Tokyo Broadcasting System	1,225,789
SUMCO	1,175,629
Other purchases	10,795,263
<b>Total purchases</b>	<b>25,990,827</b>
Largest sales	¥'000
Miraca	1,653,470
Dentsu	1,627,857
Lawson	1,580,406
DIC	1,486,465
Bridgestone	1,450,183
Ricoh	1,408,983
Nomura	1,405,983
Mazda Motor	1,387,170
Honda Motor	1,285,507
Panasonic	1,247,297
Other sales	15,598,029
<b>Total sales</b>	<b>30,131,350</b>

# M&G Japan Fund

## Financial highlights

### Fund performance

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

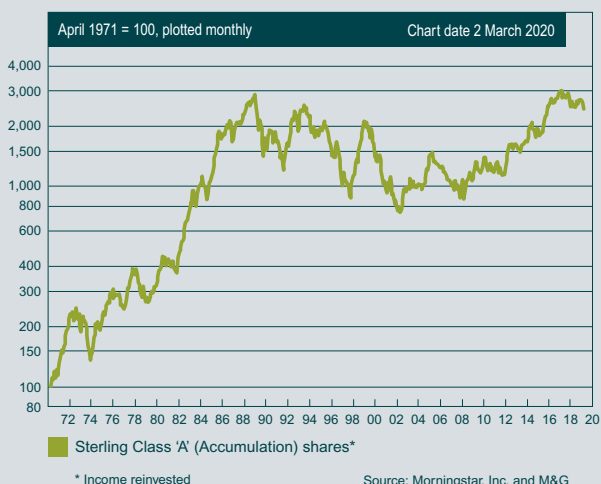
The following charts and tables reflect the key financial information of a representative share class, Sterling Class 'A' (Accumulation) shares. As different share classes have different attributes, for example charging structures and minimum investments, please be aware that their performance may be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

### Fund level performance

Fund net asset value			
as at	29.02.20 ¥'000	31.08.19 ¥'000	31.08.18 ¥'000
Fund net asset value (NAV)	37,908,107	39,372,800	69,230,521

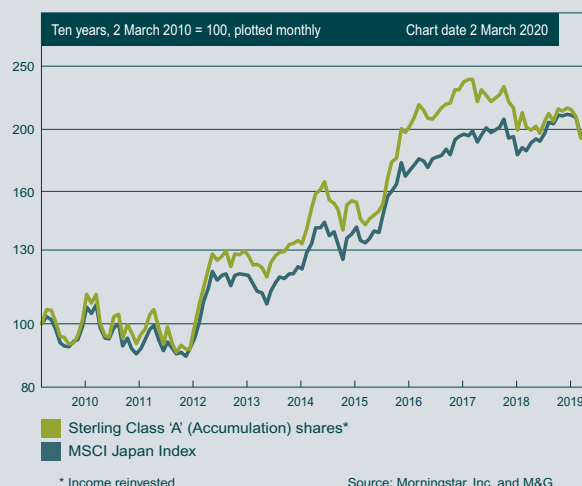
### Performance since launch

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



### Ten-year performance

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



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

### Long-term performance by share class

	Six months 02.09.19 % [a]	Three years 02.03.17 % p.a.	Five years 02.03.15 % p.a.	Since launch % p.a.
<b>Sterling [b]</b>				
Class 'A'	-6.0	-4.4	+5.2	+6.8 [c]
Class 'I'	-5.8	-3.8	+5.9	+11.1 [d]
Class 'PP'	-5.7	n/a	n/a	-4.6 [e]
Class 'R'	-5.9	-4.0	+5.7	+10.8 [d]
Class 'X'	-6.0	-4.4	+5.2	+6.7 [f]

[a] Absolute basis.

[b] Price to price with income reinvested.

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

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

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

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

# M&G Japan Fund

## Financial highlights

### Fund performance

## Operating charges and portfolio transaction costs

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

### Operating charges

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

- **Annual charge:** Charge paid to M&G covering the annual cost of M&G managing and administering the fund and the costs of third parties providing services to the fund. From 1 August 2019, this charge rolls all costs that make up the operating charges into one annual charge.  
  
For every £1 billion of a fund's net asset value, a discount of 0.02% will be applied to that fund's annual charge (up to a maximum of 0.12%).
- **Extraordinary legal and tax expenses:** Costs that specifically relate to legal or tax claims that are both exceptional and unforeseeable. Such expenses are uncommon, and would not be expected in most years. Although they result in a short-term cost to the fund, generally they can deliver longer term benefits for investors.
- **Investment management:** Charge paid to M&G for investment management of the fund. From 1 August 2019 this charge forms part of the annual charge.
- **Administration:** Charge paid for administration services in addition to investment management – any surplus from this charge will be retained by M&G. From 1 August 2019 this charge is rolled into the annual charge.
- **Oversight and other independent services:** Charges paid to providers independent of M&G for services which include depositary, custody and audit. From 1 August 2019 these charges will be paid by M&G and rolled into the annual charge.
- **Ongoing charges from underlying funds:** Ongoing charges on holdings in underlying funds that are not rebated. From 1 August 2019 charges from underlying funds (excluding Investment Trusts Companies and Real Estate Investment Trusts) will be rebated.

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

Once the annual charge has been operational for twelve months, operating charges will be in line with the ongoing charges shown in the Key Investor Information Document, other than where there have been extraordinary legal or tax expenses, or an estimate has been used for the ongoing charge because a material change has made the operating charges unreliable as an estimate of future charges.

### Portfolio transaction costs

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

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

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

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

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

### Portfolio transaction costs

	Six months to 29.02.20	Year to 31.08.19	Year to 31.08.18	Average <sup>[a]</sup>
Direct portfolio transaction costs <sup>[b]</sup>	%	%	%	%
Broker commission	0.14	0.03	0.05	0.07
Taxes	0.00	0.00	0.00	0.00
Costs before dilution adjustments	0.14	0.03	0.05	0.07
Dilution adjustments <sup>[c]</sup>	(0.01)	(0.01)	(0.03)	(0.02)
Total direct portfolio transaction costs	0.13	0.02	0.02	0.05
as at	29.02.20	31.08.19	31.08.18	Average <sup>[a]</sup>
Indirect portfolio transaction costs	%	%	%	%
Average portfolio dealing spread	0.30	0.18	0.18	0.22

<sup>[a]</sup> Average of first three columns.

<sup>[b]</sup> As a percentage of average net asset value.

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

# M&G Japan Fund

## Financial highlights

### Specific share class performance

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

Historic yields for the current period are calculated as at 13 March 2020.

#### Sterling Class 'A' Income share performance

The share class was launched on 9 May 1977.

Change in NAV per share	Six months to 29.02.20 UK p	Year to 31.08.19 UK p	Year to 31.08.18 UK p
Opening NAV	52.24	59.26	58.35
Return before operating charges and after direct portfolio transaction costs	(2.80)	(4.56)	3.19
Operating charges	(0.19)	(0.91)	(1.02)
Return after operating charges	(2.99)	(5.47)	2.17
Distributions	n/a	(1.55)	(1.26)
Closing NAV	49.25	52.24	59.26
<b>Direct portfolio transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.04	0.02	0.03
Dilution adjustments <sup>[a]</sup>	0.00	(0.01)	(0.02)
Total direct portfolio transaction costs	0.04	0.01	0.01
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.13	0.02	0.02
Operating charges <sup>[c]</sup>	1.40	1.66	1.67
Return after operating charges	-5.72	-9.23	+3.72
Historic yield	3.58	2.20	2.12
Effect on yield of charges offset against capital	1.40	1.64	1.65
<b>Other information</b>			
Closing NAV (¥'000)	13,127,885	12,899,625	36,540,625
Closing NAV percentage of total fund NAV (%)	34.63	32.76	52.78
Number of shares	190,360,461	190,577,938	428,024,896
Highest share price (UK p)	56.35	61.36	66.93
Lowest share price (UK p)	49.22	50.62	56.17

#### Sterling Class 'A' Accumulation share performance

The share class was launched on 6 April 1971.

Change in NAV per share	Six months to 29.02.20 UK p	Year to 31.08.19 UK p	Year to 31.08.18 UK p
Opening NAV	61.41	67.65	65.24
Return before operating charges and after direct portfolio transaction costs	(3.29)	(5.20)	3.50
Operating charges	(0.22)	(1.04)	(1.09)
Return after operating charges	(3.51)	(6.24)	2.41
Distributions	n/a	(0.66)	(0.25)
Retained distributions	n/a	0.66	0.25
Closing NAV	57.90	61.41	67.65
<b>Direct portfolio transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.04	0.03	0.03
Dilution adjustments <sup>[a]</sup>	0.00	(0.01)	(0.02)
Total direct portfolio transaction costs	0.04	0.02	0.01
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.13	0.02	0.02
Operating charges <sup>[c]</sup>	1.40	1.65	1.68
Return after operating charges	-5.72	-9.22	+3.69
Historic yield	1.30	0.37	0.37
Effect on yield of charges offset against capital	0.00	0.00	0.00
<b>Other information</b>			
Closing NAV (¥'000)	981,424	925,712	1,290,198
Closing NAV percentage of total fund NAV (%)	2.59	2.35	1.86
Number of shares	12,105,281	11,634,097	13,238,470
Highest share price (UK p)	66.24	70.07	74.82
Lowest share price (UK p)	57.86	57.80	62.80

#### Sterling Class 'T' Income share performance

The share class was launched on 3 August 2012.

Change in NAV per share	Six months to 29.02.20 UK p	Year to 31.08.19 UK p	Year to 31.08.18 UK p
Opening NAV	2,105.24	2,370.67	2,316.61
Return before operating charges and after direct portfolio transaction costs	(110.85)	(185.60)	126.68
Operating charges	(4.91)	(17.75)	(22.35)
Return after operating charges	(115.76)	(203.35)	104.33
Distributions	n/a	(62.08)	(50.27)
Closing NAV	1,989.48	2,105.24	2,370.67
<b>Direct portfolio transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	1.54	0.80	1.22
Dilution adjustments <sup>[a]</sup>	(0.08)	(0.23)	(0.72)
Total direct portfolio transaction costs	1.46	0.57	0.50
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.13	0.02	0.02
Operating charges <sup>[c]</sup>	0.90	0.93	0.92
Return after operating charges	-5.50	-8.58	+4.50
Historic yield	3.56	2.18	2.11
Effect on yield of charges offset against capital	0.90	0.90	0.90
<b>Other information</b>			
Closing NAV (¥'000)	13,485,658	13,271,529	441,753
Closing NAV percentage of total fund NAV (%)	35.57	33.71	0.64
Number of shares	4,840,608	4,865,680	129,354
Highest share price (UK p)	2,272.99	2,456.36	2,664.55
Lowest share price (UK p)	1,988.33	2,035.73	2,230.54

# M&G Japan Fund

## Financial highlights

### Specific share class performance

#### Sterling Class 'I' Accumulation share performance

The share class was launched on 3 August 2012.

	Six months to 29.02.20 UK p	Year to 31.08.19 UK p	Year to 31.08.18 UK p
<b>Change in NAV per share</b>			
Opening NAV	2,339.60	2,558.57	2,448.49
Return before operating charges and after direct portfolio transaction costs	(123.04)	(197.45)	133.67
Operating charges	(5.45)	(21.52)	(23.59)
Return after operating charges	(128.49)	(218.97)	110.08
Distributions	n/a	(43.79)	(29.31)
Retained distributions	n/a	43.79	29.31
Closing NAV	2,211.11	2,339.60	2,558.57
<b>Direct portfolio transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	1.71	0.95	1.29
Dilution adjustments <sup>[a]</sup>	(0.09)	(0.28)	(0.76)
Total direct portfolio transaction costs	1.62	0.67	0.53
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.13	0.02	0.02
Operating charges <sup>[c]</sup>	0.90	0.92	0.92
Return after operating charges	-5.49	-8.56	+4.50
Historic yield	2.26	1.14	1.14
Effect on yield of charges offset against capital	0.00	0.00	0.00
<b>Other information</b>			
Closing NAV (¥'000)	9,921,676	11,853,097	5,749,878
Closing NAV percentage of total fund NAV (%)	26.16	30.10	8.30
Number of shares	3,204,368	3,910,336	1,560,025
Highest share price (UK p)	2,526.19	2,651.62	2,816.03
Lowest share price (UK p)	2,209.82	2,197.55	2,357.39

#### Sterling Class 'PP' Income share performance

The share class was launched on 5 August 2019.

	Six months to 29.02.20 UK p	Year to 31.08.19 UK p	Year to 31.08.18 UK p
<b>Change in NAV per share</b>			
Opening NAV	96.43	100.00	n/a
Return before operating charges and after direct portfolio transaction costs	(5.04)	(0.74)	n/a
Operating charges	(0.17)	(0.05)	n/a
Return after operating charges	(5.21)	(0.79)	n/a
Distributions	n/a	(2.78)	n/a
Closing NAV	91.22	96.43	n/a
<b>Direct portfolio transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.07	0.00	n/a
Dilution adjustments <sup>[a]</sup>	0.00	0.00	n/a
Total direct portfolio transaction costs	0.07	0.00	n/a
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.13	0.02	n/a
Operating charges	0.70	0.70	n/a
Return after operating charges	-5.40	-0.79	n/a
Historic yield	3.48	2.30	n/a
Effect on yield of charges offset against capital	0.70	0.70	n/a
<b>Other information</b>			
Closing NAV (¥'000)	2,555	2,499	n/a
Closing NAV percentage of total fund NAV (%)	0.01	0.01	n/a
Number of shares	20,000	20,000	n/a
Highest share price (UK p)	104.16	100.68	n/a
Lowest share price (UK p)	91.17	97.17	n/a

#### Sterling Class 'PP' Accumulation share performance

The share class was launched on 8 April 2019.

	Six months to 29.02.20 UK p	Year to 31.08.19 UK p	Year to 31.08.18 UK p
<b>Change in NAV per share</b>			
Opening NAV	100.62	100.00	n/a
Return before operating charges and after direct portfolio transaction costs	(5.26)	0.91	n/a
Operating charges	(0.18)	(0.29)	n/a
Return after operating charges	(5.44)	0.62	n/a
Distributions	n/a	(1.97)	n/a
Retained distributions	n/a	1.97	n/a
Closing NAV	95.18	100.62	n/a
<b>Direct portfolio transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.07	0.02	n/a
Dilution adjustments <sup>[a]</sup>	0.00	0.00	n/a
Total direct portfolio transaction costs	0.07	0.02	n/a
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.13	0.02	n/a
Operating charges <sup>[c]</sup>	0.70	0.68	n/a
Return after operating charges	-5.41	+0.62	n/a
Historic yield	2.36	0.95	n/a
Effect on yield of charges offset against capital	0.00	0.00	n/a
<b>Other information</b>			
Closing NAV (¥'000)	13,518	13,688	n/a
Closing NAV percentage of total fund NAV (%)	0.04	0.03	n/a
Number of shares	101,422	105,000	n/a
Highest share price (UK p)	108.69	104.26	n/a
Lowest share price (UK p)	95.13	94.45	n/a

#### Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012.

	Six months to 29.02.20 UK p	Year to 31.08.19 UK p	Year to 31.08.18 UK p
<b>Change in NAV per share</b>			
Opening NAV	208.58	235.48	230.70
Return before operating charges and after direct portfolio transaction costs	(11.09)	(18.21)	12.59
Operating charges	(0.62)	(2.53)	(2.81)
Return after operating charges	(11.71)	(20.74)	9.78
Distributions	n/a	(6.16)	(5.00)
Closing NAV	196.87	208.58	235.48
<b>Direct portfolio transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.15	0.09	0.12
Dilution adjustments <sup>[a]</sup>	(0.01)	(0.03)	(0.07)
Total direct portfolio transaction costs	0.14	0.06	0.05
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.13	0.02	0.02
Operating charges <sup>[c]</sup>	1.15	1.17	1.17
Return after operating charges	-5.61	-8.81	+4.24
Historic yield	3.57	2.19	2.11
Effect on yield of charges offset against capital	1.15	1.15	1.15
<b>Other information</b>			
Closing NAV (¥'000)	32,238	30,720	30,336
Closing NAV percentage of total fund NAV (%)	0.09	0.08	0.04
Number of shares	116,939	113,675	89,428
Highest share price (UK p)	225.09	243.94	265.10
Lowest share price (UK p)	196.75	201.85	222.10

# M&G Japan Fund

## Financial highlights

### Specific share class performance

#### Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012.

	Six months to 29.02.20 UK p	Year to 31.08.19 UK p	Year to 31.08.18 UK p
<b>Change in NAV per share</b>			
Opening NAV	229.97	252.12	241.88
Return before operating charges and after direct portfolio transaction costs	(12.22)	(19.44)	13.22
Operating charges	(0.68)	(2.71)	(2.98)
Return after operating charges	(12.90)	(22.15)	10.24
Distributions	n/a	(3.68)	(2.24)
Retained distributions	n/a	3.68	2.24
Closing NAV	217.07	229.97	252.12
<b>Direct portfolio transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.17	0.09	0.13
Dilution adjustments <sup>[a]</sup>	(0.01)	(0.03)	(0.08)
Total direct portfolio transaction costs	0.16	0.06	0.05
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.13	0.02	0.02
Operating charges <sup>[c]</sup>	1.15	1.17	1.17
Return after operating charges	-5.61	-8.79	+4.23
Historic yield	1.93	0.89	0.88
Effect on yield of charges offset against capital	0.00	0.00	0.00
<b>Other information</b>			
Closing NAV (¥'000)	197,158	195,644	207,493
Closing NAV percentage of total fund NAV (%)	0.52	0.50	0.30
Number of shares	648,600	656,618	571,291
Highest share price (UK p)	248.19	261.24	277.94
Lowest share price (UK p)	216.95	216.17	232.86

#### Sterling Class 'X' Income share performance

The share class was launched on 1 October 2002.

	Six months to 29.02.20 UK p	Year to 31.08.19 UK p	Year to 31.08.18 UK p
<b>Change in NAV per share</b>			
Opening NAV	51.50	58.42	57.53
Return before operating charges and after direct portfolio transaction costs	(2.76)	(4.50)	3.13
Operating charges	(0.19)	(0.89)	(1.00)
Return after operating charges	(2.95)	(5.39)	2.13
Distributions	n/a	(1.53)	(1.24)
Closing NAV	48.55	51.50	58.42
<b>Direct portfolio transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.04	0.02	0.03
Dilution adjustments <sup>[a]</sup>	0.00	(0.01)	(0.02)
Total direct portfolio transaction costs	0.04	0.01	0.01
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.13	0.02	0.02
Operating charges <sup>[c]</sup>	1.40	1.65	1.67
Return after operating charges	-5.73	-9.23	+3.70
Historic yield	3.58	2.20	2.12
Effect on yield of charges offset against capital	1.40	1.63	1.65
<b>Other information</b>			
Closing NAV (¥'000)	85,526	85,946	125,640
Closing NAV percentage of total fund NAV (%)	0.23	0.22	0.18
Number of shares	1,258,088	1,288,120	1,492,862
Highest share price (UK p)	55.55	60.49	65.99
Lowest share price (UK p)	48.52	49.90	55.37

#### Sterling Class 'X' Accumulation share performance

The share class was launched on 1 October 2002.

	Six months to 29.02.20 UK p	Year to 31.08.19 UK p	Year to 31.08.18 UK p
<b>Change in NAV per share</b>			
Opening NAV	60.60	66.75	64.36
Return before operating charges and after direct portfolio transaction costs	(3.25)	(5.13)	3.51
Operating charges	(0.22)	(1.02)	(1.12)
Return after operating charges	(3.47)	(6.15)	2.39
Distributions	n/a	(0.65)	(0.25)
Retained distributions	n/a	0.65	0.25
Closing NAV	57.13	60.60	66.75
<b>Direct portfolio transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.04	0.03	0.03
Dilution adjustments <sup>[a]</sup>	0.00	(0.01)	(0.02)
Total direct portfolio transaction costs	0.04	0.02	0.01
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.13	0.02	0.02
Operating charges <sup>[c]</sup>	1.40	1.65	1.67
Return after operating charges	-5.73	-9.21	+3.71
Historic yield	1.30	0.37	0.37
Effect on yield of charges offset against capital	0.00	0.00	0.00
<b>Other information</b>			
Closing NAV (¥'000)	60,469	94,340	163,612
Closing NAV percentage of total fund NAV (%)	0.16	0.24	0.24
Number of shares	755,907	1,201,666	1,701,486
Highest share price (UK p)	65.36	69.14	73.82
Lowest share price (UK p)	57.09	57.03	61.95

<sup>[a]</sup> In respect of direct portfolio transaction costs.

<sup>[b]</sup> As a percentage of average net asset value.

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

# M&G Japan Fund

## Financial statements and notes

### Financial statements

#### Statement of total return

for the six months to 29 and 28 February	2020		2019	
	¥'000	¥'000	¥'000	¥'000
Income				
Net capital gains / (losses)		774,508		(5,670,877)
Revenue	529,523		795,214	
Expenses	(234,017)		(375,507)	
Net revenue / (expense) before taxation	295,506		419,707	
Taxation	(59,334)		(79,006)	
Net revenue / (expense) after taxation		236,172		340,701
<b>Total return before equalisation</b>		<b>1,010,680</b>		<b>(5,330,176)</b>
Equalisation		(15,539)		(127,095)
<b>Change in net assets attributable to shareholders from investment activities</b>		<b>995,141</b>		<b>(5,457,271)</b>

#### Statement of change in net assets attributable to shareholders

for the six months to 29 and 28 February	2020		2019	
	¥'000	¥'000	¥'000	¥'000
Opening net assets attributable to shareholders		39,372,800		69,230,521
Amounts received on issue of shares	366,990		18,262,442	
Amounts paid on cancellation of shares	(2,831,357)		(19,391,886)	
Transfer to M&G (Lux) Japan Fund	0		(16,935,827)	
		(2,464,367)		(18,065,271)
Dilution adjustments		4,533		11,213
Change in net assets attributable to shareholders from investment activities (see above)		995,141		(5,457,271)
Retained distributions on Accumulation shares		0		128,662
Unclaimed distributions		0		106
<b>Closing net assets attributable to shareholders</b>		<b>37,908,107</b>		<b>45,847,960</b>

The opening net assets attributable to shareholders for 2020 differs to the closing position in 2019 by the change in net assets attributable to shareholders for the second half of the comparative financial year.

#### Balance sheet

as at	29 February 2020	31 August 2019
	¥'000	¥'000
<b>Assets</b>		
<b>Fixed assets</b>		
Investments	36,270,615	39,585,086
<b>Current assets</b>		
Debtors	998,267	113,390
Cash and bank balances	1,530,473	530,092
<b>Total assets</b>	<b>38,799,355</b>	<b>40,228,568</b>
<b>Liabilities</b>		
Investment liabilities	(80,257)	(13,063)
<b>Creditors</b>		
Distribution payable	0	(776,982)
Other creditors	(810,991)	(65,723)
<b>Total liabilities</b>	<b>(891,248)</b>	<b>(855,768)</b>
<b>Net assets attributable to shareholders</b>	<b>37,908,107</b>	<b>39,372,800</b>

### Notes to the financial statements

#### Accounting policies

The financial statements have been prepared in accordance with the 'Accounting policies' set out on page 4.

#### Distribution policy

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

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

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

#### Events after the balance sheet date

Between 29 February 2020 and 9 April 2020 there has been a fall in the value of investments driven by fears of the negative impact on global growth from COVID-19. The resulting impact on net asset values (NAV) can be seen in the table below.

Net asset	29.02.20	09.04.20	% change
<b>Sterling</b>			
Class 'A' Income	49.25	45.53	-7.55
Class 'A' Accumulation	57.90	53.52	-7.56
Class 'I' Income	1,989.48	1,840.33	-7.50
Class 'I' Accumulation	2,211.11	2,045.33	-7.50
Class 'PP' Income	91.22	84.40	-7.48
Class 'PP' Accumulation	95.18	88.07	-7.47
Class 'R' Income	196.87	182.06	-7.52
Class 'R' Accumulation	217.07	200.74	-7.52
Class 'X' Income	48.55	44.88	-7.56
Class 'X' Accumulation	57.13	52.81	-7.56

# M&G Japan Smaller Companies Fund

## Authorised Corporate Director's Report

### Investment objective

The fund aims to provide a higher total return (the combination of capital growth and income), net of the ongoing charge figure, than that of the Russell/Nomura Mid-Small Cap Index over any five-year period.

### Investment policy

At least 80% of the fund is invested in the equity securities and equity related securities of smaller companies that are incorporated, domiciled, or do most of their business, in Japan.

Smaller companies are defined as the bottom half in terms of total market capitalisation of all publicly listed companies in Japan.

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

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

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

Derivatives may be used for efficient portfolio management and hedging.

### Investment approach

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

The investment approach aims to take advantage of price volatility.

The fund manager believes that stock market mispricing can, and often does, occur because psychological factors (i.e. behavioural biases) prevent investors from always assessing investments rationally. As a result, market prices do not always reflect the fundamental value of companies. The fund seeks to profit from such behavioural biases.

The investment approach filters the fund's investment universe down to a focused list of companies whose shares trade on low valuations relative to their history and the market. These companies are then subject to rigorous fundamental analysis to attain an understanding of a company's sustainable earnings. This fundamental analysis leads to a high level of conviction for each of the companies held in the fund.

The fund manager expects stock selection to be the main driver of performance.

### Benchmark

Benchmark: Russell/Nomura Mid-Small Cap Index.

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

### Risk profile

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

The fund's focus is on smaller companies where the share price movement can be more unpredictable and the shares more difficult to buy and sell compared to those of larger companies. Diversification is therefore key in managing liquidity risk and reducing market risk. The fund's risks are measured and managed as an integral part of the investment process.

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



The above number:

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

### Investment review

**As at 2 March 2020, for the six months ended 29 February 2020**

#### Performance against objective

Between 2 September 2019 (the start of the review period) and 2 March 2020, the fund's sterling share classes produced a negative total return (the combination of income and growth of capital). Fund returns were ahead of the benchmark, the Russell/Nomura Mid-Small Cap Index, which fell by -6.6% over the six months.

Over five years, the fund's sterling share classes produced positive returns but underperformed its benchmark, which returned 8.3% p.a. over this period.\* The fund therefore did not meet the current objective over its specified timeframe of five years.

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

#### Investment performance

The Japanese stockmarket rallied strongly during the first part of the review period – the last four months of 2019. Over that period, it was one of the best performing developed markets.

For context, as investors moderated their views on the global growth outlook in the first half of 2019, Japanese company shares (equities) underperformed other major markets, with pessimism reaching extreme levels in the summer months. As the year drew to a close, however, Japan's resilient corporate fundamentals, combined with significant evidence of accelerating structural changes, were powerful ingredients for a market recovery.

# M&G Japan Smaller Companies Fund

## Authorised Corporate Director's Report

### Investment review

#### Investment performance (continued)

Indeed, over the review period, there was compelling evidence of a generational shift in Japanese corporate mentality. This shift is firmly in favour of shareholders. Cross-Keiretsu business collaborations (that is, a set of companies with interlocking business relationships and shareholdings), hostile takeovers at the hands of domestic management teams, unprompted improvements in capital allocation, successful outcomes for activist investors and competitive bidding for listed assets, were all exciting features.

In 2020, however, growing evidence of corporate reform has been overtaken by concerns about COVID-19. The Japanese market started the new year somewhat tentatively, with investors responding nervously to evolving news flow relating to the virus. By the end of the review period, market conditions had become highly volatile and Japanese equities, having now declined sharply since the beginning of the year, are showing signs of panic investor behaviour.

Against this backdrop, the fund outperformed the Russell/Nomura Mid-Small Cap Index, but recorded a negative total return. A large part of the negative return was due to the strength of sterling over the review period.

Several of the fund's top contributors, including JMDC, Haseko, Fujimi and Kinetsu World Express, were recent additions to the portfolio following the fund manager change in September.

We took part in the Initial Public Offering (IPO) of technology company JMDC in December 2019. JMDC is a super-high growth company and perhaps not a typical holding for the fund. However, having followed JMDC before it was listed and still part of a larger group, we were positive on the management team and the business fundamentals and felt poor market conditions were resulting in depressed IPO valuations. The stock rose by more than 80% in the two months following the listing and so we decided to exit the holding.

Haseko rose by around 20% in local currency terms during the review period, significantly beating the broader market which was roughly flat. Having followed the company for nearly 20 years, Haseko was one of the first new investments added to the fund upon the change in fund manager. We believe the market had failed to price the quality and resilience of this business. From a high-risk property investor during the bubble years, Haseko today is Tokyo's dominant condominium construction company. Its 60% market share is virtually unassailable at this point, which offers stability and resilience to its business.

Despite condominium market activity being at 20-year lows, Haseko's earnings are at a record high – evidence of a complete shift in its operating model. Highly cash-generative with a strong balance sheet and management team increasingly inclined to return capital, we added Haseko to the portfolio at a valuation level which we felt was compelling.

Fujimi is another new name added to the portfolio early in the review period. Fujimi is a leading supplier of slurries used in the manufacture of silicon wafers and semiconductor devices. In its target product niches, the company boasts global market shares of between 30% and 90%. The business is well run by an owner-manager chief executive officer who we rate highly.

Other significant contributors were CKD Corporation and JSR Corporation, both of which were held throughout the review period. CKD, a manufacturer of components used in factory automation-machinery, enjoyed very strong performance as investors have become less concerned about weakness in semiconductor end markets.

Meanwhile, technology materials business JSR outperformed as investors took a more balanced assessment of the company's ability to sustain its earnings over the medium term. JSR is another example of a company on an attractive valuation, with a strong balance sheet, quality management and product franchises, and a credible long-term growth outlook. We see this as a core holding.

Several of the detractors from fund performance were from sectors such as industrials and materials, which in our view, suffered from indiscriminate selling related to a rapid rise in coronavirus-linked concerns towards the end of the review period.

One of these is electronic and electrical equipment manufacturer Noritsu Koki, which is a recent addition to the portfolio. We are excited about the possibility of an improvement in the valuation for this industrial company. Noritsu Koki is the parent company of the abovementioned JMDC, and its stake in the newly listed entity is worth more than its own market capitalisation. Furthermore, we believe the new chief executive at Noritsu Koki is intent on unlocking value.

A key detractor over the review period was Nippon Thompson, which was caught up in the general weakness surrounding industrial names. Given recent structural changes at the company, we expect an improvement in Nippon Thompson's future earnings that might well outstrip current market expectations.

Consumer-related names also featured in the list of detractors, including Megmilk Snow Brand, a dairy-product producer, retailer United Arrows, and camera and optical equipment manufacturer Nikon.

We began reducing the fund's exposure to Nikon in the fourth quarter of 2019, following share price strength. With a large portion of its market value held in net cash, Nikon's share price is arguably vulnerable to good news. However, following successive strategy mistakes, its camera business now finds itself in a highly precarious situation. Meanwhile, fresh uncertainties have arisen with respect to its precision business. With clearer risk-reward opportunities elsewhere, we closed the position at the beginning of March. The holdings in Megmilk and United Arrows have also been sold.

#### Investment activities

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

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

# M&G Japan Smaller Companies Fund

## Authorised Corporate Director's Report

### Investment review

#### Investment activities (continued)

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

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

We have also identified some mispriced growth and quality names such as JMDC (which has now been sold), Sparx and Fuji Electric. In each case, we feel the future growth story is poorly understood, mispriced or that the quality and resilience of the business is not reflected in current valuations. Growth stocks are companies whose sales and earnings are expected to grow faster than other companies. Quality companies are ones which have the ability to generate high returns and margins.

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

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

#### Outlook

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

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

The Abe administration has presided over an unprecedented state-led campaign to cajole corporate Japan into raising returns on capital. Profit margin improvement has been under way for some time, but the love affair with cash and assets has remained firmly entrenched.

The Corporate Governance Code, the Stewardship Code, the revamped Companies Act, and the revised Fair Merger & Acquisition guidelines are all now bearing down upon corporate Japan, forcing behavioural change. A tipping point has now been reached. We believe we are in the early innings of a process in which long-trapped value is being released from balance sheets.

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

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

#### Carl Vine

Fund manager

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

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

### Investments

#### Portfolio statement

as at Holding	29.02.20 ¥'000	29.02.20 %	31.08.19 %
<b>EQUITIES</b>	<b>9,013,823</b>	<b>97.56</b>	<b>100.68</b>
<b>Technology hardware &amp; equipment</b>	<b>699,753</b>	<b>7.57</b>	<b>8.58</b>
73,600 Denki Kogyo	198,867	2.15	
160,600 SUMCO	263,224	2.85	
713,700 Wacom	237,662	2.57	
<b>Medical equipment &amp; services</b>	<b>0</b>	<b>0.00</b>	<b>4.36</b>
<b>Banks</b>	<b>197,087</b>	<b>2.13</b>	<b>4.02</b>
53,600 Sumitomo Mitsui Trust	197,087	2.13	
<b>Finance &amp; credit services</b>	<b>652,762</b>	<b>7.07</b>	<b>5.70</b>
127,500 Aruhi	200,812	2.18	
66,000 Mizuho Leasing	187,506	2.03	
1,196,577 Sparx	264,444	2.86	
<b>Real estate investment &amp; services</b>	<b>45,857</b>	<b>0.50</b>	<b>0.00</b>
19,800 Nomura Real Estate	45,857	0.50	
<b>Automobiles &amp; parts</b>	<b>451,825</b>	<b>4.89</b>	<b>9.40</b>
44,300 Riken	132,723	1.44	
315,500 Sumitomo Riko	225,898	2.44	
54,000 Yamaha Motor	93,204	1.01	
<b>Household goods &amp; home construction</b>	<b>257,576</b>	<b>2.79</b>	<b>4.97</b>
115,600 Iida	168,198	1.82	
267,600 Janome Sewing Machine	89,378	0.97	
<b>Leisure goods</b>	<b>426,767</b>	<b>4.62</b>	<b>2.98</b>
86,100 Nikon	95,140	1.03	
185,200 Noritsu Koki	236,686	2.56	
6,300 Shimano	94,941	1.03	

# M&G Japan Smaller Companies Fund

## Authorised Corporate Director's Report

### Investments

Portfolio statement (continued)			
as at Holding	29.02.20 ¥'000	29.02.20 %	31.08.19 %
<b>Personal goods</b>	<b>0</b>	<b>0.00</b>	<b>0.55</b>
<b>Media</b>	<b>386,830</b>	<b>4.19</b>	<b>2.67</b>
112,000 Relia	134,848	1.46	
149,900 Tokyo Broadcasting System	251,982	2.73	
<b>Retailers</b>	<b>55,784</b>	<b>0.60</b>	<b>6.34</b>
51,700 Asahi	55,784	0.60	
<b>Travel &amp; leisure</b>	<b>140,556</b>	<b>1.52</b>	<b>0.00</b>
40,800 Keisei Electric Railway	140,556	1.52	
<b>Food producers</b>	<b>287,658</b>	<b>3.11</b>	<b>3.18</b>
132,500 Megmilk Snow Brand	287,658	3.11	
<b>Personal care, drug &amp; grocery stores</b>	<b>0</b>	<b>0.00</b>	<b>4.25</b>
<b>Construction &amp; materials</b>	<b>1,046,589</b>	<b>11.33</b>	<b>8.47</b>
109,700 Avania	83,920	0.91	
269,800 Haseko	374,213	4.05	
178,600 LIXIL	288,260	3.12	
640,600 OSJB	158,869	1.72	
38,300 Taisei	141,327	1.53	
<b>Electronic &amp; electrical equipment</b>	<b>401,289</b>	<b>4.34</b>	<b>2.70</b>
135,800 Fuji Electric	401,289	4.34	
<b>Industrial engineering</b>	<b>1,875,156</b>	<b>20.30</b>	<b>10.91</b>
246,700 Aichi	153,447	1.66	
138,100 CKD	228,555	2.47	
83,500 Ebara	213,760	2.31	
805,100 Hitachi Zosen	301,107	3.26	
244,000 Isuzu Motors	246,806	2.67	
49,700 METAWATER	189,109	2.05	
64,500 Mitsubishi Logisnext	86,495	0.94	
1,232,100 Nippon Thompson	455,877	4.94	
<b>Industrial support services</b>	<b>533,521</b>	<b>5.77</b>	<b>5.35</b>
53,300 Hamakyorex	149,560	1.62	
293,100 Yamatane	383,961	4.15	
<b>Industrial transportation</b>	<b>392,203</b>	<b>4.25</b>	<b>3.86</b>
148,800 Kintetsu World Express	251,621	2.73	
62,900 Mitsui O.S.K. Lines	140,582	1.52	
<b>Industrial metals &amp; mining</b>	<b>0</b>	<b>0.00</b>	<b>4.04</b>
<b>Chemicals</b>	<b>1,042,597</b>	<b>11.28</b>	<b>8.35</b>
10,600 DIC	27,041	0.29	
129,800 Fujimi	358,118	3.88	
219,900 JSR	416,930	4.51	
285,300 Shin-Etsu Polymer	240,508	2.60	
<b>Non-renewable energy</b>	<b>120,013</b>	<b>1.30</b>	<b>0.00</b>
66,600 Modec	120,013	1.30	
<b>EQUITY DERIVATIVES</b>	<b>(3,541)</b>	<b>(0.04)</b>	<b>0.00</b>
<b>Equity futures contracts</b>	<b>(3,541)</b>	<b>(0.04)</b>	<b>0.00</b>
16 Topix Index Futures March 2020	(3,541)	(0.04)	
<b>Portfolio of investments</b>	<b>9,010,282</b>	<b>97.52</b>	<b>100.68</b>
<b>Net other assets / (liabilities)</b>	<b>229,015</b>	<b>2.48</b>	<b>(0.68)</b>
<b>Net assets attributable to shareholders</b>	<b>9,239,297</b>	<b>100.00</b>	<b>100.00</b>

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

### Top ten portfolio transactions

for the six months to 29 February 2020

Largest purchases	¥'000
Nippon Thompson	602,298
Fuji Electric	452,172
Fujimi	347,889
Haseko	339,321
SUMCO	321,571
Noritsu Koki	308,458
Sparx	300,515
Isuzu Motors	291,113
Keisei Electric Railway	284,753
Tokyo Broadcasting System	279,807
Other purchases	2,436,348
<b>Total purchases</b>	<b>5,964,245</b>
Largest sales	¥'000
Miraca	499,864
Lawson	467,207
Credit Saison	460,204
Dowa	452,990
Mazda Motor	448,549
OKI Electric Industry	446,680
JMDC Services	392,065
DIC	370,465
Concordia Financial	314,127
Cosel	303,827
Other sales	3,170,109
<b>Total sales</b>	<b>7,326,087</b>

# M&G Japan Smaller Companies Fund

## Financial highlights

### Fund performance

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

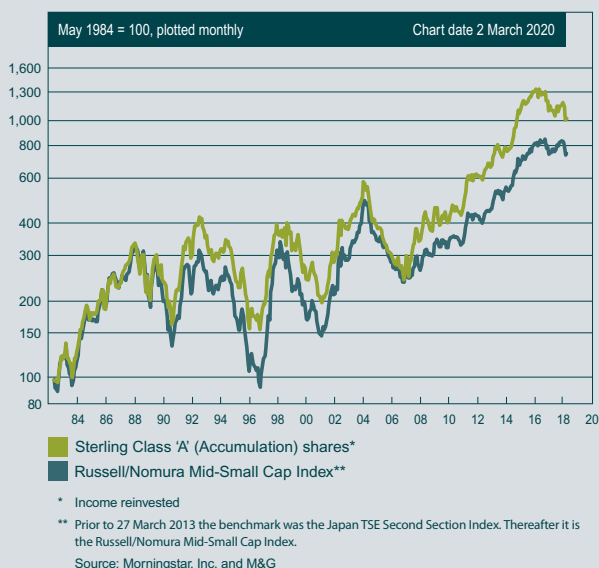
The following chart and tables reflect the key financial information of a representative share class, Sterling Class 'A' (Accumulation) shares. As different share classes have different attributes, for example charging structures and minimum investments, please be aware that their performance may be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

### Fund level performance

Fund net asset value			
as at	29.02.20 ¥'000	31.08.19 ¥'000	31.08.18 ¥'000
Fund net asset value (NAV)	9,239,297	10,191,282	34,438,426

### Performance since launch

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



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 02.09.19 % [a]	Three years 02.03.17 %p.a.	Five years 02.03.15 % p.a.	Since launch % p.a.
<b>Sterling [b]</b>				
Class 'A'	-5.8	-5.5	+6.3	+6.7 [c]
Class 'I'	-5.5	-4.8	+7.0	+12.2 [d]
Class 'R'	-5.6	-5.0	+6.8	+11.9 [d]
Class 'X'	-5.8	-5.5	+6.3	+9.0 [e]

[a] Absolute basis.

[b] Price to price with income reinvested.

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

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

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

## Operating charges and portfolio transaction costs

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

### Operating charges

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

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

For every £1 billion of a fund's net asset value, a discount of 0.02% will be applied to that fund's annual charge (up to a maximum of 0.12%).
- Extraordinary legal and tax expenses:** Costs that specifically relate to legal or tax claims that are both exceptional and unforeseeable. Such expenses are uncommon, and would not be expected in most years. Although they result in a short-term cost to the fund, generally they can deliver longer term benefits for investors.
- Investment management:** Charge paid to M&G for investment management of the fund. From 1 August 2019 this charge forms part of the annual charge.

# M&G Japan Smaller Companies Fund

## Financial highlights

### Fund performance

## Operating charges and portfolio transaction costs

### Operating charges (continued)

- **Administration:** Charge paid for administration services in addition to investment management – any surplus from this charge will be retained by M&G. From 1 August 2019 this charge is rolled into the annual charge.
- **Oversight and other independent services:** Charges paid to providers independent of M&G for services which include depositary, custody and audit. From 1 August 2019 these charges will be paid by M&G and rolled into the annual charge.
- **Ongoing charges from underlying funds:** Ongoing charges on holdings in underlying funds that are not rebated. From 1 August 2019 charges from underlying funds (excluding Investment Trusts Companies and Real Estate Investment Trusts) will be rebated.

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

Once the annual charge has been operational for twelve months, operating charges will be in line with the ongoing charges shown in the Key Investor Information Document, other than where there have been extraordinary legal or tax expenses, or an estimate has been used for the ongoing charge because a material change has made the operating charges unreliable as an estimate of future charges.

### Portfolio transaction costs

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

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

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

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

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

### Portfolio transaction costs

	Six months to 29.02.20 %	Year to 31.08.19 %	Year to 31.08.18 %	Average <sup>[a]</sup> %
<b>Direct portfolio transaction costs <sup>[b]</sup></b>				
Broker commission	0.12	0.02	0.05	0.06
Taxes	0.00	0.00	0.00	0.00
Costs before dilution adjustments	0.12	0.02	0.05	0.06
Dilution adjustments <sup>[c]</sup>	(0.01)	(0.02)	(0.02)	(0.02)
<b>Total direct portfolio transaction costs</b>	<b>0.11</b>	<b>0.00</b>	<b>0.03</b>	<b>0.04</b>
<b>as at</b>	<b>29.02.20</b>	<b>31.08.19</b>	<b>31.08.18</b>	<b>Average <sup>[a]</sup></b>
<b>Indirect portfolio transaction costs</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
Average portfolio dealing spread	0.38	0.24	0.25	0.29

<sup>[a]</sup> Average of first three columns.

<sup>[b]</sup> As a percentage of average net asset value.

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

# M&G Japan Smaller Companies Fund

## Financial highlights

### Specific share class performance

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

Historic yields for the current period are calculated as at 13 March 2020.

#### Sterling Class 'A' Income share performance

The share class was launched on 15 May 1984.

	Six months to 29.02.20 UK p	Year to 31.08.19 UK p	Year to 31.08.18 UK p
<b>Change in NAV per share</b>			
Opening NAV	458.90	551.72	544.14
Return before operating charges and after direct portfolio transaction costs	(31.38)	(72.36)	27.54
Operating charges	(1.68)	(8.19)	(9.44)
Return after operating charges	(33.06)	(80.55)	18.10
Distributions	n/a	(12.27)	(10.52)
Closing NAV	425.84	458.90	551.72
<b>Direct portfolio transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.30	0.21	0.26
Dilution adjustments <sup>[a]</sup>	(0.03)	(0.21)	(0.14)
Total direct portfolio transaction costs	0.27	0.00	0.12
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.11	0.00	0.03
Operating charges <sup>[c]</sup>	1.40	1.67	1.68
Return after operating charges	-7.20	-14.60	+3.33
Historic yield	3.37	2.12	1.92
Effect on yield of charges offset against capital	1.40	1.63	1.65
<b>Other information</b>			
Closing NAV (¥'000)	2,514,826	2,524,860	3,407,122
Closing NAV percentage of total fund NAV (%)	27.22	24.77	9.89
Number of shares	4,217,197	4,246,569	4,286,995
Highest share price (UK p)	502.79	563.71	603.88
Lowest share price (UK p)	425.58	441.44	519.30

#### Sterling Class 'A' Accumulation share performance

The share class was launched on 15 May 1984.

	Six months to 29.02.20 UK p	Year to 31.08.19 UK p	Year to 31.08.18 UK p
<b>Change in NAV per share</b>			
Opening NAV	514.41	602.18	582.86
Return before operating charges and after direct portfolio transaction costs	(35.10)	(78.78)	29.43
Operating charges	(1.88)	(8.99)	(10.11)
Return after operating charges	(36.98)	(87.77)	19.32
Distributions	n/a	(3.84)	(0.99)
Retained distributions	n/a	3.84	0.99
Closing NAV	477.43	514.41	602.18
<b>Direct portfolio transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.34	0.24	0.28
Dilution adjustments <sup>[a]</sup>	(0.03)	(0.24)	(0.15)
Total direct portfolio transaction costs	0.31	0.00	0.13
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.11	0.00	0.03
Operating charges <sup>[c]</sup>	1.40	1.67	1.68
Return after operating charges	-7.19	-14.58	+3.31
Historic yield	0.94	0.18	0.17
Effect on yield of charges offset against capital	0.00	0.00	0.00
<b>Other information</b>			
Closing NAV (¥'000)	838,961	935,664	1,500,595
Closing NAV percentage of total fund NAV (%)	9.08	9.18	4.36
Number of shares	1,254,869	1,403,903	1,729,898
Highest share price (UK p)	563.69	615.44	646.78
Lowest share price (UK p)	477.13	481.95	556.19

#### Sterling Class 'I' Income share performance

The share class was launched on 3 August 2012.

	Six months to 29.02.20 UK p	Year to 31.08.19 UK p	Year to 31.08.18 UK p
<b>Change in NAV per share</b>			
Opening NAV	2,295.69	2,739.70	2,681.63
Return before operating charges and after direct portfolio transaction costs	(154.75)	(359.88)	135.92
Operating charges	(5.32)	(23.01)	(25.85)
Return after operating charges	(160.07)	(382.89)	110.07
Distributions	n/a	(61.12)	(52.00)
Closing NAV	2,135.62	2,295.69	2,739.70
<b>Direct portfolio transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	1.48	1.08	1.31
Dilution adjustments <sup>[a]</sup>	(0.15)	(1.08)	(0.69)
Total direct portfolio transaction costs	1.33	0.00	0.62
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.11	0.00	0.03
Operating charges <sup>[c]</sup>	0.90	0.93	0.93
Return after operating charges	-6.97	-13.98	+4.10
Historic yield	3.35	2.09	1.91
Effect on yield of charges offset against capital	0.90	0.90	0.90
<b>Other information</b>			
Closing NAV (¥'000)	504,640	1,002,372	1,801,695
Closing NAV percentage of total fund NAV (%)	5.46	9.84	5.23
Number of shares	168,743	337,007	456,523
Highest share price (UK p)	2,520.18	2,801.10	2,984.21
Lowest share price (UK p)	2,134.29	2,204.55	2,560.94

# M&G Japan Smaller Companies Fund

## Financial highlights

### Specific share class performance

#### Sterling Class 'I' Accumulation share performance

The share class was launched on 3 August 2012.

	Six months to 29.02.20 UK p	Year to 31.08.19 UK p	Year to 31.08.18 UK p
<b>Change in NAV per share</b>			
Opening NAV	2,537.79	2,949.28	2,833.31
Return before operating charges and after direct portfolio transaction costs	(170.58)	(386.64)	143.28
Operating charges	(5.97)	(24.85)	(27.31)
Return after operating charges	(176.55)	(411.49)	115.97
Distributions	n/a	(39.91)	(27.60)
Retained distributions	n/a	39.91	27.60
Closing NAV	2,361.24	2,537.79	2,949.28
<b>Direct portfolio transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	1.66	1.16	1.38
Dilution adjustments <sup>[a]</sup>	(0.17)	(1.16)	(0.73)
Total direct portfolio transaction costs	1.49	0.00	0.65
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.11	0.00	0.03
Operating charges <sup>[c]</sup>	0.90	0.93	0.93
Return after operating charges	-6.96	-13.95	+4.09
Historic yield	1.98	1.00	0.94
Effect on yield of charges offset against capital	0.00	0.00	0.00
<b>Other information</b>			
Closing NAV (¥000)	4,485,033	4,783,506	9,187,415
Closing NAV percentage of total fund NAV (%)	48.55	46.94	26.68
Number of shares	1,356,414	1,454,835	2,162,527
Highest share price (UK p)	2,786.43	3,016.20	3,152.66
Lowest share price (UK p)	2,359.77	2,373.84	2,705.55

#### Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012.

	Six months to 29.02.20 UK p	Year to 31.08.19 UK p	Year to 31.08.18 UK p
<b>Change in NAV per share</b>			
Opening NAV	227.76	272.50	267.40
Return before operating charges and after direct portfolio transaction costs	(15.47)	(35.77)	13.56
Operating charges	(0.68)	(2.90)	(3.28)
Return after operating charges	(16.15)	(38.67)	10.28
Distributions	n/a	(6.07)	(5.18)
Closing NAV	211.61	227.76	272.50
<b>Direct portfolio transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.15	0.11	0.13
Dilution adjustments <sup>[a]</sup>	(0.02)	(0.11)	(0.07)
Total direct portfolio transaction costs	0.13	0.00	0.06
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.11	0.00	0.03
Operating charges <sup>[c]</sup>	1.15	1.18	1.18
Return after operating charges	-7.09	-14.19	+3.84
Historic yield	3.36	2.10	1.91
Effect on yield of charges offset against capital	1.15	1.15	1.15
<b>Other information</b>			
Closing NAV (¥000)	29,042	34,452	59,898
Closing NAV percentage of total fund NAV (%)	0.31	0.34	0.17
Number of shares	98,006	116,750	152,590
Highest share price (UK p)	249.78	278.55	297.30
Lowest share price (UK p)	211.48	218.86	255.34

#### Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012.

	Six months to 29.02.20 UK p	Year to 31.08.19 UK p	Year to 31.08.18 UK p
<b>Change in NAV per share</b>			
Opening NAV	249.27	290.41	279.69
Return before operating charges and after direct portfolio transaction costs	(16.88)	(38.06)	14.15
Operating charges	(0.75)	(3.08)	(3.43)
Return after operating charges	(17.63)	(41.14)	10.72
Distributions	n/a	(3.22)	(1.97)
Retained distributions	n/a	3.22	1.97
Closing NAV	231.64	249.27	290.41
<b>Direct portfolio transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.16	0.11	0.14
Dilution adjustments <sup>[a]</sup>	(0.02)	(0.11)	(0.07)
Total direct portfolio transaction costs	0.14	0.00	0.07
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.11	0.00	0.03
Operating charges <sup>[c]</sup>	1.15	1.18	1.18
Return after operating charges	-7.07	-14.17	+3.83
Historic yield	1.63	0.73	0.68
Effect on yield of charges offset against capital	0.00	0.00	0.00
<b>Other information</b>			
Closing NAV (¥000)	233,387	234,168	324,130
Closing NAV percentage of total fund NAV (%)	2.53	2.30	0.94
Number of shares	719,483	725,069	774,798
Highest share price (UK p)	273.42	296.94	310.93
Lowest share price (UK p)	231.49	233.31	267.05

#### Sterling Class 'X' Income share performance

The share class was launched on 1 October 2002.

	Six months to 29.02.20 UK p	Year to 31.08.19 UK p	Year to 31.08.18 UK p
<b>Change in NAV per share</b>			
Opening NAV	456.08	548.32	540.79
Return before operating charges and after direct portfolio transaction costs	(31.19)	(71.85)	27.37
Operating charges	(1.67)	(8.20)	(9.38)
Return after operating charges	(32.86)	(80.05)	17.99
Distributions	n/a	(12.19)	(10.46)
Closing NAV	423.22	456.08	548.32
<b>Direct portfolio transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.30	0.21	0.26
Dilution adjustments <sup>[a]</sup>	(0.03)	(0.21)	(0.14)
Total direct portfolio transaction costs	0.27	0.00	0.12
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.11	0.00	0.03
Operating charges <sup>[c]</sup>	1.40	1.67	1.68
Return after operating charges	-7.20	-14.60	+3.33
Historic yield	3.37	2.12	1.92
Effect on yield of charges offset against capital	1.40	1.63	1.65
<b>Other information</b>			
Closing NAV (¥000)	143,552	145,225	241,369
Closing NAV percentage of total fund NAV (%)	1.55	1.42	0.70
Number of shares	242,219	245,768	305,584
Highest share price (UK p)	499.68	560.24	600.16
Lowest share price (UK p)	422.96	438.72	516.10

# M&G Japan Smaller Companies Fund

## Financial highlights

### Specific share class performance

#### Sterling Class 'X' Accumulation share performance

The share class was launched on 1 October 2002.

Change in NAV per share	Six months to 29.02.20 UK p	Year to 31.08.19 UK p	Year to 31.08.18 UK p
Opening NAV	510.51	597.62	578.44
Return before operating charges and after direct portfolio transaction costs	(34.83)	(78.14)	29.22
Operating charges	(1.87)	(8.97)	(10.04)
Return after operating charges	(36.70)	(87.11)	19.18
Distributions	n/a	(3.81)	(0.99)
Retained distributions	n/a	3.81	0.99
Closing NAV	473.81	510.51	597.62
<b>Direct portfolio transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.33	0.23	0.28
Dilution adjustments <sup>[a]</sup>	(0.03)	(0.23)	(0.15)
Total direct portfolio transaction costs	0.30	0.00	0.13
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.11	0.00	0.03
Operating charges <sup>[c]</sup>	1.40	1.67	1.68
Return after operating charges	-7.19	-14.58	+3.32
Historic yield	0.94	0.18	0.17
Effect on yield of charges offset against capital	0.00	0.00	0.00
<b>Other information</b>			
Closing NAV (¥000)	489,856	531,035	974,723
Closing NAV percentage of total fund NAV (%)	5.30	5.21	2.83
Number of shares	738,292	802,867	1,132,246
Highest share price (UK p)	559.42	610.78	641.88
Lowest share price (UK p)	473.52	478.30	551.98

<sup>[a]</sup> In respect of direct portfolio transaction costs.

<sup>[b]</sup> As a percentage of average net asset value.

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

# M&G Japan Smaller Companies Fund

## Financial statements and notes

### Financial statements

#### Statement of total return

for the six months to 29 and 28 February	2020 ¥'000	2019 ¥'000
Income		
Net capital gains / (losses)	149,380	(3,814,509)
Revenue	89,661	245,603
Expenses	(61,832)	(134,463)
Net revenue / (expense) before taxation	27,829	111,140
Taxation	(9,790)	(24,707)
Net revenue / (expense) after taxation	18,039	86,433
<b>Total return before equalisation</b>	<b>167,419</b>	<b>(3,728,076)</b>
Equalisation	(4,399)	(57,296)
<b>Change in net assets attributable to shareholders from investment activities</b>	<b>163,020</b>	<b>(3,785,372)</b>

#### Statement of change in net assets attributable to shareholders

for the six months to 29 and 28 February	2020 ¥'000	2019 ¥'000
Opening net assets attributable to shareholders	10,191,282	34,438,426
Amounts received on issue of shares	324,230	7,423,093
Amounts paid on cancellation of shares	(1,441,841)	(5,167,963)
Transfer to M&G (Lux) Japan Smaller Companies Fund	0	(18,724,626)
	(1,117,611)	(16,469,496)
Dilution adjustments	2,606	19,319
Change in net assets attributable to shareholders from investment activities (see above)	163,020	(3,785,372)
Retained distributions on Accumulation shares	0	73,934
Unclaimed distributions	0	13
<b>Closing net assets attributable to shareholders</b>	<b>9,239,297</b>	<b>14,276,824</b>

The opening net assets attributable to shareholders for 2020 differs to the closing position in 2019 by the change in net assets attributable to shareholders for the second half of the comparative financial year.

#### Balance sheet

as at	29 February 2020 ¥'000	31 August 2019 ¥'000
<b>Assets</b>		
<b>Fixed assets</b>		
Investments	9,013,823	10,260,761
<b>Current assets</b>		
Debtors	558,057	36,085
Cash and bank balances	162,716	44,726
<b>Total assets</b>	<b>9,734,596</b>	<b>10,341,572</b>
<b>Liabilities</b>		
Investment liabilities	(3,541)	0
<b>Creditors</b>		
Overdrawn positions at futures clearing houses and collateral manager	(11)	0
Distribution payable	0	(98,982)
Other creditors	(491,747)	(51,308)
<b>Total liabilities</b>	<b>(495,299)</b>	<b>(150,290)</b>
<b>Net assets attributable to shareholders</b>	<b>9,239,297</b>	<b>10,191,282</b>

### Notes to the financial statements

#### Accounting policies

The financial statements have been prepared in accordance with the 'Accounting policies' set out on page 4.

#### Distribution policy

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

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

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

#### Events after the balance sheet date

Between 29 February 2020 and 9 April 2020 there has been a fall in the value of investments driven by fears of the negative impact on global growth from COVID-19. The resulting impact on net asset values (NAV) can be seen in the table below.

Net asset	29.02.20	09.04.20	% change
<b>Sterling</b>			
Class 'A' Income	425.84	391.37	-8.09
Class 'A' Accumulation	477.43	438.78	-8.10
Class 'I' Income	2,135.62	1,963.84	-8.04
Class 'I' Accumulation	2,361.24	2,171.32	-8.04
Class 'R' Income	211.61	194.54	-8.07
Class 'R' Accumulation	231.64	212.95	-8.07
Class 'X' Income	423.22	388.96	-8.10
Class 'X' Accumulation	473.81	435.46	-8.09

# M&G North American Dividend Fund

## Authorised Corporate Director's Report

### Investment objective up to 28 November 2019

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

### Investment policy up to 28 November 2019

The fund will invest mainly in North American equities and may invest across all sectors and market capitalisations.

The fund may also invest in transferable securities issued by companies which are listed, registered or trading within North America and in collective investment schemes.

Cash and near cash may be held for ancillary purposes and derivatives, including warrants, may be used for efficient portfolio management and hedging purposes.

### Investment approach up to 28 November 2019

The M&G North American Dividend Fund employs a bottom-up stockpicking approach, driven by the fundamental analysis of individual companies. The fund manager seeks to invest in companies with excellent capital discipline and long-term dividend growth potential. The fund manager believes rising dividends create upward pressure on the value of shares. Dividend yield is not the primary consideration for stock selection.

The fund manager aims to create a diversified portfolio with exposure to a broad range of sectors. He selects stocks with different drivers of dividend growth to construct a portfolio that has the potential to cope in a variety of market conditions. The fund will usually hold around 40 to 50 stocks, with a long-term investment view and a typical holding period of three to five years.

### Investment objective from 29 November 2019

The fund has two aims:

- To provide a higher total return (the combination of capital growth and income), net of the ongoing charge figure, than that of the S&P 500 Index over any five-year period and;
- To provide an income stream that increases every year in USD terms.

### Investment policy from 29 November 2019

At least 80% of the fund is invested directly in equity securities and equity-related securities of companies across any sector and market capitalisation that are incorporated, domiciled or do most of their business in the US and Canada. The fund usually holds a concentrated portfolio of fewer than 50 companies.

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

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

Derivatives may be used for efficient portfolio management and hedging.

### Investment approach from 29 November 2019

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

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

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

### Benchmark

Benchmark: S&P 500 Index.

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

# M&G North American Dividend Fund

## Authorised Corporate Director's Report

### Risk profile

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

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

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



The above number:

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

### Investment review

**As at 2 March 2020, for the six months ended 29 February 2020**

#### Distribution summary

Over the six-month review period, the fund distributed income of 16.538 pence per Sterling Class 'A' (Income) share, compared to 16.000 pence in the same period in the previous financial year. This represents an increase of 3.4%. The Sterling Class 'I' (Income) share distributed 20.0848 pence, which is 4.1% higher than the 19.2994 pence paid a year ago.

In keeping with recent years, we are pleased with the dividend growth across the portfolio. (Dividends represent a share in the profits of a company and are paid out to the company's shareholders at set times of the year.) The majority of holdings once again delivered dividend increases in the region of 5% to 15%, including our largest position in Comcast (communication services).

The technology sector accounted for the fastest dividend growth. Broadcom in the semiconductor industry led the pack with a 23% increase, closely followed by MasterCard and Visa in global payments. Microsoft raised its quarterly payment by 11% in software.

Healthcare was another source of reliable growth, led by Anthem's 19% increase. Merck, Bristol-Myers Squibb and Agilent Technologies also reported double-digit hikes. In financials, S&P Global upstaged the others with an 18% uplift, while American Express and Blackrock delivered a respectable 10% increase. The Progressive Corporation paid a special dividend, in line with its policy of returning excess cash to shareholders using this method.

Dividend growth was also prevalent in more economically sensitive sectors. Air Products and Chemicals rewarded investors with an impressive 16% increase in an unfashionable materials sector. ONEOK and Pembina Pipeline reported solid mid-single-digit increases in energy.

It was not all good news, however. A handful of holdings, including Fidelity National Information Services (FIS), held their dividends flat, but we are hopeful that growth can resume in the future. Cognizant, another dividend disappointment, was sold during the review period, with the proceeds recycled into companies where we have greater conviction.

#### Performance against objective

Between 2 September 2019 (the start of the review period) and 2 March 2020, the fund's sterling share classes delivered a negative total return (the combination of income and growth of capital) and underperformed the S&P 500 Index. The shortfall was exacerbated by market timing differences. The fund is priced at midday in London, and therefore did not capture the gains from the US market on the last day of the review period when the S&P 500 Index rose 4.2% in sterling, the biggest one-day leap since December 2018.

Over five years, the fund generated positive returns but lagged the S&P 500 Index, which returned 14.3% p.a. over this period. Therefore the fund did not meet the objective of providing a higher total return, net of the ongoing charge figure, than that of the S&P 500 Index over any five-year period.

The fund is on track to deliver on the objective of growing the distribution every year in US dollars.

The growth in distributed income for the Sterling Class 'A' (Income) share and Sterling Class 'I' (Income) share was 2.3% and 3.0% in US dollars, respectively, during the first six months of the year.\*

\* 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.

#### Performance review

The US stockmarket made little progress in sterling terms during the six months under review as the strength of sterling held back gains in US dollars. It was a time of extremes. The market rallied for most of the review period, with the S&P 500 Index reaching a record high in mid-February, before reversing abruptly in the last two weeks. Concerns about the spread of the coronavirus took their toll on financial markets and risk aversion prompted a flight to safety. Yields on government bonds fell to all-time lows. Technology was the standout sector over the six-month period as Apple and Microsoft rallied strongly. Energy was the worst performer against the backdrop of a weaker oil price.

The fund underperformed in this fickle environment. Positive stock selection in energy was offset by the negative contribution from technology, communication services and consumer staples. Sector allocation also detracted, not helped by the overweight position in energy.

Not owning Apple, which surged by around 25% in sterling, provided the biggest drag on relative performance. The zero exposure to the technology bellwether was partially offset by the sharp rally in Lam Research (semiconductors) and Microsoft (software), which led the list of positive contributors during the review period. We continue to see better alternatives for Apple in other parts of the supply chain.

# M&G North American Dividend Fund

## Authorised Corporate Director's Report

### Investment review

#### Performance review (continued)

Constellation Brands ended the six-month period lower as defensive sectors experienced mixed fortunes. Healthcare and utilities proved resilient, while consumer staples and real estate were considerably weaker. (Defensive stocks are companies that tend to have stable earnings and are less affected by peaks and troughs in the economy.) Constellation Brands, which owns the Mexican beer brands Corona, Modelo and Pacifico, continues to deliver from an operational perspective. The company raised its outlook for 2020 and confirmed at the end of February that the beer business is seeing positive sales trends despite the outbreak of the coronavirus.

Six Flags Entertainment, the operator of theme parks, was under pressure after a succession of profit warnings. We sold the stock in January. Since then, the company has warned again and cut the dividend. Comcast also struggled in the consumer discretionary sector. The media conglomerate stepped up its plans for investment in the streaming business, which will hold back growth for the broader group in the short term. We continue to have conviction in the investment thesis and Comcast remains our largest active holding.

PrairieSky Royalty and Methanex drifted lower in a challenging environment for energy-related companies, but Gibson Energy bucked the trend with solid operating results in 2019. The mid-stream company continues to deliver on its strategy of focusing on the profitable infrastructure business, and we are pleased that the company's progress has been rewarded with a higher share price. Not owning the majors Exxon Mobil and Chevron also helped relative performance.

Emerson Electric rose amid speculation that an activist investor was demanding a break-up of the industrials company to unlock value. Las Vegas Sands recovered from its August lows as the gaming company exceeded expectations in a difficult trading environment.

First Republic Bank was another beneficiary of strong fundamentals. Wells Fargo also outperformed in banks.

Bristol-Myers Squibb added value in healthcare. The pharmaceutical company, which completed the acquisition of Celgene, reported better-than-expected results, raised its dividend by 10% and increased its share buyback programme by US\$5 billion.

#### Investment activities

There were five new purchases and six complete sales during the six-month review period, a level of turnover consistent with our long-term investment horizon of three to five years.

The consumer discretionary sector saw the most activity with one new holding and two disposals. We bought shares in Tractor Supply, a retailer serving rural communities in the US. The business model is relatively sheltered from the threat of online competition due to the nature of its product offering and customer base, and there is a clear avenue for growth from increasing its share of a fragmented market.

We exited Six Flags after we lost faith in the management team. Yum China, the restaurant company which is expanding KFC and Pizza Hut in the world's most populated country, was sold at a profit.

The fund's exposure to healthcare increased, helped by the addition of Bristol-Myers Squibb. The potential for long-term growth following the acquisition of Celgene is not adequately reflected in the share price, in our view. We sold Johnson & Johnson as a source of cash.

Industrials was another sector which ended the review period with a higher weighting. We bought a stake in L3Harris, the defence company created by the merger of L3 Technologies and Harris Corp. The combined entity has significant scope to expand margins, while benefiting from the visible revenue streams generated by defence contracts. The stock is among the fund's top 10 active holdings.

KLA and LyondellBasell were the final purchases during the review period. The market downturn in February provided an attractive entry point for two cyclical businesses with strong capital discipline. (Cyclicals are companies which tend to be more sensitive to the economic cycle.) KLA, a semiconductor equipment company with a dominant position in inspection, generates high return on capital and has an excellent track record of dividend growth. The technology weighting rose following the purchase. LyondellBasell, a chemicals company, is also highly cash generative and the shares offer compelling value on a dividend yield of almost 6%. The company is committed to a progressive dividend policy and has created significant value for shareholders by buying back stock.

EOG Resources in the energy sector provided a source of cash. We also sold Wells Fargo. The fund's exposure to financials declined and banks moved to an underweight stance.

#### Outlook

Investors have reacted to the spread of the coronavirus with an increasing sense of panic, but we believe that the indiscriminate selling that has ensued has left some high-quality growth businesses trading on compelling valuations. The US stockmarket remains polarised with investors continuing to find comfort in a narrow field of growth stocks which are highly valued, in contrast to the rest of the market where expectations are more realistic, if not undemanding. In many cases, the long-term growth potential is simply overlooked in current valuations – a view endorsed by our recent research trip to the US.

Despite the lack of visibility in the short term, many companies are demonstrating their long-term confidence with higher dividends – which have been plentiful across the portfolio. We continue to believe that our holdings can sustain dividend growth at 5-15%, in line with previous years, which will in turn fuel capital growth over the long term.

We strongly believe that company fundamentals are reflected in share prices over time and we are excited by the buying opportunity presented by the recent market downturn. We are taking advantage of the opportunity by acting on our conviction.

#### John Weavers Fund manager

An employee of M&G FA Limited (formerly M&G Limited) which is an associate of M&G Securities Limited.

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

# M&G North American Dividend Fund

## Authorised Corporate Director's Report

### Investments

Portfolio statement				
as at Holding	29.02.20 \$'000	29.02.20 %	31.08.19 %	
<b>EQUITIES</b>	<b>841,819</b>	<b>98.43</b>	<b>96.84</b>	
<b>Oil, gas &amp; consumable fuels</b>	<b>55,876</b>	<b>6.53</b>	<b>7.52</b>	
901,404 Gibson Energy	17,091	2.00		
467,638 ONEOK	31,579	3.69		
58,447 Pembina Pipeline	2,160	0.25		
546,153 PrairieSky Royalty	5,046	0.59		
<b>Chemicals</b>	<b>28,568</b>	<b>3.34</b>	<b>4.08</b>	
44,001 Air Products & Chemicals	9,856	1.15		
675,767 Methanex	18,712	2.19		
<b>Aerospace &amp; defence</b>	<b>43,401</b>	<b>5.08</b>	<b>1.50</b>	
59,789 Boeing	17,204	2.01		
129,756 L3Harris Technologies	26,197	3.07		
<b>Electrical equipment</b>	<b>8,333</b>	<b>0.97</b>	<b>1.81</b>	
129,430 Emerson Electric	8,333	0.97		
<b>Road &amp; rail</b>	<b>13,266</b>	<b>1.55</b>	<b>1.39</b>	
83,136 Union Pacific	13,266	1.55		
<b>Hotels, restaurants &amp; leisure</b>	<b>17,402</b>	<b>2.03</b>	<b>4.91</b>	
297,922 Las Vegas Sands	17,402	2.03		
<b>Specialty retail</b>	<b>45,630</b>	<b>5.34</b>	<b>3.13</b>	
270,391 Lowe's	29,078	3.40		
183,104 Tractor Supply	16,552	1.94		
<b>Beverages</b>	<b>33,976</b>	<b>3.97</b>	<b>4.41</b>	
193,540 Constellation Brands	33,976	3.97		
<b>Food products</b>	<b>35,151</b>	<b>4.11</b>	<b>4.14</b>	
645,677 Mondelez International	35,151	4.11		
<b>Tobacco</b>	<b>6,340</b>	<b>0.74</b>	<b>0.70</b>	
157,321 Altria	6,340	0.74		
<b>Health care equipment &amp; supplies</b>	<b>27,267</b>	<b>3.19</b>	<b>3.17</b> <sup>[a]</sup>	
112,391 Becton Dickinson	27,267	3.19		
<b>Health care providers &amp; services</b>	<b>60,267</b>	<b>7.05</b>	<b>6.43</b> <sup>[a]</sup>	
131,451 Anthem	33,912	3.97		
103,870 UnitedHealth	26,355	3.08		
<b>Pharmaceuticals</b>	<b>51,133</b>	<b>5.98</b>	<b>4.16</b>	
388,354 Bristol-Myers Squibb	23,131	2.71		
358,912 Merck	28,002	3.27		
<b>Life sciences tools &amp; services</b>	<b>9,310</b>	<b>1.09</b>	<b>0.98</b>	
120,298 Agilent Technologies	9,310	1.09		
<b>Banks</b>	<b>32,821</b>	<b>3.84</b>	<b>5.76</b>	
83,287 First Republic Bank	8,711	1.02		
198,762 JPMorgan Chase	24,110	2.82		
<b>Consumer finance</b>	<b>24,929</b>	<b>2.91</b>	<b>2.32</b>	
221,039 American Express	24,929	2.91		
<b>Capital markets</b>	<b>26,537</b>	<b>3.10</b>	<b>5.01</b>	
25,688 Blackrock	12,223	1.43		
60,351 Intercontinental Exchange	5,541	0.65		
32,838 S&P Global	8,773	1.02		
<b>Insurance</b>	<b>41,388</b>	<b>4.84</b>	<b>4.73</b>	
181,400 Marsh & McLennan	19,383	2.27		
288,665 Progressive	22,005	2.57		
<b>IT services</b>	<b>98,213</b>	<b>11.49</b>	<b>12.38</b>	
198,949 Broadridge Financial Solutions	21,425	2.51		
257,259 FIS	35,695	4.17		
59,159 MasterCard	16,936	1.98		
134,207 Visa	24,157	2.83		
<b>Software</b>	<b>58,253</b>	<b>6.81</b>	<b>6.60</b>	
368,692 Microsoft	58,253	6.81		

### Portfolio statement (continued)

as at Holding	29.02.20 \$'000	29.02.20 %	31.08.19 %
<b>Semiconductors &amp; semiconductor equipment</b>	<b>43,428</b>	<b>5.08</b>	<b>1.90</b>
93,462 Broadcom	25,604	2.99	
27,127 KLA	4,014	0.47	
48,387 Lam Research	13,810	1.62	
<b>Media</b>	<b>52,842</b>	<b>6.18</b>	<b>5.66</b>
1,289,148 Comcast	52,842	6.18	
<b>Equity real estate investment trusts (REITs)</b>	<b>27,488</b>	<b>3.21</b>	<b>4.15</b>
50,515 Crown Castle International	7,498	0.87	
33,457 Equinix	19,990	2.34	
<b>Portfolio of investments</b>	<b>841,819</b>	<b>98.43</b>	<b>96.84</b>
<b>CASH EQUIVALENTS</b>	<b>17,180</b>	<b>2.01</b>	<b>2.73</b>
<b>AAA' rated money market funds <sup>[b]</sup></b>	<b>17,180</b>	<b>2.01</b>	<b>2.73</b>
17,180,255 Northern Trust Global Fund - US dollar	17,180	2.01	
<b>SHARE CLASS HEDGING</b>	<b>(5)</b>	<b>0.00</b>	<b>0.00</b>
<b>Forward currency contracts for share class hedging</b>	<b>(5)</b>	<b>0.00</b>	<b>0.00</b>
CAD967 Bought for £562 (expires 11.03.20)	0	0.00	
£8,957 Bought for C\$15,526 (expires 11.03.20)	0	0.00	
£280,643 Bought for \$366,317 (expires 11.03.20)	(5)	0.00	
£(19,491) Sold for \$25,187 (expires 11.03.20)	0	0.00	
<b>Total portfolio</b>	<b>858,994</b>	<b>100.44</b>	<b>99.57</b>
<b>Net other assets / (liabilities)</b>	<b>(3,782)</b>	<b>(0.44)</b>	<b>0.43</b>
<b>Net assets attributable to shareholders</b>	<b>855,212</b>	<b>100.00</b>	<b>100.00</b>

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

<sup>[a]</sup> Restated.

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

### Top ten portfolio transactions

for the six months to 29 February 2020

	\$'000
<b>Largest purchases</b>	
L3Harris Technologies	28,145
Bristol-Myers Squibb	22,142
Broadcom	21,634
Tractor Supply	17,082
Comcast	12,636
Boeing	10,885
Anthem	10,291
UnitedHealth	8,878
Merck	8,520
American Express	8,217
Other purchases	85,254
<b>Total purchases</b>	<b>233,684</b>
<b>Largest sales</b>	
Intercontinental Exchange	18,330
Wells Fargo	16,812
Johnson & Johnson	11,041
Yum China	10,731
UnitedHealth	9,549
Emerson Electric	8,439
Six Flags Entertainment	7,576
EOG Resources	7,504
Pembina Pipeline	6,865
First Republic Bank	6,630
Other sales	47,525
<b>Total sales</b>	<b>151,002</b>

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

# M&G North American Dividend Fund

## Financial highlights

### Fund performance

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

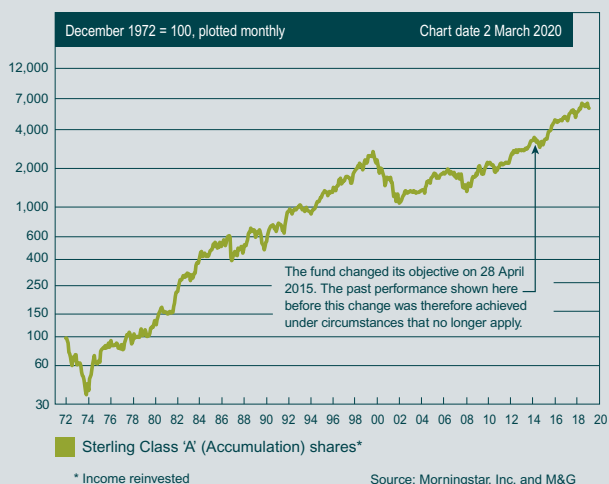
The following charts and tables reflect the key financial information of a representative share class, Sterling Class 'A' (Accumulation) shares. As different share classes have different attributes, for example charging structures and minimum investments, please be aware that their performance may be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

### Fund level performance

Fund net asset value			
as at	29.02.20 \$'000	31.08.19 \$'000	31.08.18 \$'000
Fund net asset value (NAV)	855,212	796,408	827,633

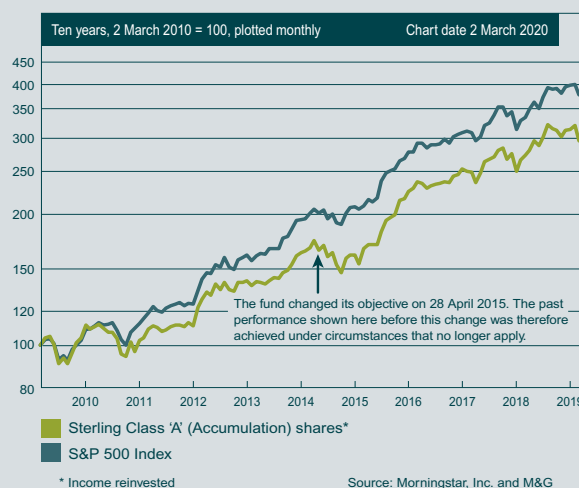
### Performance since launch

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



### Ten-year performance

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



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

Long-term performance by share class				
	Six months 02.09.19 % [a]	Three years 02.03.17 % p.a.	Five years 02.03.15 % p.a.	Since launch % p.a.
<b>Sterling [b]</b>				
Class 'A'	-8.4	+6.3	+11.9	+9.1 [c]
Class 'I'	-8.2	+7.0	+12.7	+14.8 [d]
Class 'I-H'	n/a	n/a	n/a	-7.1 [e]
Class 'PP'	-8.1	n/a	n/a	+1.0 [f]
Class 'PP-H'	n/a	n/a	n/a	-7.1 [e]
Class 'R'	-8.3	+6.8	+12.4	+14.5 [d]
Class 'X'	-8.4	+6.3	+11.9	+11.5 [g]

[a] Absolute basis.

[b] Price to price with income reinvested.

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

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

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

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

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

# M&G North American Dividend Fund

## Financial highlights

### Fund performance

## Operating charges and portfolio transaction costs

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

### Operating charges

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

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

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

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

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

Once the annual charge has been operational for twelve months, operating charges will be in line with the ongoing charges shown in the Key Investor Information Document, other than where there have been extraordinary legal or tax expenses, or an estimate has been used for the ongoing charge because a material change has made the operating charges unreliable as an estimate of future charges.

### Portfolio transaction costs

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

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

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

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

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

### Portfolio transaction costs

	Six months to 29.02.20	Year to 31.08.19	Year to 31.08.18	Average <sup>[a]</sup>
Direct portfolio transaction costs <sup>[b]</sup>	%	%	%	%
Broker commission	0.03	0.02	0.02	0.02
Taxes	0.00	0.00	0.00	0.00
Costs before dilution adjustments	0.03	0.02	0.02	0.02
Dilution adjustments <sup>[c]</sup>	(0.02)	(0.02)	(0.02)	(0.02)
Total direct portfolio transaction costs	0.01	0.00	0.00	0.00
as at	29.02.20	31.08.19	31.08.18	Average <sup>[a]</sup>
Indirect portfolio transaction costs	%	%	%	%
Average portfolio dealing spread	0.04	0.05	0.03	0.04

<sup>[a]</sup> Average of first three columns.

<sup>[b]</sup> As a percentage of average net asset value.

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

# M&G North American Dividend Fund

## Financial highlights

### Specific share class performance

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

Historic yields for the current period are calculated as at 13 March 2020.

#### Sterling Class 'A' Income share performance

The share class was launched on 28 March 1977.

Change in NAV per share	Six months to 29.02.20 UK p	Year to 31.08.19 UK p	Year to 31.08.18 UK p
Opening NAV	2,268.86	2,063.65	1,769.36
Return before operating charges and after direct portfolio transaction costs	(130.86)	280.90	357.60
Operating charges	(6.70)	(33.54)	(31.12)
Return after operating charges	(137.56)	247.36	326.48
Distributions	(16.54)	(42.15)	(32.19)
Closing NAV	2,114.76	2,268.86	2,063.65
<b>Direct portfolio transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.33	0.57	0.37
Dilution adjustments <sup>[a]</sup>	(0.18)	(0.44)	(0.37)
Total direct portfolio transaction costs	0.15	0.13	0.00
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.01	0.00	0.00
Operating charges <sup>[c]</sup>	1.20	1.62	1.66
Return after operating charges	-6.06	+11.99	+18.45
Historic yield	2.32	1.60	1.53
Effect on yield of charges offset against capital	1.20	1.62	1.66
<b>Other information</b>			
Closing NAV (\$'000)	85,636	88,039	89,128
Closing NAV percentage of total fund NAV (%)	10.01	11.05	10.77
Number of shares	3,143,497	3,186,315	3,320,870
Highest share price (UK p)	2,413.52	2,334.57	2,097.21
Lowest share price (UK p)	2,121.95	1,803.87	1,722.95

#### Sterling Class 'A' Accumulation share performance

The share class was launched on 18 December 1972.

Change in NAV per share	Six months to 29.02.20 UK p	Year to 31.08.19 UK p	Year to 31.08.18 UK p
Opening NAV	3,187.64	2,842.81	2,397.74
Return before operating charges and after direct portfolio transaction costs	(184.45)	391.29	487.50
Operating charges	(9.42)	(46.46)	(42.43)
Return after operating charges	(193.87)	344.83	445.07
Distributions	(9.07)	(11.38)	(1.13)
Retained distributions	9.07	11.38	1.13
Closing NAV	2,993.77	3,187.64	2,842.81
<b>Direct portfolio transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.46	0.79	0.50
Dilution adjustments <sup>[a]</sup>	(0.25)	(0.61)	(0.50)
Total direct portfolio transaction costs	0.21	0.18	0.00
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.01	0.00	0.00
Operating charges <sup>[c]</sup>	1.20	1.62	1.66
Return after operating charges	-6.08	+12.13	+18.56
Historic yield	0.63	0.22	0.04
Effect on yield of charges offset against capital	0.00	0.01	0.01
<b>Other information</b>			
Closing NAV (\$'000)	97,650	105,025	109,569
Closing NAV percentage of total fund NAV (%)	11.42	13.19	13.23
Number of shares	2,532,029	2,705,508	2,963,566
Highest share price (UK p)	3,403.39	3,253.92	2,870.80
Lowest share price (UK p)	2,992.25	2,494.58	2,334.63

#### Sterling Class 'I' Income share performance

The share class was launched on 3 August 2012.

Change in NAV per share	Six months to 29.02.20 UK p	Year to 31.08.19 UK p	Year to 31.08.18 UK p
Opening NAV	2,752.60	2,485.40	2,114.95
Return before operating charges and after direct portfolio transaction costs	(155.72)	340.41	429.58
Operating charges	(4.75)	(22.26)	(20.60)
Return after operating charges	(160.47)	318.15	408.98
Distributions	(20.08)	(50.95)	(38.53)
Closing NAV	2,572.05	2,752.60	2,485.40
<b>Direct portfolio transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.39	0.69	0.44
Dilution adjustments <sup>[a]</sup>	(0.21)	(0.53)	(0.44)
Total direct portfolio transaction costs	0.18	0.16	0.00
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.01	0.00	0.00
Operating charges <sup>[c]</sup>	0.70	0.89	0.91
Return after operating charges	-5.83	+12.80	+19.34
Historic yield	2.31	1.59	1.52
Effect on yield of charges offset against capital	0.70	0.89	0.91
<b>Other information</b>			
Closing NAV (\$'000)	233,191	216,276	129,164
Closing NAV percentage of total fund NAV (%)	27.27	27.16	15.61
Number of shares	7,038,011	6,451,931	3,995,939
Highest share price (UK p)	2,935.06	2,831.05	2,525.61
Lowest share price (UK p)	2,580.78	2,177.71	2,060.11

# M&G North American Dividend Fund

## Financial highlights

### Specific share class performance

#### Sterling Class 'I' Accumulation share performance

The share class was launched on 3 August 2012.

	Six months to 29.02.20 UK p	Year to 31.08.19 UK p	Year to 31.08.18 UK p
<b>Change in NAV per share</b>			
Opening NAV	3,068.30	2,716.56	2,274.15
Return before operating charges and after direct portfolio transaction costs	(174.12)	376.33	464.65
Operating charges	(5.31)	(24.59)	(22.24)
Return after operating charges	(179.43)	351.74	442.41
Distributions	(14.44)	(31.31)	(19.49)
Retained distributions	14.44	31.31	19.49
Closing NAV	2,888.87	3,068.30	2,716.56
<b>Direct portfolio transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.44	0.77	0.48
Dilution adjustments <sup>[a]</sup>	(0.24)	(0.59)	(0.48)
Total direct portfolio transaction costs	0.20	0.18	0.00
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.01	0.00	0.00
Operating charges <sup>[c]</sup>	0.70	0.89	0.91
Return after operating charges	-5.85	+12.95	+19.45
Historic yield	1.35	0.82	0.70
Effect on yield of charges offset against capital	0.00	0.01	0.01
<b>Other information</b>			
Closing NAV (\$'000)	344,095	310,167	206,692
Closing NAV percentage of total fund NAV (%)	40.23	38.95	24.96
Number of shares	9,246,288	8,300,842	5,850,298
Highest share price (UK p)	3,283.76	3,130.75	2,743.19
Lowest share price (UK p)	2,885.53	2,389.45	2,214.98

#### Sterling Class 'I-H' Income share performance

The share class was launched on 6 December 2019.

	Six months to 29.02.20 UK p	Year to 31.08.19 UK p	Year to 31.08.18 UK p
<b>Change in NAV per share</b>			
Opening NAV	100.00	n/a	n/a
Return before operating charges and after direct portfolio transaction costs	(4.79)	n/a	n/a
Operating charges	(0.04)	n/a	n/a
Return after operating charges	(4.83)	n/a	n/a
Distributions	(0.31)	n/a	n/a
Closing NAV	94.86	n/a	n/a
<b>Direct portfolio transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.01	n/a	n/a
Dilution adjustments <sup>[a]</sup>	0.00	n/a	n/a
Total direct portfolio transaction costs	0.01	n/a	n/a
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.01	n/a	n/a
Operating charges	0.73	n/a	n/a
Return after operating charges	-4.83	n/a	n/a
Historic yield	2.36	n/a	n/a
Effect on yield of charges offset against capital	0.73	n/a	n/a
<b>Other information</b>			
Closing NAV (\$'000)	38	n/a	n/a
Closing NAV percentage of total fund NAV (%)	0.00	n/a	n/a
Number of shares	30,857	n/a	n/a
Highest share price (UK p)	108.23	n/a	n/a
Lowest share price (UK p)	95.12	n/a	n/a

#### Sterling Class 'I-H' Accumulation share performance

The share class was launched on 6 December 2019.

	Six months to 29.02.20 UK p	Year to 31.08.19 UK p	Year to 31.08.18 UK p
<b>Change in NAV per share</b>			
Opening NAV	100.00	n/a	n/a
Return before operating charges and after direct portfolio transaction costs	(4.80)	n/a	n/a
Operating charges	(0.04)	n/a	n/a
Return after operating charges	(4.84)	n/a	n/a
Distributions	(0.21)	n/a	n/a
Retained distributions	0.21	n/a	n/a
Closing NAV	95.16	n/a	n/a
<b>Direct portfolio transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.01	n/a	n/a
Dilution adjustments <sup>[a]</sup>	0.00	n/a	n/a
Total direct portfolio transaction costs	0.01	n/a	n/a
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.01	n/a	n/a
Operating charges	0.73	n/a	n/a
Return after operating charges	-4.84	n/a	n/a
Historic yield	1.34	n/a	n/a
Effect on yield of charges offset against capital	0.00	n/a	n/a
<b>Other information</b>			
Closing NAV (\$'000)	243	n/a	n/a
Closing NAV percentage of total fund NAV (%)	0.03	n/a	n/a
Number of shares	198,440	n/a	n/a
Highest share price (UK p)	108.23	n/a	n/a
Lowest share price (UK p)	95.12	n/a	n/a

#### Sterling Class 'PP' Income share performance

The share class was launched on 5 August 2019.

	Six months to 29.02.20 UK p	Year to 31.08.19 UK p	Year to 31.08.18 UK p
<b>Change in NAV per share</b>			
Opening NAV	100.71	100.00	n/a
Return before operating charges and after direct portfolio transaction costs	(5.65)	1.55	n/a
Operating charges	(0.14)	(0.04)	n/a
Return after operating charges	(5.79)	1.51	n/a
Distributions	(0.74)	(0.80)	n/a
Closing NAV	94.18	100.71	n/a
<b>Direct portfolio transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.01	0.00	n/a
Dilution adjustments <sup>[a]</sup>	(0.01)	0.00	n/a
Total direct portfolio transaction costs	0.00	0.00	n/a
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.01	0.00	n/a
Operating charges	0.55	0.55	n/a
Return after operating charges	-5.75	+1.51	n/a
Historic yield	2.31	1.66	n/a
Effect on yield of charges offset against capital	0.55	0.55	n/a
<b>Other information</b>			
Closing NAV (\$'000)	225	147	n/a
Closing NAV percentage of total fund NAV (%)	0.03	0.02	n/a
Number of shares	185,660	120,000	n/a
Highest share price (UK p)	107.47	102.51	n/a
Lowest share price (UK p)	94.50	98.21	n/a

# M&G North American Dividend Fund

## Financial highlights

### Specific share class performance

#### Sterling Class 'PP' Accumulation share performance

The share class was launched on 8 April 2019.

	Six months to 29.02.20 UK p	Year to 31.08.19 UK p	Year to 31.08.18 UK p
<b>Change in NAV per share</b>			
Opening NAV	108.93	100.00	n/a
Return before operating charges and after direct portfolio transaction costs	(6.15)	9.21	n/a
Operating charges	(0.15)	(0.28)	n/a
Return after operating charges	(6.30)	8.93	n/a
Distributions	(0.57)	(0.76)	n/a
Retained distributions	0.57	0.76	n/a
Closing NAV	102.63	108.93	n/a
<b>Direct portfolio transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.02	0.01	n/a
Dilution adjustments <sup>[a]</sup>	(0.01)	(0.01)	n/a
Total direct portfolio transaction costs	0.01	0.00	n/a
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.01	0.00	n/a
Operating charges <sup>[c]</sup>	0.55	0.32	n/a
Return after operating charges	-5.78	+8.93	n/a
Historic yield	1.49	0.68	n/a
Effect on yield of charges offset against capital	0.00	0.00	n/a
<b>Other information</b>			
Closing NAV (\$'000)	31,049	11,106	n/a
Closing NAV percentage of total fund NAV (%)	3.63	1.39	n/a
Number of shares	23,483,606	8,371,659	n/a
Highest share price (UK p)	116.66	111.13	n/a
Lowest share price (UK p)	102.46	98.26	n/a

#### Sterling Class 'PP-H' Income share performance

The share class was launched on 6 December 2019.

	Six months to 29.02.20 UK p	Year to 31.08.19 UK p	Year to 31.08.18 UK p
<b>Change in NAV per share</b>			
Opening NAV	100.00	n/a	n/a
Return before operating charges and after direct portfolio transaction costs	(4.78)	n/a	n/a
Operating charges	(0.03)	n/a	n/a
Return after operating charges	(4.81)	n/a	n/a
Distributions	(0.31)	n/a	n/a
Closing NAV	94.88	n/a	n/a
<b>Direct portfolio transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.01	n/a	n/a
Dilution adjustments <sup>[a]</sup>	0.00	n/a	n/a
Total direct portfolio transaction costs	0.01	n/a	n/a
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.01	n/a	n/a
Operating charges	0.58	n/a	n/a
Return after operating charges	-4.81	n/a	n/a
Historic yield	2.36	n/a	n/a
Effect on yield of charges offset against capital	0.58	n/a	n/a
<b>Other information</b>			
Closing NAV (\$'000)	25	n/a	n/a
Closing NAV percentage of total fund NAV (%)	0.00	n/a	n/a
Number of shares	20,150	n/a	n/a
Highest share price (UK p)	108.26	n/a	n/a
Lowest share price (UK p)	95.15	n/a	n/a

#### Sterling Class 'PP-H' Accumulation share performance

The share class was launched on 6 December 2019.

	Six months to 29.02.20 UK p	Year to 31.08.19 UK p	Year to 31.08.18 UK p
<b>Change in NAV per share</b>			
Opening NAV	100.00	n/a	n/a
Return before operating charges and after direct portfolio transaction costs	(4.78)	n/a	n/a
Operating charges	(0.03)	n/a	n/a
Return after operating charges	(4.81)	n/a	n/a
Distributions	(0.23)	n/a	n/a
Retained distributions	0.23	n/a	n/a
Closing NAV	95.19	n/a	n/a
<b>Direct portfolio transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.01	n/a	n/a
Dilution adjustments <sup>[a]</sup>	0.00	n/a	n/a
Total direct portfolio transaction costs	0.01	n/a	n/a
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.01	n/a	n/a
Operating charges	0.58	n/a	n/a
Return after operating charges	-4.81	n/a	n/a
Historic yield	1.49	n/a	n/a
Effect on yield of charges offset against capital	0.00	n/a	n/a
<b>Other information</b>			
Closing NAV (\$'000)	25	n/a	n/a
Closing NAV percentage of total fund NAV (%)	0.00	n/a	n/a
Number of shares	20,100	n/a	n/a
Highest share price (UK p)	108.26	n/a	n/a
Lowest share price (UK p)	95.15	n/a	n/a

#### Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012.

	Six months to 29.02.20 UK p	Year to 31.08.19 UK p	Year to 31.08.18 UK p
<b>Change in NAV per share</b>			
Opening NAV	272.28	246.46	210.24
Return before operating charges and after direct portfolio transaction costs	(15.55)	33.69	42.69
Operating charges	(0.64)	(2.82)	(2.65)
Return after operating charges	(16.19)	30.87	40.04
Distributions	(1.99)	(5.05)	(3.82)
Closing NAV	254.10	272.28	246.46
<b>Direct portfolio transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.04	0.07	0.04
Dilution adjustments <sup>[a]</sup>	(0.02)	(0.05)	(0.04)
Total direct portfolio transaction costs	0.02	0.02	0.00
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.01	0.00	0.00
Operating charges <sup>[c]</sup>	0.95	1.14	1.16
Return after operating charges	-5.95	+12.53	+19.04
Historic yield	2.32	1.59	1.52
Effect on yield of charges offset against capital	0.95	1.14	1.16
<b>Other information</b>			
Closing NAV (\$'000)	2,101	2,048	1,993
Closing NAV percentage of total fund NAV (%)	0.25	0.26	0.24
Number of shares	641,927	617,767	621,722
Highest share price (UK p)	289.98	280.09	250.45
Lowest share price (UK p)	254.96	215.78	204.78

# M&G North American Dividend Fund

## Financial highlights

### Specific share class performance

#### Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012.

	Six months to 29.02.20 UK p	Year to 31.08.19 UK p	Year to 31.08.18 UK p
<b>Change in NAV per share</b>			
Opening NAV	301.38	267.49	224.50
Return before operating charges and after direct portfolio transaction costs	(17.27)	36.98	45.85
Operating charges	(0.71)	(3.09)	(2.86)
Return after operating charges	(17.98)	33.89	42.99
Distributions	(1.14)	(2.39)	(1.31)
Retained distributions	1.14	2.39	1.31
Closing NAV	283.40	301.38	267.49
<b>Direct portfolio transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.04	0.08	0.05
Dilution adjustments <sup>[a]</sup>	(0.02)	(0.06)	(0.05)
Total direct portfolio transaction costs	0.02	0.02	0.00
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.01	0.00	0.00
Operating charges <sup>[c]</sup>	0.95	1.14	1.16
Return after operating charges	-5.97	+12.67	+19.15
Historic yield	1.06	0.62	0.48
Effect on yield of charges offset against capital	0.00	0.01	0.01
<b>Other information</b>			
Closing NAV (\$'000)	9,483	9,464	7,499
Closing NAV percentage of total fund NAV (%)	1.11	1.19	0.91
Number of shares	2,597,391	2,578,719	2,155,539
Highest share price (UK p)	322.16	307.58	270.13
Lowest share price (UK p)	283.26	235.10	218.63

#### Sterling Class 'X' Income share performance

The share class was launched on 1 October 2002.

	Six months to 29.02.20 UK p	Year to 31.08.19 UK p	Year to 31.08.18 UK p
<b>Change in NAV per share</b>			
Opening NAV	2,265.62	2,060.68	1,766.79
Return before operating charges and after direct portfolio transaction costs	(130.70)	280.53	357.08
Operating charges	(6.68)	(33.50)	(31.10)
Return after operating charges	(137.38)	247.03	325.98
Distributions	(16.51)	(42.09)	(32.09)
Closing NAV	2,111.73	2,265.62	2,060.68
<b>Direct portfolio transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.32	0.57	0.37
Dilution adjustments <sup>[a]</sup>	(0.18)	(0.44)	(0.37)
Total direct portfolio transaction costs	0.14	0.13	0.00
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.01	0.00	0.00
Operating charges <sup>[c]</sup>	1.20	1.62	1.66
Return after operating charges	-6.06	+11.99	+18.45
Historic yield	2.32	1.60	1.52
Effect on yield of charges offset against capital	1.20	1.63	1.66
<b>Other information</b>			
Closing NAV (\$'000)	9,751	9,992	11,771
Closing NAV percentage of total fund NAV (%)	1.14	1.25	1.42
Number of shares	358,462	362,164	439,209
Highest share price (UK p)	2,410.06	2,331.24	2,094.15
Lowest share price (UK p)	2,118.91	1,801.30	1,720.44

#### Sterling Class 'X' Accumulation share performance

The share class was launched on 1 October 2002.

	Six months to 29.02.20 UK p	Year to 31.08.19 UK p	Year to 31.08.18 UK p
<b>Change in NAV per share</b>			
Opening NAV	3,141.21	2,801.41	2,362.82
Return before operating charges and after direct portfolio transaction costs	(181.75)	385.60	480.46
Operating charges	(9.28)	(45.80)	(41.87)
Return after operating charges	(191.03)	339.80	438.59
Distributions	(8.93)	(11.22)	(1.10)
Retained distributions	8.93	11.22	1.10
Closing NAV	2,950.18	3,141.21	2,801.41
<b>Direct portfolio transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.45	0.78	0.49
Dilution adjustments <sup>[a]</sup>	(0.24)	(0.60)	(0.49)
Total direct portfolio transaction costs	0.21	0.18	0.00
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.01	0.00	0.00
Operating charges <sup>[c]</sup>	1.20	1.62	1.66
Return after operating charges	-6.08	+12.13	+18.56
Historic yield	0.63	0.22	0.04
Effect on yield of charges offset against capital	0.00	0.01	0.01
<b>Other information</b>			
Closing NAV (\$'000)	41,700	44,144	47,567
Closing NAV percentage of total fund NAV (%)	4.88	5.54	5.75
Number of shares	1,097,238	1,153,968	1,305,579
Highest share price (UK p)	3,353.83	3,206.53	2,828.99
Lowest share price (UK p)	2,948.66	2,458.25	2,300.64

<sup>[a]</sup> In respect of direct portfolio transaction costs.

<sup>[b]</sup> As a percentage of average net asset value.

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

# M&G North American Dividend Fund

## Financial statements and notes

### Financial statements

#### Statement of total return

	2020		2019	
for the six months to 29 and 28 February	\$'000	\$'000	\$'000	\$'000
Income				
Net capital gains / (losses)		(11,807)		(7,395)
Revenue	9,903		7,937	
Expenses	(3,678)		(4,092)	
Net revenue / (expense) before taxation	6,225		3,845	
Taxation	(1,341)		(993)	
Net revenue / (expense) after taxation		4,884		2,852
<b>Total return before distributions</b>		<b>(6,923)</b>		<b>(4,543)</b>
Distributions		(4,681)		(3,308)
<b>Change in net assets attributable to shareholders from investment activities</b>		<b>(11,604)</b>		<b>(7,851)</b>

#### Statement of change in net assets attributable to shareholders

	2020		2019	
for the six months to 29 and 28 February	\$'000	\$'000	\$'000	\$'000
Opening net assets attributable to shareholders		796,408		827,633
Amounts received on issue of shares	126,878		108,202	
Amounts paid on cancellation of shares	(58,874)		(122,458)	
Transfer to M&G (Lux) North American Dividend Fund	0		(142,139)	
		68,004		(156,395)
Dilution adjustments		93		124
Change in net assets attributable to shareholders from investment activities (see above)		(11,604)		(7,851)
Retained distributions on Accumulation shares		2,311		1,422
<b>Closing net assets attributable to shareholders</b>		<b>855,212</b>		<b>664,933</b>

The opening net assets attributable to shareholders for 2020 differs to the closing position in 2019 by the change in net assets attributable to shareholders for the second half of the comparative financial year.

#### Balance sheet

as at	29 February 2020	31 August 2019
	\$'000	\$'000
<b>Assets</b>		
<b>Fixed assets</b>		
Investments	841,819	771,190
<b>Current assets</b>		
Debtors	4,556	14,458
Cash and bank balances	2,187	1,742
Cash equivalents	17,180	21,766
<b>Total assets</b>	<b>865,742</b>	<b>809,156</b>
<b>Liabilities</b>		
Investment liabilities	(5)	0
<b>Creditors</b>		
Bank overdrafts	0	(843)
Distribution payable	(1,294)	(2,529)
Other creditors	(9,231)	(9,376)
<b>Total liabilities</b>	<b>(10,530)</b>	<b>(12,748)</b>
<b>Net assets attributable to shareholders</b>	<b>855,212</b>	<b>796,408</b>

### Notes to the financial statements

#### Accounting policies

The financial statements have been prepared in accordance with the 'Accounting policies' set out on page 4.

#### Distribution policy

In determining the amount available for reinvestment to Accumulation shares, all expenses with the exception of the annual charge, annual management charge, administration charge, share class hedging charge and overdraft interest are offset against capital, increasing the amount available for reinvestment whilst restraining capital performance to an equivalent extent. In determining the amount available for distribution to Income shares, all expenses with the exception of overdraft interest are offset against capital, increasing the amount available for distribution whilst restraining capital performance to an equivalent extent.

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

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

#### Events after the balance sheet date

Between 29 February 2020 and 9 April 2020 there has been a fall in the value of investments driven by fears of the negative impact on global growth from COVID-19. The resulting impact on net asset values (NAV) can be seen in the table below.

Net asset	29.02.20	09.04.20	% Change
<b>Sterling</b>			
Class 'A' Income	2,114.76	1,987.95	-6.00
Class 'A' Accumulation	2,993.77	2,814.50	-5.99
Class 'I' Income	2,572.05	2,419.18	-5.94
Class 'I' Accumulation	2,888.87	2,717.41	-5.94
Class 'I-H' Income	94.86	85.64	-9.72
Class 'I-H' Accumulation	95.16	86.17	-9.45
Class 'PP' Income	94.18	88.59	-5.94
Class 'PP' Accumulation	102.63	96.56	-5.91
Class 'PP-H' Income	94.88	85.93	-9.43
Class 'PP-H' Accumulation	95.19	86.22	-9.42
Class 'R' Income	254.10	238.93	-5.97
Class 'R' Accumulation	283.40	266.51	-5.96
Class 'X' Income	2,111.73	1,985.10	-6.00
Class 'X' Accumulation	2,950.18	2,773.52	-5.99

# M&G North American Dividend Fund

## Financial statements and notes

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# M&G North American Value Fund

## Authorised Corporate Director's Report

### Investment objective

The fund aims to provide a higher total return (the combination of capital growth and income), net of the ongoing charge figure, than that of the S&P 500 Index, over any five-year period.

### Investment policy

At least 80% of the fund is invested directly in equity securities and equity related securities of companies across any sectors and market capitalisations that are incorporated, domiciled, or do most of their business activity in the United States of America and Canada.

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

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

Derivatives may be used for efficient portfolio management and hedging.

### Investment approach

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

The investment approach identifies shares of North American companies which, in the fund manager's opinion at the time of investment, are undervalued.

When analysing companies, the fund manager seeks to identify companies that are mispriced, while trying to avoid companies that are cheap for a reason and whose share prices are unlikely to improve over time.

The investment approach combines strict value-focused screening with rigorous qualitative analysis to ensure the fund has a consistent and disciplined value bias without compromising on the robustness of the companies in the portfolio.

The fund manager expects the overall stock selection and value style to be the main drivers of performance rather than any individual sector or stock.

### Benchmark

Benchmark: S&P 500 Index.

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

### Risk profile

The fund invests in the shares of North American companies and is, therefore, subject to the price volatility of the North American stockmarkets and the performance of individual companies. The fund may also be subject to fluctuations in currency exchange rates.

The fund's focus is on companies that are deemed to be undervalued or out of favour with the market, and whose potential value, in the fund manager's view, is yet to be reflected in the share price. These stocks could potentially experience a degree of illiquidity in times of market distress. However, the fund is mainly invested in the shares of large and medium-sized companies, which are normally traded with relative ease. The fund also invests in the shares of smaller companies, which can be more unpredictable and difficult to buy and sell. Diversification across industries and market capitalisation is therefore key in managing liquidity risk and reducing market risk. The fund's risks are measured and managed as an integral part of the investment process.

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



The above number:

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

### Investment review

**As at 2 March 2020, for the six months ended 29 February 2020**

#### Performance against objective

Between 2 September 2019 (the start of the review period) and 2 March 2020, the fund's sterling share classes delivered a negative total return (the combination of income and growth of capital) and underperformed its benchmark, the S&P 500 Index, which returned 0.9%.

The shortfall was exacerbated by market timing differences. As the fund is priced at midday in London, the fund's returns did not include the gains from the US market on the last day of the review period when the S&P 500 Index rose significantly.

Over five years, the fund has delivered positive returns but they are behind the S&P 500 Index, which returned 14.3% p.a. over this period.\* Therefore the fund did not meet the objective of providing a higher total return, net of the ongoing charge figure, than the S&P 500 Index over any five-year period. Over this time period, the 'value' style (investing in cheap, out-of-favour stocks) has struggled to keep pace with the broader market and the fund's underperformance can be attributed largely to this trend.

\* 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 North American Value Fund

## Authorised Corporate Director's Report

### Investment review

#### Investment performance

US stockmarkets made little progress over the six-month review period as a sharp sell-off at the very end of February wiped out nearly all of the earlier gains.

For most of the review period, share prices climbed as investors cheered the prospect of a deal to end the year-long trade dispute between the US and China. Amid optimism about the outlook for global economic growth and corporate earnings, the S&P 500 Index reached a record high in mid-February.

However, the upbeat mood faded quickly as the coronavirus outbreak sparked risk aversion. As the virus spread around the world, fears about the economic impact began to increase and major stockmarkets experienced their worst falls since the global financial crisis of 2008/9. Investors flocked to perceived 'safe-haven' assets, such as US and German government bonds and gold.

In the US stockmarket, the information technology sector was the standout performer, with Apple and Microsoft both making healthy gains. Healthcare and communication services also outperformed.

In contrast, the energy sector was the weakest area, dragged down by a sharp fall in oil prices. Materials stocks were notable laggards amid concerns that slower economic growth would dampen demand for commodities.

Amid the uncertainty and risk aversion, investors favoured so-called 'growth' stocks that typically offer reliable increases in earnings and profits. In contrast, cheaper out-of-favour 'value' companies, which are more likely to be experiencing difficulties, were shunned and underperformed the broader market by a significant margin. At current valuations, if we see a prolonged demand shock, we feel the market will have to rethink the earnings potential of these growth stocks.

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

At the portfolio level, our relatively small allocation to information technology held back returns as the sector outperformed. In particular, not owning Apple or Microsoft proved costly as the large index constituents reported robust quarterly results and outperformed the market. Apple's iPhone sales exceeded estimates, while revenue from Microsoft's 'cloud' business jumped.

There were many reasons for the heavyweight tech stocks to be valued so highly by investors in the past 18 months; however, in a likely prolonged drop in consumer demand, we believe many of these reasons will be challenged.

Among the stocks we hold, networking equipment firm Cisco Systems was a drag on performance. Investors were disappointed by Cisco's revenue and profit forecasts and the shares declined.

In energy, our holdings in oil firms Kosmos Energy and Chevron also detracted as oil prices plunged on concerns that coronavirus would hit demand for crude oil.

Our relatively large holding in cable and media firm Comcast held back returns too as the company's shares retreated after a period of gains. Comcast acquired UK pay TV firm Sky last year and is attracting new internet subscribers and planning on launching a new streaming service in 2020.

Elsewhere, our shares in aircraft parts company Spirit AeroSystems fell after plane maker Boeing suspended the production of its troubled 737 Max jetliner.

In contrast, positive contributions came most notably from healthcare stocks Bristol-Myers Squibb and Biogen.

Shares in Biogen have been boosted by optimism about the prospects of its Alzheimer's drug Aducanumab, which had previously been considered unpromising. Given the stock's robust gains, we have been taking profits by reducing our position as we believe the degree of uncertainty associated with Alzheimer's drugs has not been priced in.

Meanwhile, pharmaceutical company Bristol-Myers Squibb, which completed the acquisition of Celgene, reported better-than-expected results, raised its dividend by 10% and increased its share buyback programme by \$5 billion.

AVX, an electronics components maker, was another contributor. AVX's shares rose after the company's largest shareholder made an offer for all the shares it does not own.

Our holding in supermarket chain Kroger also added value. The company's shares bucked the wider fall in the market, supported by an upbeat outlook from company management and the news that Warren Buffett's investment vehicle Berkshire Hathaway had bought a stake in the company.

Elsewhere, battery maker Energizer also gained on better-than-expected quarterly results. The company's sales have benefited from its recent acquisition of a battery and auto-care business.

#### Investment activities

We took advantage of turbulent market conditions during the period to invest in a number of new holdings that we believe should be able to withstand any major upheaval.

We bought shares in diversified aerospace and defence conglomerate General Dynamics, which has been hurt by concerns about the growth prospects of its defence business and the vulnerability of its corporate jet division to the economic cycle. However, we believe investors are being too pessimistic. The company has historically been well managed and delivered reasonable profits even in challenging market conditions. As a result, we think it is currently attractively valued.

We also started positions in building materials firm Owens Corning and database software company Oracle. We are pleased to add such a large-cap name in the IT sector as it gives the fund a more balanced exposure.

We added to several existing holdings, notably Belgium-based oil tanker company Euronav, which we believe is well placed to benefit from a recovery in demand for shipping services, healthcare company Merck & Co and Domtar, a paper and pulp company.

These purchases were funded by selling our entire stakes in investment company Affiliated Managers and Mellanox Technologies, a supplier of networking products. We sold our holding in AVX, an electronics components maker, after the company's largest shareholder proposed buying the shares it did not own. Valaris, an offshore drilling company, also left the portfolio.

In addition, we took some profits by selling shares in companies that have performed well lately, including drugmaker Biogen, battery maker Energizer and jeanswear company Kontoor.

# M&G North American Value Fund

## Authorised Corporate Director's Report

### Investment review

#### Outlook

The spread of COVID-19 and the prospect of a global economic recession are likely to dominate financial markets for the foreseeable future. The difficulty for investors is that we are in uncharted territory and it is not possible to accurately predict what might happen next.

Given the disruption to economic activity around the world that has happened already and the fact that the virus continues to spread, there will certainly be a slowdown in global economic growth this year.

While we are hopeful that the virus will be brought under control in due course, the impact on the macroeconomic environment depends on the length and severity of the epidemic. At this stage, that is the big unknown. However, it is encouraging that policymakers are implementing bold measures to support the financial system and the global economy.

Periods of extreme turbulence can often offer opportunities for long-term investors to identify mispriced stocks. We are currently seeing some attractive valuations in the market and will look to take advantage of stocks that we think have been oversold in the panic.

However, given the high degree of uncertainty that exists about the current situation, we will act in a measured way. It is now more important than ever for us to double our focus on balance sheet strength, including operational cashflow. Our aim is to ensure the companies we invest in can weather the storm and come out the other end without their business or earnings potential being permanently impaired. We feel many of our investee companies will have better competitive positions in the long run.

Keeping this in mind, we are also carefully adding some quality names into the portfolio that have now cheapened to a level sufficient for us to justify investment.

**Daniel White**  
Fund manager

An employee of M&G FA Limited (formerly M&G Limited) which is an associate of M&G Securities Limited.

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

### Investments

#### Portfolio statement

as at Holding	29.02.20 \$'000	29.02.20 %	31.08.19 %
<b>EQUITIES</b>	<b>281,533</b>	<b>94.64</b>	<b>95.04</b>
<b>Energy equipment &amp; services</b>	<b>974</b>	<b>0.33</b>	<b>0.48</b>
26,264 Helmerich & Payne	974	0.33	
<b>Oil, gas &amp; consumable fuels</b>	<b>19,522</b>	<b>6.56</b>	<b>8.03</b>
83,794 Chevron	7,883	2.65	
41,594 Cobalt International Energy [a]	0	0.00	
68,679 ConocoPhillips	3,237	1.09	
247,404 Euronav	2,269	0.76	
39,091 Hess	2,150	0.72	
356,575 Kosmos Energy	1,073	0.36	
104,572 Suncor Energy	2,910	0.98	
<b>Construction materials</b>	<b>3,135</b>	<b>1.05</b>	<b>1.08</b>
38,525 Eagle Materials	3,135	1.05	
<b>Containers &amp; packaging</b>	<b>2,784</b>	<b>0.94</b>	<b>1.02</b>
85,226 WestRock	2,784	0.94	
<b>Metals &amp; mining</b>	<b>6,272</b>	<b>2.11</b>	<b>1.88</b>
89,537 Newmont	4,165	1.40	
78,394 Steel Dynamics	2,107	0.71	
<b>Paper &amp; forest products</b>	<b>1,365</b>	<b>0.46</b>	<b>0.27</b>
48,184 Domtar	1,365	0.46	
<b>Aerospace &amp; defence</b>	<b>6,495</b>	<b>2.18</b>	<b>1.36</b>
30,053 General Dynamics	4,994	1.68	
26,775 Spirit AeroSystems	1,501	0.50	
<b>Building products</b>	<b>2,982</b>	<b>1.00</b>	<b>0.00</b>
53,810 Owens Corning	2,982	1.00	
<b>Machinery</b>	<b>4,254</b>	<b>1.43</b>	<b>1.62</b>
31,464 Oshkosh	2,325	0.78	
53,939 SPX FLOW	1,929	0.65	
<b>Professional services</b>	<b>2,078</b>	<b>0.70</b>	<b>0.71</b>
27,268 ManpowerGroup	2,078	0.70	
<b>Air freight &amp; logistics</b>	<b>3,513</b>	<b>1.18</b>	<b>1.55</b>
25,325 FedEx	3,513	1.18	
<b>Auto components</b>	<b>1,779</b>	<b>0.60</b>	<b>0.62</b>
39,100 Magna International	1,779	0.60	
<b>Automobiles</b>	<b>2,942</b>	<b>0.99</b>	<b>0.75</b>
95,829 General Motors	2,942	0.99	
<b>Textiles, apparel &amp; luxury goods</b>	<b>6,572</b>	<b>2.21</b>	<b>2.24</b>
20,842 Columbia Sportswear	1,744	0.59	
58,156 Kontoor Brands	1,977	0.66	
124,217 Tapestry	2,851	0.96	
<b>Hotels, restaurants &amp; leisure</b>	<b>4,502</b>	<b>1.51</b>	<b>1.93</b>
55,574 Carnival	1,770	0.59	
249,985 Extended Stay America	2,732	0.92	
<b>Multiline retail</b>	<b>2,106</b>	<b>0.71</b>	<b>0.50</b>
19,951 Target	2,106	0.71	
<b>Specialty retail</b>	<b>2,726</b>	<b>0.92</b>	<b>0.92</b>
81,227 Foot Locker	2,726	0.92	
<b>Food &amp; staples retailing</b>	<b>12,278</b>	<b>4.13</b>	<b>4.21</b>
261,923 Kroger	7,420	2.49	
83,560 Walgreens Boots Alliance	3,863	1.30	
28,227 Weis Markets	995	0.34	
<b>Beverages</b>	<b>11,020</b>	<b>3.70</b>	<b>3.58</b>
96,705 Coca-Cola European Partners	5,109	1.72	
118,211 Molson Coors Beverage	5,911	1.98	

# M&G North American Value Fund

## Authorised Corporate Director's Report

### Investments

Portfolio statement (continued)			
as at Holding	29.02.20 \$'000	29.02.20 %	31.08.19 %
<b>Food products</b>	<b>1,772</b>	<b>0.60</b>	<b>0.58</b>
25,612 Tyson Foods	1,772	0.60	
<b>Household products</b>	<b>3,668</b>	<b>1.23</b>	<b>1.56</b>
66,853 Energizer	2,954	0.99	
5,329 Kimberly-Clark	714	0.24	
<b>Health care providers &amp; services</b>	<b>7,392</b>	<b>2.48</b>	<b>3.02</b>
28,654 Anthem	7,392	2.48	
<b>Biotechnology</b>	<b>1,872</b>	<b>0.63</b>	<b>2.05</b>
6,046 Biogen	1,872	0.63	
<b>Pharmaceuticals</b>	<b>36,266</b>	<b>12.19</b>	<b>11.51</b>
164,021 Bristol-Myers Squibb	9,769	3.28	
99,803 Johnson & Johnson	13,881	4.67	
55,182 Merck	4,305	1.45	
243,725 Pfizer	8,311	2.79	
<b>Banks</b>	<b>21,553</b>	<b>7.24</b>	<b>7.92</b>
82,772 Citigroup	5,334	1.79	
86,987 JPMorgan Chase	10,552	3.55	
32,011 PNC Financial Services	4,179	1.40	
35,056 Wells Fargo	1,488	0.50	
<b>Thriffs &amp; mortgage finance</b>	<b>4,838</b>	<b>1.63</b>	<b>1.58</b>
126,836 Capitol Federal Financial	1,573	0.53	
295,487 New York Community Bancorp	3,265	1.10	
<b>Diversified financial services</b>	<b>3,061</b>	<b>1.03</b>	<b>1.02</b>
55,481 Voya Financial	3,061	1.03	
<b>Capital markets</b>	<b>3,277</b>	<b>1.10</b>	<b>1.48</b>
15,946 Goldman Sachs	3,277	1.10	
<b>Insurance</b>	<b>11,562</b>	<b>3.89</b>	<b>3.91</b>
105,528 Hartford Financial Services	5,483	1.85	
77,360 Loews	3,575	1.20	
57,053 MetLife	2,504	0.84	
<b>IT services</b>	<b>6,637</b>	<b>2.23</b>	<b>2.31</b>
90,769 Cognizant Technology Solutions	5,656	1.90	
41,012 DXC Technology	981	0.33	
<b>Software</b>	<b>7,733</b>	<b>2.60</b>	<b>0.00</b>
152,351 Oracle	7,733	2.60	
<b>Communications equipment</b>	<b>7,042</b>	<b>2.37</b>	<b>2.22</b>
176,006 Cisco Systems	7,042	2.37	
<b>Technology hardware, storage &amp; peripherals</b>	<b>6,373</b>	<b>2.14</b>	<b>2.07</b>
371,393 Hewlett Packard Enterprise	4,668	1.57	
30,919 Western Digital	1,705	0.57	
<b>Electronic equipment, instruments &amp; components</b>	<b>2,677</b>	<b>0.90</b>	<b>0.94</b>
193,388 Celestica	1,272	0.43	
76,423 Vishay Intertechnology	1,405	0.47	
<b>Semiconductors &amp; semiconductor equipment</b>	<b>10,819</b>	<b>3.64</b>	<b>3.92</b>
145,584 Intel	8,125	2.73	
53,273 Micron Technology	2,694	0.91	
<b>Diversified telecommunication services</b>	<b>16,195</b>	<b>5.44</b>	<b>4.72</b>
177,399 AT&T	6,333	2.13	
128,269 CenturyLink	1,548	0.52	
151,077 Verizon Communications	8,314	2.79	

### Portfolio statement (continued)

as at Holding	29.02.20 \$'000	29.02.20 %	31.08.19 %
<b>Wireless telecommunication services</b>	<b>1,997</b>	<b>0.67</b>	<b>0.74</b>
52,901 Telephone and Data Systems	1,052	0.35	
31,653 U.S. Cellular	945	0.32	
<b>Media</b>	<b>10,601</b>	<b>3.56</b>	<b>4.64</b>
208,176 Comcast	8,533	2.87	
173,452 News	2,068	0.69	
<b>Interactive media &amp; services</b>	<b>8,882</b>	<b>2.99</b>	<b>2.86</b>
6,756 Alphabet	8,882	2.99	
<b>Electric utilities</b>	<b>10,017</b>	<b>3.37</b>	<b>3.24</b>
222,019 Exelon	10,017	3.37	
<b>Portfolio of investments</b>	<b>281,533</b>	<b>94.64</b>	<b>95.04</b>
<b>CASH EQUIVALENTS</b>	<b>15,212</b>	<b>5.11</b>	<b>4.59</b>
<b>'AAA' rated money market fund <sup>[b]</sup></b>	<b>15,212</b>	<b>5.11</b>	<b>4.59</b>
15,212,108 Northern Trust Global Fund - US dollar	15,212	5.11	
<b>Total portfolio</b>	<b>296,745</b>	<b>99.75</b>	<b>99.63</b>
<b>Net other assets / (liabilities)</b>	<b>750</b>	<b>0.25</b>	<b>0.37</b>
<b>Net assets attributable to shareholders</b>	<b>297,495</b>	<b>100.00</b>	<b>100.00</b>

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

<sup>[a]</sup> Delisted.

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

### Top ten portfolio transactions

for the six months to 29 February 2020

	\$'000
<b>Largest purchases</b>	
Oracle	8,293
General Dynamics	5,493
Owens Corning	3,392
Verizon Communications	3,068
Merck	2,526
Exelon	1,767
Cisco Systems	1,581
Loews	1,579
Alphabet	1,326
General Motors	1,101
Other purchases	17,880
<b>Total purchases</b>	<b>48,006</b>
<b>Largest sales</b>	
Biogen	8,646
Comcast	6,005
Pfizer	4,965
Bristol-Myers Squibb	4,790
Alphabet	4,736
Anthem	4,457
JPMorgan Chase	4,382
Johnson & Johnson	4,285
Mellanox Technologies	4,045
Wells Fargo	3,899
Other sales	83,394
<b>Total sales</b>	<b>133,604</b>

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

# M&G North American Value Fund

## Financial highlights

### Fund performance

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

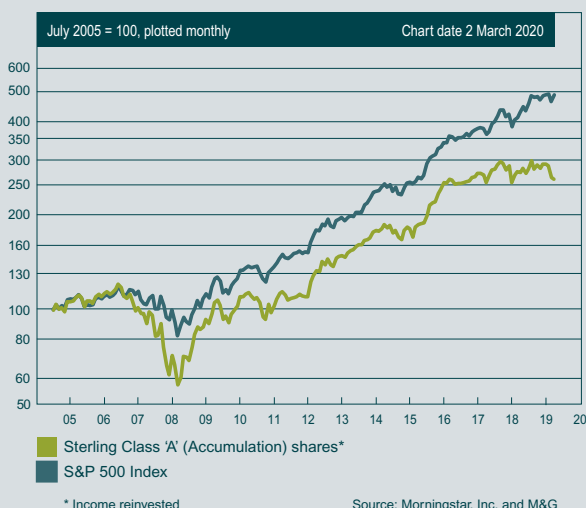
The following chart and tables reflect the key financial information of a representative share class, Sterling Class 'A' (Accumulation) shares. As different share classes have different attributes, for example charging structures and minimum investments, please be aware that their performance may be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

### Fund level performance

Fund net asset value			
as at	29.02.20 \$'000	31.08.19 \$'000	31.08.18 \$'000
Fund net asset value (NAV)	297,495	382,362	790,900

### Performance since launch

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



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

### Long-term performance by share class

	Six months 02.09.19 % <sup>[a]</sup>	Three years 02.03.17 %p.a.	Five years 02.03.15 %p.a.	Since launch %p.a.
<b>Sterling<sup>[b]</sup></b>				
Class 'A'	-8.4	-0.6	+7.5	+6.8 <sup>[c]</sup>
Class 'I'	-8.2	+0.1	+8.3	+13.1 <sup>[d]</sup>
Class 'PP'	-8.1	n/a	n/a	-7.4 <sup>[e]</sup>
Class 'R'	-8.3	-0.1	+8.0	+12.8 <sup>[d]</sup>
Class 'X'	-8.4	-0.6	+7.5	+6.8 <sup>[c]</sup>

<sup>[a]</sup> Absolute basis.

<sup>[b]</sup> Price to price with income reinvested.

<sup>[c]</sup> 1 July 2005, the launch date of the fund.

<sup>[d]</sup> 3 August 2012, the launch date of the share class.

<sup>[e]</sup> 8 April 2019, the launch date of the share class. Not annualised.

# M&G North American Value Fund

## Financial highlights

### Fund performance

## Operating charges and portfolio transaction costs

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

### Operating charges

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

- **Annual charge:** Charge paid to M&G covering the annual cost of M&G managing and administering the fund and the costs of third parties providing services to the fund. From 1 August 2019, this charge rolls all costs that make up the operating charges into one annual charge.  
  
For every £1 billion of a fund's net asset value, a discount of 0.02% will be applied to that fund's annual charge (up to a maximum of 0.12%).
- **Extraordinary legal and tax expenses:** Costs that specifically relate to legal or tax claims that are both exceptional and unforeseeable. Such expenses are uncommon, and would not be expected in most years. Although they result in a short-term cost to the fund, generally they can deliver longer term benefits for investors.
- **Investment management:** Charge paid to M&G for investment management of the fund. From 1 August 2019 this charge forms part of the annual charge.
- **Administration:** Charge paid for administration services in addition to investment management – any surplus from this charge will be retained by M&G. From 1 August 2019 this charge is rolled into the annual charge.
- **Oversight and other independent services:** Charges paid to providers independent of M&G for services which include depositary, custody and audit. From 1 August 2019 these charges will be paid by M&G and rolled into the annual charge.
- **Ongoing charges from underlying funds:** Ongoing charges on holdings in underlying funds that are not rebated. From 1 August 2019 charges from underlying funds (excluding Investment Trusts Companies and Real Estate Investment Trusts) will be rebated.

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

Once the annual charge has been operational for twelve months, operating charges will be in line with the ongoing charges shown in the Key Investor Information Document, other than where there have been extraordinary legal or tax expenses, or an estimate has been used for the ongoing charge because a material change has made the operating charges unreliable as an estimate of future charges.

### Portfolio transaction costs

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

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

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

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

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

### Portfolio transaction costs

	Six months to 29.02.20	Year to 31.08.19	Year to 31.08.18	Average <sup>[a]</sup>
Direct portfolio transaction costs <sup>[b]</sup>	%	%	%	%
Broker commission	0.03	0.02	0.02	0.02
Taxes	0.00	0.00	0.00	0.00
Costs before dilution adjustments	0.03	0.02	0.02	0.02
Dilution adjustments <sup>[c]</sup>	(0.03)	(0.01)	(0.02)	(0.02)
Total direct portfolio transaction costs	0.00	0.01	0.00	0.00
as at	29.02.20	31.08.19	31.08.18	Average <sup>[a]</sup>
Indirect portfolio transaction costs	%	%	%	%
Average portfolio dealing spread	0.03	0.04	0.03	0.03

<sup>[a]</sup> Average of first three columns.

<sup>[b]</sup> As a percentage of average net asset value.

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

# M&G North American Value Fund

## Financial highlights

### Specific share class performance

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

Historic yields for the current period are calculated as at 13 March 2020.

#### Sterling Class 'A' Income share performance

The share class was launched on 1 July 2005.

Change in NAV per share	Six months to 29.02.20 UK p	Year to 31.08.19 UK p	Year to 31.08.18 UK p
Opening NAV	129.96	140.72	123.21
Return before operating charges and after direct portfolio transaction costs	(7.13)	(5.48)	21.82
Operating charges	(0.40)	(2.15)	(2.16)
Return after operating charges	(7.53)	(7.63)	19.66
Distributions	n/a	(3.13)	(2.15)
Closing NAV	122.43	129.96	140.72
<b>Direct portfolio transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.02	0.04	0.03
Dilution adjustments <sup>[a]</sup>	(0.02)	(0.04)	(0.03)
Total direct portfolio transaction costs	0.00	0.00	0.00
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.00	0.01	0.00
Operating charges <sup>[c]</sup>	1.20	1.62	1.66
Return after operating charges	-5.79	-5.42	+15.96
Historic yield	2.99	1.55	1.52
Effect on yield of charges offset against capital	1.20	1.61	1.65
<b>Other information</b>			
Closing NAV (\$'000)	146,536	140,267	165,099
Closing NAV percentage of total fund NAV (%)	49.26	36.68	20.87
Number of shares	92,915,169	88,623,981	90,207,146
Highest share price (UK p)	138.91	142.58	144.59
Lowest share price (UK p)	122.36	119.15	119.17

#### Sterling Class 'A' Accumulation share performance

The share class was launched on 1 July 2005.

Change in NAV per share	Six months to 29.02.20 UK p	Year to 31.08.19 UK p	Year to 31.08.18 UK p
Opening NAV	141.48	149.58	129.02
Return before operating charges and after direct portfolio transaction costs	(7.79)	(5.81)	22.83
Operating charges	(0.43)	(2.29)	(2.27)
Return after operating charges	(8.22)	(8.10)	20.56
Distributions	n/a	(0.94)	0.00
Retained distributions	n/a	0.94	0.00
Closing NAV	133.26	141.48	149.58
<b>Direct portfolio transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.02	0.04	0.03
Dilution adjustments <sup>[a]</sup>	(0.02)	(0.04)	(0.03)
Total direct portfolio transaction costs	0.00	0.00	0.00
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.00	0.01	0.00
Operating charges <sup>[c]</sup>	1.20	1.63	1.66
Return after operating charges	-5.81	-5.42	+15.94
Historic yield	0.82	0.00	0.00
Effect on yield of charges offset against capital	0.00	0.00	0.00
<b>Other information</b>			
Closing NAV (\$'000)	2,054	2,215	2,659
Closing NAV percentage of total fund NAV (%)	0.69	0.58	0.34
Number of shares	1,196,492	1,285,337	1,366,825
Highest share price (UK p)	151.21	151.56	151.38
Lowest share price (UK p)	133.19	126.65	124.76

#### Sterling Class 'I' Income share performance

The share class was launched on 3 August 2012.

Change in NAV per share	Six months to 29.02.20 UK p	Year to 31.08.19 UK p	Year to 31.08.18 UK p
Opening NAV	2,484.99	2,671.02	2,321.06
Return before operating charges and after direct portfolio transaction costs	(133.87)	(103.49)	413.33
Operating charges	(4.43)	(22.90)	(22.67)
Return after operating charges	(138.30)	(126.39)	390.66
Distributions	n/a	(59.64)	(40.70)
Closing NAV	2,346.69	2,484.99	2,671.02
<b>Direct portfolio transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.35	0.74	0.52
Dilution adjustments <sup>[a]</sup>	(0.35)	(0.70)	(0.52)
Total direct portfolio transaction costs	0.00	0.04	0.00
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.00	0.01	0.00
Operating charges <sup>[c]</sup>	0.70	0.90	0.91
Return after operating charges	-5.57	-4.73	+16.83
Historic yield	2.97	1.53	1.52
Effect on yield of charges offset against capital	0.70	0.89	0.90
<b>Other information</b>			
Closing NAV (\$'000)	16,461	20,972	46,677
Closing NAV percentage of total fund NAV (%)	5.53	5.48	5.90
Number of shares	544,520	692,995	1,343,686
Highest share price (UK p)	2,661.33	2,706.35	2,744.03
Lowest share price (UK p)	2,345.54	2,267.01	2,245.58

# M&G North American Value Fund

## Financial highlights

### Specific share class performance

#### Sterling Class 'I' Accumulation share performance

The share class was launched on 3 August 2012.

	Six months to 29.02.20 UK p	Year to 31.08.19 UK p	Year to 31.08.18 UK p
<b>Change in NAV per share</b>			
Opening NAV	2,743.64	2,879.86	2,465.25
Return before operating charges and after direct portfolio transaction costs	(148.04)	(112.12)	438.60
Operating charges	(4.86)	(24.10)	(23.99)
Return after operating charges	(152.90)	(136.22)	414.61
Distributions	n/a	(39.03)	(18.79)
Retained distributions	n/a	39.03	18.79
Closing NAV	2,590.74	2,743.64	2,879.86
<b>Direct portfolio transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.38	0.79	0.55
Dilution adjustments <sup>[a]</sup>	(0.38)	(0.75)	(0.55)
Total direct portfolio transaction costs	0.00	0.04	0.00
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.00	0.01	0.00
Operating charges <sup>[c]</sup>	0.70	0.89	0.91
Return after operating charges	-5.57	-4.73	+16.82
Historic yield	1.76	0.64	0.65
Effect on yield of charges offset against capital	0.00	0.00	0.00
<b>Other information</b>			
Closing NAV (\$'000)	126,308	212,609	64,104
Closing NAV percentage of total fund NAV (%)	42.46	55.61	8.11
Number of shares	3,784,647	6,363,265	1,711,549
Highest share price (UK p)	2,938.09	2,918.01	2,914.16
Lowest share price (UK p)	2,589.46	2,444.30	2,384.81

#### Sterling Class 'PP' Income share performance

The share class was launched on 5 August 2019.

	Six months to 29.02.20 UK p	Year to 31.08.19 UK p	Year to 31.08.18 UK p
<b>Change in NAV per share</b>			
Opening NAV	96.33	100.00	n/a
Return before operating charges and after direct portfolio transaction costs	(5.15)	(1.38)	n/a
Operating charges	(0.14)	(0.04)	n/a
Return after operating charges	(5.29)	(1.42)	n/a
Distributions	n/a	(2.25)	n/a
Closing NAV	91.04	96.33	n/a
<b>Direct portfolio transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.01	0.00	n/a
Dilution adjustments <sup>[a]</sup>	(0.01)	0.00	n/a
Total direct portfolio transaction costs	0.00	0.00	n/a
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.00	0.01	n/a
Operating charges	0.55	0.55	n/a
Return after operating charges	-5.49	-1.42	n/a
Historic yield	2.89	1.60	n/a
Effect on yield of charges offset against capital	0.55	0.55	n/a
<b>Other information</b>			
Closing NAV (\$'000)	54	54	n/a
Closing NAV percentage of total fund NAV (%)	0.02	0.01	n/a
Number of shares	46,000	46,000	n/a
Highest share price (UK p)	103.23	101.74	n/a
Lowest share price (UK p)	91.00	96.40	n/a

#### Sterling Class 'PP' Accumulation share performance

The share class was launched on 8 April 2019.

	Six months to 29.02.20 UK p	Year to 31.08.19 UK p	Year to 31.08.18 UK p
<b>Change in NAV per share</b>			
Opening NAV	99.61	100.00	n/a
Return before operating charges and after direct portfolio transaction costs	(5.35)	(0.10)	n/a
Operating charges	(0.14)	(0.29)	n/a
Return after operating charges	(5.49)	(0.39)	n/a
Distributions	n/a	(1.48)	n/a
Retained distributions	n/a	1.48	n/a
Closing NAV	94.12	99.61	n/a
<b>Direct portfolio transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.01	0.01	n/a
Dilution adjustments <sup>[a]</sup>	(0.01)	(0.01)	n/a
Total direct portfolio transaction costs	0.00	0.00	n/a
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.00	0.01	n/a
Operating charges <sup>[c]</sup>	0.55	0.61	n/a
Return after operating charges	-5.51	-0.39	n/a
Historic yield	1.84	0.49	n/a
Effect on yield of charges offset against capital	0.00	0.00	n/a
<b>Other information</b>			
Closing NAV (\$'000)	24	24	n/a
Closing NAV percentage of total fund NAV (%)	0.01	0.01	n/a
Number of shares	20,000	20,000	n/a
Highest share price (UK p)	106.72	105.81	n/a
Lowest share price (UK p)	94.08	95.20	n/a

#### Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012.

	Six months to 29.02.20 UK p	Year to 31.08.19 UK p	Year to 31.08.18 UK p
<b>Change in NAV per share</b>			
Opening NAV	246.53	265.66	231.44
Return before operating charges and after direct portfolio transaction costs	(13.40)	(10.34)	41.14
Operating charges	(0.60)	(2.87)	(2.87)
Return after operating charges	(14.00)	(13.21)	38.27
Distributions	n/a	(5.92)	(4.05)
Closing NAV	232.53	246.53	265.66
<b>Direct portfolio transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.03	0.07	0.05
Dilution adjustments <sup>[a]</sup>	(0.03)	(0.07)	(0.05)
Total direct portfolio transaction costs	0.00	0.00	0.00
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.00	0.01	0.00
Operating charges <sup>[c]</sup>	0.95	1.15	1.16
Return after operating charges	-5.68	-4.97	+16.54
Historic yield	2.98	1.54	1.52
Effect on yield of charges offset against capital	0.95	1.13	1.15
<b>Other information</b>			
Closing NAV (\$'000)	366	390	445
Closing NAV percentage of total fund NAV (%)	0.12	0.10	0.06
Number of shares	122,159	129,927	128,829
Highest share price (UK p)	263.77	269.17	272.93
Lowest share price (UK p)	232.41	225.30	223.88

# M&G North American Value Fund

## Financial highlights

### Specific share class performance

#### Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012.

	Six months to 29.02.20 UK p	Year to 31.08.19 UK p	Year to 31.08.18 UK p
<b>Change in NAV per share</b>			
Opening NAV	269.43	283.46	243.26
Return before operating charges and after direct portfolio transaction costs	(14.72)	(10.97)	43.26
Operating charges	(0.65)	(3.06)	(3.06)
Return after operating charges	(15.37)	(14.03)	40.20
Distributions	n/a	(3.14)	(1.18)
Retained distributions	n/a	3.14	1.18
Closing NAV	254.06	269.43	283.46
<b>Direct portfolio transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.04	0.08	0.06
Dilution adjustments <sup>[a]</sup>	(0.04)	(0.07)	(0.06)
Total direct portfolio transaction costs	0.00	0.01	0.00
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.00	0.01	0.00
Operating charges <sup>[c]</sup>	0.95	1.14	1.16
Return after operating charges	-5.70	-4.95	+16.53
Historic yield	1.44	0.41	0.42
Effect on yield of charges offset against capital	0.00	0.00	0.00
<b>Other information</b>			
Closing NAV (\$'000)	2,848	2,942	3,005
Closing NAV percentage of total fund NAV (%)	0.96	0.77	0.38
Number of shares	870,177	896,706	815,033
Highest share price (UK p)	288.20	287.21	286.85
Lowest share price (UK p)	253.94	240.40	235.30

#### Sterling Class 'X' Income share performance

The share class was launched on 1 July 2005.

	Six months to 29.02.20 UK p	Year to 31.08.19 UK p	Year to 31.08.18 UK p
<b>Change in NAV per share</b>			
Opening NAV	130.00	140.76	123.25
Return before operating charges and after direct portfolio transaction costs	(7.13)	(5.47)	21.82
Operating charges	(0.40)	(2.16)	(2.16)
Return after operating charges	(7.53)	(7.63)	19.66
Distributions	n/a	(3.13)	(2.15)
Closing NAV	122.47	130.00	140.76
<b>Direct portfolio transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.02	0.04	0.03
Dilution adjustments <sup>[a]</sup>	(0.02)	(0.04)	(0.03)
Total direct portfolio transaction costs	0.00	0.00	0.00
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.00	0.01	0.00
Operating charges <sup>[c]</sup>	1.20	1.63	1.66
Return after operating charges	-5.79	-5.42	+15.95
Historic yield	2.99	1.55	1.52
Effect on yield of charges offset against capital	1.20	1.62	1.65
<b>Other information</b>			
Closing NAV (\$'000)	1,408	1,444	1,922
Closing NAV percentage of total fund NAV (%)	0.47	0.38	0.24
Number of shares	892,755	912,135	1,049,940
Highest share price (UK p)	138.95	142.62	144.63
Lowest share price (UK p)	122.40	119.19	119.20

#### Sterling Class 'X' Accumulation share performance

The share class was launched on 1 July 2005.

	Six months to 29.02.20 UK p	Year to 31.08.19 UK p	Year to 31.08.18 UK p
<b>Change in NAV per share</b>			
Opening NAV	141.86	150.00	129.27
Return before operating charges and after direct portfolio transaction costs	(7.80)	(5.83)	22.78
Operating charges	(0.43)	(2.31)	(2.05)
Return after operating charges	(8.23)	(8.14)	20.73
Distributions	n/a	(0.94)	0.00
Retained distributions	n/a	0.94	0.00
Closing NAV	133.63	141.86	150.00
<b>Direct portfolio transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.02	0.04	0.03
Dilution adjustments <sup>[a]</sup>	(0.02)	(0.04)	(0.03)
Total direct portfolio transaction costs	0.00	0.00	0.00
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.00	0.01	0.00
Operating charges <sup>[c]</sup>	1.20	1.63	1.63
Return after operating charges	-5.80	-5.43	+16.04
Historic yield	0.82	0.00	0.00
Effect on yield of charges offset against capital	0.00	0.00	0.00
<b>Other information</b>			
Closing NAV (\$'000)	1,436	1,445	2,527
Closing NAV percentage of total fund NAV (%)	0.48	0.38	0.32
Number of shares	833,897	836,491	1,295,556
Highest share price (UK p)	151.63	151.97	151.79
Lowest share price (UK p)	133.56	127.01	125.01

<sup>[a]</sup> In respect of direct portfolio transaction costs.

<sup>[b]</sup> As a percentage of average net asset value.

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

# M&G North American Value Fund

## Financial statements and notes

### Financial statements

#### Statement of total return

for the six months to 29 and 28 February	2020		2019	
	\$'000	\$'000	\$'000	\$'000
Income				
Net capital gains / (losses)		3,503		(36,780)
Revenue	4,270		6,224	
Expenses	(1,651)		(3,314)	
Net revenue / (expense) before taxation	2,619		2,910	
Taxation	(633)		(587)	
Net revenue / (expense) after taxation		1,986		2,323
<b>Total return before equalisation</b>		<b>5,489</b>		<b>(34,457)</b>
Equalisation		(205)		(463)
<b>Change in net assets attributable to shareholders from investment activities</b>		<b>5,284</b>		<b>(34,920)</b>

#### Statement of change in net assets attributable to shareholders

for the six months to 29 and 28 February	2020		2019	
	\$'000	\$'000	\$'000	\$'000
Opening net assets attributable to shareholders		382,362		790,900
Amounts received on issue of shares	19,305		199,070	
Amounts paid on cancellation of shares	(109,535)		(203,838)	
Transfer to M&G (Lux) North American Value Fund	0		(344,937)	
		(90,230)		(349,705)
Dilution adjustments		79		76
Change in net assets attributable to shareholders from investment activities (see above)		5,284		(34,920)
Retained distributions on Accumulation shares		0		428
<b>Closing net assets attributable to shareholders</b>		<b>297,495</b>		<b>406,779</b>

The opening net assets attributable to shareholders for 2020 differs to the closing position in 2019 by the change in net assets attributable to shareholders for the second half of the comparative financial year.

#### Balance sheet

as at	29 February 2020	31 August 2019
	\$'000	\$'000
<b>Assets</b>		
<b>Fixed assets</b>		
Investments	281,533	363,418
<b>Current assets</b>		
Debtors	869	2,162
Cash and bank balances	2,146	4,320
Cash equivalents	15,212	17,543
<b>Total assets</b>	<b>299,760</b>	<b>387,443</b>
<b>Liabilities</b>		
<b>Creditors</b>		
Distribution payable	0	(3,927)
Other creditors	(2,265)	(1,154)
<b>Total liabilities</b>	<b>(2,265)</b>	<b>(5,081)</b>
<b>Net assets attributable to shareholders</b>	<b>297,495</b>	<b>382,362</b>

### Notes to the financial statements

#### Accounting policies

The financial statements have been prepared in accordance with the 'Accounting policies' set out on page 4.

#### Distribution policy

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

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

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

#### Events after the balance sheet date

Between 29 February 2020 and 9 April 2020 there has been a fall in the value of investments driven by fears of the negative impact on global growth from COVID-19. The resulting impact on net asset values (NAV) can be seen in the table below.

Net asset	29.02.20	09.04.20	% change
<b>Sterling</b>			
Class 'A' Income	122.43	113.52	-7.28
Class 'A' Accumulation	133.26	123.57	-7.27
Class 'I' Income	2,346.69	2,177.26	-7.22
Class 'I' Accumulation	2,590.74	2,403.68	-7.22
Class 'PP' Income	91.04	84.48	-7.21
Class 'PP' Accumulation	94.12	87.34	-7.20
Class 'R' Income	232.53	215.68	-7.25
Class 'R' Accumulation	254.06	235.65	-7.25
Class 'X' Income	122.47	113.56	-7.28
Class 'X' Accumulation	133.63	123.91	-7.27

# M&G Pan European Select Fund

## Authorised Corporate Director's Report

### Investment objective up to 28 November 2019

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

### Investment policy up to 28 November 2019

The fund will invest at least 80% in equity securities of companies that are domiciled in, or conducting the major part of their economic activity in any European country. The fund has a concentrated portfolio and usually holds fewer than 35 stocks.

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

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

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

Derivatives may be used for efficient portfolio management.

### Investment approach up to 28 November 2019

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

Sustainability considerations are fully integrated into the investment process.

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

### Investment objective from 29 November 2019

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

### Investment policy from 29 November 2019

At least 80% of the fund is invested in equity securities and equity-related securities of companies across any sector and market capitalisation that are incorporated, domiciled or do most of their business in Europe, including the UK. The fund has a concentrated portfolio and usually holds fewer than 35 companies. Sustainability considerations play an important role in determining the investment universe and assessing business models.

The fund excludes securities issued by companies that are assessed to be in breach of the United Nations Global Compact principles on human rights, labour, environment and anti-corruption and companies involved in the production of tobacco and controversial weapons.

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

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

Derivatives may be used for efficient portfolio management and hedging.

### Investment approach from 29 November 2019

The fund is a focused European equity fund. The fund is based on an investment process that uses fundamental analysis to identify companies with sustainable business models and competitively advantageous characteristics to protect their profitability. The fund makes long-term investments in these companies and importantly, the fund manager invests in businesses where short-term issues have provided a clear valuation opportunity. Sustainability considerations are fully integrated into the investment process.

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

### Benchmark

Benchmark: MSCI Europe Index.

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

## Authorised Corporate Director's Report

## Risk profile

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

The fund's focus is on quality businesses where an element of change is helping to drive their value, and these stocks could potentially experience a degree of illiquidity in times of market distress. The fund is a concentrated portfolio of between 25 and 35 holdings, but is mainly invested in the shares of large and medium-sized companies, which are normally traded with relative ease. Diversification across countries, industries and market capitalisation is key in managing liquidity risk and reducing market risk. The fund's risks are measured and managed as an integral part of the investment process.

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



The above number:

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

## Investment review

**As at 2 March 2020, for the six months ended 29 February 2020**

### Performance against objective

Between 2 September 2019 (the start of the review period) and 2 March 2020, the sterling share classes of the M&G Pan European Select Fund delivered negative total returns (the combination of income and growth of capital). The fund's sterling returns lagged its benchmark, the MSCI Europe Index, which declined by 4.9% for the period in sterling terms.

However, the shortfall was exacerbated by market timing differences. The fund is priced at midday in London, and therefore did not capture the gains from a strong market rally on the last day of the review period.

Over five years, the fund has delivered positive total returns, however, not all share classes finished ahead of the benchmark for the period. The benchmark returned 6.2% p.a. in sterling terms over five years, but this is a reflection of the market timing difference mentioned above.\* Therefore, the fund's performance is mixed against the current objective over its specified timeframe of five years.

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

## Investment performance

European stockmarkets delivered negative returns for the six months under review, with the end of the period witnessing levels of volatility, or market turbulence, not seen since the financial crisis in 2008.

For much of the period, market sentiment had been dominated by a number of repeat themes, one of the most destabilising of which was the ongoing 'trade war' between the US and China. Concerns about on-again / off-again trade negotiations drove waves of both euphoria and risk aversion, depending on how those negotiations were perceived to be progressing. Other sources of disillusionment included an apparent slowdown in China and signs of weakness in the US economy, political difficulties in Europe, exacerbated by the looming presence of Brexit, geopolitical tensions in the Middle East and weakness in the oil price, amid potential declining demand in the face of reduced economic activity.

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

This positive sentiment, however, was to prove short-lived. The mood darkened as news of the new coronavirus – COVID-19 – outbreak spreading from China took a detrimental toll. As we moved through the end of the period under review, initial hopes that the virus might be contained faded as new outbreaks were reported beyond China, notably in Iran, Italy and South Korea. Fearful of the emergence of a global pandemic and its potential negative effects on the global economy, stocks sold off in dramatic fashion at the end of February, resulting in the largest weekly stockmarket fall since 2008. Oil prices also tumbled, amid fears that a global economic slowdown would reduce demand for crude.

Against this background, the perceived safety of utilities meant it was one of the few sectors that delivered positive returns, as investors became more risk-averse, although information technology and real estate also finished in positive territory. Energy was by far the worst-performing sector for the period, given the collapse in the oil price, while consumer companies and communication services also performed poorly.

For the fund, stockpicking within the financial sector led to the largest drag on returns, while selection among information technology and industrials also weighed on relative performance, as did the fund's lack of holdings in the utilities sector.

At an individual stock level, the fund's largest detractor was Danish global services provider ISS. The company's shares fell sharply after it cut its earnings and cashflow guidance for the year, while warning that it might not reach its ambitious medium-term targets until 2022, a year later than previously forecast, with lower profits partly resulting from problems in France, Denmark and Hong Kong. ISS also suffered a major malware attack in February that disrupted its global operations.

Anglo-Dutch consumer goods company Unilever dragged on returns as well. While consumer staples companies were generally out of favour overall for the period, Unilever also cut its sales guidance amid growth concerns in India, its largest market by volume, as well experiencing a slowdown in South Asia and weakness in West Africa.

# M&G Pan European Select Fund

## Authorised Corporate Director's Report

### Investment review

#### Investment performance (continued)

Other laggards included Norwegian energy company Equinor, in light of slumping oil prices, and Dutch paints and coatings business Akzo Nobel. Akzo published fourth-quarter earnings that were lower compared with the same time in the previous year, but said it expected raw-material costs in the first half of 2020 to have a positive effect. Given the extreme risk-averse mood near the end of the review period, the news was taken badly and its shares sold off.

On the upside, the fund's largest contributor for the period was multinational energy management company Schneider Electric. Schneider has continued to deliver operational success, and this has been reflected in solid, ongoing share price performance. Its shares rallied to an all-time high in February after publishing financial results that beat expectations, as well as the firm saying it was confident it could offset the impact of the coronavirus outbreak in China.

Other supportive holdings included two healthcare companies, Danish allergy immunotherapy specialist ALK-Abelló and international dialysis group Fresenius Medical Care. ALK's shares rallied on news that it had initiated a new Phase III trial in China for its house dust mite (HDM) allergy programme, with the study designed to secure approval for the therapy several years earlier than previously planned, and at a reduced cost. ALK said it could now launch the product in China as early as 2023, opening up a lucrative new market for its treatments.

Fresenius Medical Care, meanwhile, published solid financial results in which it achieved its 2019 guidance and confirmed the 2020 outlook of delivering sustainable, profitable growth.

#### Investment activities

We run a concentrated portfolio of between 25 and 35 holdings, maintaining a watchlist of around 120 quality 'moated' companies that we would like to own when the timing and price are right (moated companies are those where we feel the business model is well protected from competition). We monitor our watchlist closely, waiting patiently for short-term issues to create buying opportunities.

In light of the fund's long-term, low-turnover approach, the period under review saw no new purchases or complete sales.

#### Outlook

Events like the extreme market reaction to the COVID-19 outbreak are difficult to predict, and while, from an investment viewpoint, such events can be painful in the short term, they can also create opportunities for long-term investors. We believe that investing in quality companies when they are being undervalued can help to deliver long-term benefits for our customers, as markets return to more normal levels.

It is unlikely that the market will go up in a straight line from where we find ourselves at the end of the review period, but we see great long-term value at these levels. Companies with less robust business models have seen a very substantial setback, limiting the future downside risk, while stable growth companies have seen a smaller setback, but still look very cheap, in our opinion.

We focus on company fundamentals more so than macroeconomics, but it seems likely that the coronavirus outbreak will slow down economies for a while and potentially push Europe into a recession – but we do not believe that all recessions are created equal. In the current situation we do not see extreme excess in the corporate system or exuberance in the banking sector, and government efforts to fight the downturn will potentially make it a shallow recession, as it presently appears to us. This could still lead to bankruptcies and rising unemployment, but we do not now think it poses a systemic threat, and there is not currently a stockmarket bubble to deflate.

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

#### John William Olsen

Fund manager

An employee of M&G FA Limited (formerly M&G Limited) which is an associate of M&G Securities Limited.

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

# M&G Pan European Select Fund

## Authorised Corporate Director's Report

### Investments

#### Portfolio statement

as at Holding	29.02.20 €'000	29.02.20 %	31.08.19 %
<b>EQUITIES</b>	<b>142,253</b>	<b>96.85</b>	<b>97.86</b>
<b>Oil, gas &amp; consumable fuels</b>	<b>6,218</b>	<b>4.23</b>	<b>4.62</b>
454,922 Equinor	6,218	4.23	
<b>Chemicals</b>	<b>11,470</b>	<b>7.81</b>	<b>7.79</b>
76,897 Akzo Nobel	5,634	3.84	
33,199 Linde	5,836	3.97	
<b>Construction materials</b>	<b>2,026</b>	<b>1.38</b>	<b>1.37</b>
48,102 LafargeHolcim	2,026	1.38	
<b>Electrical equipment</b>	<b>7,944</b>	<b>5.41</b>	<b>4.40</b>
87,972 Schneider Electric	7,944	5.41	
<b>Machinery</b>	<b>3,226</b>	<b>2.20</b>	<b>2.12</b>
101,709 Andritz	3,226	2.20	
<b>Commercial services &amp; supplies</b>	<b>5,865</b>	<b>3.99</b>	<b>5.03</b>
231,102 ISS	3,639	2.48	
40,659 Société BIC	2,226	1.51	
<b>Air freight &amp; logistics</b>	<b>6,141</b>	<b>4.18</b>	<b>4.23 <sup>[a]</sup></b>
67,796 DSV PANALPINA	6,141	4.18	
<b>Marine</b>	<b>6,096</b>	<b>4.15</b>	<b>4.05</b>
46,687 Kuehne & Nagel	6,096	4.15	
<b>Road &amp; rail</b>	<b>0</b>	<b>0.00</b>	<b>0.00 <sup>[a]</sup></b>
<b>Textiles, apparel &amp; luxury goods</b>	<b>3,572</b>	<b>2.43</b>	<b>2.68</b>
48,727 HUGO BOSS	1,927	1.31	
40,768 Pandora	1,645	1.12	
<b>Specialty retail</b>	<b>13,903</b>	<b>9.47</b>	<b>9.42</b>
1,612,673 Pets at Home	4,865	3.31	
394,239 WH Smith	9,038	6.16	
<b>Food products</b>	<b>6,858</b>	<b>4.67</b>	<b>5.16</b>
72,897 Nestlé	6,858	4.67	
<b>Household products</b>	<b>5,239</b>	<b>3.57</b>	<b>3.62</b>
78,266 Reckitt Benckiser	5,239	3.57	
<b>Personal products</b>	<b>6,262</b>	<b>4.26</b>	<b>4.77</b>
129,232 Unilever	6,262	4.26	
<b>Health care providers &amp; services</b>	<b>7,578</b>	<b>5.16</b>	<b>4.40</b>
110,015 Fresenius Medical Care	7,578	5.16	
<b>Pharmaceuticals</b>	<b>17,300</b>	<b>11.78</b>	<b>11.05</b>
22,135 ALK-Abelló	5,113	3.48	
177,934 GlaxoSmithKline	3,264	2.22	
166,498 Novo-Nordisk	8,923	6.08	
<b>Banks</b>	<b>9,156</b>	<b>6.23</b>	<b>5.86</b>
1,470,132 AIB	2,972	2.02	
93,008 Bank of Georgia	1,789	1.22	
515,754 ING	4,395	2.99	
<b>Capital markets</b>	<b>1,478</b>	<b>1.01</b>	<b>1.35</b>
188,564 Georgia Capital	1,478	1.01	
<b>Insurance</b>	<b>2,999</b>	<b>2.04</b>	<b>2.31</b>
206,060 Hiscox	2,999	2.04	

#### Portfolio statement (continued)

as at Holding	29.02.20 €'000	29.02.20 %	31.08.19 %
<b>IT services</b>	<b>6,243</b>	<b>4.25</b>	<b>4.59</b>
103,841 Amadeus IT	6,243	4.25	
<b>Software</b>	<b>5,690</b>	<b>3.87</b>	<b>3.67</b>
51,281 SAP	5,690	3.87	
<b>Entertainment</b>	<b>6,989</b>	<b>4.76</b>	<b>5.37</b>
149,148 CTS Eventim	6,989	4.76	
<b>Portfolio of investments</b>	<b>142,253</b>	<b>96.85</b>	<b>97.86</b>
<b>CASH EQUIVALENTS</b>	<b>5,017</b>	<b>3.42</b>	<b>2.93</b>
<b>'AAA' rated money market funds <sup>[b]</sup></b>	<b>5,017</b>	<b>3.42</b>	<b>2.93</b>
5,141,670 Northern Trust Global Fund - Euro	5,017	3.42	
<b>Total portfolio</b>	<b>147,270</b>	<b>100.27</b>	<b>100.79</b>
<b>Net other assets / (liabilities)</b>	<b>(394)</b>	<b>(0.27)</b>	<b>(0.79)</b>
<b>Net assets attributable to shareholders</b>	<b>146,876</b>	<b>100.00</b>	<b>100.00</b>

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

<sup>[a]</sup> The portfolio has been reclassified to more appropriately reflect how the fund is managed. 31.08.19 comparatives have been restated to reflect this.

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

#### Top portfolio transactions

for the six months to 29 February 2020

	€'000
<b>Purchases</b>	
WH Smith	1,012
AIB	406
ALK-Abelló	401
<b>Total purchases</b>	<b>1,819</b>
<b>Sales</b>	
WH Smith	2,068
Novo-Nordisk	1,992
Pets at Home	1,190
CTS Eventim	834
DSV PANALPINA	424
Nestlé	422
<b>Total sales</b>	<b>6,930</b>

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

# M&G Pan European Select Fund

## Financial highlights

### Fund performance

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

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

### Fund level performance

Fund net asset value			
as at	29.02.20 €'000	31.08.19 €'000	31.08.18 €'000
Fund net asset value (NAV)	146,876	152,759	313,063

### Performance since launch

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



### Ten-year performance

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



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

### Long-term performance by share class

	Six months 02.09.19 % [a]	Three years 02.03.17 % p.a.	Five years 02.03.15 % p.a.	Since launch % p.a.
<b>Sterling [b]</b>				
Class 'A'	-7.4	+3.2	+6.0	+7.6 [c]
Class 'I'	-7.2	+3.9	+6.7	+9.4 [d]
Class 'R'	-7.3	+3.7	+6.5	+9.1 [d]
Class 'X'	-7.4	+3.2	+6.0	+11.0 [e]

[a] Absolute basis.

[b] Price to price with income reinvested.

[c] 29 September 1989, the end of the initial offer period of the predecessor unit trust.

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

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

# M&G Pan European Select Fund

## Financial highlights

### Fund performance

## Operating charges and portfolio transaction costs

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

### Operating charges

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

- Annual charge:** Charge paid to M&G covering the annual cost of M&G managing and administering the fund and the costs of third parties providing services to the fund. From 1 August 2019, this charge rolls all costs that make up the operating charges into one annual charge.  
  
 For every £1 billion of a fund's net asset value, a discount of 0.02% will be applied to that fund's annual charge (up to a maximum of 0.12%).
- Extraordinary legal and tax expenses:** Costs that specifically relate to legal or tax claims that are both exceptional and unforeseeable. Such expenses are uncommon, and would not be expected in most years. Although they result in a short-term cost to the fund, generally they can deliver longer term benefits for investors.
- Investment management:** Charge paid to M&G for investment management of the fund. From 1 August 2019 this charge forms part of the annual charge.
- Administration:** Charge paid for administration services in addition to investment management – any surplus from this charge will be retained by M&G. From 1 August 2019 this charge is rolled into the annual charge.
- Oversight and other independent services:** Charges paid to providers independent of M&G for services which include depositary, custody and audit. From 1 August 2019 these charges will be paid by M&G and rolled into the annual charge.
- Ongoing charges from underlying funds:** Ongoing charges on holdings in underlying funds that are not rebated. From 1 August 2019 charges from underlying funds (excluding Investment Trusts Companies and Real Estate Investment Trusts) will be rebated.

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

Once the annual charge has been operational for twelve months, operating charges will be in line with the ongoing charges shown in the Key Investor Information Document, other than where there have been extraordinary legal or tax expenses, or an estimate has been used for the ongoing charge because a material change has made the operating charges unreliable as an estimate of future charges.

### Portfolio transaction costs

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

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

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

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

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

### Portfolio transaction costs

	Six months to 29.02.20	Year to 31.08.19	Year to 31.08.18	Average <sup>[a]</sup>
Direct portfolio transaction costs <sup>[b]</sup>	%	%	%	%
Broker commission	0.01	0.01	0.02	0.02
Taxes	0.00	0.00	0.04	0.01
Costs before dilution adjustments	0.01	0.01	0.06	0.03
Dilution adjustments <sup>[c]</sup>	(0.01)	(0.01)	(0.03)	(0.02)
Total direct portfolio transaction costs	0.00	0.00	0.03	0.01
as at	29.02.20	31.08.19	31.08.18	Average <sup>[a]</sup>
Indirect portfolio transaction costs	%	%	%	%
Average portfolio dealing spread	0.08	0.06	0.07	0.07

<sup>[a]</sup> Average of first three columns.

<sup>[b]</sup> As a percentage of average net asset value.

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

# M&G Pan European Select Fund

## Financial highlights

### Specific share class performance

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

Historic yields for the current period are calculated as at 13 March 2020.

#### Sterling Class 'A' Income share performance

The share class was launched on 29 September 1989.

Change in NAV per share	Six months to 29.02.20 UK p	Year to 31.08.19 UK p	Year to 31.08.18 UK p
Opening NAV	218.93	224.64	222.26
Return before operating charges and after direct portfolio transaction costs	(15.31)	3.41	11.68
Operating charges	(0.66)	(3.47)	(3.73)
Return after operating charges	(15.97)	(0.06)	7.95
Distributions	(0.83)	(5.65)	(5.57)
Closing NAV	202.13	218.93	224.64
<b>Direct portfolio transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.01	0.03	0.13
Dilution adjustments <sup>[a]</sup>	(0.01)	(0.03)	(0.06)
Total direct portfolio transaction costs	0.00	0.00	0.07
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.00	0.00	0.03
Operating charges <sup>[c]</sup>	1.20	1.64	1.67
Return after operating charges	-7.29	-0.03	+3.58
Historic yield	3.18	2.39	2.49
Effect on yield of charges offset against capital	1.20	1.61	1.65
<b>Other information</b>			
Closing NAV (€'000)	69,510	72,956	80,239
Closing NAV percentage of total fund NAV (%)	47.32	47.76	25.63
Number of shares	29,340,918	30,214,990	32,047,244
Highest share price (UK p)	232.78	230.70	232.36
Lowest share price (UK p)	202.84	190.14	208.38

#### Sterling Class 'A' Accumulation share performance

The share class was launched on 29 September 1989.

Change in NAV per share	Six months to 29.02.20 UK p	Year to 31.08.19 UK p	Year to 31.08.18 UK p
Opening NAV	475.71	475.69	459.06
Return before operating charges and after direct portfolio transaction costs	(33.28)	7.38	24.34
Operating charges	(1.44)	(7.36)	(7.71)
Return after operating charges	(34.72)	0.02	16.63
Distributions	0.00	(4.67)	(3.87)
Retained distributions	0.00	4.67	3.87
Closing NAV	440.99	475.71	475.69
<b>Direct portfolio transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.03	0.07	0.27
Dilution adjustments <sup>[a]</sup>	(0.01)	(0.06)	(0.12)
Total direct portfolio transaction costs	0.02	0.01	0.15
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.00	0.00	0.03
Operating charges <sup>[c]</sup>	1.20	1.64	1.67
Return after operating charges	-7.30	0.00	+3.62
Historic yield	1.22	0.79	0.82
Effect on yield of charges offset against capital	0.00	0.00	0.00
<b>Other information</b>			
Closing NAV (€'000)	44,405	46,812	51,071
Closing NAV percentage of total fund NAV (%)	30.23	30.64	16.31
Number of shares	8,591,687	8,921,950	9,632,302
Highest share price (UK p)	505.77	490.67	482.11
Lowest share price (UK p)	440.73	402.66	432.56

#### Sterling Class 'T' Income share performance

The share class was launched on 3 August 2012.

Change in NAV per share	Six months to 29.02.20 UK p	Year to 31.08.19 UK p	Year to 31.08.18 UK p
Opening NAV	1,748.52	1,781.09	1,749.00
Return before operating charges and after direct portfolio transaction costs	(120.34)	27.74	92.34
Operating charges	(3.09)	(15.33)	(16.24)
Return after operating charges	(123.43)	12.41	76.10
Distributions	(6.63)	(44.98)	(44.01)
Closing NAV	1,618.46	1,748.52	1,781.09
<b>Direct portfolio transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.09	0.25	1.03
Dilution adjustments <sup>[a]</sup>	(0.04)	(0.22)	(0.45)
Total direct portfolio transaction costs	0.05	0.03	0.58
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.00	0.00	0.03
Operating charges <sup>[c]</sup>	0.70	0.91	0.92
Return after operating charges	-7.06	+0.70	+4.35
Historic yield	3.17	2.37	2.49
Effect on yield of charges offset against capital	0.70	0.89	0.90
<b>Other information</b>			
Closing NAV (€'000)	10,422	11,127	12,397
Closing NAV percentage of total fund NAV (%)	7.10	7.29	3.96
Number of shares	549,443	576,992	624,464
Highest share price (UK p)	1,862.79	1,841.21	1,841.23
Lowest share price (UK p)	1,624.12	1,511.21	1,646.62

# M&G Pan European Select Fund

## Financial highlights

### Specific share class performance

#### Sterling Class 'I' Accumulation share performance

The share class was launched on 3 August 2012.

	Six months to 29.02.20 UK p	Year to 31.08.19 UK p	Year to 31.08.18 UK p
<b>Change in NAV per share</b>			
Opening NAV	2,117.18	2,101.77	2,013.19
Return before operating charges and after direct portfolio transaction costs	(145.91)	33.51	107.31
Operating charges	(3.74)	(18.10)	(18.73)
Return after operating charges	(149.65)	15.41	88.58
Distributions	(0.77)	(35.68)	(32.49)
Retained distributions	0.77	35.68	32.49
Closing NAV	1,967.53	2,117.18	2,101.77
<b>Direct portfolio transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.11	0.30	1.19
Dilution adjustments <sup>[a]</sup>	(0.05)	(0.26)	(0.52)
Total direct portfolio transaction costs	0.06	0.04	0.67
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.00	0.00	0.03
Operating charges <sup>[c]</sup>	0.70	0.91	0.92
Return after operating charges	-7.07	+0.73	+4.40
Historic yield	2.12	1.46	1.56
Effect on yield of charges offset against capital	0.00	0.00	0.00
<b>Other information</b>			
Closing NAV (€'000)	12,717	11,900	9,735
Closing NAV percentage of total fund NAV (%)	8.66	7.79	3.11
Number of shares	551,500	509,596	415,546
Highest share price (UK p)	2,255.31	2,182.18	2,129.97
Lowest share price (UK p)	1,966.35	1,783.35	1,904.83

#### Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012.

	Six months to 29.02.20 UK p	Year to 31.08.19 UK p	Year to 31.08.18 UK p
<b>Change in NAV per share</b>			
Opening NAV	171.42	175.04	172.33
Return before operating charges and after direct portfolio transaction costs	(11.90)	2.71	9.08
Operating charges	(0.41)	(1.92)	(2.04)
Return after operating charges	(12.31)	0.79	7.04
Distributions	(0.65)	(4.41)	(4.33)
Closing NAV	158.46	171.42	175.04
<b>Direct portfolio transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.01	0.02	0.10
Dilution adjustments <sup>[a]</sup>	0.00	(0.02)	(0.04)
Total direct portfolio transaction costs	0.01	0.00	0.06
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.00	0.00	0.03
Operating charges <sup>[c]</sup>	0.95	1.16	1.17
Return after operating charges	-7.18	+0.45	+4.09
Historic yield	3.17	2.38	2.49
Effect on yield of charges offset against capital	0.95	1.13	1.15
<b>Other information</b>			
Closing NAV (€'000)	2,014	2,109	1,617
Closing NAV percentage of total fund NAV (%)	1.37	1.38	0.52
Number of shares	1,084,228	1,115,494	828,522
Highest share price (UK p)	182.44	180.56	180.96
Lowest share price (UK p)	159.02	148.40	162.01

#### Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012.

	Six months to 29.02.20 UK p	Year to 31.08.19 UK p	Year to 31.08.18 UK p
<b>Change in NAV per share</b>			
Opening NAV	207.84	206.84	198.62
Return before operating charges and after direct portfolio transaction costs	(14.44)	3.27	10.58
Operating charges	(0.50)	(2.27)	(2.36)
Return after operating charges	(14.94)	1.00	8.22
Distributions	0.00	(3.00)	(2.69)
Retained distributions	0.00	3.00	2.69
Closing NAV	192.90	207.84	206.84
<b>Direct portfolio transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.01	0.03	0.12
Dilution adjustments <sup>[a]</sup>	(0.01)	(0.03)	(0.05)
Total direct portfolio transaction costs	0.00	0.00	0.07
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.00	0.00	0.03
Operating charges <sup>[c]</sup>	0.95	1.16	1.17
Return after operating charges	-7.19	+0.48	+4.14
Historic yield	1.80	1.25	1.31
Effect on yield of charges offset against capital	0.00	0.00	0.00
<b>Other information</b>			
Closing NAV (€'000)	6,314	6,247	4,919
Closing NAV percentage of total fund NAV (%)	4.30	4.09	1.57
Number of shares	2,792,898	2,725,266	2,133,825
Highest share price (UK p)	221.18	214.28	209.62
Lowest share price (UK p)	192.79	175.36	187.67

#### Sterling Class 'X' Income share performance

The share class was launched on 1 October 2002.

	Six months to 29.02.20 UK p	Year to 31.08.19 UK p	Year to 31.08.18 UK p
<b>Change in NAV per share</b>			
Opening NAV	216.53	222.18	219.84
Return before operating charges and after direct portfolio transaction costs	(15.13)	3.36	11.53
Operating charges	(0.65)	(3.43)	(3.68)
Return after operating charges	(15.78)	(0.07)	7.85
Distributions	(0.82)	(5.58)	(5.51)
Closing NAV	199.93	216.53	222.18
<b>Direct portfolio transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.01	0.03	0.13
Dilution adjustments <sup>[a]</sup>	(0.01)	(0.03)	(0.06)
Total direct portfolio transaction costs	0.00	0.00	0.07
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.00	0.00	0.03
Operating charges <sup>[c]</sup>	1.20	1.64	1.67
Return after operating charges	-7.29	-0.03	+3.57
Historic yield	3.18	2.39	2.49
Effect on yield of charges offset against capital	1.20	1.61	1.65
<b>Other information</b>			
Closing NAV (€'000)	811	905	1,084
Closing NAV percentage of total fund NAV (%)	0.55	0.59	0.35
Number of shares	346,187	379,089	437,874
Highest share price (UK p)	230.23	228.18	229.82
Lowest share price (UK p)	200.63	188.06	206.10

# M&G Pan European Select Fund

## Financial highlights

### Specific share class performance

#### Sterling Class 'X' Accumulation share performance

The share class was launched on 1 October 2002.

Change in NAV per share	Six months to 29.02.20 UK p	Year to 31.08.19 UK p	Year to 31.08.18 UK p
Opening NAV	470.11	470.10	453.67
Return before operating charges and after direct portfolio transaction costs	(32.90)	7.29	24.05
Operating charges	(1.42)	(7.28)	(7.62)
Return after operating charges	(34.32)	0.01	16.43
Distributions	0.00	(4.62)	(3.82)
Retained distributions	0.00	4.62	3.82
Closing NAV	435.79	470.11	470.10
<b>Direct portfolio transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.03	0.07	0.27
Dilution adjustments <sup>[a]</sup>	(0.01)	(0.06)	(0.12)
Total direct portfolio transaction costs	0.02	0.01	0.15
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.00	0.00	0.03
Operating charges <sup>[c]</sup>	1.20	1.64	1.67
Return after operating charges	-7.30	0.00	+3.62
Historic yield	1.22	0.79	0.82
Effect on yield of charges offset against capital	0.00	0.00	0.00
<b>Other information</b>			
Closing NAV (€'000)	683	703	796
Closing NAV percentage of total fund NAV (%)	0.47	0.46	0.25
Number of shares	133,785	135,504	151,966
Highest share price (UK p)	499.81	484.89	476.44
Lowest share price (UK p)	435.54	397.92	427.47

<sup>[a]</sup> In respect of direct portfolio transaction costs.

<sup>[b]</sup> As a percentage of average net asset value.

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

# M&G Pan European Select Fund

## Financial statements and notes

### Financial statements

#### Statement of total return

for the six months to 29 and 28 February	2020		2019	
	€'000	€'000	€'000	€'000
Income				
Net capital gains / (losses)		(1,570)		(12,668)
Revenue	714		811	
Expenses	(898)		(1,568)	
Net revenue / (expense) before taxation	(184)		(757)	
Taxation	(89)		(21)	
Net revenue / (expense) after taxation		(273)		(778)
<b>Total return before distributions</b>		<b>(1,843)</b>		<b>(13,446)</b>
Distributions		(346)		(369)
<b>Change in net assets attributable to shareholders from investment activities</b>		<b>(2,189)</b>		<b>(13,815)</b>

#### Statement of change in net assets attributable to shareholders

for the six months to 29 and 28 February	2020		2019	
	€'000	€'000	€'000	€'000
Opening net assets attributable to shareholders		152,759		313,063
Amounts received on issue of shares	3,054		6,777	
Amounts paid on cancellation of shares	(6,759)		(28,046)	
Transfer to M&G (Lux) Pan European Select Fund	0		(123,081)	
		(3,705)		(144,350)
Dilution adjustments		6		29
Change in net assets attributable to shareholders from investment activities (see above)		(2,189)		(13,815)
Retained distributions on Accumulation shares		5		1
Unclaimed distributions		0		8
<b>Closing net assets attributable to shareholders</b>		<b>146,876</b>		<b>154,936</b>

The opening net assets attributable to shareholders for 2020 differs to the closing position in 2019 by the change in net assets attributable to shareholders for the second half of the comparative financial year.

#### Balance sheet

as at	29 February 2020	31 August 2019
	€'000	€'000
<b>Assets</b>		
<b>Fixed assets</b>		
Investments	142,253	149,501
<b>Current assets</b>		
Debtors	1,029	1,274
Cash and bank balances	241	184
Cash equivalents	5,017	4,469
<b>Total assets</b>	<b>148,540</b>	<b>155,428</b>
<b>Liabilities</b>		
<b>Creditors</b>		
Distribution payable	(339)	(1,889)
Other creditors	(1,325)	(780)
<b>Total liabilities</b>	<b>(1,664)</b>	<b>(2,669)</b>
<b>Net assets attributable to shareholders</b>	<b>146,876</b>	<b>152,759</b>

### Notes to the financial statements

#### Accounting policies

The financial statements have been prepared in accordance with the 'Accounting policies' set out on page 4.

#### Distribution policy

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

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

#### Events after the balance sheet date

Between 29 February 2020 and 9 April 2020 there has been a fall in the value of investments driven by fears of the negative impact on global growth from COVID-19. The resulting impact on net asset values (NAV) can be seen in the table below.

Net asset	29.02.20	09.04.20	% change
<b>Sterling</b>			
Class 'A' Income	202.13	184.22	-8.86
Class 'A' Accumulation	440.99	401.93	-8.86
Class 'I' Income	1,618.46	1,475.88	-8.81
Class 'I' Accumulation	1,967.53	1,794.30	-8.80
Class 'R' Income	158.46	144.47	-8.83
Class 'R' Accumulation	192.90	175.87	-8.83
Class 'X' Income	199.93	182.21	-8.86
Class 'X' Accumulation	435.79	397.20	-8.86

# M&G Pan European Select Smaller Companies Fund

## Authorised Corporate Director's Report

### Investment objective

The fund aims to provide a higher total return (the combination of capital growth and income) than that of the EMIX Smaller European Companies Index, net of the ongoing charges figure, over any five-year period.

### Investment policy

The fund will invest at least 80% in the equities of European smaller companies, from the bottom third (by total market capitalisation) of all publicly listed equities in Europe including the UK.

The fund has a concentrated portfolio and usually holds fewer than 45 stocks.

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

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

The fund may also invest in collective investment schemes, including funds managed by M&G, other transferable securities and warrants.

Cash and near cash may be held for ancillary purposes and derivatives may be used for efficient portfolio management and hedging purposes.

### Investment approach

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

Sustainability considerations are fully integrated into the investment process.

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

### Benchmark

Benchmark: EMIX Smaller European Companies Index

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

### Risk profile

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

The fund's focus is on smaller companies where the share price movement can be more unpredictable and the shares more difficult to buy and sell compared to those of larger companies. Diversification across countries, industries and market capitalisation is therefore key in managing liquidity risk and reducing market risk. The fund's risks are measured and managed as an integral part of the investment process.

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



The above number:

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

### Investment review

**As at 2 March 2020, for the six months ended 29 February 2020**

#### Performance against objective

Between 2 September 2019 (the start of the review period) and 2 March 2020, the fund delivered a negative total return (the combination of income and growth of capital) across all of its share classes. All share classes lagged the fund's benchmark, the EMIX Smaller European Companies Index, which returned -1.1%, 3.0% and 4.5% in sterling, euros and US dollars respectively over the six months. However, the shortfall was exacerbated by market timing differences. The fund is priced at midday in London, and therefore did not capture the gains from a strong market rally on the last day of the review period.

Over five years, the fund has delivered positive total returns, however, it has not finished ahead of the benchmark for the period. The benchmark returned 8.9% p.a., 5.0% p.a. and 4.9% p.a. in sterling, euros and US dollars, respectively over five years.\* Therefore, the fund's performance has not met its current objective over its specified timeframe of five years, but this is a reflection of the market timing difference mentioned above.

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

# M&G Pan European Select Smaller Companies Fund

## Authorised Corporate Director's Report

### Investment review

#### Investment performance

Broad European stockmarkets delivered negative returns for the six months under review, with the end of the period witnessing levels of volatility, or market turbulence, not seen since the financial crisis in 2008. However, smaller European companies proved more resilient than the wider market, and while declining to a lesser degree in sterling terms for the period, they delivered a positive return in both euro and US dollar terms.

For much of the period, market sentiment had been dominated by a number of repeat themes, one of the most destabilising of which was the ongoing 'trade war' between the US and China. Concerns about on-again / off-again trade negotiations drove waves of both euphoria and risk aversion, depending on how those negotiations were perceived to be progressing. Other sources of disillusionment included an apparent slowdown in China and signs of weakness in the US economy, political difficulties in Europe, exacerbated by the looming presence of Brexit, geopolitical tensions in the Middle East and weakness in the oil price, amid potential declining demand in the face of reduced economic activity.

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

This positive sentiment, however, was to prove short-lived. The mood darkened as news of the new coronavirus – COVID-19 – outbreak spreading from China took a detrimental toll. As we moved through the end of the period under review, initial hopes that the virus might be contained faded as new outbreaks were reported beyond China, notably in Iran, Italy and South Korea. Fearful of the emergence of a global pandemic and its potential negative effects on the global economy, stocks sold off in dramatic fashion at the end of February, resulting in the largest weekly stockmarket fall since 2008. Oil prices also tumbled, amid fears that a global economic slowdown would reduce demand for crude.

Against this background, within the smaller companies space, utilities (a so-called 'defensive' sector, favoured by risk-averse investors) delivered the strongest returns for the period under review, while the technology, financial, telecoms and healthcare sectors all finished the period in positive territory. Far and away the worst performing sector was oil & gas, in light of turbulence in the oil price, while basic materials and consumer companies also fared badly. For the fund, underperformance was driven by stock selection, particularly within the industrial, financial and utilities sectors, while the below-index position in the financial sector (which performed well) and above-index position in consumer services (which did not) also weighed on relative returns.

At an individual stock level, the fund's largest detractor was Irish agribusiness Origin Enterprises, whose shares fell sharply after the company issued a profit warning following a decline in sales volumes. While the group generates some 90% of its profit in the second half of the financial year, it was still a slower start than usual to trading in the seasonally quiet first quarter. This was the result of prolonged

unseasonal weather conditions leading to a lower planted area for autumn and winter crops relative to a normal year, impacting the company's agronomy services, seed, and crop protection, principally in the UK and Romania.

Danish global services provider ISS dragged on returns as well. The company's shares fell sharply after it cut its earnings and cashflow guidance for the year, while warning that it might not reach its ambitious medium-term targets until 2022, a year later than previously forecast, with lower profits partly resulting from problems in France, Denmark and Hong Kong. ISS also suffered a major malware attack in February that disrupted its global operations.

Other detractors included Irish diversified business services and distribution firm DCC, whose shares fell despite reporting solid growth in profit for the first half of 2019, and Georgian investment and development company Georgia Capital. Georgia Capital saw its shares weaken amid soured sentiment in Georgia, on the back of a new wave of mass protests against the government in Georgia's capital Tbilisi over what are believed to be failed promises on electoral system reform.

On the upside, the fund's largest contributor was Swedish private healthcare provider Medcover. The company provides both private healthcare and diagnostic services, focusing primarily on Central and Eastern Europe and Germany. In November, and again in February, the company delivered strong results, showing, in particular, solid growth in Romania, Medcover's third-largest market after Poland and Germany – investors were enlivened and the company's shares rose accordingly.

Other supportive holdings included specialist UK food producer Cranswick, which has delivered ongoing operational success, and Danish allergy immunotherapy specialist ALK-Abelló. ALK's shares rallied on news that it had initiated a new Phase III trial in China for its house dust mite (HDM) allergy programme, with the study designed to secure approval for the therapy several years earlier than previously planned, and at a reduced cost. ALK said it could now launch the product in China as early as 2023, opening up a lucrative new market for its treatments.

#### Investment activities

We run a concentrated portfolio of fewer than 50 holdings, maintaining a watchlist of around 200 quality 'moated' companies that we would like to own when the timing and price are right (moated companies are those where we feel the business model is well protected from competition). We monitor our watchlist closely, waiting patiently for short-term issues to create buying opportunities.

During the period under review, seven such opportunities presented themselves. These included Hiscox, a quality insurer that we had been watching for some time, patiently waiting for the right entry point. Last year the company issued a profit warning, after insurance underwriting ended up more costly than had been expected. We believe this to be a short-term issue for a high-quality business where long-term growth prospects remain solid.

As another example, we bought shares in Swedish life sciences business Biotage. This is a global life science company that develops innovative solutions for separation within organic and analytical chemistry, as well as for industrial applications. Its products are used by public authorities, academic institutions, contract research and contract manufacturing organisations, as well as the pharmaceutical

# M&G Pan European Select Smaller Companies Fund

## Authorised Corporate Director's Report

### Investment review

#### Investment activities (continued)

and food industries. A new chief executive joined the company in December 2019, and we think there is a lot of opportunity to improve the operations of the business.

As a final example, we invested in game development company Keywords Studios. Keywords acts as an external development partner to major video game studios, working collaboratively with those studios to, among other things, develop individual aspects of games where additional expertise is needed. As all of the major studios are outsourcing more and more work as games become increasingly complex, we see this as a strong potential growth area.

Conversely, we closed six positions during the period under review where we had lost faith in the investment case for these businesses. These included Swedish independent education provider AcadeMedia, Dutch dredging company Boskalis and targeted web advertising specialist Criteo.

#### Outlook

Events like the extreme market reaction to the COVID-19 outbreak are difficult to predict, and while, from an investment viewpoint, such events can be painful in the short term, they can also create opportunities for long-term investors. We believe that investing in quality companies when they are being undervalued can help to deliver long-term benefits for our customers, as markets return to more normal levels.

It is unlikely that the market will go up in a straight line from where we find ourselves at the end of the review period, but we see great long-term value at these levels. Companies with less robust business models have seen a very substantial setback, limiting the future downside risk, while stable growth companies have seen a smaller setback, but still look very cheap, in our opinion.

We continue to search for opportunities for the fund in quality, sustainable companies with protected business models, while remaining firm in the face of extreme short-term market volatility. That volatility is what allows us to buy these companies when their valuations become more attractive, as investors abandon fundamentals in the face of extreme risk aversion.

In terms of the current portfolio, while underperformance is frustrating, we remain confident in the quality of our holdings, and firmly believe that they will generate long-term value for the fund. As long-term investors, this is our focus, and we continue to be optimistic about their prospects.

#### Michael Oliveros

Fund manager

An employee of M&G FA Limited (formerly M&G Limited) which is an associate of M&G Securities Limited.

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

### Investments

#### Portfolio statement

as at Holding	29.02.20 €'000	29.02.20 %	31.08.19 %
<b>EQUITIES</b>	<b>184,794</b>	<b>104.06</b>	<b>98.73</b>
<b>Software &amp; computer services</b>	<b>16,456</b>	<b>9.27</b>	<b>5.91</b>
180,625 AlzChem	3,251	1.83	
438,725 EMIS	5,769	3.25	
32,395 SimCorp	2,859	1.61	
12,900 Sopra Steria	1,855	1.04	
160,588 Vitec Software	2,722	1.54	
<b>Health care providers</b>	<b>5,126</b>	<b>2.89</b>	<b>2.52</b>
480,108 Medicover	5,126	2.89	
<b>Pharmaceuticals &amp; biotechnology</b>	<b>16,503</b>	<b>9.30</b>	<b>6.66</b>
26,941 ALK-Abelló	6,223	3.51	
258,031 Biotage	2,760	1.55	
190,304 Laboratorios Farmaceuticos Rovi	4,700	2.65	
800,120 MagForce	2,820	1.59	
<b>Banks</b>	<b>9,175</b>	<b>5.17</b>	<b>6.02</b>
504,979 Avanza Bank	4,511	2.54	
119,523 KBC Ancora	4,664	2.63	
<b>Investment banking &amp; brokerage services</b>	<b>8,033</b>	<b>4.52</b>	<b>4.92</b>
178,188 Flatex	4,802	2.70	
405,911 Georgia Capital	3,183	1.79	
67,994 MyBucks	48	0.03	
<b>Non-life insurance</b>	<b>4,049</b>	<b>2.28</b>	<b>0.00</b>
278,187 Hiscox	4,049	2.28	
<b>Automobiles &amp; parts</b>	<b>2,567</b>	<b>1.45</b>	<b>1.61</b>
58,741 PIERER Mobility	2,567	1.45	
<b>Consumer services</b>	<b>6,648</b>	<b>3.74</b>	<b>2.09</b>
1,352,108 Karnov	6,648	3.74	
<b>Household goods &amp; home construction</b>	<b>3,045</b>	<b>1.71</b>	<b>2.98</b>
2,533,460 Cairn Homes	3,045	1.71	
<b>Leisure goods</b>	<b>3,416</b>	<b>1.92</b>	<b>1.81</b>
173,863 Thule	3,416	1.92	
<b>Media</b>	<b>9,220</b>	<b>5.19</b>	<b>5.29</b>
173,474 CTS Eventim	8,129	4.58	
555,392 HolidayCheck	1,091	0.61	
<b>Retailers</b>	<b>15,707</b>	<b>8.85</b>	<b>11.01</b>
236,136 Dignity	1,572	0.89	
1,306,407 Pets at Home	3,941	2.22	
444,662 WH Smith	10,194	5.74	
<b>Travel &amp; leisure</b>	<b>3,266</b>	<b>1.84</b>	<b>1.66</b>
886,407 On the Beach	3,266	1.84	
<b>Beverages</b>	<b>4,643</b>	<b>2.61</b>	<b>0.00</b>
50,028 Remy Cointreau	4,643	2.61	
<b>Food producers</b>	<b>7,872</b>	<b>4.43</b>	<b>4.43</b>
145,687 Cranswick	5,741	3.23	
759,828 Origin Enterprises	2,131	1.20	
<b>Construction &amp; materials</b>	<b>6,086</b>	<b>3.43</b>	<b>3.99</b>
296,257 Arbonia	2,940	1.66	
6,546,313 SigmaRoc	3,146	1.77	

# M&G Pan European Select Smaller Companies Fund

## Authorised Corporate Director's Report

### Investments

Portfolio statement (continued)			
as at Holding	29.02.20 €'000	29.02.20 %	31.08.19 %
<b>General industrials</b>	<b>3,560</b>	<b>2.00</b>	<b>1.98</b>
963,145 DS Smith	3,560	2.00	
<b>Industrial engineering</b>	<b>16,959</b>	<b>9.55</b>	<b>10.97</b>
134,816 Aalberts	4,518	2.55	
366,103 Deutz	1,544	0.87	
117,864 Konecranes	3,130	1.76	
342,254 OC Oerlikon	2,867	1.61	
39,828 VAT	4,900	2.76	
<b>Industrial support services</b>	<b>22,102</b>	<b>12.45</b>	<b>14.21</b>
108,211 DCC	7,031	3.96	
1,212,761 Equiniti	2,786	1.57	
251,530 ISS	3,960	2.23	
222,047 Keywords Studios	3,961	2.23	
140,258 Loomis	4,364	2.46	
<b>Industrial transportation</b>	<b>9,657</b>	<b>5.44</b>	<b>4.82</b>
29,192 ID Logistics	4,694	2.64	
271,172 Logista	4,963	2.80	
<b>Chemicals</b>	<b>0</b>	<b>0.00</b>	<b>1.53</b>
<b>Non-renewable energy</b>	<b>5,175</b>	<b>2.91</b>	<b>1.41</b>
145,729 Lundin Petroleum	3,630	2.04	
42,917 Schoeller-Bleckmann Oilfield Equipment	1,545	0.87	
<b>Gas, water &amp; multi-utilities</b>	<b>5,529</b>	<b>3.11</b>	<b>2.91</b>
112,430 Rubis	5,529	3.11	
<b>Portfolio of investments</b>	<b>184,794</b>	<b>104.06</b>	<b>98.73</b>
<b>CASH EQUIVALENTS</b>	<b>0</b>	<b>0.00</b>	<b>1.44</b>
<b>'AAA' rated money market funds <sup>[a]</sup></b>	<b>0</b>	<b>0.00</b>	<b>1.44</b>
<b>Total portfolio</b>	<b>184,794</b>	<b>104.06</b>	<b>100.17</b>
<b>Net other assets / (liabilities)</b>	<b>(7,204)</b>	<b>(4.06)</b>	<b>(0.17)</b>
<b>Net assets attributable to shareholders</b>	<b>177,590</b>	<b>100.00</b>	<b>100.00</b>

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

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

### Top ten portfolio transactions

for the six months to 29 February 2020

<b>Largest purchases</b>	<b>€'000</b>
Remy Cointreau	5,336
Hiscox	4,433
Keywords Studios	4,225
Lundin Petroleum	3,786
Vitec Software	3,214
Biotage	3,012
SimCorp	2,898
Karnov	2,289
ISS	1,126
SigmaRoc	1,095
Other purchases	7,983
<b>Total purchases</b>	<b>39,397</b>
<b>Largest sales</b>	<b>€'000</b>
Sopra Steria	5,151
Pets at Home	4,541
Bank of Ireland	4,509
Société BIC	3,346
WH Smith	3,325
TAKKT	3,139
AcadeMedia	2,898
Boskalis Westminster	2,699
Equiniti	2,542
Loomis	2,350
Other sales	30,778
<b>Total sales</b>	<b>65,278</b>

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

# M&G Pan European Select Smaller Companies Fund

## Financial highlights

### Fund performance

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

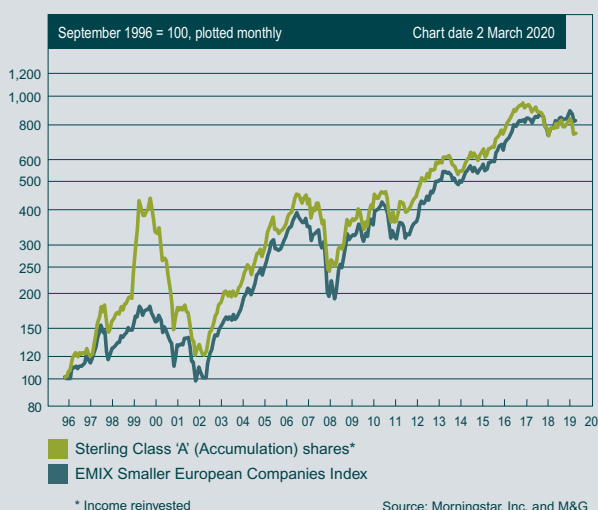
The following chart and tables reflect the key financial information of a representative share class, Sterling Class 'A' (Accumulation) shares. As different share classes have different attributes, for example charging structures and minimum investments, please be aware that their performance may be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

### Fund level performance

Fund net asset value			
as at	29.02.20 €'000	31.08.19 €'000	31.08.18 €'000
Fund net asset value (NAV)	177,590	209,245	195,641

### Performance since launch

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



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 02.09.19 % [a]	Three years 02.03.17 % p.a.	Five years 02.03.15 % p.a.	Since launch % p.a.
<b>Euro [b]</b>				
Class 'A'	-1.9	-4.4	+1.3	+6.1 [c]
Class 'C'	-1.5	-3.7	+2.0	+6.9 [c]
<b>Sterling [d]</b>				
Class 'A'	-5.9	-3.9	+5.0	+8.9 [e]
Class 'I'	-5.7	-3.2	+5.7	+9.3 [f]
Class 'R'	-5.8	-3.4	+5.5	+9.0 [f]
Class 'X'	-5.9	-3.9	+5.0	+11.0 [g]
<b>US dollar [b]</b>				
Class 'A'	-0.5	-2.6	+1.1	+0.5 [h]
Class 'C'	-0.1	-1.9	+1.9	+1.3 [h]

[a] Absolute basis.

[b] Price to price with net income reinvested.

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

[d] Price to price with income reinvested.

[e] 30 September 1996, the end of the initial offer period of the predecessor unit trust.

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

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

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

# M&G Pan European Select Smaller Companies Fund

## Financial highlights

### Fund performance

## Operating charges and portfolio transaction costs

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

### Operating charges

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

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

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

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

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

Once the annual charge has been operational for twelve months, operating charges will be in line with the ongoing charges shown in the Key Investor Information Document, other than where there have been extraordinary legal or tax expenses, or an estimate has been used for the ongoing charge because a material change has made the operating charges unreliable as an estimate of future charges.

### Portfolio transaction costs

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

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

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

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

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

### Portfolio transaction costs

	Six months to 29.02.20	Year to 31.08.19	Year to 31.08.18	Average <sup>[a]</sup>
Direct portfolio transaction costs <sup>[b]</sup>	%	%	%	%
Broker commission	0.03	0.03	0.04	0.03
Taxes	0.03	0.09	0.09	0.07
Costs before dilution adjustments	0.06	0.12	0.13	0.10
Dilution adjustments <sup>[c]</sup>	(0.03)	(0.04)	(0.04)	(0.03)
Total direct portfolio transaction costs	0.03	0.08	0.09	0.07
as at	29.02.20	31.08.19	31.08.18	Average <sup>[a]</sup>
Indirect portfolio transaction costs	%	%	%	%
Average portfolio dealing spread	0.35	0.31	0.31	0.32

<sup>[a]</sup> Average of first three columns.

<sup>[b]</sup> As a percentage of average net asset value.

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

# M&G Pan European Select Smaller Companies Fund

## Financial highlights

### Specific share class performance

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

Historic yields for the current period are calculated as at 13 March 2020.

#### Euro Class 'A' Accumulation share performance

The share class was launched on 28 November 2001.

Change in NAV per share	Six months to 29.02.20 Euro ¢	Year to 31.08.19 Euro ¢	Year to 31.08.18 Euro ¢
Opening NAV	3,028.08	3,399.39	3,525.70
Return before operating charges and after direct portfolio transaction costs	5.15	(319.13)	(65.45)
Operating charges	(13.45)	(52.18)	(60.86)
Return after operating charges	(8.30)	(371.31)	(126.31)
Distributions	n/a	(17.89)	(2.50)
Retained distributions	n/a	17.89	2.50
Closing NAV	3,019.78	3,028.08	3,399.39
<b>Direct portfolio transaction costs</b>	<b>Euro ¢</b>	<b>Euro ¢</b>	<b>Euro ¢</b>
Costs before dilution adjustments	1.00	3.66	4.69
Dilution adjustments <sup>[a]</sup>	(0.49)	(1.30)	(1.32)
Total direct portfolio transaction costs	0.51	2.36	3.37
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.03	0.08	0.09
Operating charges <sup>[c]</sup>	1.65	1.68	1.68
Return after operating charges	-0.27	-10.92	-3.58
Historic yield	0.73	0.08	0.07
Effect on yield of charges offset against capital	0.00	0.00	0.00
<b>Other information</b>			
Closing NAV (€'000)	4,489	5,932	11,504
Closing NAV percentage of total fund NAV (%)	2.53	2.83	5.88
Number of shares	148,657	195,903	338,426
Highest share price (Euro ¢)	3,527.58	3,423.56	3,808.35
Lowest share price (Euro ¢)	2,992.31	2,737.12	3,380.49

#### Euro Class 'C' Accumulation share performance

The share class was launched on 28 November 2001.

Change in NAV per share	Six months to 29.02.20 Euro ¢	Year to 31.08.19 Euro ¢	Year to 31.08.18 Euro ¢
Opening NAV	3,450.64	3,844.70	3,957.93
Return before operating charges and after direct portfolio transaction costs	11.97	(361.61)	(75.31)
Operating charges	(7.92)	(32.45)	(37.92)
Return after operating charges	4.05	(394.06)	(113.23)
Distributions	n/a	(46.98)	(33.41)
Retained distributions	n/a	46.98	33.41
Closing NAV	3,454.69	3,450.64	3,844.70
<b>Direct portfolio transaction costs</b>	<b>Euro ¢</b>	<b>Euro ¢</b>	<b>Euro ¢</b>
Costs before dilution adjustments	1.15	4.16	5.28
Dilution adjustments <sup>[a]</sup>	(0.57)	(1.48)	(1.49)
Total direct portfolio transaction costs	0.58	2.68	3.79
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.03	0.08	0.09
Operating charges <sup>[c]</sup>	0.85	0.92	0.93
Return after operating charges	+0.12	-10.25	-2.86
Historic yield	1.67	0.93	0.88
Effect on yield of charges offset against capital	0.00	0.00	0.00
<b>Other information</b>			
Closing NAV (€'000)	15,962	15,996	544
Closing NAV percentage of total fund NAV (%)	8.99	7.64	0.28
Number of shares	462,051	463,580	14,152
Highest share price (Euro ¢)	4,034.61	3,873.72	4,287.80
Lowest share price (Euro ¢)	3,412.78	3,103.03	3,822.24

#### Sterling Class 'A' Income share performance

The share class was launched on 30 September 1996.

Change in NAV per share	Six months to 29.02.20 UK p	Year to 31.08.19 UK p	Year to 31.08.18 UK p
Opening NAV	335.91	381.77	414.01
Return before operating charges and after direct portfolio transaction costs	(19.04)	(32.31)	(18.29)
Operating charges	(1.16)	(5.70)	(6.85)
Return after operating charges	(20.20)	(38.01)	(25.14)
Distributions	n/a	(7.85)	(7.10)
Closing NAV	315.71	335.91	381.77
<b>Direct portfolio transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.11	0.41	0.53
Dilution adjustments <sup>[a]</sup>	(0.05)	(0.14)	(0.15)
Total direct portfolio transaction costs	0.06	0.27	0.38
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.03	0.08	0.09
Operating charges <sup>[c]</sup>	1.35	1.65	1.68
Return after operating charges	-6.01	-9.96	-6.07
Historic yield	3.00	2.01	1.87
Effect on yield of charges offset against capital	1.35	1.63	1.65
<b>Other information</b>			
Closing NAV (€'000)	49,051	69,052	82,301
Closing NAV percentage of total fund NAV (%)	27.62	33.01	42.07
Number of shares	13,256,779	18,638,811	19,341,487
Highest share price (UK p)	365.02	385.58	431.14
Lowest share price (UK p)	315.48	308.71	386.22

# M&G Pan European Select Smaller Companies Fund

## Financial highlights

### Specific share class performance

#### Sterling Class 'A' Accumulation share performance

The share class was launched on 30 September 1996.

	Six months to 29.02.20 UK p	Year to 31.08.19 UK p	Year to 31.08.18 UK p
<b>Change in NAV per share</b>			
Opening NAV	374.73	416.18	443.04
Return before operating charges and after direct portfolio transaction costs	(21.24)	(35.24)	(19.53)
Operating charges	(1.30)	(6.21)	(7.33)
Return after operating charges	(22.54)	(41.45)	(26.86)
Distributions	n/a	(2.31)	(0.31)
Retained distributions	n/a	2.31	0.31
Closing NAV	352.19	374.73	416.18
<b>Direct portfolio transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.12	0.44	0.57
Dilution adjustments <sup>[a]</sup>	(0.06)	(0.16)	(0.16)
Total direct portfolio transaction costs	0.06	0.28	0.41
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.03	0.08	0.09
Operating charges <sup>[c]</sup>	1.35	1.66	1.68
Return after operating charges	-6.01	-9.96	-6.06
Historic yield	0.79	0.08	0.07
Effect on yield of charges offset against capital	0.00	0.00	0.00
<b>Other information</b>			
Closing NAV (€'000)	16,504	16,936	21,118
Closing NAV percentage of total fund NAV (%)	9.29	8.09	10.79
Number of shares	3,998,539	4,097,725	4,552,703
Highest share price (UK p)	407.20	420.32	461.41
Lowest share price (UK p)	351.93	336.53	413.34

#### Sterling Class 'I' Income share performance

The share class was launched on 3 August 2012.

	Six months to 29.02.20 UK p	Year to 31.08.19 UK p	Year to 31.08.18 UK p
<b>Change in NAV per share</b>			
Opening NAV	1,863.09	2,102.00	2,262.32
Return before operating charges and after direct portfolio transaction costs	(103.58)	(177.90)	(100.49)
Operating charges	(4.06)	(17.58)	(20.82)
Return after operating charges	(107.64)	(195.48)	(121.31)
Distributions	n/a	(43.43)	(39.01)
Closing NAV	1,755.45	1,863.09	2,102.00
<b>Direct portfolio transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.59	2.24	2.90
Dilution adjustments <sup>[a]</sup>	(0.29)	(0.80)	(0.82)
Total direct portfolio transaction costs	0.30	1.44	2.08
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.03	0.08	0.09
Operating charges <sup>[c]</sup>	0.85	0.92	0.93
Return after operating charges	-5.78	-9.30	-5.36
Historic yield	2.98	1.99	1.87
Effect on yield of charges offset against capital	0.85	0.90	0.90
<b>Other information</b>			
Closing NAV (€'000)	5,932	6,007	6,777
Closing NAV percentage of total fund NAV (%)	3.34	2.87	3.46
Number of shares	288,314	292,341	289,278
Highest share price (UK p)	2,028.50	2,123.07	2,357.99
Lowest share price (UK p)	1,754.16	1,703.77	2,121.78

#### Sterling Class 'I' Accumulation share performance

The share class was launched on 3 August 2012.

	Six months to 29.02.20 UK p	Year to 31.08.19 UK p	Year to 31.08.18 UK p
<b>Change in NAV per share</b>			
Opening NAV	2,076.71	2,289.68	2,419.27
Return before operating charges and after direct portfolio transaction costs	(115.55)	(193.89)	(107.38)
Operating charges	(4.53)	(19.08)	(22.21)
Return after operating charges	(120.08)	(212.97)	(129.59)
Distributions	n/a	(28.27)	(19.90)
Retained distributions	n/a	28.27	19.90
Closing NAV	1,956.63	2,076.71	2,289.68
<b>Direct portfolio transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.66	2.43	3.09
Dilution adjustments <sup>[a]</sup>	(0.32)	(0.86)	(0.87)
Total direct portfolio transaction costs	0.34	1.57	2.22
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.03	0.08	0.09
Operating charges <sup>[c]</sup>	0.85	0.92	0.93
Return after operating charges	-5.78	-9.30	-5.36
Historic yield	1.74	0.91	0.88
Effect on yield of charges offset against capital	0.00	0.00	0.00
<b>Other information</b>			
Closing NAV (€'000)	41,748	42,023	17,337
Closing NAV percentage of total fund NAV (%)	23.52	20.08	8.86
Number of shares	1,820,534	1,834,697	679,327
Highest share price (UK p)	2,260.96	2,312.58	2,521.75
Lowest share price (UK p)	1,955.18	1,855.85	2,269.13

#### Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012.

	Six months to 29.02.20 UK p	Year to 31.08.19 UK p	Year to 31.08.18 UK p
<b>Change in NAV per share</b>			
Opening NAV	184.56	208.76	225.27
Return before operating charges and after direct portfolio transaction costs	(10.35)	(17.67)	(10.00)
Operating charges	(0.52)	(2.22)	(2.63)
Return after operating charges	(10.87)	(19.89)	(12.63)
Distributions	n/a	(4.31)	(3.88)
Closing NAV	173.69	184.56	208.76
<b>Direct portfolio transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.06	0.22	0.29
Dilution adjustments <sup>[a]</sup>	(0.03)	(0.08)	(0.08)
Total direct portfolio transaction costs	0.03	0.14	0.21
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.03	0.08	0.09
Operating charges <sup>[c]</sup>	1.10	1.17	1.18
Return after operating charges	-5.89	-9.53	-5.61
Historic yield	2.99	1.99	1.87
Effect on yield of charges offset against capital	1.10	1.15	1.15
<b>Other information</b>			
Closing NAV (€'000)	590	548	625
Closing NAV percentage of total fund NAV (%)	0.33	0.26	0.32
Number of shares	289,729	269,287	268,705
Highest share price (UK p)	200.75	210.85	234.70
Lowest share price (UK p)	173.56	169.08	210.94

# M&G Pan European Select Smaller Companies Fund

## Financial highlights

### Specific share class performance

#### Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012.

	Six months to 29.02.20 UK p	Year to 31.08.19 UK p	Year to 31.08.18 UK p
<b>Change in NAV per share</b>			
Opening NAV	204.07	225.56	238.94
Return before operating charges and after direct portfolio transaction costs	(11.47)	(19.10)	(10.60)
Operating charges	(0.57)	(2.39)	(2.78)
Return after operating charges	(12.04)	(21.49)	(13.38)
Distributions	n/a	(2.26)	(1.36)
Retained distributions	n/a	2.26	1.36
Closing NAV	192.03	204.07	225.56
<b>Direct portfolio transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.06	0.24	0.31
Dilution adjustments <sup>[a]</sup>	(0.03)	(0.09)	(0.09)
Total direct portfolio transaction costs	0.03	0.15	0.22
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.03	0.08	0.09
Operating charges <sup>[c]</sup>	1.10	1.17	1.18
Return after operating charges	-5.90	-9.53	-5.60
Historic yield	1.42	0.63	0.61
Effect on yield of charges offset against capital	0.00	0.00	0.00
<b>Other information</b>			
Closing NAV (€'000)	6,142	6,330	6,908
Closing NAV percentage of total fund NAV (%)	3.46	3.03	3.53
Number of shares	2,728,951	2,812,189	2,747,673
Highest share price (UK p)	221.97	227.81	248.98
Lowest share price (UK p)	191.89	182.68	223.77

#### Sterling Class 'X' Income share performance

The share class was launched on 1 October 2002.

	Six months to 29.02.20 UK p	Year to 31.08.19 UK p	Year to 31.08.18 UK p
<b>Change in NAV per share</b>			
Opening NAV	332.27	377.64	409.52
Return before operating charges and after direct portfolio transaction costs	(18.83)	(31.96)	(18.07)
Operating charges	(1.15)	(5.64)	(6.78)
Return after operating charges	(19.98)	(37.60)	(24.85)
Distributions	n/a	(7.77)	(7.03)
Closing NAV	312.29	332.27	377.64
<b>Direct portfolio transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.11	0.40	0.52
Dilution adjustments <sup>[a]</sup>	(0.05)	(0.14)	(0.15)
Total direct portfolio transaction costs	0.06	0.26	0.37
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.03	0.08	0.09
Operating charges <sup>[c]</sup>	1.35	1.66	1.68
Return after operating charges	-6.01	-9.96	-6.07
Historic yield	3.00	2.01	1.87
Effect on yield of charges offset against capital	1.35	1.63	1.65
<b>Other information</b>			
Closing NAV (€'000)	1,835	1,938	2,777
Closing NAV percentage of total fund NAV (%)	1.03	0.93	1.42
Number of shares	501,463	528,883	659,859
Highest share price (UK p)	361.08	381.40	426.47
Lowest share price (UK p)	312.06	305.37	382.04

#### Sterling Class 'X' Accumulation share performance

The share class was launched on 1 October 2002.

	Six months to 29.02.20 UK p	Year to 31.08.19 UK p	Year to 31.08.18 UK p
<b>Change in NAV per share</b>			
Opening NAV	370.20	411.14	437.73
Return before operating charges and after direct portfolio transaction costs	(21.00)	(34.80)	(19.34)
Operating charges	(1.28)	(6.14)	(7.25)
Return after operating charges	(22.28)	(40.94)	(26.59)
Distributions	n/a	(2.28)	(0.30)
Retained distributions	n/a	2.28	0.30
Closing NAV	347.92	370.20	411.14
<b>Direct portfolio transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.12	0.44	0.56
Dilution adjustments <sup>[a]</sup>	(0.06)	(0.16)	(0.16)
Total direct portfolio transaction costs	0.06	0.28	0.40
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.03	0.08	0.09
Operating charges <sup>[c]</sup>	1.35	1.66	1.68
Return after operating charges	-6.02	-9.96	-6.07
Historic yield	0.79	0.08	0.07
Effect on yield of charges offset against capital	0.00	0.00	0.00
<b>Other information</b>			
Closing NAV (€'000)	1,035	1,027	1,408
Closing NAV percentage of total fund NAV (%)	0.58	0.49	0.72
Number of shares	253,905	251,417	307,168
Highest share price (UK p)	402.28	415.23	455.83
Lowest share price (UK p)	347.66	332.46	408.34

#### US dollar Class 'A' Accumulation share performance

The share class was launched on 8 August 2014.

	Six months to 29.02.20 US ¢	Year to 31.08.19 US ¢	Year to 31.08.18 US ¢
<b>Change in NAV per share</b>			
Opening NAV	1,042.28	1,236.53	1,303.07
Return before operating charges and after direct portfolio transaction costs	(2.99)	(175.77)	(43.75)
Operating charges	(4.63)	(18.48)	(22.79)
Return after operating charges	(7.62)	(194.25)	(66.54)
Distributions	n/a	(6.16)	(0.91)
Retained distributions	n/a	6.16	0.91
Closing NAV	1,034.66	1,042.28	1,236.53
<b>Direct portfolio transaction costs</b>	<b>US ¢</b>	<b>US ¢</b>	<b>US ¢</b>
Costs before dilution adjustments	0.35	1.30	1.76
Dilution adjustments <sup>[a]</sup>	(0.17)	(0.46)	(0.50)
Total direct portfolio transaction costs	0.18	0.84	1.26
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.03	0.08	0.09
Operating charges <sup>[c]</sup>	1.65	1.68	1.67
Return after operating charges	-0.73	-15.71	-5.11
Historic yield	0.72	0.08	0.08
Effect on yield of charges offset against capital	0.00	0.00	0.00
<b>Other information</b>			
Closing NAV (€'000)	179	214	442
Closing NAV percentage of total fund NAV (%)	0.10	0.10	0.23
Number of shares	18,998	22,634	41,714
Highest share price (US ¢)	1,213.09	1,255.52	1,467.90
Lowest share price (US ¢)	1,025.17	972.43	1,200.10

# M&G Pan European Select Smaller Companies Fund

## Financial highlights

### Specific share class performance

#### US dollar Class 'C' Accumulation share performance

The share class was launched on 8 August 2014.

Change in NAV per share	Six months to 29.02.20 US ¢	Year to 31.08.19 US ¢	Year to 31.08.18 US ¢
Opening NAV	1,083.35	1,275.61	1,334.15
Return before operating charges and after direct portfolio transaction costs	(1.15)	(181.75)	(45.69)
Operating charges	(2.48)	(10.51)	(12.85)
Return after operating charges	(3.63)	(192.26)	(58.54)
Distributions	n/a	(14.75)	(11.09)
Retained distributions	n/a	14.75	11.09
Closing NAV	1,079.72	1,083.35	1,275.61
<b>Direct portfolio transaction costs</b>	<b>US ¢</b>	<b>US ¢</b>	<b>US ¢</b>
Costs before dilution adjustments	0.36	1.34	1.79
Dilution adjustments <sup>[a]</sup>	(0.18)	(0.48)	(0.50)
Total direct portfolio transaction costs	0.18	0.86	1.29
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.03	0.08	0.09
Operating charges <sup>[c]</sup>	0.85	0.92	0.93
Return after operating charges	-0.34	-15.07	-4.39
Historic yield	1.66	0.98	0.89
Effect on yield of charges offset against capital	0.00	0.00	0.00
<b>Other information</b>			
Closing NAV (€'000)	34,123	43,242	43,900
Closing NAV percentage of total fund NAV (%)	19.21	20.67	22.44
Number of shares	3,473,677	4,407,172	4,015,639
Highest share price (US ¢)	1,264.33	1,295.76	1,507.55
Lowest share price (US ¢)	1,066.47	1,005.54	1,237.67

<sup>[a]</sup> In respect of direct portfolio transaction costs.

<sup>[b]</sup> As a percentage of average net asset value.

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

# M&G Pan European Select Smaller Companies Fund

## Financial statements and notes

### Financial statements

#### Statement of total return

for the six months to 29 and 28 February	2020		2019	
	€'000	€'000	€'000	€'000
Income				
Net capital gains / (losses)		4,046		(12,644)
Revenue	968		1,190	
Expenses	(1,181)		(1,328)	
Net revenue / (expense) before taxation	(213)		(138)	
Taxation	11		(35)	
Net revenue / (expense) after taxation		(202)		(173)
<b>Total return before equalisation</b>		<b>3,844</b>		<b>(12,817)</b>
Equalisation		(82)		31
<b>Change in net assets attributable to shareholders from investment activities</b>		<b>3,762</b>		<b>(12,786)</b>

#### Statement of change in net assets attributable to shareholders

for the six months to 29 and 28 February	2020		2019	
	€'000	€'000	€'000	€'000
Opening net assets attributable to shareholders		209,245		195,641
Amounts received on issue of shares	1,749		48,219	
Amounts paid on cancellation of shares	(37,243)		(6,122)	
		(35,494)		42,097
Dilution adjustments		77		188
Change in net assets attributable to shareholders from investment activities (see above)		3,762		(12,786)
<b>Closing net assets attributable to shareholders</b>		<b>177,590</b>		<b>225,140</b>

The opening net assets attributable to shareholders for 2020 differs to the closing position in 2019 by the change in net assets attributable to shareholders for the second half of the comparative financial year.

#### Balance sheet

as at	29 February 2020	31 August 2019
	€'000	€'000
<b>Assets</b>		
<b>Fixed assets</b>		
Investments	184,794	206,577
<b>Current assets</b>		
Debtors	2,207	1,155
Cash and bank balances	0	903
Cash equivalents	0	3,024
<b>Total assets</b>	<b>187,001</b>	<b>211,659</b>
<b>Liabilities</b>		
<b>Creditors</b>		
Bank overdrafts	(4,464)	0
Distribution payable	0	(1,813)
Other creditors	(4,947)	(601)
<b>Total liabilities</b>	<b>(9,411)</b>	<b>(2,414)</b>
<b>Net assets attributable to shareholders</b>	<b>177,590</b>	<b>209,245</b>

### Notes to the financial statements

#### Accounting policies

The financial statements have been prepared in accordance with the 'Accounting policies' set out on page 4.

#### Distribution policy

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

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

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

#### Events after the balance sheet date

Between 29 February 2020 and 9 April 2020 there has been a fall in the value of investments driven by fears of the negative impact on global growth from COVID-19. The resulting impact on net asset values (NAV) can be seen in the table below.

Net asset	29.02.20	09.04.20	% change
<b>Euro</b>			
Class 'A' Accumulation	3,019.78	2,534.84	-16.06
Class 'C' Accumulation	3,454.69	2,902.73	-15.98
<b>Sterling</b>			
Class 'A' Income	315.71	271.26	-14.08
Class 'A' Accumulation	352.19	302.61	-14.08
Class 'I' Income	1,755.45	1,509.21	-14.03
Class 'I' Accumulation	1,956.63	1,682.16	-14.03
Class 'R' Income	173.69	149.28	-14.05
Class 'R' Accumulation	192.03	165.05	-14.05
Class 'X' Income	312.29	268.33	-14.08
Class 'X' Accumulation	347.92	298.95	-14.08
<b>US dollar</b>			
Class 'A' Accumulation	1,034.66	858.05	-17.07
Class 'C' Accumulation	1,079.72	896.23	-16.99

# M&G Pan European Select Smaller Companies Fund

## Financial statements and notes

# M&G Investment Funds (1)

## 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.

**Defaulted bond:** When a bond issuer does not maintain interest payments or repay the amount borrowed when due.

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

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

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

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

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

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

# Glossary

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

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

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

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

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

**Equities:** Shares of ownership in a company.

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

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

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

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

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

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

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

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

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

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

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

**Gilts:** Fixed income securities issued by the UK government.

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

**Hedging:** A method of reducing unnecessary or unintended risk.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

# Glossary

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Ongoing Charge Figure:** The Ongoing Charge figure represents the operating costs you can reasonably expect to pay under normal circumstances.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Risk-free asset:** An asset that notionally carries no risk of 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.

**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.

# Glossary

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

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

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

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

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

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

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

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

**Suspended:** Temporarily halting the trading of a listed security on the stock exchange. It can be voluntary (requested by the issuing company) or imposed by regulators. Typically, trading suspensions are introduced ahead of important news announcements, following technical glitches, or due to regulatory concerns.

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

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

**Treasuries:** Fixed income securities issued by the US government.

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

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

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

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

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

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

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

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

**Unlisted/unquoted stocks:** Shares of ownership in companies that are not listed on a public exchange, known as private companies.

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

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

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

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

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

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

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

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

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