

Important

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Alternatively, you can order a copy to be sent to you by post via the 'Order literature' section on this website or by contacting our Website Helpline on 0800 316 6570. Lines are open 8.00am to 6.00pm, Monday to Friday and 9.00am to 1.00pm on Saturdays. All calls are free within the UK. For your security and to improve the quality of our service we may record and monitor telephone calls. Existing customers will require their M&G client reference. Failure to provide this will affect your ability to transact with us.

How to contact us



Investment Helpline*

0800 389 8600

If you have any questions about investing or would like further information, please contact our Investment Helpline from 8.00am to 6.00pm, Monday to Friday, and from 9.00am to 1.00pm on Saturday. You can also subscribe to an ISA with payment by debit card (Switch/Maestro or Delta).

Customer Relations*

0800 390 390

If you have a query regarding your M&G investments, our Customer Relations team can be contacted from 8.00am to 6.00pm, Monday to Friday, and from 9.00am to 1.00pm on Saturday.

Dealing Line*

0800 328 3196

If you would like to make a lump sum payment into a direct investment by debit card (Switch/Maestro or Delta), the Dealing Line can be contacted from 8.00am to 6.00pm, Monday to Friday. Payment can also be made by cheque within four working days.

Minicom textphone*

0800 917 2295

If you have hearing difficulties.



Our website

www.mandg.co.uk/info

Manage your account online, 24 hours a day, seven days a week. Visit our website for the latest performance information, fund prices and up-to-the-minute news whenever is convenient for you.



Email us†

info@mandg.co.uk

For information.

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For literature.



Write to us at:

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PO Box 9039

Chelmsford

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Existing customers, please remember to quote your name, M&G client reference and sign any written communication to M&G. Failure to provide this may affect your ability to transact with us.

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

†Please note that information contained within an email cannot be guaranteed as secure. We advise that you do not include any sensitive information when corresponding with M&G in this way.

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Valid from 14 March 2011



keyfacts®

Key Features (incorporating the Simplified Prospectus) and Terms & Conditions

M&G ISA, M&G funds and M&G Savings Plan

This document is designed to provide, in a clear and concise way, the important information about the M&G products and M&G funds you will need to make your investment decision.

You should read this document carefully so that you both understand and are comfortable with what you are buying, and then keep it safe for future reference.

You should always ensure that you have an up-to-date copy before you invest.

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Please read this document carefully. If you are **unsure of anything contained in here**, please contact us via any of the methods shown on the back cover.

M&G does not offer financial advice. If you wish to obtain financial advice as to whether an investment is suitable for your needs, you should consult a Financial Adviser.

About this Key Features document

The Financial Services Authority is the independent financial services regulator. It requires us to give you this important information to help you decide if the M&G products listed below are suitable for you. You should read this document carefully so that you understand what you are buying, and then keep it safe for future reference.

This Key Features is valid for use from 14 March 2011. You should ensure that you have an up-to-date copy before you invest. If you are in any doubt about the contents of this Key Features you should consult a Financial Adviser.

M&G funds

M&G has a wide range of funds (OEICs and a unit trust), covering asset classes such as equities (shares), bonds (fixed interest) and commercial property. You can also hold many of these funds under a tax-efficient wrapper known as an ISA. All M&G funds are investment products. They are different to traditional ‘savings’ products such as bank and building society accounts and Cash ISAs. It is possible, at any point in time, for the value of an investment in any of the M&G funds described in this document to go down and for the value to fall lower than the amount you originally invested. An investment should only be made where you understand all the associated risks and are comfortable with the risk of your investment value falling.

What are OEICs and unit trusts?

Both Open-Ended Investment Companies (OEICs) and unit trusts are UK authorised collective investment schemes. They are investments where your money is pooled with other investors’ money and is put into different asset types. An OEIC is a modern version of a unit trust, and can be a single company or a company with a number of sub-funds known as an umbrella scheme. M&G has four single company OEICs, eight umbrella OEICs and one unit trust.

The single company M&G OEICs are as follows:

- M&G Global Dividend Fund
- M&G Global Macro Bond Fund
- M&G Optimal Income Fund
- M&G Strategic Corporate Bond Fund

The umbrella M&G OEICs are as follows:

- M&G Investment Funds (1) – referred to as IF(1)
- M&G Investment Funds (2) – referred to as IF(2)
- M&G Investment Funds (3) – referred to as IF(3)
- M&G Investment Funds (4) – referred to as IF(4)
- M&G Investment Funds (7) – referred to as IF(7)
- M&G Investment Funds (8) – referred to as IF(8)
- M&G Investment Funds (10) – referred to as IF(10)
- M&G Investment Funds (11) – referred to as IF(11)

The sub-funds for each umbrella OEIC are shown in Table A on pages 5-9.

Within M&G Investment Funds (1), (2), (3), (4), (7), (8), (10) and (11) the assets of each fund are treated as separate to those of every other fund and are invested in line with that fund’s own investment aim and policy.

The M&G unit trust is:

- M&G Property Portfolio

What is an ISA?

An Individual Savings Account (ISA) is a tax-efficient investment vehicle. An ISA is like a shopping trolley into which you put financial products such as bonds, equities and cash. The trolley (the ISA) simply protects the things inside it from income tax and capital gains tax.

Anyone aged 18 or over may subscribe to an ISA, provided they are resident and ordinarily resident in the UK for tax purposes.

There are two types of ISA – stocks and shares, and cash.

- A stocks and shares ISA can include investments in OEICs, unit trusts, investment trusts, certain company shares, certain insurance products, gilts and corporate bonds.
- A cash ISA can include certain bank or building society accounts, money market funds, certain insurance products, certain guaranteed return products and certain National Savings products.

The M&G ISA is a stocks and shares ISA.

Please note: This document contains information that applies to all M&G funds, however in some instances treatment of an ISA holding is slightly different. In these cases, information on treatment of ISA holdings is shown in the tinted box titled “The M&G ISA” located below the information applying to general funds. There are two other M&G ISA products in existence, Ex Mini M&G Stocks and Shares ISA and Ex PEP M&G Stocks and Shares ISA, which are closed to new subscriptions. Information shown in the tinted boxes applies to all ISA products.

Within The M&G ISA we also offer two investment trusts for investment.

What is an investment trust?

An investment trust is a listed public company that invests in other companies. They have a fixed number of shares that can be bought and sold on the stockmarket and may be ‘wound up’ on a predetermined date.

M&G’s investment trust has a fixed lifespan and offers a range of shares. At the end of the fixed lifespan it will be wound up and shareholders are paid according to the type of share they hold. The payment depends on the growth of the assets over the lifespan.

Who are the M&G funds aimed at?

The M&G funds may be appropriate for retail and institutional investors seeking long-term capital growth, a regular income or a combination of both, through investment in stockmarket investments, bonds and other assets.

The M&G Global Convertibles Fund has been classified by us as a ‘specialist fund’ due to the nature of its investments and investment powers, and may, therefore, be more appropriate for more experienced retail and institutional investors.

Why is the M&G Global Convertibles Fund classified by M&G as ‘specialist’?

The M&G Global Convertibles Fund will invest in financial instruments and use investment techniques that have not previously been available to traditional bond or equity funds. The Fund’s investments will include a variety of convertibles and derivative instruments.

What do our funds invest in?

M&G offers a wide range of funds, each of which has its own investment objective or aim as set out on pages 5 to 9.

Some funds are wholly invested in a particular type of asset, while others are invested across different asset types.

The main asset types used are as follows:

Equities (or shares)

These are shares of ownership in a company. Equity investors have a claim on a company's assets and profits (the latter in the form of dividends), but only after its debts have been paid.

Bonds (or fixed interest investments)

These are loans made to issuers, such as governments and companies, which normally pay a fixed rate of interest over a given period, at the end of which the loan is repaid.

Government bonds

These are bonds issued by governments (UK government bonds are also called gilts).

Corporate bonds

These bonds are issued by corporations (usually companies, but also other non-government issuers). 'Investment grade' are higher quality corporate bonds, with a lower risk of default. 'High yield' are lower quality bonds, typically paying higher yields to compensate for a greater risk of default.

Index-linked or inflation-linked bonds

These are bonds with interest and principal (the amount of the loan) payments linked to a specific price index such as the Retail Prices Index (RPI), which are designed to keep their real value in times of inflation.

Variable rate bonds

These are bonds with variable interest payments that are linked, for example, to the London Interbank Offered Rate (LIBOR). Therefore, unlike fixed interest investments, interest payments will rise and fall in line with interest rates generally.

Floating rate notes (FRNs)

FRNs are bonds issued by companies. The income they pay is at a premium over a reference interest rate such as the London Interbank Offered Rate (LIBOR). The size of the premium depends upon the creditworthiness of the issuer; the higher the risk, the higher the premium.

Property

Investment in buildings or land. 'Commercial property' investment is in three main categories; retail (eg shop premises), offices and industrial (eg warehouses).

Convertibles

These are corporate bonds that give the holder the option to exchange (convert) the bond for a specific number of shares in the issuer. Thus, they combine some of the characteristics of corporate bonds with some of the characteristics of equities.

Derivatives

These are financial instruments that derive their value from those of other underlying instruments such as equities, interest rates, commodities or market indices. Derivatives can be used efficiently and effectively to gain exposure to, or to hedge against, changes in the value of the underlying investments.

Aims

The aim of the M&G funds

The aim of the M&G funds is to provide you with the opportunity of long-term capital growth, a regular income or a combination of both, which is also known as 'total return'.

The aim of The M&G ISA

The overall aim of The M&G ISA is to offer you a way of investing money via a stocks and shares ISA without you having to pay tax on any capital gain, income or interest received.

The aim of The M&G Savings Plan

The overall aim of The M&G Savings Plan is to offer you a way of investing on a regular basis (monthly, quarterly, six monthly or annually) outside of the ISA (you might have already used your annual ISA allowance).

The funds shown in Table A opposite (and in all subsequent tables) are colour-coded.

Key:	
	Equity
	Multi Asset
	Fixed Interest
	Property
	Tracker
	Investment Trust

Table A: Investment aims and fund types

Fund name	What are the aims of the funds?	Availability		Fund type and core geographic area	Income frequency and payment dates (on or before) (A = annual, I = interim (if applicable))
		ISA SAV*	Direct		
M&G American Fund IF(1)	The Fund's aim is long-term capital growth through investment wholly or mainly in shares of North American (including Canadian) companies.	✓	✓	Equity – North America	Annually A: 31 October
M&G Asian Fund IF(1)	The Fund's sole aim is long-term capital growth. It invests wholly or mainly in a range of Asian (including Australasian) equities.	✓	✓	Equity – Asia	Annually A: 31 October
M&G Cautious Multi Asset Fund IF(4)	The Fund's aim is to maximise total return through investment in a diversified range of asset types. Subject to this, the Fund aims to grow income in the long-term. The Fund invests mainly in equities, fixed interest, cash, and property via collective investment schemes and, with the exception of property, by investing directly in these assets. The Fund may also invest directly in derivative instruments for the purposes of investment and efficient portfolio management. The Fund will invest no more than 60% of its portfolio in equities.	✓	✓	Multi Asset – Global	Quarterly A: 31 December, I: 31 March, 30 June, 30 September
M&G Corporate Bond Fund IF(3)	The Fund aims to achieve a higher total return from investment than would be obtainable in gilts by investing mainly in sterling denominated corporate bonds.	✓	✓	Fixed Interest – UK	Quarterly A: 31 August, I: 30 November, 28 February, 31 May
M&G Dividend Fund IF(3)	The Fund aims to achieve a steadily increasing income stream by investing mainly in a range of UK equities. The Fund will target a yield higher than that of the FTSE All-Share Index. Subject to this, the aim will be to maximise total return.	✓	✓	Equity – UK	Six-monthly A: 31 August, I: 28 February
M&G Emerging Markets Bond Fund IF(3)	The Fund aims to maximise total return. The Fund primarily invests in bonds issued by emerging market nations*.	✓	✓	Fixed Interest – Global	Six-monthly A: 31 August, I: 28 February
M&G European Fund IF(1)	**The current reference point for defining emerging market nations are those issuing bonds and listed within the JP Morgan Emerging Markets Bond Index Global as updated from time to time. The Fund's aim is long-term capital growth. It invests wholly or predominantly in a diversified portfolio of securities of European equities (excluding United Kingdom). It may also invest in companies which are listed or registered outside Europe but trade within it.	✓	✓	Equity – Europe	Annually A: 31 October
M&G European Corporate Bond Fund IF(3)	The Fund aims to maximise total return while generating a higher level of income than that from European government bonds of similar maturities. The Fund invests mainly in investment grade corporate bonds and may also invest in high yield corporate bonds and government bonds denominated in any European currency.	✓	✓	Fixed Interest – Europe	Quarterly A: 31 August, I: 30 November, 28 February, 31 May
M&G European High Yield Bond Fund IF(3)	The Fund aims to maximise total return while generating a high level of income. The Fund mainly invests in high yield corporate bonds denominated in any European currency and will normally be managed to give investors exposure to European currencies.	✓	✓	Fixed Interest – Europe	Quarterly A: 31 August, I: 30 November, 28 February, 31 May
M&G European Index Tracker Fund IF(1)	The Fund aims to track the FTSE World Europe ex UK Index.	✓	✓	Tracker – Europe	Annually A: 31 October

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Fund name	What are the aims of the funds?	Availability		Fund type and core geographic area	Income frequency and payment dates (on or before) (A = annual, I = interim (if applicable))
		ISA	SAV* Direct		
M&G European Smaller Companies Fund IF(1)	The Fund's sole aim is long-term capital growth by investing in smaller companies in Europe. It will invest wholly or mainly in equities of European companies which constitute the bottom third in terms of total market capitalisation of all publicly listed equity in Europe.	✓	✓	Equity – Europe	Annually A: 31 October
M&G European Special Situations Fund IF(7)	The Fund aims to maximise long-term total return by investing predominantly in a wide range of European equities of companies where the Investment Manager believes internal company change or external market change will positively affect the value of the company, or where the companies are undervalued due to pricing anomalies.	✓	✓	Equity – Europe	Annually A: 31 March
M&G European Strategic Value Fund IF(7)	The Fund aims to maximise long-term total return to investors by investing predominantly in undervalued European equities.	✓	✓	Equity – Europe	Annually A: 31 March
M&G Extra Income Fund IF(2)	The Fund aims to achieve a high income stream which also increases over time, by investing mainly in a range of UK equities and high quality corporate bonds. The target yield is 50% higher than that of the FTSE All-Share Index but this may vary in the shorter term. Although income will be the primary consideration, the investment manager will also be mindful of total return.	✓	✓	Equity – UK	Quarterly A: 31 July, I: 31 October, 31 January, 30 April
M&G Fund of Investment Trust Shares IF(3)	The Fund aims to provide a wide spread of investment in the UK and overseas stockmarkets through a portfolio normally limited to shares of investment trust companies.	✓	✓	Equity – Global	Six-monthly A: 31 August, I: 28 February
M&G Gilt & Fixed Interest Income Fund IF(2)	The Fund aims to provide a secure income with stability of capital consistent with investment in gilts. The Fund invests mainly in short, medium or long-dated gilts according to M&G's view at any given moment of the likely course of interest rates and trend of the gilt-edged market.	✓	✓	Fixed Interest – UK	Quarterly A: 31 July, I: 31 October, 31 January, 30 April
M&G Global Basics Fund IF(1)	The Fund's sole aim is long-term capital growth. The Fund is a global equity fund which invests wholly or mainly in companies operating in basic industries ('primary' and 'secondary' industries) and also in companies that service these industries.	✓	✓	Equity – Global	Annually A: 31 October
M&G Global Convertibles Fund IF(7) (Specialist)	The Fund aims to maximise long-term total return by investing mainly in global convertible assets whose issuers may be in any country, including emerging markets. Global convertible assets includes all assets that either directly or via a combination of instruments achieve exposure of a convertible bond nature. Such exposure can be achieved by investing directly or through the use of derivative instruments. Additionally, derivative instruments may be used to manage the risk characteristics of the Fund.	✓	✓	Fixed Interest – Global	Annually A: 31 March
M&G Global Dividend Fund	The Fund aims to deliver a dividend yield above the market average, by investing mainly in a range of global equities. The Fund aims to grow distributions over the long-term whilst also maximising total return.	✓	✓	Equity – Global	Quarterly A: 31 May, I: 31 August, 30 November, 28 February
M&G Global Emerging Markets Fund IF(7)	The Fund aims to maximise long-term total return by investing in the shares of companies domiciled in or conducting the major part of their economic activity in emerging market countries**. **The current reference point for defining emerging market countries are those included within the MSCI Emerging Markets Index and/or those included in the World Bank definition of developing economies as updated from time to time.	✓	✓	Equity – Global	Annually A: 31 March

M&G Global Growth Fund IF(1)	The Fund aims to maximise long-term total return by investing mainly in a wide range of global equities.	✓	✓	Equity – Global	Annually A: 31 October
M&G Global Leaders Fund IF(1)	The Fund aims to maximise long-term total return by investing in a wide range of global equities that the fund manager considers to be leading in their field.	✓	✓	Equity – Global	Six-monthly A: 31 October, I: 30 April
M&G Global Macro Bond Fund	The Fund's aim is to maximise long-term total return by investing mainly in government and corporate bonds on a global basis.	✓	✓	Fixed Interest – Global	Quarterly A: 31 December, I: 31 March, 30 June, 30 September
M&G Global Real Estate Securities Fund IF(8)	The Fund aims to maximise long-term total return through global investment mainly in both real estate investment trusts (REITs) and other types of property companies.	✓	✓	Equity – Global	Quarterly A: 31 May, I: 31 August, 30 November, 28 February
M&G High Interest Fund IF(2)	The Fund aims to provide income with stability of capital by investing mainly in bonds (which include, but are not limited to: variable rate, government and corporate bonds). In certain market conditions the Fund may have a high proportion of its portfolio in liquid assets such as cash.	✓	✓	Fixed Interest – UK	Quarterly A: 31 July, I: 31 October, 31 January, 30 April
M&G High Yield Corporate Bond Fund IF(2)	The Fund aims to maximise total return while generating a high level of income by investing in predominantly higher yielding corporate bonds.	✓	✓	Fixed Interest – UK	Monthly A: 30 June, I: last day of each month
M&G Income Fund IF(2)	The Fund aims to achieve income growth by investing mainly in a range of UK equities. The target yield is at least 15% higher than that of the FTSE All-Share Index. Subject to this, the aim is to maximise total return.	✓	✓	Equity – UK	Six-monthly A: 31 July, I: 31 January
M&G Income Multi Asset Fund IF(11)	The Fund's aim is to generate a high and rising level of income over time through investment in a diversified range of assets. Subject to this the Fund aims to provide capital growth over the long term.	✓	✓	Multi Asset – Global	Monthly A: 30 April, I: Last day of each month
M&G Index-Linked Bond Fund IF(2)	The Fund aims to secure the value of capital and income from the effects of inflation with a long-term total return consistent with investment in index-linked bonds. The portfolio will focus mainly on government and corporate index-linked bonds.	✓	✓	Fixed Interest – Global	Six-monthly A: 31 July, I: 31 January
M&G Index Tracker Fund IF(2)	The Fund aims to track the FTSE All-Share Index.	✓	✓	Tracker – UK	Six-monthly A: 31 July, I: 31 January
M&G International Sovereign Bond Fund IF(3)	The Fund aims to maximise total return through investment in a portfolio of investment grade government bonds denominated in the currencies of the major industrialised nations, with the exception of the UK.	✓	✓	Fixed Interest – Global	Six-monthly A: 31 August, I: 28 February
M&G Japan Fund IF(1)	The Fund's sole aim is long-term capital growth by investing in a wide range of Japanese equities.	✓	✓	Equity – Japan	Annually A: 31 October

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Fund name	What are the aims of the funds?	Availability		Fund type and core geographic area	Income frequency and payment dates (on or before) (A = annual, I = interim (if applicable))
		ISA	SAV* Direct		
M&G Japan Smaller Companies Fund IF(1)	The Fund's sole aim is long-term capital growth by investing wholly or predominantly in shares of smaller Japanese companies, the universe for which is the bottom third in terms of total market capitalisation of all publicly listed equity in Japan.	✓	✓	Equity – Japan	Annually A: 31 October
M&G Managed Fund IF(4)	The Fund's aim is to maximise total return by investing mainly in equities, fixed interest cash, and property mainly via collective investment schemes, but, with the exception of property, may invest directly in these assets. The Fund may also invest directly in derivative instruments for the purposes of investment and efficient portfolio management.	✓	✓	Multi Asset – Global	Monthly A: 30 November, I: last day of each month
M&G Managed Growth Fund IF(4)	The Fund's aim is to achieve long-term capital growth by predominantly investing in collective investment schemes in order to provide a well diversified exposure to global equities. The Fund may also invest directly in equities.	✓	✓	Multi Asset – Global	Six-monthly A: 31 December, I: 30 June
M&G North American Value Fund IF(1)	The Fund aims to achieve long-term capital growth through investment in North American equities of North American companies using a value based investment philosophy.	✓	✓	Equity – North America	Annually A: 31 October
M&G Optimal Income Fund	The Fund aims to provide a total return to investors based on exposure to optimal income streams in investment markets through strategic asset allocation and specific stock selection. The Fund will be at least 50% invested in bonds, but may also invest in other assets including collective investment schemes, equities and derivatives. Derivative instruments may be used for both investment purposes and efficient portfolio management.	✓	✓	Fixed Interest – Global	Six-monthly A: 30 November, I: 31 May
M&G Pan European Fund IF(1)	The Fund aims to maximise long-term total return by investing wholly or mainly in European (including UK) companies. The Fund may also invest in companies outside Europe but only when these companies derive the majority of their income from European activity.	✓	✓	Equity – Europe	Six-monthly A: 31 October, I: 30 April
M&G Pan European Dividend Fund IF(7)	The Fund aims to deliver a dividend yield above the market average, by investing mainly in a range of European equities. The Fund aims to increase distributions over the long-term whilst also maximising total return.	✓	✓	Equity – Europe	Six-monthly A: 31 March, I: 30 September
M&G Property Portfolio	The Portfolio aims to maximise long-term total return through investment mainly in commercial property. It has a diversified portfolio of commercial property mainly in the UK, seeking to add value through strategic asset allocation, stock selection and asset management.	✓	✓	Property – UK	Quarterly A: 30 November, I: 28 February, 31 May, 31 August
M&G Recovery Fund IF(3)	The Fund's sole aim is capital growth by investing predominantly in a diversified range of equities issued by companies which are out of favour, in difficulty or whose future prospects are not fully recognised by the market.	✓	✓	Equity – UK	Six-monthly A: 31 August, I: 28 February
M&G Smaller Companies Fund IF(3)	The Fund aims for capital growth by investing in smaller companies, where good management can have most impact on earnings.	✓	✓	Equity – UK	Six-monthly A: 31 August, I: 28 February

M&G Strategic Corporate Bond Fund	The Fund aims to maximise total return by investing mainly in investment grade corporate bonds.	✓	✓	Fixed Interest – UK	Quarterly A: 31 October, I: 31 January, 30 April, 31 July
M&G UK Growth Fund IF(2)	The Fund's sole aim is capital growth by investing principally in the equities of UK companies with high growth potential.	✓	✓	Equity – UK	Six-monthly A: 31 July, I: 31 January
M&G UK Inflation Linked Corporate Bond Fund IF(10)	The Fund aims to protect the value of capital and income from inflation by generating a return consistent with or greater than UK inflation over the medium to long term. The Fund invests mainly in investment grade corporate bonds, including inflation-linked corporate bonds, and floating rate notes. Derivatives may be used for investment and efficient portfolio management purposes. Inflation strategies may, at times, result in a return profile different to that of corporate bonds not linked to inflation.	✓	✓	Fixed Interest – UK	Six-monthly A: 31 May, I: 30 November
M&G UK Select Fund IF(3)	The Fund aims to maximise total return by investing in a range of UK equities.	✓	✓	Equity – UK	Six-monthly A: 31 August, I: 28 February

M&G Investment Trust	Aim and expected winding-up date	Availability		Income frequency and payment dates (on or before)
		ISA	SAV* Direct	
M&G High Income Investment Trust P.L.C.	Package Units: The aim is to provide both an above average and growing income with capital growth over the 20 year life of the company. Income and Growth Units: The income and growth units aim to provide a higher yield than package units with the prospect of growing income and capital growth. The expected winding-up date for the company is 17 March 2017.	✓		Quarterly A: 25 August, I: 25 November, 25 February, 25 May

*The M&G Savings Plan

The aims are the simplified versions of the investment objectives and policies. Please see the relevant prospectus for the full versions.

Risks

What are the risk factors?

All M&G funds carry a degree of risk and you should consider the following risk factors before investing.

General risk factors

These risk factors apply to all funds, unless specified:

- All stockmarket investments carry risk, prices will fluctuate and you may not get back your original investment.
- Past performance is not a guide to future performance. The level of income is not fixed and will vary.
- A rising rate of inflation will have the effect of reducing the actual value of any gain by an equivalent amount.
- The current tax regimes applicable to investors in the M&G funds and The M&G ISA are not guaranteed and may change in the future.
- When a fund's annual charge is taken from income, and there is a shortfall, the balance will be taken from capital (see pages 13 to 15).

Specific risk factors

In addition to the general risk factors, there are other risks which are specific or significant to certain types of investment. These are shown in Table B opposite. Each of these risks is described below.

Currency

The value of overseas investments may be affected by currency exchange rates.

Bonds (fixed interest investments)

Interest rate fluctuations may affect the capital value of investments within the fund. Capital values are likely to fall when interest rates rise and vice versa. The value of your investment will fall if the issuer defaults or is perceived as an increased credit risk. Unlike the income from a single bond, yields may vary and the level of income may fluctuate.

High yield bonds

High yield bonds provide a greater risk to capital than investment grade corporate bonds.

High volatility

Investments in these funds may be volatile, which may in turn increase the volatility of the net asset value.

Liquidity

The Fund's investments may be subject to liquidity constraints, which means that they may trade infrequently and in small volumes. Normally liquid investments may also be subject to periods of significantly lower liquidity in difficult market conditions. As a result, changes in the value of investments may be more unpredictable and in certain cases, it may be difficult to sell an investment at the last market price quoted or at a value considered to be fair.

Concentrated portfolios

Funds investing primarily in a specific geographic region or a specific asset class or sector such as smaller companies have more concentrated portfolios and may therefore carry a higher risk to capital. They will also be potentially more volatile than funds investing in a more diversified portfolio.

Index tracking

The performance of the fund will depend on the performance of the relevant index and the success of the fund in tracking that index.

Derivative transactions

The funds may enter into derivative transactions for investment purposes. With the exception of M&G Optimal Income Fund, M&G Global Convertibles Fund and M&G UK Inflation Linked Corporate

Bond Fund, it is anticipated that the use of derivatives in this way will not increase the risk profile or price volatility of the fund. Although the investment manager will select the counterparties with which it enters into derivative transactions with due skill and care, there will be residual risk that the counterparty may default on its obligations or become insolvent.

Leverage

For M&G Optimal Income Fund and M&G Global Convertibles Fund only: the use of derivatives, which may include strategies designed to generate exposure to investments exceeding the net asset value of the fund, may expose the fund to volatile investment returns.

Emerging markets

A fund which invests in emerging markets rather than more developed countries may encounter difficulties when buying and selling investments. Emerging markets are also more likely to experience political uncertainty, and investments held in these countries may not have the same protection as those held in more developed countries.

Charges to capital

Where fund charges are taken from capital (see pages 13 to 15), this will increase the level of income at the expense of capital growth.

M&G Index-Linked Bond Fund only

When the distribution yield is higher than the underlying yield it means income is paid at the expense of capital.

M&G UK Inflation Linked Corporate Bond Fund only

- Low or zero inflation conditions: in low or zero inflation conditions, the expenses of the M&G UK Inflation Linked Corporate Bond Fund may exceed income. In such circumstances, the shortfall will be met from the capital of the fund and there will be no allocation of income to shareholders.
- Impact of effective yield accounting: the M&G UK Inflation Linked Corporate Bond Fund is subject to effective yield accounting requirements which means that a proportion of the capital inflation protection will be distributed to the holders of income shares. As a result, income shareholders will, in effect, be withdrawing part of the capital protection element.

M&G Property Portfolio only

Property investments can be relatively illiquid compared to bonds and equities and selling property investments can be a long and uncertain process. There is no guarantee that the value of property assets will increase. There is no guarantee that rental growth will take place. Rent default could have an adverse effect on performance. There is the possibility that a portion of the cash invested in the portfolio remain uninvested if the supply of new investment opportunities is limited which, if the situation persists, may restrict the performance of the fund. If the fund suffers significant redemptions the fund manager may be forced to dispose of property investments, which may result in a less than favourable price being obtained in the market. The bid-offer spread is likely to be wider for the fund than for other less specialist funds, and may vary. We reserve the right to change the pricing basis of the portfolio from bid to offer or vice versa and any such change will lead to an increase or decrease in the price at which you deal. (See page 20 for an explanation of 'bid' and 'offer'). Property valuations are provided by an independent valuer and are therefore subjective.

Risks specific to M&G High Income Investment Trust

There is no guarantee that the predetermined payment prices of shares will be achieved on the winding-up date. There is no guarantee that the market price of units will fully reflect their net asset value.

Dealing spreads (the difference between the price at which you buy shares and the price at which you sell shares) will vary according to the number of shares being traded and their availability in the market and may at times be high (in excess of 10%).

For more information on the funds' risks, please see the relevant Prospectus.

Table B: Specific risk factors	Currency	Bonds	High yield bonds	High volatility	Liquidity	Concentrated portfolios	Index tracking	Derivative transactions	Leverage	Emerging markets	Charges to capital	Investment trusts
OEICs/Unit trust												
M&G American Fund	✓											
M&G Asian Fund	✓			✓								
M&G Cautious Multi Asset Fund	✓	✓						✓			✓	
M&G Corporate Bond Fund		✓			✓			✓				
M&G Dividend Fund											✓	
M&G Emerging Markets Bond Fund	✓	✓	✓	✓	✓			✓		✓		
M&G European Fund	✓											
M&G European Corporate Bond Fund	✓	✓			✓			✓				
M&G European High Yield Bond Fund	✓	✓	✓		✓			✓				
M&G European Index Tracker Fund	✓						✓					
M&G European Smaller Companies Fund	✓			✓	✓	✓						
M&G European Special Situations Fund	✓							✓				
M&G European Strategic Value Fund	✓							✓				
M&G Extra Income Fund		✓									✓	
M&G Fund of Investment Trust Shares	✓				✓							
M&G Gilt & Fixed Interest Income Fund		✓			✓			✓				
M&G Global Basics Fund	✓											
M&G Global Convertibles Fund	✓	✓		✓	✓			✓	✓			
M&G Global Dividend Fund	✓							✓			✓	
M&G Global Emerging Markets Fund	✓			✓				✓		✓		
M&G Global Growth Fund	✓											
M&G Global Leaders Fund	✓										✓	
M&G Global Macro Bond Fund	✓	✓			✓			✓				
M&G Global Real Estate Securities Fund	✓			✓	✓	✓		✓			✓	
M&G High Interest Fund		✓			✓			✓				
M&G High Yield Corporate Bond Fund		✓	✓		✓			✓				
M&G Income Fund											✓	
M&G Income Multi Asset Fund	✓							✓		✓	✓	
M&G Index-Linked Bond Fund		✓			✓			✓				
M&G Index Tracker Fund							✓					
M&G International Sovereign Bond Fund	✓	✓			✓			✓				
M&G Japan Fund	✓			✓		✓						
M&G Japan Smaller Companies Fund	✓			✓	✓	✓						
M&G Managed Fund	✓	✓						✓			✓	
M&G Managed Growth Fund	✓											
M&G North American Value Fund	✓											
M&G Optimal Income Fund	✓	✓	✓	✓	✓			✓	✓			
M&G Pan European Fund	✓										✓	
M&G Pan European Dividend Fund	✓							✓			✓	
M&G Property Portfolio					✓							
M&G Recovery Fund					✓							
M&G Smaller Companies Fund				✓	✓	✓						
M&G Strategic Corporate Bond Fund		✓			✓			✓				
M&G UK Growth Fund												
M&G UK Inflation Linked Corporate Bond Fund	✓	✓						✓				
M&G UK Select Fund												
Investment trust												
M&G High Income Investment Trust P.L.C.		✓										✓

Questions & Answers

Unless otherwise stated, the following information applies to all funds and investments held inside and outside The M&G ISA.

How much can I invest?

You can choose to invest in one or more of the funds shown in this document. You should view your investment as a medium- to long-term investment.

Table C below shows the minimum investment limit within the M&G product range. The maximum that can be invested in an ISA is £10,200 in any one tax year (6 April – 5 April). This can comprise up to £5,100 in a cash ISA, with the remainder in a stocks and shares ISA. M&G offers the stocks and shares ISA only. From 6 April 2011 the maximum that can be invested in an ISA in each tax year will be £10,680, of which £5,340 can be subscribed to a cash ISA.

Table C: Minimum investment limits

	M&G Global Convertibles Fund	M&G Property Portfolio	Investment trust	All other funds
The M&G Stocks & Shares ISA				
Minimum lump sum	£1,000	£1,000	£500	£500
Minimum monthly amount	£10	£100	£10	£10
Minimum additional lump sum	£100	£100	£100	£100
Minimum additional monthly amount	£10	£10	£10	£10
The M&G Savings Plan				
Minimum regular amount	£10	N/A	N/A	£10
Minimum additional regular amount	£10	N/A	N/A	£10
Minimum lump sum	£1,000	N/A	N/A	£500
Minimum additional lump sum	£10	N/A	N/A	£10
Direct investments				
Minimum lump sum	£1,000	£1,000	N/A	£500
Minimum lump sum (Sterling Class I Shares)	£500,000	N/A	N/A	£500,000 ¹
Minimum lump sum (Sterling Class S & R Units)	N/A	£100,000	N/A	N/A
Minimum additional lump sum	£100	£100	N/A	£10
Minimum additional lump sum (Sterling Class I Shares)	£10,000	N/A	N/A	£10,000 ²
Minimum additional lump sum (Sterling Class S & R Units)	N/A	£10,000	N/A	N/A

¹£10 million in M&G Corporate Bond Fund and M&G Recovery Fund.

²£100,000 in M&G Recovery Fund. £1,000 in M&G Corporate Bond Fund.

What are the charges and expenses?

At M&G we give you the option of paying no initial charge across the majority of our funds when you invest a lump sum with us, whether inside an ISA or not.

There are currently two share classes available for investment in the majority of our funds.

- **Sterling Class A Shares** may carry an initial charge (which is deducted from the amount you are investing) and no withdrawal fee.
- **Sterling Class X Shares** do not carry an initial charge, but have a withdrawal fee which reduces each year from the date of each investment (as shown in Table D overleaf) which applies to shares sold or transferred out of that share class (deducted from the sale/ transfer proceeds). This fee does not apply when you switch to another fund and invest in Sterling Class X Shares/Units. The fee may apply in the event of your death.

Initial charges and withdrawal fees do not apply to shares/units acquired on the reinvestment of income.

Customers considering an investment in Sterling Class X Accumulation shares/units should be aware that an investment in Sterling Class X Income shares/units with income reinvested will incur a slightly lower withdrawal fee if sold during the initial five year period. This is because the X share class withdrawal fee would be applied to the full Sterling Class X Accumulation share/unit investment at the point of sale but would not be applied to any additional Sterling Class X Income shares/units bought with reinvested income during that period. For further information about Accumulation and Income shares, please refer to the section called 'What are my income options?' on page 19.

Table D: Withdrawal fees – Sterling Class X Shares/Units

Withdrawal before the stated anniversary of their purchase	Withdrawal fee
1st year	4.5%
2nd year	4.0%
3rd year	3.0%
4th year	2.0%
5th year	1.0%
Thereafter	Nil

The M&G Savings Plan

Only Sterling Class A Shares are available.

The M&G ISA

Sterling Class X Shares are not available for investment by Direct Debit, unless they are the nominated share class for the fund.

When investments are made monthly, the withdrawal charge applies to each individual payment. The fee does not apply to shares/units acquired on the reinvestment of income.

The following additional share/unit classes are available in selected M&G funds outside of The M&G ISA and The M&G Savings Plan. Please see Table E below for the charging structure for these shares/units.

- **Sterling Class I Shares** carry an initial charge (which is deducted from the amount you are investing) and no withdrawal fee.
- **Sterling Class R Units** carry an initial charge (which is deducted from the amount you are investing) and no withdrawal fee.
- **Sterling Class S Units** do not carry an initial charge or withdrawal fee.

Table E below shows all the fund charges, PTRs and TERs. Notes on the information shown are as follows.

Portfolio Turnover Rate (PTR)

The PTR gives an indication of portfolio turnover (the extent to which the investments held within a Fund have been changed) over the most recent yearly accounting period. A PTR of 200% would indicate that the entire portfolio had been changed once. Generally the higher the PTR the greater the dealing expenses incurred within a Fund though dealing costs incurred in relation to fixed income securities are generally lower than dealing costs incurred in relation to equities.

Total Expense Ratio (TER)

The TER is calculated twice a year and shows the relevant annualised operating expenses of each share class from the most recent reporting period as a single percentage of the average Net Asset Value for that share class over the same period. The TER does not take into account the initial charge and excludes brokerage fees, taxes and linked charges and costs incurred from buying underlying investments.

Nominated share/unit class is shown in **bold**. The nominated ISA share class is different for M&G Corporate Bond, M&G European Corporate Bond and M&G Strategic Corporate Bond Funds (Sterling Class X Shares), and M&G Global Macro Bond Fund (Sterling Class A Shares).

Table E: Fund charges, PTRs & TERs

Fund	Share class	Initial charge (%)	Annual Management Charge (AMC)		Other charges:			PTR (%)	TER (%)
			(%)	Taken from:	Custodian charge %	Administration fee %	Taken from:		
M&G American Fund	A	4	1.5	Income	0.0038	0.15	Income	-0.66	1.66
	X	0	1.5	Income	0.0038	0.15	Income		1.66
M&G Asian Fund	A	4	1.5	Income	0.0695	0.15	Income	-11.19	1.73
	X	0	1.5	Income	0.0695	0.15	Income		1.73
M&G Cautious Multi Asset Fund	A	4	1.35*	Capital	0.0064	0.15	Income	178.37	1.73
	X	0	1.35*	Capital	0.0064	0.15	Income		1.73
M&G Corporate Bond Fund	A	3	1	Income	0.0075	0.15	Income	133.40	1.16
	X	0	1.25	Income	0.0075	0.15	Income		1.41
	I	1	0.5	Income	0.0075	0.15	Income		0.66
M&G Dividend Fund	A	4	1.5	Capital	0.0010	0.15	Capital	62.32	1.66
	X	0	1.5	Capital	0.0010	0.15	Capital		1.66
M&G Emerging Markets Bond Fund	A	3	1.25	Income	0.0138	0.15	Income	184.52	1.49
	X	0	1.25	Income	0.0138	0.15	Income		1.49
M&G European Fund	A	4	1.5	Income	0.0209	0.15	Income	136.90	1.70
	X	0	1.5	Income	0.0209	0.15	Income		1.71
M&G European Corporate Bond Fund	A	3	1	Income	0.0085	0.15	Income	46.51	1.18
	X	0	1.25	Income	0.0085	0.15	Income		1.43
M&G European High Yield Bond Fund	A	3	1.25	Income	0.0083	0.15	Income	-1.25	1.45
	X	0	1.25	Income	0.0083	0.15	Income		1.45
M&G European Index Tracker Fund	A	0	0.5	Income	0.0194	0.15	Income	-6.07	0.73
M&G European Smaller Companies Fund	A	4	1.5	Income	0.0178	0.15	Income	64.45	1.70
	X	0	1.5	Income	0.0178	0.15	Income		1.70
M&G European Special Situations Fund	A	4	1.75	Income	0.0156	0.15	Income	156.33	1.97
	I	1.25	0.75	Income	0.0156	0.15	Income		0.97
M&G European Strategic Value Fund	A	4	1.75	Income	0.0174	0.15	Income	10.73	1.95
	I	1.25	0.75	Income	0.0174	0.15	Income		0.95

*Where the fund invests in another M&G Fund, M&G will fully rebate the annual management charge of the underlying fund. For other funds in the M&G Group range, M&G reserves the right to retain a proportion of the annual management charge, or its equivalent, to cover additional costs.

Table E: Fund charges, PTRs & TERs (continued)			Annual Management Charge (AMC)		Other charges:			PTR (%)	TER (%)
Share class	Initial charge (%)	(%)	Taken from:	Custodian charge %	Administration fee %	Taken from:			
M&G Extra Income Fund	A	4	1.25	Capital	0.0026	0.15	Capital	23.38	1.41
	X	0	1.25	Capital	0.0026	0.15	Capital		1.41
M&G Fund of Investment Trust Shares	A	4	1	Income	0.0011	0.15	Income	3.69	1.19
	X	0	1.5	Income	0.0011	0.15	Income		1.69
M&G Gilt & Fixed Interest Income Fund	A	0	0.75	Income	0.0015	0.15	Income	300.97	0.91
M&G Global Basics Fund	A	4	1.5	Income	0.0175	0.15	Income	29.85	1.68
	X	0	1.5	Income	0.0175	0.15	Income		1.68
M&G Global Convertibles Fund	A	4	1.5	Income	0.0061	0.15	Income	169.11	1.68
	I	1.25	0.75	Income	0.0061	0.15	Income		0.93
M&G Global Dividend Fund	A	4	1.5	Capital	0.0226	0.15	Income	-27.09	1.68
	X	0	1.5	Capital	0.0226	0.15	Income		1.68
	I	1.25	0.75	Capital	0.0226	0.15	Income		0.94
M&G Global Emerging Markets Fund	A	4	1.5	Income	0.0939	0.15	Income	2.27	1.79
	I	1.25	0.75	Income	0.0939	0.15	Income		1.02
M&G Global Growth Fund	A	4	1.5	Income	0.0174	0.15	Income	-7.90	1.68
	X	0	1.5	Income	0.0174	0.15	Income		1.68
M&G Global Leaders Fund	A	4	1.5	Capital	0.0169	0.15	Income	47.76	1.68
	X	0	1.5	Capital	0.0169	0.15	Income		1.68
M&G Global Macro Bond Fund	A	3	1.25	Income	0.00**	0.15	Income	213.60	1.41
	X	0	1.25	Income	0.00**	0.15	Income		1.41
M&G Global Real Estate Securities Fund	A	4	1.5	Capital	0.0181	0.15	Income	29.28	1.69
	X	0	1.5	Capital	0.0181	0.15	Income		1.71
	I	1.25	0.75	Capital	0.0181	0.15	Income		0.97
M&G High Interest Fund	A	0	0.5	Income	0.00**	0.15	Income	146.83	0.66
M&G High Yield Corporate Bond Fund	A	3	1.25	Income	0.0083	0.15	Income	129.83	1.43
	X	0	1.25	Income	0.0083	0.15	Income		1.43
M&G Income Fund	A	4	1.5	Capital	0.0012	0.15	Capital	74.51	1.66
	X	0	1.5	Capital	0.0012	0.15	Capital		1.66
M&G Income Multi Asset Fund	A	4	1.35	Capital	0.001-0.30	0.15	Capital	N/A	1.52-1.57**
	X	0	1.35	Capital	0.001-0.30	0.15	Capital		1.52-1.57**
M&G Index-Linked Bond Fund	A	0	0.5	Income	0.0020	0.15	Income	169.50	0.67
M&G Index Tracker Fund	A	0	0.3	Income	0.0010	0.15	Income	-4.96	0.46
M&G International Sovereign Bond Fund	A	0	1	Income	0.0222	0.15	Income	181.81	1.21
M&G Japan Fund	A	4	1.5	Income	0.0100	0.15	Income	10.85	1.72
	X	0	1.5	Income	0.0100	0.15	Income		1.73
M&G Japan Smaller Companies Fund	A	4	1.5	Income	0.0100	0.15	Income	-51.37	1.74
	X	0	1.5	Income	0.0100	0.15	Income		1.73
M&G Managed Fund	A	4	1.5*	Capital	0.00**	0.15	Income	86.91	1.89
	X	0	1.5*	Capital	0.00**	0.15	Income		1.89
M&G Managed Growth Fund	A	4	1.5*	Income	0.00**	0.15	Income	3.54	1.78
	X	0	1.5*	Income	0.00**	0.15	Income		1.78
M&G North American Value Fund	A	4	1.5	Income	0.0020	0.15	Income	20.90	1.68
	X	0	1.5	Income	0.0020	0.15	Income		1.68
M&G Optimal Income Fund	A	4	1.25	Income	0.0081	0.15	Income	120.15	1.42
	X	0	1.5	Income	0.0081	0.15	Income		1.67
	I	1.25	0.75	Income	0.0081	0.15	Income		0.92
M&G Pan European Fund	A	4	1.5	Capital	0.0181	0.15	Income	45.32	1.69
	X	0	1.5	Capital	0.0181	0.15	Income		1.69
M&G Pan European Dividend Fund	A	4	1.5	Capital	0.0141	0.15	Income	19.72	1.77
M&G Property Portfolio*	A	5	1.5	Income	N/A	0.15	Income	-15.30	1.69
	X	0	1.5	Income	N/A	0.15	Income		1.69
	S	0	0.75	Income	N/A	0.15	Income		0.93
	R	5	1.25	Income	N/A	0.15	Income		1.44
M&G Recovery Fund	A	4	1.5	Income	0.0025	0.15	Income	-8.73	1.65
	X	0	1.5	Income	0.0025	0.15	Income		1.65
	I	4	0.85	Income	0.0025	0.15	Income		1.01
M&G Smaller Companies Fund	A	4	1.5	Income	0.0010	0.15	Income	43.51	1.66
	X	0	1.5	Income	0.0010	0.15	Income		1.66

*Where the fund invests in another M&G Fund, M&G will fully rebate the annual management charge of the underlying fund. For other funds in the M&G Group range, M&G reserves the right to retain a proportion of the annual management charge, or its equivalent, to cover additional costs.

**The depositary's fees and custodian charges are currently borne by M&G.

†The Property Portfolio also uses the Real Estate Expense Ratio. This is the TER of the relevant share class added to the Property Expense Ratio (0.27).

**Estimated TER.

Table E: Fund charges, PTRs & TERs (continued)			Annual Management Charge (AMC)		Other charges:			PTR (%)	TER (%)
Share class	Initial charge (%)	(%)	Taken from:	Custodian charge %	Administration fee %	Taken from:			
M&G Strategic Corporate Bond Fund	A	3	1	Income	0.0077	0.15	Income	124.64	1.16
	X	0	1.25	Income	0.0077	0.15	Income		1.41
M&G UK Growth Fund	A	4	1.5	Income	0.0010	0.15	Income	101.17	1.66
	X	0	1.5	Income	0.0010	0.15	Income		1.66
M&G UK Inflation Linked Corporate Bond Fund	A	3	1	Income	0.001-0.30	0.15	Income	N/A	1.17-1.20**
M&G UK Select Fund	I	1	0.5	Income	0.001-0.30	0.15	Income		0.67-0.70**
	X	0	1.5	Income	0.0010	0.15	Income	51.2	1.66

**Estimated TER.

Table F: Investment trust charges – M&G High Income Investment Trust P.L.C.

	Initial charge (plus VAT)	Annual charge	Annual ISA charge ¹	Custodian ²
On the first £75 million	No	1%	0.25%	Northern Trust
£75 - £200 million	No	0.9%	0.25%	Northern Trust
Over £200 million	No	0.8%	0.25%	Northern Trust

There will be a stamp duty cost of 0.5% on all purchases of units, unless they are new units issued by the investment trust, which can only take place when the market value of the units stands at a premium.

¹ We reserve the right to impose an additional annual ISA charge of up to 0.5% (plus VAT) on any fund. The ISA charge is deducted from dividends and is subject to VAT, which at the current rate is 20% p.a.

² Full name is The Northern Trust Company.

In addition, each fund has a depositary fee:

Table G: Depositary fees – M&G Investment Funds (1), (2), (3), (4), (7), (8), (10), (11), M&G Global Dividend Fund, M&G Global Macro Bond Fund, M&G Optimal Income Fund and M&G Strategic Corporate Bond Fund

Depositary: The Royal Bank of Scotland plc (RBS)	
On the first £150 million	0.0075%
£150 – £650 million	0.0050%
Over £650 million	0.0025%

M&G Property Portfolio

The M&G Property Portfolio also has a trustee fee, an investment accounting fee and standing independent valuer's fees.

The trustee fees are shown below. An investment accounting fee of £150,000 (plus VAT) is paid to M&G Investment Management Limited.

Standing independent valuer's fees of 0.02% per annum (paid quarterly from income, based on the value of property investments at the preceding quarter end, and an ad hoc fee for pre-purchase valuation reports, which is paid on a sliding scale and taken from capital).

Table H: Trustee fees – M&G Property Portfolio

Trustee: The Royal Bank of Scotland plc (RBS)	
On the first £200 million	0.020%
£200 – £300 million	0.010%
Over £300 million	0.005%

What effect will the charges have on my investment?

The following figures should be taken into account when considering the impact of charges and expenses on your investment.

Reduction in yield can be used to show the impact of charges and expenses on your investment. The reduction in yield calculation assumes the growth rates shown below, on an investment held for ten years and takes into account the impact of the initial charge.

The tables which follow show the effect of charges and expenses for each M&G fund based on a single investment of £1,000, assuming a growth rate of 6.0% a year except where stated otherwise for Fixed Interest and Investment Trust.

The figures shown and the growth rates used are not guaranteed and are only used for the purposes of demonstrating the effect of charges and expenses on a sample investment.

Equity

We have used the following fund as an example:

M&G Recovery Fund – Sterling Class A Shares (income reinvested)

At end of	Total investment	Effect of deductions	What you might get back
1 Year	£1,000	£61	£999
3 Years	£1,000	£107	£1,080
5 Years	£1,000	£162	£1,170
10 Years	£1,000	£348	£1,440

The last line in the table shows that over 10 years the effect of the total charges and expenses could amount to £348 for Sterling Class A Shares. Putting it another way, this would have the same effect as bringing the illustrated investment growth from 6.0% a year down to 3.7% a year.

The effect of total charges and expenses on equity funds would, over 10 years, bring the illustrated investment growth rate used down from 6.0% a year to the following growth rates if income was reinvested.

	Sterling Class A Shares	Sterling Class X Shares	Sterling Class I Shares
Fund name	Growth rate	Growth rate	Growth rate
M&G American Fund	3.8%	4.3%	N/A
M&G Asian Fund	3.7%	4.2%	N/A
M&G Dividend Fund	3.8%	4.2%	N/A
M&G European Fund	3.8%	4.2%	N/A
M&G European Smaller Companies Fund	3.8%	4.2%	N/A
M&G European Special Situations Fund	3.4%	N/A	4.7%
M&G European Strategic Value Fund	3.5%	N/A	4.8%
M&G Extra Income Fund	4.4%	4.8%	N/A
M&G Fund of Investment Trust Shares	3.3%	3.2%	N/A
M&G Global Basics Fund	3.7%	4.2%	N/A
M&G Global Dividend Fund	3.8%	4.2%	4.9%
M&G Global Emerging Markets Fund	3.7%	N/A	4.8%
M&G Global Growth Fund	3.8%	4.2%	N/A
M&G Global Leaders Fund	3.8%	4.2%	N/A
M&G Global Real Estate Securities Fund	3.8%	4.2%	4.9%
M&G Income Fund	3.8%	4.2%	N/A
M&G Japan Fund	3.7%	4.2%	N/A
M&G Japan Smaller Companies Fund	3.7%	4.1%	N/A
M&G North American Value Fund	3.8%	4.2%	N/A
M&G Pan European Dividend Fund	3.7%	N/A	N/A
M&G Pan European Fund	3.7%	4.1%	N/A
M&G Recovery Fund	3.7%	4.2%	4.4%
M&G Smaller Companies Fund	3.8%	4.2%	N/A
M&G UK Growth Fund	3.8%	4.2%	N/A
M&G UK Select Fund	3.6%	4.1%	N/A

Multi Asset

We have used the following fund as an example:

M&G Cautious Multi Asset Fund – Sterling Class A Shares (income taken)

At end of	Total investment	Effect of deductions	Income to date	What you might get back
1 Year	£1,000	£60	£22	£977
3 Years	£1,000	£105	£67	£1,010
5 Years	£1,000	£156	£114	£1,050
10 Years	£1,000	£321	£239	£1,150

The last line in the table shows that over ten years the effect of the total charges and expenses could amount to £321 for Sterling Class A Shares. Putting it another way, this would have the same effect as bringing the illustrated investment growth from 6.0% a year down to 3.7% a year.

The effect of total charges and expenses on Multi Asset funds would, over 10 years, bring the illustrated investment growth rate used down from 6.0% a year to the following growth rates if income was taken.

	Sterling Class A Shares	Sterling Class X Shares
Fund name	Growth rate	Growth rate
M&G Cautious Multi Asset Fund	3.7%	4.2%
M&G Income Multi Asset Fund	3.8%	4.4%
M&G Managed Fund	3.7%	4.2%
M&G Managed Growth Fund	3.7%	4.2%

Fixed Interest

We have used the following fund as an example:

M&G High Yield Corporate Bond Fund – Sterling Class X Shares (income taken)

At end of	Total investment	Effect of deductions	Income to date	What you might get back
1 Year	£1,000	£52	£47	£960
3 Years	£1,000	£58	£140	£980
5 Years	£1,000	£67	£234	£1,000
10 Years	£1,000	£157	£468	£1,000

The last line in the table shows that over ten years the effect of the total charges and expenses could amount to £157 for Sterling Class X Shares. Putting it another way, this would have the same effect as bringing the illustrated investment growth from 6.0% a year down to 4.8% a year.

The effect of total charges and expenses on Fixed Interest funds would, over 10 years, bring the illustrated investment growth rates used down to the following growth rates if income was taken.

	All Share Classes	Sterling Class A Shares	Sterling Class X Shares	Sterling Class I Shares
Fund name	Investment Growth rate	Growth rate	Growth rate	Growth rate
M&G Corporate Bond Fund	4.5%	3.1%	3.3%	3.8%
M&G Emerging Markets Bond Fund	4.5%	2.9%	3.3%	N/A
M&G European Corporate Bond Fund	4.0%	2.7%	2.8%	N/A
M&G European High Yield Bond Fund	6.0%	4.3%	4.7%	N/A
M&G Gilt & Fixed Interest Income Fund	2.5%	1.7%	N/A	N/A
M&G Global Convertibles Fund	3.0%	1.2%	N/A	2.1%
M&G Global Macro Bond Fund	3.5%	2.0%	2.3%	N/A
M&G High Interest Fund	1.5%	0.9%	N/A	N/A
M&G High Yield Corporate Bond Fund	6.0%	4.4%	4.8%	N/A
M&G Index-Linked Bond Fund	1.5%	0.9%	N/A	N/A
M&G International Sovereign Bond Fund	3.0%	2.0%	N/A	N/A
M&G Optimal Income Fund	5.0%	3.3%	3.6%	4.1%
M&G Strategic Corporate Bond Fund	4.5%	3.1%	3.3%	N/A
M&G UK Inflation Linked Corporate Bond Fund	2.0%	0.7%	N/A	1.3%

Property

M&G Property Portfolio – Sterling Class A Units (income reinvested)

At end of	Total investment	Effect of deductions	What you might get back
1 Year	£1,000	£70	£990
3 Years	£1,000	£115	£1,070
5 Years	£1,000	£168	£1,170
10 Years	£1,000	£349	£1,440

The last line in the table shows that over ten years the effect of the total charges and expenses could amount to £349 for Sterling Class A Units. Putting it another way, this would have the same effect as bringing the illustrated investment growth from 6.0% a year down to 3.7% a year.

The effect of total charges and expenses on the Portfolio would, over 10 years, bring the illustrated investment growth rate down from 6.0% a year to the following growth rates if the income was reinvested.

	Sterling Class A Units	Sterling Class X Units	Sterling Class R Units	Sterling Class S Units
Fund name	Growth rate	Growth rate	Growth rate	Growth rate
M&G Property Portfolio	3.7%	4.3%	3.9%	4.8%

Tracker

We have used the following fund as an example:

M&G Index Tracker Fund – Sterling Class A Shares (income taken)

At end of	Total investment	Effect of deductions	Income to date	What you might get back
1 Year	£1,000	£6	£30	£1,020
3 Years	£1,000	£18	£92	£1,070
5 Years	£1,000	£31	£157	£1,120
10 Years	£1,000	£77	£334	£1,270

The last line in the table shows that over ten years the effect of the total charges and expenses could amount to £77 for Sterling Class A Shares. Putting it another way, this would have the same effect as bringing the illustrated investment growth from 6.0% a year to 5.5% a year.

The effect of total charges and expenses on Tracker funds would, over 10 years, bring the illustrated investment growth rate used down from 6.0% a year to the following growth rates if income was taken.

	Sterling Class A Shares
Fund name	Growth rate
M&G European Index Tracker Fund	5.3%
M&G Index Tracker Fund	5.5%

Investment Trust

M&G High Income Investment Trust – Package Units (income reinvested)

At end of	Total investment	Effect of deductions	What you might get back
1 Year	£1,000	£95	£975
3 Years	£1,000	£146	£1,070
5 Years	£1,000	£207	£1,190
6 Years 2 months	£1,000	£249	£1,260

This trust is due to be wound up in March 2017.

The last line in the table shows that over six years and two months, the effect of the total charges and expenses could amount to £249. Putting it another way, this would have the same effect as bringing the illustrated investment growth from 7.0% a year down to 3.9% a year.

The effect of total charges and expenses on the Investment Trust would, over the remaining term of the trust, bring the illustrated investment growth rate used down from 7.0% a year to the following growth rates if income was reinvested.

	Units
Name of Investment Trust	Growth rate
M&G High Income Investment Trust P.L.C. (Package Units)	3.9%
M&G High Income Investment Trust P.L.C. (Income and Growth Units)	1.4%

What are my income options?

Most funds offer the choice of two share/unit types: Income or Accumulation.

- **Accumulation Shares/Units** do not pay income but automatically reinvest any income which is reflected in the share price.
- **Income Shares/Units** entitle the holder to be paid the income attributed to those shares on the payment date.

If you hold income shares/units, you can only choose to reinvest your income on M&G Global Macro Bond Fund, M&G Property Portfolio, M&G Strategic Corporate Bond Fund and all funds in M&G Investment Funds (1), (2), (3), (4), (8) and (11). Please refer to the column called 'fund names' in the tables on pages 5 to 9 for details on which funds belong in each umbrella OEIC.

If you hold income shares/units and want to receive an income, you will need to complete the income option section of the application form to enable payments to be paid direct to your bank or building society account.

If no share/unit type is selected on your application form we will issue accumulation shares where available.

With the exception of the M&G Index-Linked Bond Fund, M&G funds distribute income from interest-bearing holdings on an effective yield basis. For more information, please see the relevant Prospectus.

If you purchase shares/units with an ex-distribution price (also known as XD) you will not be entitled to the next distribution of income made by the fund. You will be entitled to future distributions.

The M&G Savings Plan

Only Accumulation Shares are available.

The M&G ISA

Only income shares are available for M&G funds.

If no share/unit type is selected on your application form we will issue Income Shares.

The option to reinvest your income is available for all funds with The M&G ISA.

If you currently reinvest your income and want to change this to take an income, please complete a direct credit instruction form available to download from our website, or call our **Customer Relations** team. If calling, we require details of your bank or building society account as we cannot pay income to you by cheque.

We pay interest distributions from fixed interest funds gross.

If you currently take an income and want to change this to reinvest the income, please contact our **Customer Relations** team.

When is the income paid?

For information on the income frequency and payment dates, please see Table A on pages 5 to 9.

Please note that after an investment has been made, the first distribution of income includes an element of equalisation ie the amount of any undistributed income already included in the price of shares/units at the time of investment. This is treated as a return of capital for tax purposes and does not carry a tax credit or deduction of income tax.

Will I have to pay tax on my holdings?

Excluding The M&G ISA, your individual tax liability depends on your personal tax situation. For detailed information we recommend you contact an accountant, solicitor or Financial Adviser. The funds have their own tax liabilities. For information on this please see 'What are the tax positions of the M&G funds?' on page 23.

The M&G ISA

If you invest in The M&G ISA, you do not have to pay tax on any capital gain, income or interest received.

What are my investment options?

You can make lump sum payments, and in The M&G ISA and The M&G Savings Plan you can also make regular Direct Debit payments.

Each fund has a nominated share class. The nominated share class is the same inside and outside The M&G ISA, with the exception of the M&G Corporate Bond, M&G European Corporate Bond, M&G Global Macro Bond and M&G Strategic Corporate Bond Funds. The nominated share class is specified in Table E on pages 13 to 15.

Certain funds have other share classes available for direct investment (outside The M&G ISA and The M&G Savings Plan). These can be found in section 'What are the charges and expenses?' on page 12.

Your investment buys shares/units in your chosen fund(s). Fund prices are calculated at 12 noon (the valuation point). Provided instructions are received before 12 noon on a business day you will receive that day's price. Instructions received after 12 noon will receive the next business day's price.

OEIC funds have a single price at which you buy and sell. The price is calculated by dividing the Net Asset Value by the number of shares in issue and then moving it by any relevant dilution adjustment.

Please note: With effect from 1 November 2010 the provision of Fund Accounting and the daily calculation of fund prices (Price Making) for all our funds is being undertaken by State Street Bank and Trust Company.

Dilution adjustment

The actual cost of purchasing or selling an OEIC fund's assets may deviate from the mid-market value used in calculating the fund's share price and may have an adverse effect on the value of the fund. In order to protect the interests of the ongoing shareholders, a dilution adjustment will normally be made on the purchase and redemption of shares. This has the effect of moving the single price up or down from the mid-price, known as 'swinging'. This change protects existing shareholders from being disadvantaged. For further information please refer to the Prospectus.

M&G Property Portfolio

The M&G Property Portfolio is a unit trust which is dual priced. You purchase units at the offer price and receive the bid price when you sell units. The difference between the two prices is called the spread and includes dealing costs incurred in the purchase and sale of property assets included in the Portfolio. You should note that these costs include Stamp Duty Land Tax charged on property purchases and as a result the costs are significantly higher than those incurred in connection with buying and selling equities and bonds. Therefore the spread on the Portfolio is likely to be in excess of 5% in addition to any initial charge.

The offer price and the bid price are calculated every business day under rules laid down by statutory regulations. The offer price cannot be more than the cost of creating a unit (the issue price) plus any initial charge. The total of the issue price plus the initial charge is the 'maximum permitted offer' price. The bid price cannot be less than the proceeds of cancelling a unit, called the 'cancellation' price.

At the manager's discretion, bid and offer prices may be based on either the cancellation or the creation price. This depends on whether the Portfolio is experiencing net outflows or net inflows of investments, respectively.

For large deals (regarded as deals in excess of £15,000) the dealing price you receive may be different from that day's published price. If you are buying units, you may receive a price that is higher than the quoted offer price, but it will not exceed the maximum permitted offer price. If you are selling units, you may receive a price that is lower than the quoted bid price, but it will not be lower than the cancellation price.

For more information about the pricing of M&G Property Portfolio, please see the Prospectus.

M&G Investment Trusts

The M&G ISA

The M&G High Income Investment Trust is a closed-ended split capital investment company with a predetermined wind-up date. The investment trust is dual priced. You purchase units at the offer price and receive the bid price when you sell units. The difference between the two prices is called the spread. This will vary according to the number of shares being traded and their availability in the market and may be high (in excess of 10%). Your ISA investment can buy package units or income and growth units in the M&G investment trust listed in Table A on pages 5 to 9.

Package units may contain a mixture of the following types of shares:

- **Zero Dividend Preference Shares/Zero Dividend Shares** are designed to offer predetermined capital growth over the planned life of the company. They carry no entitlement to income.
- **Capital Shares** are entitled to any surplus net assets of the company upon wind-up once any debts and Zero Dividend Preference and Income Shareholders have been paid. They carry no entitlement to income.
- **Income Shares** are entitled to the income of the company. They are also entitled to a prescribed capital amount upon winding-up, subject to the prior entitlement of the Zero Dividend Preference Shareholders.

Income and growth units comprise one Income Share and one Capital Share.

The Net Asset Value of the investment trust is calculated by dividing the value of assets by the number of shares in issue. However, the price is determined by supply and demand in the market. Please contact our **Customer Relations** team for more information.

How can I apply for an M&G investment?

Via the internet

You can visit our website at www.mandg.co.uk/invest to make a new or top-up application by lump sum with payment by debit card (Switch/Maestro or Delta) via our secure 'My Account' service. Alternatively, you can print off and sign the application form and Direct Debit Instruction (for regular savings) or enclose a cheque (lump sum) before returning it to our **Customer Relations** team. For investments in excess of £10,200 outside of The M&G ISA, you are able to place your instruction via the website and payment must be made by cheque within four working days. The £10,200 maximum will increase to £10,680 on 6 April 2011.

By telephone

Direct

Please telephone our **Dealing Line** to make a direct investment with payment by debit card (Switch/Maestro or Delta). Please note that for security purposes if you choose to pay by debit card the maximum investment limit is £10,200 per transaction, increasing to £10,680 per transaction from 6 April 2011.

The M&G ISA

You can telephone our **Investment Helpline** to subscribe to an ISA with payment by debit card (Switch/Maestro or Delta). There is no need to declare the growth or income on your tax return.

By post

Please complete the relevant application form and return it to our **Customer Relations** team (with a cheque if you are investing a lump sum). Please see the relevant application form for more information.

Please note that if you are paying by Direct Debit, your investment will not be opened until we receive your first subscription – which will be the date of your first Direct Debit or lump sum payment, whichever is received first.

Transfers into The M&G ISA

When we receive your completed M&G ISA Transfer Application and Transfer Authority form, we will carry out all of the paperwork for you free of charge. However, your existing ISA Manager may make a charge for carrying out the transfer.

We accept the assets of your ISA in cash form only. Your existing ISA Manager will therefore need to sell all or part of the assets currently held in the ISA and pay the proceeds to us. We then invest your cash in your choice of M&G funds.

You should note that your investment will be out of the market between the sale of the existing ISA investment and the purchase of your M&G ISA. The usual charges will apply to the M&G fund(s) you invest in.

Share Exchange Scheme

If you have any existing direct shareholdings that you would like to exchange into a fund either inside or outside of The M&G ISA, please call our **Investment Helpline** or email us at info@mandg.co.uk to request a free information pack.

What confirmation of my investment will I receive?

Once your application has been processed you will receive a formal acknowledgement. We do not issue certificates.

Where a Financial Adviser is linked to the application, both the customer and Financial Adviser acknowledgements will be sent to the Financial Adviser only.

The M&G ISA

You and your Financial Adviser (if applicable) will both be sent a formal acknowledgement.

What information will I receive about my investment?

You will receive six-monthly statements which are currently prepared as at 5 April and 5 October and sent within 25 business days of these dates.

Excluding The M&G ISA, you will also receive a copy of the latest report for each fund in which you have invested when they are published, and Consolidated Tax Vouchers on an annual basis with your 5 April statement.

The M&G ISA

If you have elected to receive copies of reports for each fund in which you have invested, you will be sent copies when they are published.

What if I change my mind?

You will have the right to cancel your investment if you have invested on the personal recommendation of a Financial Adviser, unless your customer agreement with that adviser excludes cancellation rights.

If cancellation rights apply to you, after you have invested you will receive a notice telling you of your right to change your mind and how to cancel. You will have 14 days from the day you received the reminder to cancel your investment. If you decide to cancel you will receive your money back. If, however, in the meantime the value of the underlying investment has fallen, you may not get back the full amount you paid in. If you choose to invest regularly, you will receive the first payment back in full.

The M&G ISA

If you are cancelling an investment in an M&G investment trust you are entitled to have repaid to you in full any money you subscribed.

ISA transfers

If you exercise your right to cancel your transfer by returning the cancellation reminder, we will endeavour to transfer your ISA back to your previous ISA Manager. Please note that you may not get a full refund of the amount transferred if the purchase price falls before we know that you have exercised your cancellation rights. If we are unable to transfer your ISA back to your previous ISA Manager, we will sell your investment and send the cash proceeds to you. However, once sold, such proceeds will lose their ISA tax advantages and any subsequent subscriptions to an ISA with these proceeds will count towards your annual subscription limit.

Where can I find the latest M&G fund prices?

Daily prices can be found on our website at www.mandg.co.uk/prices or they can be obtained by contacting our **Customer Relations** team.

Can I change the fund(s) in which I have invested?

Yes. If your investment needs change or you decide that you would like to invest in a different fund you can switch between funds at any time via our website at www.mandg.co.uk/switch by telephone (excluding The M&G Savings Plan), or in writing stating which fund(s) you wish to sell and those you wish to reinvest in.

Switching between funds may incur a charge. Please contact our **Customer Relations** team if you require any further information (including minimum switching limits) and to obtain a switching pack free of charge.

Please note that switching between funds outside of The M&G ISA is a chargeable event for capital gains tax purposes. If you are unsure of your tax position, please contact a professional adviser.

The M&G ISA

You may not switch into an M&G investment trust.

Can I change my Direct Debit amount?

Yes, by providing us with instructions to do so via our website at www.mandg.co.uk/myaccount by telephone or in writing.

Please note that we will need to have your instructions to do so at least **ten business days** before the collection date.

Can I cancel my Direct Debit?

Yes, you can cancel a Direct Debit at any time by writing to your bank or building society. Please also send a copy of your letter to us.

Can I transfer my investment?

Excluding The M&G ISA, you can transfer your shares/units to another person or body. All transfers must be received in writing by completion of a Stock Transfer Form.

The M&G ISA

You may instruct us to transfer all, or part, of your ISA to another ISA Manager who has agreed to accept the transfer at any time. We only make transfers to another ISA Manager in cash, after we have sold any relevant investment.

If any income arrives after the transfer, we withdraw this from your investment(s) and pay it directly to you.

You should note that your investment will be out of the market between the sale of your M&G ISA investment and the purchase of your new ISA investment. Where applicable, a withdrawal fee will apply to the sale.

A transfer of current year subscriptions can only be made as a whole.

How can I sell my investment?

You can withdraw all, or part, of your investment at any time (subject to minimum limits, which are available from our **Customer Relations** team) by phone (excluding The M&G Savings Plan) or by post, provided we receive your withdrawal instruction before 12 noon (the valuation point) on any business day.

When will the proceeds be sent?

The proceeds of the sales of shares will be paid to you on the fourth business day after the valuation point following receipt of your instructions (or, if applicable, following receipt of any further information we have requested on receipt of your withdrawal instruction).

M&G Property Portfolio – Sterling Class R and Sterling Class S Units

We may delay you selling M&G Property Portfolio Sterling Class R and Sterling Class S units for up to 90 days but only if we believe this is in the best interests of all existing holders of the Portfolio.

If we delay the sale of your shares you will receive the price calculated on the day we actually sell the shares not the price calculated when we receive your instruction to sell.

Please see the Prospectus for more information.

The M&G ISA

Proceeds will be paid no later than five business days following receipt of your instructions (or, if applicable, following receipt of any further information we have requested on receipt of your withdrawal instruction). Payment will normally be made by cheque to your home address unless otherwise specified.

Under the current rules for debit card payments, if a withdrawal is requested within 30 days of a purchase by debit card payments, we will sell the shares in accordance with your instructions and hold the sale proceeds relating to the subscription via debit card in a client account until the 30 days have elapsed.

Withdrawals have no effect on the subscription limits. Once you have reached the limit for the tax year you cannot make any further subscriptions, regardless of withdrawals.

What are the tax positions of the M&G funds?

Please note the following information is merely a guide and is based on our understanding of current tax legislation.

All M&G funds excluding the M&G Property Portfolio

Income

Each fund will be liable to corporation tax on its taxable income less allowable expenses at the lower rate of income tax (currently 20%).

Capital gains

Capital gains accruing to a fund will be exempt from UK tax.

M&G Property Portfolio

Income

The Portfolio will be liable to corporation tax at a rate equal to the lower rate of income tax, currently 20%, on its income after relief for expenses (which include fees payable to the manager and to the trustee). Dividends and similar income distributions from UK resident companies (Franked Investment Income) are exempt from corporation tax. Dividends and similar income distributions from UK authorised unit trusts are generally exempt from corporation tax to the extent the underlying income derives from Franked Investment Income.

Capital gains

The Portfolio does not pay tax on any chargeable gains arising from the disposal of investments.

All M&G funds

Stamp Duty Reserve Tax (SDRT)

SDRT applies to surrenders and certain transfers of shares. SDRT is technically a liability of the depositary/trustee of each fund, but in practice it will be covered either by a charge to the fund, or in certain circumstances by a charge to investors buying or selling shares. For further information please refer to the relevant Prospectus.

How much will advice cost?

If you have received financial advice, your Financial Adviser will give you details about the cost. The amount will depend on the size of your investment and, for regular savings, the period for which you make them. It will be paid for out of the charges. Any commission payable will be disclosed in your welcome pack.

How do I make a complaint?

If you wish to make a complaint about any aspect of the service you have received, or to request a copy of The M&G Customer Complaints Charter, please contact our **Customer Relations** team.

If your complaint is not dealt with to your satisfaction, you can write to: **The Financial Ombudsman Service (FOS), South Quay Plaza, 183 Marsh Wall, London E14 9SR.**

What will happen if M&G becomes insolvent?

We are covered by the **Financial Services Compensation Scheme**. You may be entitled to compensation from the scheme if we cannot meet our obligations. This depends on the type of business and the circumstances of the claim. Most types of investment business are covered for 100% of the first £50,000. Further information about compensation arrangements is available from: **The Financial Services Compensation Scheme, 7th Floor, Lloyds Chambers, 1 Portsoken Street, London E1 8BN.**

Other information

Management and administration

The **Manager** of The M&G ISA is M&G Financial Services Limited (authorised and regulated by the Financial Services Authority), Laurence Pountney Hill, London EC4R 0HH. Registered in England No. 923891. M&G Financial Services Limited is entered on the Financial Services Authority's register. Registered number 122058.

The **Authorised Corporate Director (ACD)** for M&G Investment Funds (1), (2), (3), (4), (7), (8), (10), (11), M&G Global Dividend Fund, M&G Global Macro Bond Fund, M&G Optimal Income Fund and M&G Strategic Corporate Bond Fund and the **Manager** for M&G Property Portfolio is M&G Securities Limited, a private company limited by shares incorporated in England and Wales under the Companies Acts 1862 to 1900 on 12 November 1906. Its holding company is Prudential plc, a company incorporated in England and Wales. Registered Office: Laurence Pountney Hill, London EC4R 0HH.

The **Investment Manager** is M&G Investment Management Limited, Laurence Pountney Hill, London EC4R 0HH unless specified.

The **Auditor** is PricewaterhouseCoopers LLP, Hays Galleria, Hays Lane, London SE1 2RD.

The **Depository** for M&G Investment Funds (1), (2), (3), (4), (7), (8), (10), (11), M&G Global Dividend Fund, M&G Global Macro Bond Fund, M&G Optimal Income Fund and M&G Strategic Corporate Bond Fund and the **Trustee** for the M&G Property Portfolio is The Royal Bank of Scotland plc, Trustee and Depository Services, The Broadstone, 50 South Gyle Crescent, Edinburgh EH12 9UZ.

OEICs

- **M&G Investment Funds (1)** was authorised by the Financial Services Authority with effect from 6 June 2001.
- **M&G Investment Funds (2)** was authorised by the Financial Services Authority with effect from 1 August 2001.
- **M&G Investment Funds (3)** was authorised by the Financial Services Authority with effect from 8 August 2001.
- **M&G Investment Funds (4)** was authorised by the Financial Services Authority with effect from 20 February 2002.
- **M&G Investment Funds (7)** was authorised by the Financial Services Authority with effect from 3 July 2007.
- **M&G Investment Funds (8)** was authorised by the Financial Services Authority with effect from 1 April 2008.
- **M&G Investment Funds (10)** was authorised by the Financial Services Authority with effect from 26 August 2010.
- **M&G Investment Funds (11)** was authorised by the Financial Services Authority with effect from 1 October 2010.
- **M&G Global Dividend Fund** was authorised by the Financial Services Authority with effect from 9 July 2008.
- **M&G Global Macro Bond Fund** was authorised by the Financial Services Authority with effect from 26 January 2009.
- **M&G Optimal Income Fund** was authorised by the Financial Services Authority with effect from 17 November 2006.
- **M&G Strategic Corporate Bond Fund** was authorised by the Financial Services Authority with effect from 12 June 2009.

Each has variable capital and is established for an unlimited duration.

The base currency of all funds is pounds sterling.

This document constitutes the Simplified Prospectus for M&G Investment Funds (1), (2), (3), (4), (7), (8), (10), (11), M&G Global Dividend Fund, M&G Global Macro Bond Fund, M&G Optimal Income Fund and M&G Strategic Corporate Bond Fund, and the Key Features for M&G Investment Funds (1), (2), (3), (4), (7), (8), (10), (11), M&G Global Dividend Fund, M&G Global Macro Bond Fund, M&G Optimal Income Fund, M&G Strategic Corporate Bond Fund and M&G Property Portfolio. A Key Features scheme and a Simplified Prospectus scheme require different levels of information to be shown. However, where possible, we have endeavoured to provide the same level of information for all funds to enable you to make effective comparisons.

Anti-Money Laundering

M&G may verify your identity electronically when buying or selling shares/units. For further information please see Terms and Conditions Part One term 12.

Prospectuses and Fund Reports

Copies of the Prospectuses and the most recent Annual, and if more recent Interim, Fund Reports are available from our **Customer Relations** team free of charge on request. The Prospectuses provide full details of M&G Investment Funds (1), (2), (3), (4), (7), (8), (10), (11), M&G Global Dividend Fund, M&G Global Macro Bond Fund, M&G Optimal Income Fund, M&G Strategic Corporate Bond Fund and M&G Property Portfolio.

Law

M&G Investment Funds (1), (2), (3), (4), (7), (8), (10), (11), M&G Global Dividend Fund, M&G Global Macro Bond Fund, M&G Optimal Income Fund, M&G Strategic Corporate Bond Fund and M&G Property Portfolio are governed by English law. All information we will provide will be in English.

Terms and Conditions

Your rights as an account holder are defined by the M&G Terms and Conditions on pages 33 to 39.

Financial Services Authority

M&G Financial Services Limited and M&G Securities Limited are authorised and regulated by the Financial Services Authority whose address is: 25 The North Colonnade, Canary Wharf, London E14 5HS.

How have the M&G funds performed in the last 10 years?

The funds shown below are listed in alphabetical order. Performance is shown for the nominated share class for each fund as at the end of June 2010. No performance information is shown for **M&G Income Multi Asset** and **M&G UK Inflation Linked Corporate Bond Funds** as they have been in existence for less than 12 months. Past performance is net of UK tax and does not include the effect of subscription and withdrawal fees.

M&G American Fund

IF(1)



Past performance is not a guide to future performance. Source: Morningstar, Inc., last 10 years, % return, bid to bid, net income reinvested, Sterling Share Class A.

The cumulative performance over the last 10 years is 0.8%.

M&G Asian Fund

IF(1)

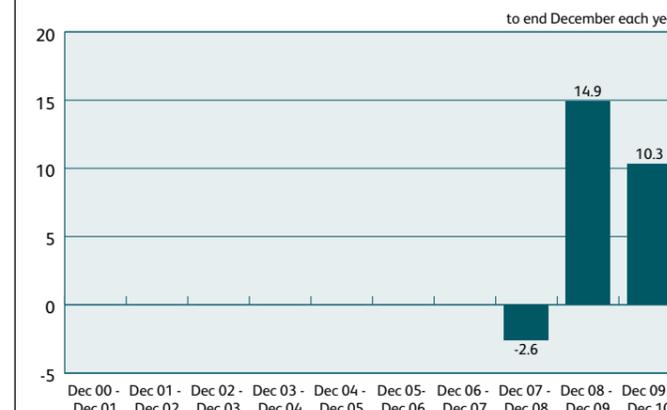


Past performance is not a guide to future performance. Source: Morningstar, Inc., last 10 years, % return, bid to bid, net income reinvested, Sterling Share Class A.

The cumulative performance over the last 10 years is 261.4%.

M&G Cautious Multi Asset Fund

IF(4)

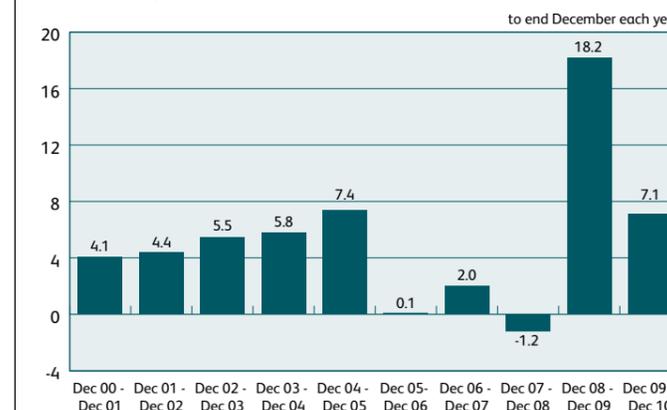


Past performance is not a guide to future performance. Source: Morningstar, Inc., years since launch, % return, bid to bid, net income reinvested, Sterling Share Class A.

The cumulative performance since launch is 24.9%.

M&G Corporate Bond Fund

IF(3)



Past performance is not a guide to future performance. Source: Morningstar, Inc., last 10 years, % return, bid to bid, net income reinvested, Sterling Share Class A.

The cumulative performance over the last 10 years is 66.3%.

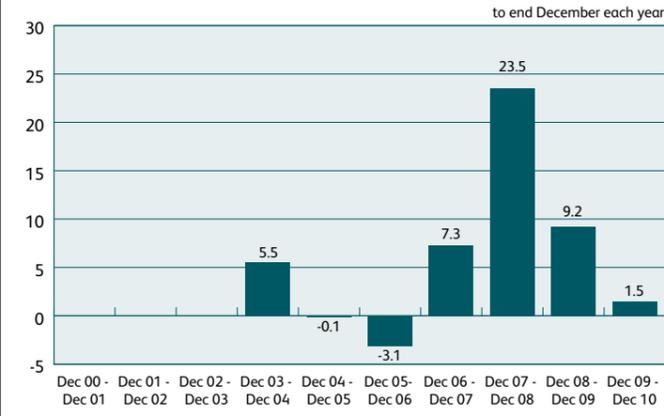
M&G Dividend Fund IF(3)



Past performance is not a guide to future performance. Source: Morningstar, Inc., last 10 years, % return, bid to bid, net income reinvested, Sterling Share Class A.

The cumulative performance over the last 10 years is 44.3%.

M&G European Corporate Bond Fund IF(3)



Past performance is not a guide to future performance. Source: Morningstar, Inc., years since launch, % return, bid to bid, net income reinvested, Sterling Share Class A.

The cumulative performance since launch is 66.1%.

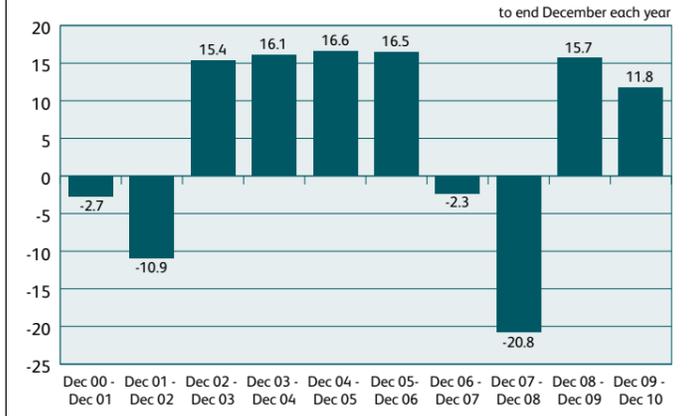
M&G European Smaller Companies Fund IF(1)



Past performance is not a guide to future performance. Source: Morningstar, Inc., last 10 years, % return, bid to bid, net income reinvested, Sterling Share Class A.

The cumulative performance over the last 10 years is 37.6%.

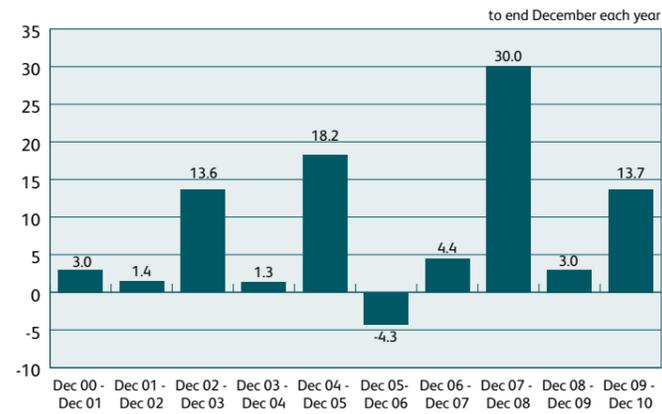
M&G Extra Income Fund IF(2)



Past performance is not a guide to future performance. Source: Morningstar, Inc., last 10 years, % return, bid to bid, net income reinvested, Sterling Share Class A.

The cumulative performance over the last 10 years is 58%.

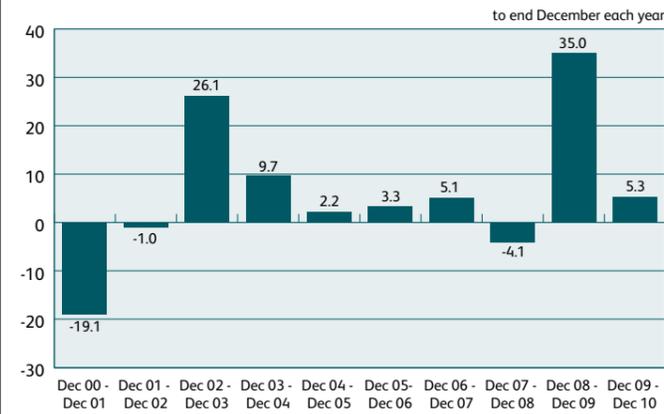
M&G Emerging Markets Bond Fund IF(3)



Past performance is not a guide to future performance. Source: Morningstar, Inc., last 10 years, % return, bid to bid, net income reinvested, Sterling Share Class X.

The cumulative performance over the last 10 years is 116.0%.

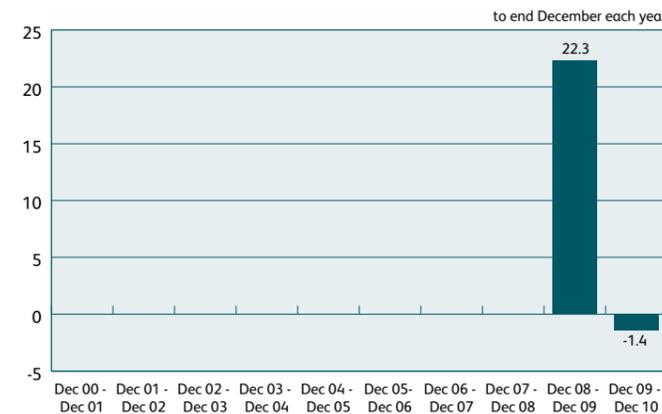
M&G European High Yield Bond Fund IF(3)



Past performance is not a guide to future performance. Source: Morningstar, Inc., last 10 years, % return, bid to bid, net income reinvested, Sterling Share Class X.

The cumulative performance over the last 10 years is 67.6%.

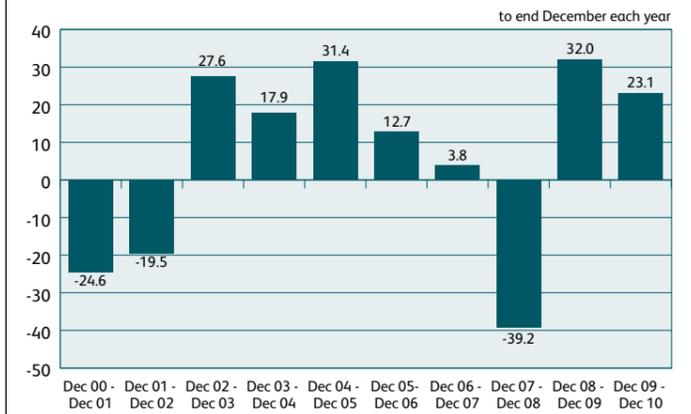
M&G European Special Situations Fund IF(7)



Past performance is not a guide to future performance. Source: Morningstar, Inc., years since launch, % return, bid to bid, net income reinvested, Sterling Share Class A.

The cumulative performance since launch is -7.2%.

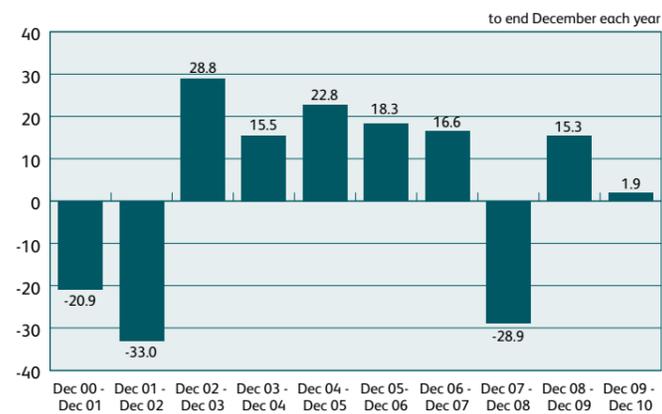
M&G Fund of Investment Trust Shares IF(3)



Past performance is not a guide to future performance. Source: Morningstar, Inc., last 10 years, % return, bid to bid, net income reinvested, Sterling Share Class A.

The cumulative performance over the last 10 years is 38.9%.

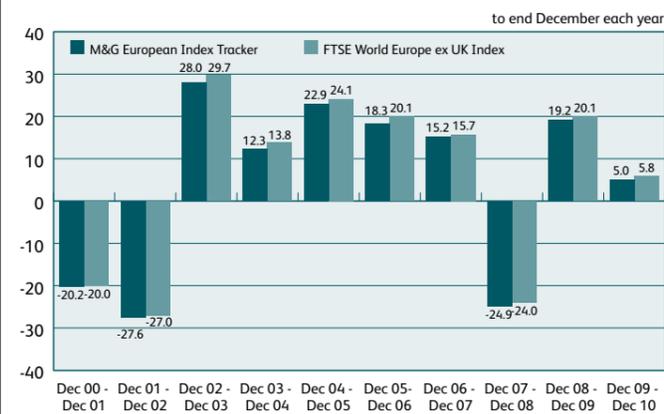
M&G European Fund IF(1)



Past performance is not a guide to future performance. Source: Morningstar, Inc., last 10 years, % return, bid to bid, net income reinvested, Sterling Share Class A.

The cumulative performance over the last 10 years is 11.4%.

M&G European Index Tracker Fund IF(1)

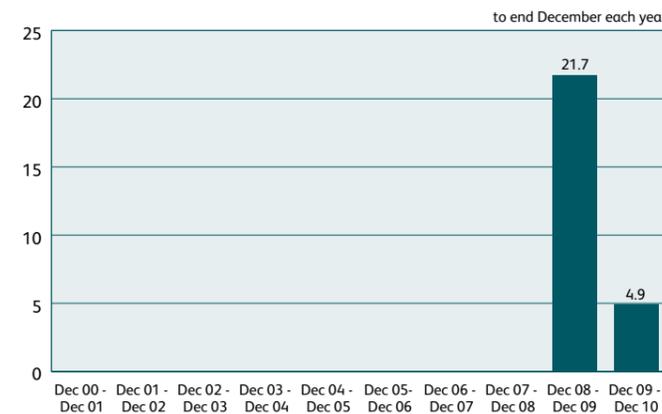


Past performance is not a guide to future performance. Source: Morningstar, Inc., last 10 years, % return, bid to bid, net income reinvested, Sterling Share Class A.

The cumulative performance over the last 10 years is 30.76%.

The cumulative performance for the FTSE World Europe ex UK Index is 43.4%.

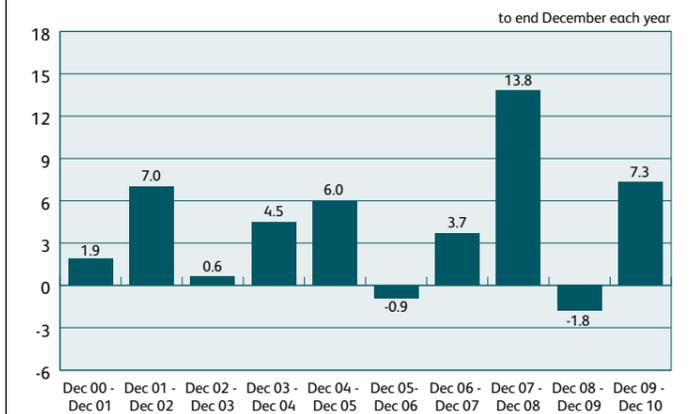
M&G European Strategic Value Fund IF(7)



Past performance is not a guide to future performance. Source: Morningstar, Inc., years since launch, % return, bid to bid, net income reinvested, Sterling Share Class A.

The cumulative performance since launch is 12.1%.

M&G Gilt & Fixed Interest Income Fund IF(2)

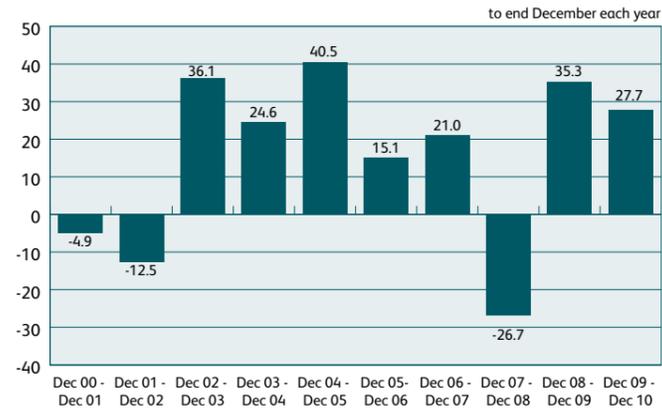


Past performance is not a guide to future performance. Source: Morningstar, Inc., last 10 years, % return, bid to bid, net income reinvested, Sterling Share Class A.

The cumulative performance over the last 10 years is 49.7%.

M&G Global Basics Fund

IF(1)

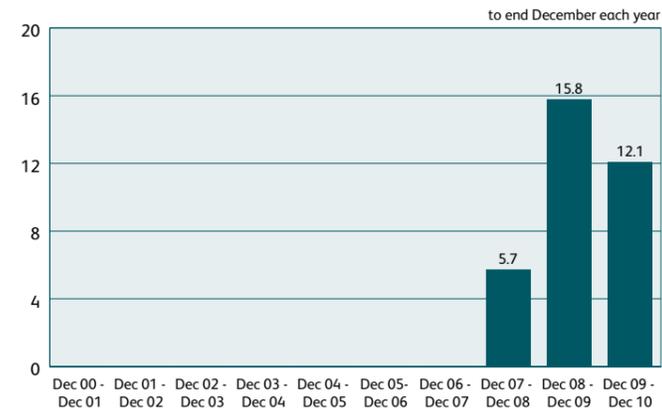


Past performance is not a guide to future performance. Source: Morningstar, Inc. and M&G, last 10 years, % return, bid to bid, net income reinvested, Sterling Share Class A.

The cumulative performance over the last 10 years is 249.6%.

M&G Global Convertibles Fund

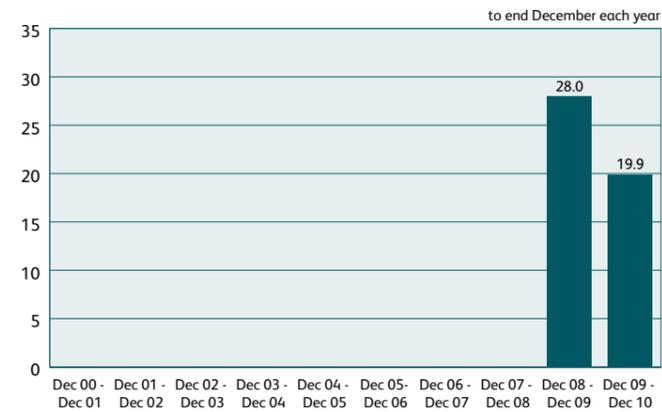
IF(7)



Past performance is not a guide to future performance. Source: Morningstar, Inc., years since launch, % return, bid to bid, net income reinvested, Sterling Share Class A.

The cumulative performance since launch is 41.4%.

M&G Global Dividend Fund

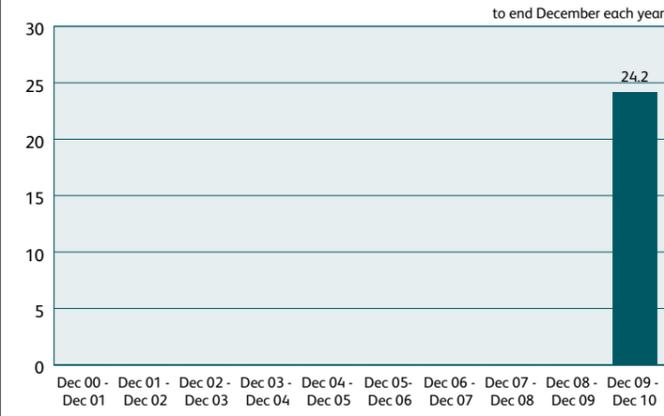


Past performance is not a guide to future performance. Source: Morningstar, Inc., years since launch, % return, bid to bid, net income reinvested, Sterling Share Class A.

The cumulative performance since launch is 46.6%.

M&G Global Emerging Markets Fund

IF(7)

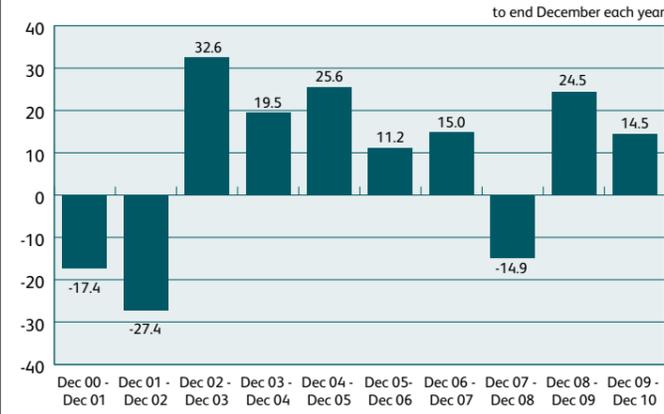


Past performance is not a guide to future performance. Source: Morningstar, Inc., years since launch, % return, bid to bid, net income reinvested, Sterling Share Class A.

The cumulative performance since launch is 124.7%.

M&G Global Growth Fund

IF(1)

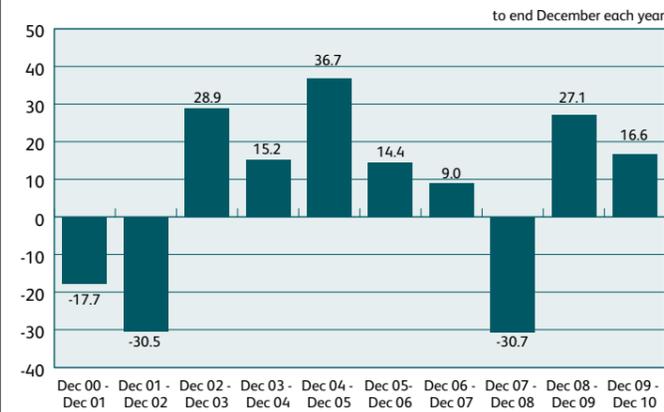


Past performance is not a guide to future performance. Source: Morningstar, Inc., last 10 years, % return, bid to bid, net income reinvested, Sterling Share Class A.

The cumulative performance over the last 10 years is 84.8%.

M&G Global Leaders Fund

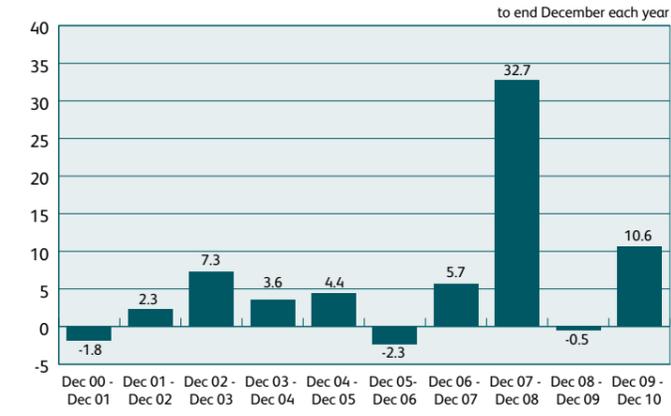
IF(1)



Past performance is not a guide to future performance. Source: Morningstar, Inc. and M&G, last 10 years, % return, bid to bid, net income reinvested, Sterling Share Class A.

The cumulative performance over the last 10 years is 48.8%.

M&G Global Macro Bond Fund

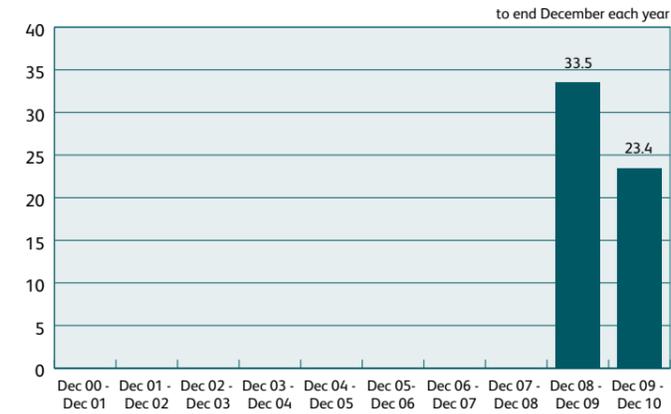


Past performance is not a guide to future performance. Source: Morningstar, Inc., last 10 years, % return, bid to bid, net income reinvested, Sterling Share Class X.

The cumulative performance over the last 10 years is 75.9%.

M&G Global Real Estate Securities Fund

IF(8)



Past performance is not a guide to future performance. Source: Morningstar, Inc., years since launch, % return, bid to bid, net income reinvested, Sterling Share Class A.

The cumulative performance since launch is 16.7%.

M&G High Interest Fund

IF(2)

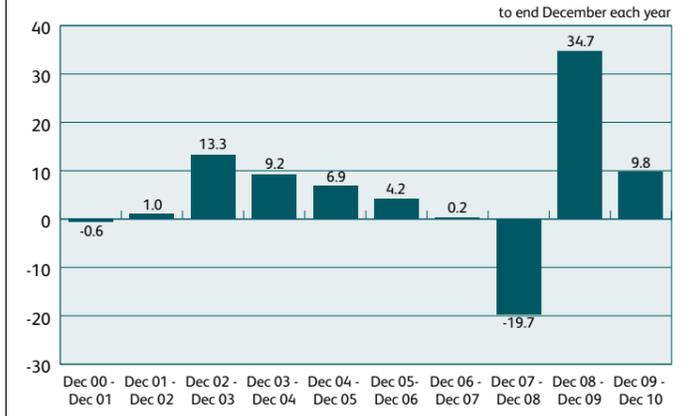


Past performance is not a guide to future performance. Source: Morningstar, Inc., last 10 years, % return, bid to bid, net income reinvested, Sterling Share Class A.

The cumulative performance over the last 10 years is 33.7%.

M&G High Yield Corporate Bond Fund

IF(2)

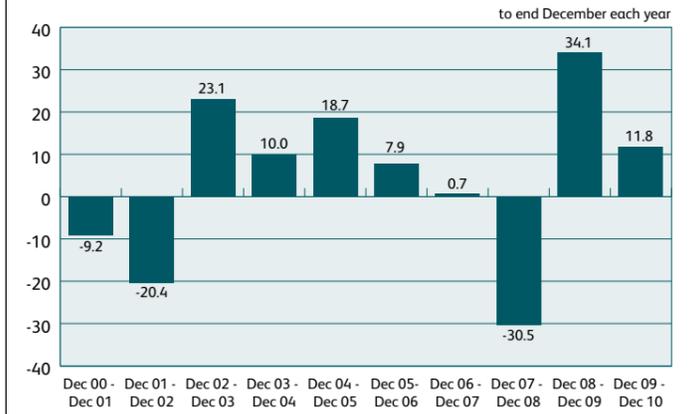


Past performance is not a guide to future performance. Source: Morningstar, Inc., last 10 years, % return, bid to bid, net income reinvested, Sterling Share Class X.

The cumulative performance over the last 10 years is 64.8%.

M&G Income Fund

IF(2)

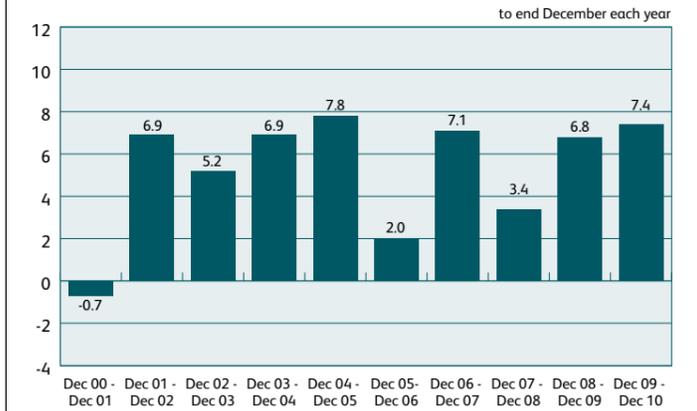


Past performance is not a guide to future performance. Source: Morningstar, Inc., last 10 years, % return, bid to bid, net income reinvested, Sterling Share Class A.

The cumulative performance over the last 10 years is 31.6%.

M&G Index-Linked Bond Fund

IF(2)

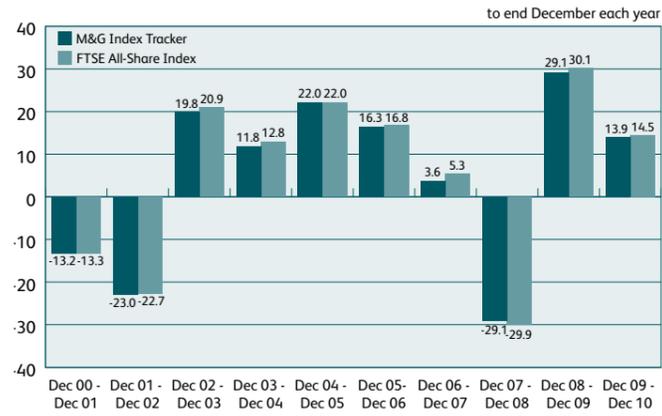


Past performance is not a guide to future performance. Source: Morningstar, Inc., last 10 years, % return, bid to bid, net income reinvested, Sterling Share Class A.

The cumulative performance over the last 10 years is 66.7%.

M&G Index Tracker Fund

IF(2)



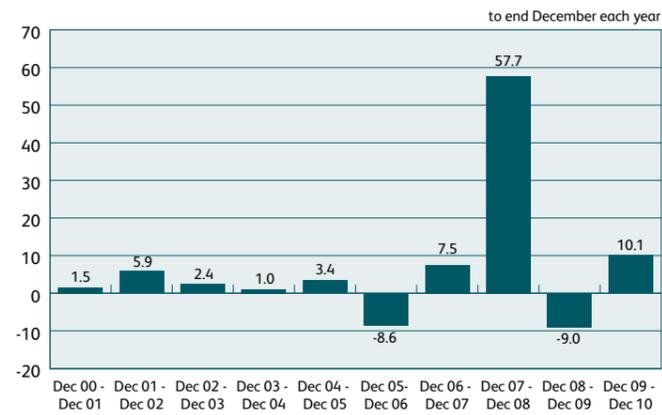
Past performance is not a guide to future performance. Source: Morningstar, Inc., last 10 years, % return, bid to bid, net income reinvested, Sterling Share Class A.

The cumulative performance over the last 10 years is 37.3%.

The cumulative performance for the FTSE All-Share Index is 43.2%.

M&G International Sovereign Bond Fund

IF(3)

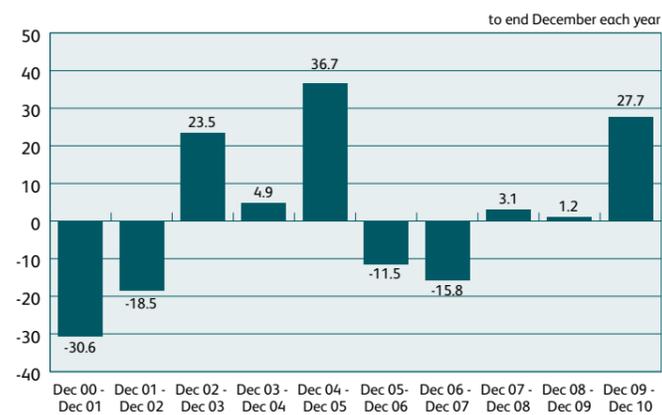


Past performance is not a guide to future performance. Source: Morningstar, Inc., last 10 years, % return, bid to bid, net income reinvested, Sterling Share Class A.

The cumulative performance over the last 10 years is 78.5%.

M&G Japan Fund

IF(1)



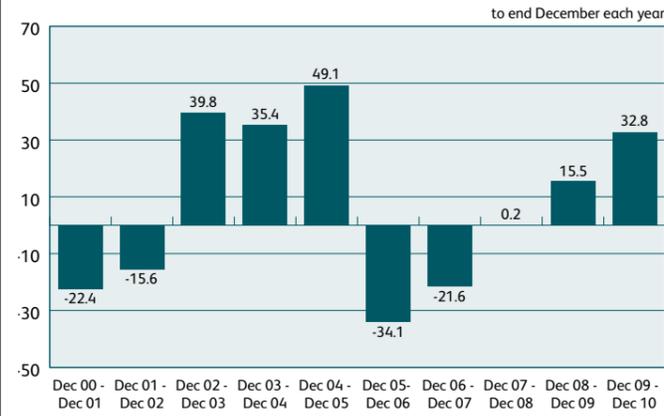
Investment manager is Prudential Asset Management (Singapore) Ltd.
Investment adviser is Prudential Asset Management (Hong Kong) Ltd.

Past performance is not a guide to future performance. Source: Morningstar, Inc., last 10 years, % return, bid to bid, net income reinvested, Sterling Share Class A.

The cumulative performance over the last 10 years is -0.6%.

M&G Japan Smaller Companies Fund

IF(1)



Investment manager is Prudential Asset Management (Singapore) Ltd.
Investment adviser is Prudential Asset Management (Hong Kong) Ltd.

Past performance is not a guide to future performance. Source: Morningstar, Inc., last 10 years, % return, bid to bid, net income reinvested, Sterling Share Class A.

The cumulative performance over the last 10 years is 46.8%.

M&G Managed Fund

IF(4)

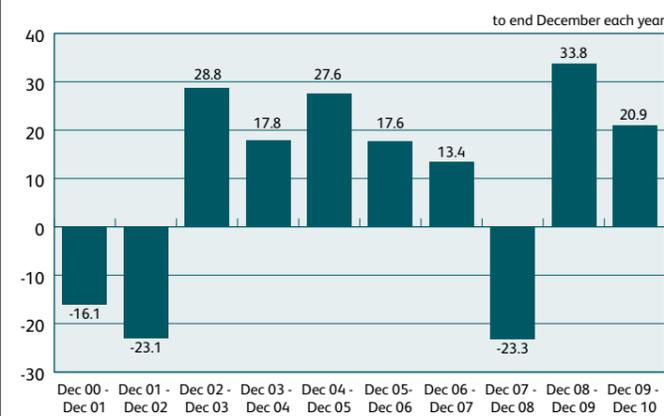


Past performance is not a guide to future performance. Source: Morningstar, Inc., last 10 years, % return, bid to bid, net income reinvested, Sterling Share Class X.

The cumulative performance over the last 10 years is 51.5%.

M&G Managed Growth Fund

IF(4)



Past performance is not a guide to future performance. Source: Morningstar, Inc., last 10 years, % return, bid to bid, net income reinvested, Sterling Share Class X.

The cumulative performance over the last 10 years is 106.6%.

M&G North American Value Fund

IF(1)

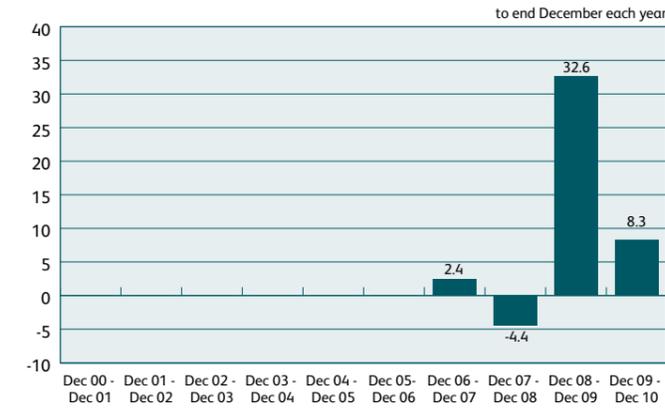


Investment manager is PPM American Inc.

Past performance is not a guide to future performance. Source: Morningstar, Inc., years since launch, % return, bid to bid, net income reinvested, Sterling Share Class A.

The cumulative performance since launch is 10.4%.

M&G Optimal Income Fund



Past performance is not a guide to future performance. Source: Morningstar, Inc., years since launch, % return, bid to bid, net income reinvested, Sterling Share Class A.

The cumulative performance since launch is 40.8%.

M&G Pan European Fund

IF(1)

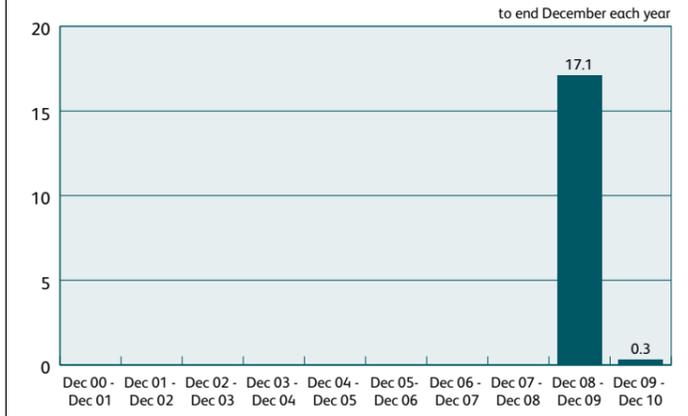


Past performance is not a guide to future performance. Source: Morningstar, Inc., last 10 years, % return, bid to bid, net income reinvested, Sterling Share Class A.

The cumulative performance over the last 10 years is 36.3%.

M&G Pan European Dividend Fund

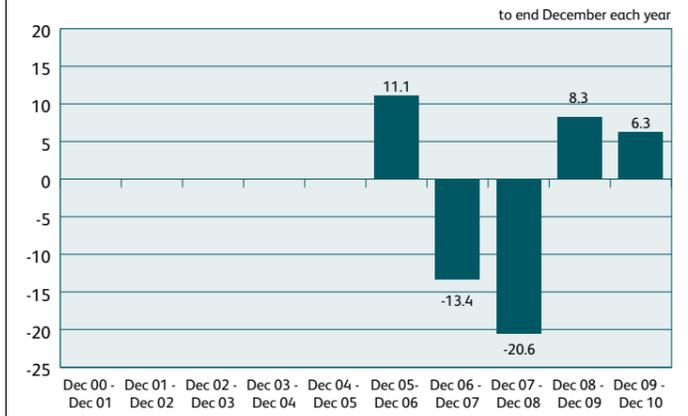
IF(7)



Past performance is not a guide to future performance. Source: Morningstar, Inc., years since launch, % return, bid to bid, net income reinvested, Sterling Share Class A.

The cumulative performance since launch is 36.3%.

M&G Property Portfolio

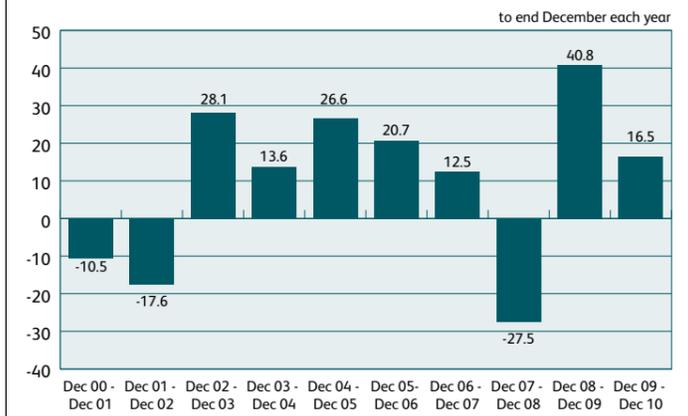


Past performance is not a guide to future performance. Source: Morningstar, Inc., years since launch, % return, bid to bid, net income reinvested, Sterling Share Class A.

The cumulative performance since launch is -10.6%.

M&G Recovery Fund

IF(3)

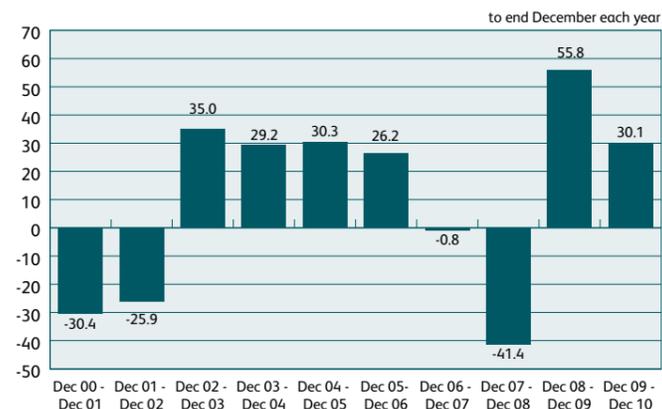


Past performance is not a guide to future performance. Source: Morningstar, Inc., last 10 years, % return, bid to bid, net income reinvested, Sterling Share Class A.

The cumulative performance over the last 10 years is 119.3%.

M&G Smaller Companies Fund

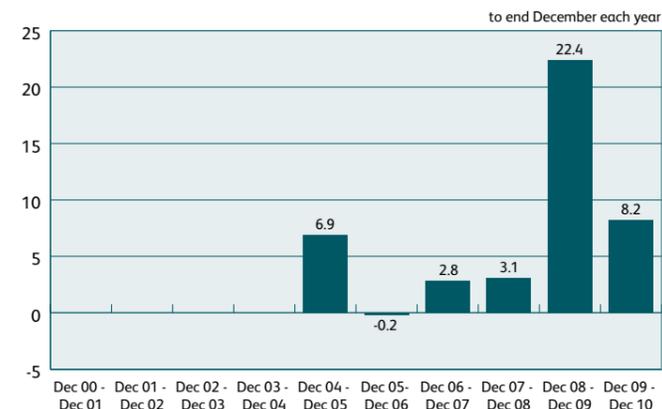
IF(3)



Past performance is not a guide to future performance. Source: Morningstar, Inc., last 10 years, % return, bid to bid, net income reinvested, Sterling Share Class A.

The cumulative performance over the last 10 years is 74.3%.

M&G Strategic Corporate Bond Fund

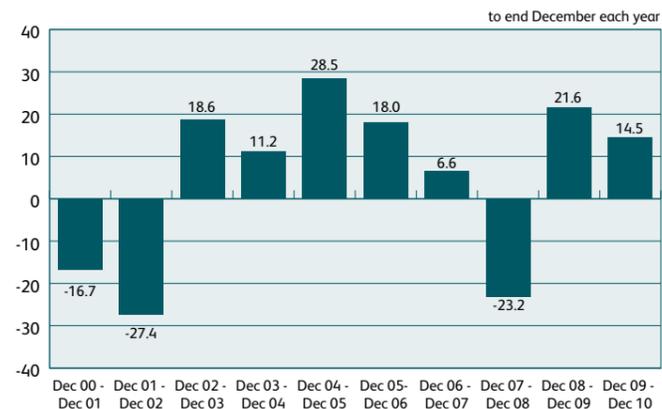


Past performance is not a guide to future performance. Source: Morningstar, Inc., years since launch, % return, bid to bid, net income reinvested, Sterling Share Class A.

The cumulative performance since launch is 58.9%.

M&G UK Growth Fund

IF(2)

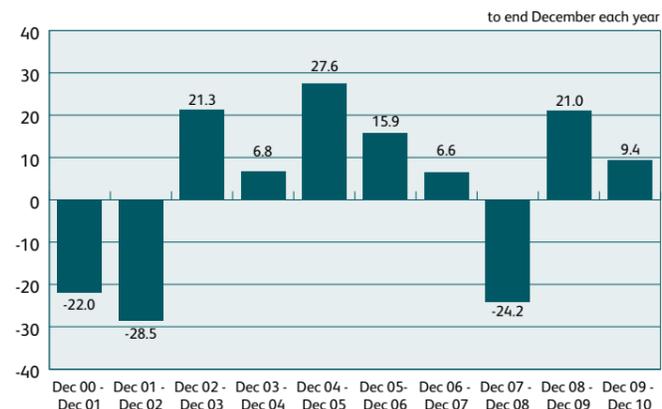


Past performance is not a guide to future performance. Source: Morningstar, Inc., last 10 years, % return, bid to bid, net income reinvested, Sterling Share Class A.

The cumulative performance over the last 10 years is 38.0%.

M&G UK Select Fund

IF(3)



Past performance is not a guide to future performance. Source: Morningstar, Inc., last 10 years, % return, bid to bid, net income reinvested, Sterling Share Class A.

The cumulative performance over the last 10 years is 14.4%.

Terms and Conditions

Part One: General Terms

It is important that you retain these Terms, as your rights as an investor are governed by them. The Terms described in this Part One apply to any investment you have with us whether directly held, held through The M&G Savings Plan or through The M&G ISA. Additional terms apply to direct investments, investments in The M&G Savings Plan and The M&G ISA and these are set out in Parts Two, Three and Four respectively.

These Terms apply in addition to the Prospectus, Key Features and Simplified Prospectus (as applicable). These Terms, together with the Key Features and Application, form our client agreement with you.

If you would like more information, or have any questions, please contact our Customer Relations team on 0800 390 390.

These Terms are valid from 14 March 2011 and remain valid until otherwise stated. If you are unsure whether you hold the most up-to-date version, please contact us.

1. Definitions

1.1 In these Terms, the following definitions apply:

We, Us and Our: M&G Securities Limited, except in relation to The M&G ISA where it will refer to M&G Financial Services Limited.

You, Your and Subscriber: An individual who has applied to subscribe for an Investment, to be held directly or through The M&G ISA or, for the purposes of Part Three, the person (or persons) in whose name the M&G Savings Plan is opened.

Administration Office: An address we specify for all instructions to be sent.

Application: Your application to subscribe for an Investment whether in writing, by telephone or by internet, as appropriate, completed by you.

Business Day: Any day when the London Stock Exchange is open for business.

Client Account: A bank account held by us with NWB (or such other bank as we may appoint) in accordance with the FSA Rules.

Current Year Account: Subscriptions and Investments representing Subscriptions made in the current Year.

Ex Mini M&G Stocks and Shares ISA: The M&G ISA, previously designated as a Mini ISA.

Ex PEP M&G Stocks and Shares ISA: The M&G ISA, previously designated as a Personal Equity Plan (PEP).

FSA: The Financial Services Authority, 25 The North Colonnade, Canary Wharf, London E14 5HS.

FSA Rules: The Financial Services Authority's Handbook of Rules and Guidance as amended from time to time.

Income: All payments received from an M&G Fund as income including any tax payments.

Intermediary: An authorised person under the Financial Services and Markets Act 2000 who is authorised to give advice on Investments.

Investment(s): Units held within your M&G ISA or Shares held in M&G Fund(s), whether directly or within your M&G ISA or M&G Savings Plan.

Investment Trust: An M&G investment trust we specify as available for investment or held under these Terms within your M&G ISA.

ISA: An individual savings account managed in accordance with the ISA Regulations.

ISA Fund: A sub-fund or fund of an investment company with variable capital or an authorised unit trust that we specify as available for investment within your M&G ISA.

ISA Regulations: The Individual Savings Account Regulations 1998 and any other applicable regulations made from time to time by HM Treasury.

Key Features: The Key Features and Terms and Conditions for M&G's individual savings account, The M&G Savings Plan, OEICs and Unit Trusts, incorporating the Simplified Prospectus for M&G Investment Funds (1), (2), (3), (4), (7), (8), (10), (11), M&G Global Dividend Fund, M&G Global Macro Bond Fund, M&G Optimal Income Fund and M&G Strategic Corporate Bond Fund and Key Features for M&G Investment Trusts and the M&G Property Portfolio, as amended from time to time.

M&G Funds: The M&G Investment Funds (1), (2), (3), (4), (7), (8), (10), (11), M&G Global Dividend Fund, M&G Global Macro Bond Fund, M&G Optimal Income Fund, M&G Strategic Corporate Bond Fund, and M&G Property Portfolio and such other funds as M&G may specify from time to time.

M&G ISA: An individual savings account managed under these Terms, being a Stocks and Shares ISA within the meaning of the ISA Regulations.

M&G OEIC: M&G Investment Funds (1), (2), (3), (4), (7), (8), (10), (11), M&G Global Dividend Fund, M&G Global Macro Bond Fund, M&G Optimal Income Fund and M&G Strategic Corporate Bond Fund and such other authorised Open-Ended Investment Companies (OEIC) as M&G may specify from time to time.

M&G Savings Plan: A savings scheme operated under the rules set out in this Part.

M&G Stocks and Shares ISA: The current M&G ISA product, open to Subscriptions and ISA transfers.

Nominated Bank Account: A UK bank or building society account of which you are a named holder and which you specify and we accept as the account to receive Income payments due to you.

Nominated Share Class: The share class that we specify to be the default for Subscriptions when no election for Shares has been made on an Application.

Nominee: M&G Nominees Limited or Nortrust Nominees Limited.

NWB: National Westminster Bank PLC, having its Head Office at 135 Bishopsgate, London EC2M 3UR, an authorised institution under the Banking Act 1987.

Registered Address: The address at which we are registered with the Registrar of Companies, being Laurence Pountney Hill, London EC4R 0HH.

Savings Fund: A sub-fund or fund of an M&G OEIC which we may specify as available for investment within your M&G Savings Plan.

Savings Payment: An amount you subscribe to your M&G Savings Plan.

Savings Share: One accumulation share (or fraction thereof) of the M&G Fund you select for The M&G Savings Plan.

Shares: Such class(es) of share(s) or unit(s) in a M&G Fund or Funds that we may specify as available for investment, including any fractions or decimals thereof.

Simplified Prospectus: The Simplified Prospectus for M&G Investment Funds (1), (2), (3), (4), (7), (8), (10), (11), M&G Global Dividend Fund, M&G Global Macro Bond Fund, M&G Optimal Income Fund and M&G Strategic Corporate Bond Fund, as incorporated in the Key Features.

Subscription: A payment in sterling to be applied to your M&G ISA from your own resources.

Terms: These Terms and Conditions, as from time to time amended, (consisting always of Part One and as supplemented by Part Two, Part Three and/or Part Four, as applicable to your subscription) together with your Application which will take precedence if the two differ.

Units: Such class(es) of Investment Trust shares or units, or any fractions or decimals thereof, as we specify.

Year: A year beginning on 6 April and ending on the following 5 April.

1.2 Reference to any statutory provision or regulation includes any modification or re-enactment. Reference to any regulatory body includes any successor to that body. Any headings and subheadings are not a legally binding part of these Terms.

2. M&G Securities Limited and M&G Financial Services Limited

2.1 M&G Securities Limited, a company incorporated in England and Wales with registered office at Laurence Pountney Hill, London EC4R 0HH, acts as the authorised corporate director of M&G Investment Funds (1), (2), (3), (4), (7), (8), (10), (11), M&G Global Dividend Fund, M&G Global Macro Bond Fund, M&G Optimal Income Fund and M&G Strategic Corporate Bond Fund and the Manager of M&G Property Portfolio. The main business of M&G Securities Limited is acting as the manager of collective investment schemes. M&G Securities Limited is authorised and regulated by the FSA with firm reference number 122057.

2.2 M&G Financial Services Limited, a company incorporated in England and Wales with registered office at Laurence Pountney Hill, London EC4R 0HH, acts as the plan manager of The M&G ISA. The main business of M&G Financial Services Limited is to act as an ISA Manager and to provide ISAs and other investments. M&G Financial Services Limited is authorised and regulated by the FSA with firm reference number 122058.

3. Other relevant entities

- 3.1 The Investment Manager for the M&G Funds is M&G Investment Management Limited, Laurence Pountney Hill, London EC4R 0HH (unless otherwise stated).
- 3.2 The Auditor for the M&G Funds is PricewaterhouseCoopers LLP, Hays Galleria, Hays Lane, London SE1 2RD.
- 3.3 The Depository for M&G Investment Funds (1), (2), (3), (4), (7), (8), (10), (11), M&G Global Dividend Fund, M&G Global Macro Bond Fund, M&G Optimal Income Fund and M&G Strategic Corporate Bond Fund and the Trustee of M&G Property Portfolio is The Royal Bank of Scotland plc, Trustee and Depository Services, The Broadstone, 50 South Gyle Crescent, Edinburgh EH12 9UZ.
- 3.4 The Registrar for the M&G Funds is International Financial Data Services (UK) Limited (IFDS), IFDS House, St Nicholas Lane, Basildon, Essex SS15 5FS.
- 3.5 The Property Manager of M&G Property Portfolio is Prudential Property Investment Managers Limited, Princeton House, 271/273 High Holborn, London WR1V 7NE.
- 3.6 The Standing Independent Valuer of M&G Property Portfolio is Knight Frank LLP, 55 Baker Street, London W1U 8AN.
- 3.7 The Custodians of M&G Investment Trusts are the Northern Trust Company, 50 Bank Street, London E14 5NT
- 3.8 Our Nominees are M&G Nominees Limited, whose address is Laurence Pountney Hill, London EC4R 0HH and Nortrust Nominees Limited whose address is 50 Bank Street, London E14 5NT.

4. Classification

You are classified as a “retail client” as defined in the FSA Rules unless we notify you in writing to the contrary.

5. Commencement of these Terms

- 5.1 These Terms will come into force, subject to your right to cancel, once your valid application and subscription have been accepted by us.
- 5.2 If you have an Ex PEP M&G Stocks and Shares ISA, these Terms will apply even if your Ex PEP M&G Stocks and Shares ISA was opened, or derives from, an M&G PEP which was opened on, or before, 31 May 1989. We treat such an investment as a single investment with effect from 1 June 1989.

6. Intermediaries

- 6.1 If you deal with us through an Intermediary you permit us to give that Intermediary information about your Investments, unless you instruct us that the Intermediary no longer advises you about (any of) them.
- 6.2 If you invest through an Intermediary, we may pay initial and renewal commission to the Intermediary at our discretion. These commissions are paid by us out of our charges and do not constitute additional charges to your Investment.

7. Fees, charges and expenses

- 7.1 All fees, charges and expenses applicable to Investments are set out in the relevant part of the Key Features.
- 7.2 If you invest through The M&G ISA additional charges may apply and you should refer to Part Four for further details.
- 7.3 Please note that other costs including taxes, may arise in relation to your Investment that are not paid by, or imposed by, us.

8. Risk warnings

Your attention is drawn to the risk warnings in the section headed “Risks” in the Key Features.

9. Suitability and Appropriateness

We do not provide advisory or discretionary management services under these Terms. Please note that we will not assess the suitability or appropriateness of transactions for you or services provided to you and you will not benefit from the protection of the FSA Rules on assessing suitability and appropriateness. You should consult an Intermediary if you require investment advice.

10. Cancellation

- 10.1 You will have the right to cancel your investment if: (a) you have invested on a non-face to face basis; and (b) you have invested on the personal recommendation of an Intermediary.
- 10.2 If cancellation rights apply to you we will send you a cancellation reminder after your application has been accepted.
- 10.3 If cancellation rights apply to you and you wish to cancel, you should return the completed form to **Customer Relations** at PO Box 9039, Chelmsford CM99 2XG. You should post the form within 14 days from the day you received your reminder, or within 14 days from the day you received your Key Features (if you did not receive them before taking out the investment) or these Terms, whichever is the later.

- 10.4 If you invest a lump sum you may not get a full refund of the money you paid if the purchase price falls before we know that you have exercised your cancellation rights. This is because we deduct an amount equal to any fall in the purchase price from the refund you would otherwise receive.
- 10.5 If you cancel a M&G ISA you remain eligible to invest in another stocks and shares ISA in the same tax year, subject to the cancellation being completed within sufficient time.

11. Client money

- 11.1 Cash may be held for you in a Client Account in certain circumstances. Interest is not paid on any such balance.
- 11.2 The Client Account will be held in the UK with an authorised bank (currently NWB) in accordance with the FSA’s client money rules. The bank will hold the cash on our behalf in a trust account separate from any account used to hold money belonging to us in our own right. We will not, however, be responsible for any acts or omissions of the bank.
- 11.3 If the bank becomes insolvent, we will have a claim on behalf of our clients against the bank. If, however, the bank cannot repay all of its creditors, any shortfall may have to be shared pro rata between them.
- 11.4 M&G reserves the right to retain any balance where cash has been held in a Client Account for a period of not less than 6 years and we are unable to trace the client to whom the cash belongs. M&G undertakes to pay all amounts due in instances where contact is re-established with the client.

12. Anti-money laundering

As a result of legislation in force in the United Kingdom to prevent money laundering, firms conducting investment business are responsible for compliance with money laundering regulations. We may verify your identity electronically when you undertake certain procedures. In some circumstances you may be asked to provide proof of identity. Normally this will not result in any delay in carrying out instructions but, should we request additional information, this may mean that instructions will not be carried out until the information is received.

13. Overseas investors

- 13.1 This information applies to investors who are resident outside the United Kingdom for tax purposes. As a result of legislation implementing the European Savings Directive, we are required to obtain your tax identification number, if you have one, or your place and date of birth. From 1 July 2005, if you hold a Fund which invests more than a specified percentage in interest bearing assets, we will be obliged to report personal details as well as details of your Investment to HM Revenue & Customs at the end of each tax year. This information will then be passed to the tax authorities in the appropriate European Union state(s). We request that all non-UK resident investors provide these details, irrespective of the type of Fund you initially purchase, to avoid any delay, at a later date, if you switch into a Fund which would be subject to these requirements.
- 13.2 The shares in the M&G Funds have not been and will not be registered with the US Securities and Exchange Commission under the United States Securities Act of 1933, as amended, or registered or qualified under the securities laws of any state of the United States and may not be offered, sold, transferred or delivered, directly or indirectly, to any investors within the United States. The fund(s) will not be registered under the United States Investment Company Act of 1940, as amended.

14. Indemnity

You fully indemnify us and our Nominees in respect of all liabilities (including taxes and expenses) incurred in managing your investment except those liabilities arising from our fraud, negligence or breach of the FSA Rules, or that of our Nominees.

15. Statements and Records

- 15.1 If you are a retail client you will be sent a statement of account every six months (currently as at 5 April and 5 October). This statement includes details of your transactions during the relevant period.
- 15.2 We shall send statements within 25 Business Days of the dates at which we compile them.
- 15.3 You may inspect copies of contract notes, vouchers and entries on our books or electronic media relating to transactions on your Investments. We keep these records for six years.

16. Notices

- 16.1 Any notice we serve on you will be treated as correctly given if we post it or leave it at the address we have for you in our records. This applies even if a subscriber has by then become bankrupt or died, and whether or not we have been notified of this. Notices given generally to all Subscribers will still be valid if any Subscriber fails to receive a notice for any reason.
- 16.2 Notices posted to you will be treated as being served on the second Business Day after we post them provided the envelope has been properly addressed and stamped. Notices you give us will take effect when we have received them.

17. Contact Details

- 17.1 You can contact our **Customer Relations** team by telephoning **0800 390 390** (lines are open 8.00am to 6.00pm Monday to Friday and 9.00am to 1.00pm on Saturday) or by writing to:
Customer Relations
PO Box 9039
Chelmsford
CM99 2XG
Email: info@mandg.co.uk
Website: www.mandg.co.uk/info
Minicom telephone: **0800 917 2295** (for the deaf and hard of hearing)
- 17.2 For your security and to improve the quality of our service, we may record and monitor telephone calls.
- 17.3 The information contained within an email cannot be guaranteed as secure. We advise that you do not include any sensitive information when corresponding with M&G in this way.

18. Joint Subscribers

- 18.1 We will be treated as having served notice – or sent documents – if we send to only one of the joint subscribers (see Term 16 of this Part One above).
- 18.2 We will have discharged our obligations if any money, documents of title, or other property due to joint subscribers is received by any one of them.
- 18.3 If one joint subscriber dies, the surviving subscriber or subscribers will be the only person or persons we recognise as having title to the rights under these Terms.
- 18.4 All joint subscribers should sign any written request or instruction which you send us under these rules, though we have an absolute discretion to act on a request or instruction signed by one or only some of the joint subscribers and will not incur any liability if we do so.
- 18.5 It is not possible to hold an M&G ISA jointly.

19. Complaints

- 19.1 If you wish to complain about any aspect of the service you have received, or to request a copy of M&G’s Complaint Handling Procedures, please write to: **Customer Relations**, PO Box 9039, Chelmsford CM99 2XG, or telephone **0800 390 390**.
- 19.2 If your complaint is not dealt with to your satisfaction, you can write to: The Financial Ombudsman Service (FOS), South Quay Plaza, 183 Marsh Wall, London E14 9SR.

20. Financial Services Compensation Scheme

We are covered by the Financial Services Compensation Scheme. You may be entitled to compensation from the scheme if we cannot meet our obligations. This depends on the type of business and the circumstances of the claim. Most types of investment business are covered for 100% of the first £50,000. Further information about compensation arrangements is available from: The Financial Services Compensation Scheme, 7th Floor, Lloyd’s Chambers, 1 Portsoken Street, London E1 8BN.

21. Language

We shall communicate with you in English. All documents will be provided to you in English and it is expected that you will communicate with us in English.

22. Conflicts of Interest

We recognise that we have an obligation to you to identify and manage the conflicts of interest that may arise within our business. It is a matter of trust and we consider it important for you to know that we will use all reasonable endeavours to ensure we identify these conflicts, look to resolve them and to treat you fairly. Further details of our Conflicts of Interest policy are available on request.

23. Variation of Terms

- 23.1 If we give at least one month’s written notice, we may vary these Terms provided that the changes are not back dated and do not:
 - 23.1.1 materially affect your interests or the interests of other subscribers;
 - 23.1.2 release us from any of our obligations to you;
 - 23.1.3 impose on you any obligations to make a payment; or
 - 23.1.4 alter the fundamental basis of your investment.
- 23.2 We reserve the right to vary these Terms without notice if required by a change in the FSA Rules or applicable law but provided we notify you in writing as soon as practicable thereafter of any material changes.

24. Tax

- 24.1 If you invest directly or through The M&G Savings Plan, please refer to the tax section of the Simplified Prospectus, and if you invest through The M&G ISA, please refer to Section 10 of Part Four.
- 24.2 If you invest through The M&G Savings Plan, we send you a subsidiary tax voucher after the end of each tax year.

25. Death

- 25.1 If we are informed of your death, we shall continue to hold all Investments under these Terms until your death is registered, your personal representatives instruct us in respect of all Investments and we complete all transactions and meet all liabilities.
- 25.2 We are entitled to calculate any withdrawal fees as at the date of death.
- 25.3 For joint holders: If one holder dies, the surviving holder or holders will be the only person or persons we recognise as having title to the rights under these Terms.

26. Termination

- 26.1 There is no minimum duration for your agreement with us.
- 26.2 You have the right to terminate your agreement with us at any time by selling your Investment(s). Any notice to terminate should be sent in writing to us at **Customer Relations** PO Box 9039, Chelmsford CM99 2XG.

27. Data Protection

All personal information provided by you and any other information relating to your Investment will be treated in confidence by us and will not be disclosed to any third parties outside the M&G Group, except to our service providers, appropriate authorities and other Prudential Group Companies, or where permitted by law or where your prior consent has been received.

28. Force Majeure

Whilst we will endeavour to comply with our obligations in a timely manner, provided we have complied with the relevant FSA Rules on business continuity in all relevant respects, we will incur no liability whatsoever for any partial or non-performance of our obligations by reason of any cause beyond our reasonable control including but not limited to any communications, systems or computer failure, market default, suspension, failure or closure, or the imposition or change (including a change of interpretation) of any law or governmental or regulatory requirement and we shall not be held liable for any loss you may incur as a result thereof.

29. Law and Jurisdiction

These terms are governed by English Law and are subject to the non-exclusive jurisdiction of the English courts.

Part Two: Direct Investment Terms

The terms set out in this Part Two apply in addition to the terms set out in Part One but only in relation to an investment you make directly into the M&G Funds.

1. Applying to invest in the M&G Funds

Please see the section headed “How can I apply for an M&G Investment?” of the Key Features for details of the methods available to you for applying to invest in the M&G Funds and for making additional contributions.

2. Confirmations and Fund Reports

- 2.1 Once your application has been processed, we will issue you with a formal acknowledgement. If you have purchased via an Intermediary, we will send both copies of your acknowledgement to your Intermediary, who will then pass a copy on to you. We do not issue certificates of title.
- 2.2 We send you a copy of the annual and half-yearly short report for your chosen M&G Fund on publication. Long form reports are available from M&G on request.

3. Income

If you reinvest Income in additional Shares we buy them at the valuation point fourteen days prior to the distribution pay date. Please see the relevant part of the Key Features for details of your options for investing in Income or Accumulation Shares/Units.

4. Switching between funds

Please see the section headed “Can I change the fund in which I have invested?” of the Key Features for details of how you may switch between M&G Funds.

5. Withdrawals

You can withdraw part or all of your investment at any time (subject to minimum limits). For more details see the section headed “How can I sell my investment?” in the Key Features.

Part Three: M&G Savings Plan Terms

The terms set out in this Part Three apply in addition to the terms set out in Part One but only in relation to an investment you make through The M&G Savings Plan.

1. Applying to invest through The M&G Savings Plan

- 1.1 Please see the section headed "How can I apply for an M&G Investment?" of the Key Features for more details of the methods available to you for applying to invest in The M&G Savings Plan and for making additional contributions.
- 1.2 To apply for The M&G Savings Plan, please complete and return The M&G Savings Plan application form to **Customer Relations**, PO Box 9039, Chelmsford CM99 2XG.
- 1.3 On the application form, you should specify:
 - 1.3.1 the day on which you will make Savings Payments (the "Payment Day");
 - 1.3.2 the frequency with which you will make Savings Payments (the "Payment Frequency");
 - 1.3.3 the month on which Savings Payments will commence (the "Start Month");
 - 1.3.4 the M&G Funds into which you wish to invest;
 - 1.3.5 the amount(s) you wish to invest through regular Savings Payments. (At present, we do not accept a minimum payment for this purpose of less than £10 per Savings Fund. We may specify an alternative minimum payment from time to time.)
- 1.4 On the application form, you may also specify a lump sum amount to be invested in the Savings Funds. At present, we do not accept a minimum payment for this purpose of less than £500 per Savings Fund (excluding M&G Global Convertibles Fund where the minimum payment for this purpose is £1,000). We may specify an alternative minimum payment from time to time.
- 1.5 If you do not specify details of the Payment Day, the Payment Frequency or the Start Month, Payments will be taken in accordance with the default options. Details of the default options are set out in the Application Form.

2. Additional contributions

You can make additional lump sum investments or specify additional regular savings amounts to your M&G Savings Plan at any time by completing an additional contribution form. Cheques should be made payable to 'M&G Securities Limited'.

3. Your M&G Savings Plan

- 3.1 We shall credit your M&G Savings Plan with your Savings Payments and debit it with the cost of Savings Shares we buy for you. We keep a record of the number of Savings Shares held in your M&G Savings Plan.
- 3.2 Whenever we credit a Savings Payment to your M&G Savings Plan, we will use it to buy Savings Shares on your behalf.
- 3.3 The price of the Savings Shares will be the price of an M&G OEIC or of a sub-fund of the relevant M&G OEIC calculated as at the next regular valuation point after we either receive your payment to purchase shares.

4. Income

An income option is not currently available under The M&G Savings Plan. However, if you have £500 or more invested in any one or more Savings Funds you can convert your M&G Savings Plan Accumulation Shares to Income Shares (where available) in an M&G OEIC by instructing us in writing (excluding M&G Global Convertibles Fund where the minimum investment payment for this purpose is £1,000). Please note that monthly subscriptions by Direct Debit are not currently permitted into OEIC holdings, and that your Savings Payments will continue until you instruct us to terminate your M&G Savings Plan as detailed above.

5. Switching between funds

Please see the section headed "Can I change the fund in which I have invested?" of the Key Features for details of how you may switch between Savings Funds.

6. Withdrawals

- 6.1 You may make withdrawals from your M&G Savings Plan only in writing marked 'Dealing' to M&G Customer Relations at the address in section 1.2 of this Part Three.
- 6.2 You may at any time instruct us in writing to sell all or any specified number of Savings Shares in your M&G Savings Plan.

7. Terminating your M&G Savings Plan

- 7.1 You may end your M&G Savings Plan at any time by giving notice in writing.
- 7.2 We may end your participation in The M&G Savings Plan, or all subscribers' participation in all M&G Savings Plans, at any time by giving you at least three months' notice in writing. This notice will specify the date The M&G Savings Plan will end.

- 7.3 If a M&G Savings Plan ends, Savings Shares held in your M&G Savings Plan will be re-registered in your own name, unless this would result in a holding below the minimum for your Savings Fund.
- 7.4 If a M&G Savings Plan ends and you do not hold enough Savings Shares for them to be re-registered, we buy them back from you. This will be at the price calculated as at the first regular valuation point on the day The M&G Savings Plan ends. We pay you the proceeds within four business days. The price will be the price in a sub-fund of the relevant M&G OEIC calculated as at the next regular valuation point after we either receive your written instructions to sell shares.
- 7.5 If notification to end your M&G Savings Plan is received from you whilst we are in the process of claiming a subscription from your bank, Savings Shares will be bought with the proceeds of that subscription. These Savings Shares will then be sold and the proceeds of the sale refunded to you.

8. Charges

We make no additional charges to administer your M&G Savings Plan. Please see Part One (General Terms) for details of our general charges.

9. Managing your M&G Savings Plan

- 9.1 We register all Savings Shares we buy on your behalf in the name of 'M&G Nominees Limited' and hold them in trust for you.
- 9.2 We may deal as principal in Savings Shares for your M&G Savings Plan and keep any resulting profit. We will only deal as principal when acting as the operator of the Savings Funds for the purpose of or in connection with the operation of the fund.
- 9.3 We shall not be required to take notice of any third party interests in the Savings Shares of your M&G Savings Plan, even if the interest arises from a trust or The M&G Savings Plan is designated. When there is, or may be a conflict of interest between us and M&G Savings Plan holders or between one M&G Savings Plan holder and another M&G Savings Plan holder we will pay due regard to the interests of each M&G Savings Plan holder and manage any such conflict of interest fairly.

10. Payments to you

- 10.1 To pay money to you, we will post a cheque using the address we have in our records for you. For joint subscribers we may make the cheque payable, and post it, to any one of you, at the address we hold for that subscriber – see above on "Joint Subscribers". We do not make payment to anyone except you.
- 10.2 Every cheque will be made payable to the person to whom it is sent. Payment of such a cheque, if purporting to be in due form, shall be a full discharge of the money payable.

11. Fund Reports

We send you a copy of the annual and half-yearly short report for your chosen M&G Fund on publication. Long form reports are available from M&G on request.

Part Four: ISA Terms

The terms set out in this Part Four apply in addition to the terms set out in Part One but only in relation to an investment you make through The M&G ISA.

1. General

- 1.1 **Our role as ISA Manager:** We may delegate any of our functions, discretions and duties under these Terms to another company for the purposes of administering your M&G ISA and may provide them with information about you and your M&G ISA. We will, however, remain liable to you for the performance of any such delegated matters. We shall satisfy ourselves that any person to whom we delegate any of our functions or responsibilities under these Terms is competent to carry out those functions and responsibilities. We make all the necessary claims for tax relief relating to your ISA and the Investments held in it. We hold your personal data for the purpose of managing your M&G ISA in accordance with the requirements of data protection legislation and may pass on to our service providers the information they need to manage your M&G ISA. We are entitled to act as principal in transactions within your M&G ISA.
 - 1.2 **Special circumstances:** We have discretion to apply funds to an M&G ISA on a day other than a Business Day. If you are due a payment from us relating to an M&G ISA Subscription paid by debit card we reserve the right to pay direct to that card and to delay any payment until the expiry of any period during which a Subscription could be reclaimed.
 - 1.3 **CAT Standard:** Any Investment which was designated by us as CAT Standard will continue to adhere to the original CAT Standards.
2. **Ownership**
 - 2.1 **Title and borrowing:** All documents evidencing title to Investments are held by us or as we direct. We may not lend any part of your M&G ISA to a third party and we may not borrow against its security.

- 2.2 **Beneficial ownership:** You are and remain the beneficial owner of the Investments but must not use them as security for a loan. You may only dispose of or transfer an interest in any Investment through us and may not create (or have outstanding) any charge or security on or over any Investment.

3. Segregation and Aggregation

- 3.1 **Segregation:** We do not segregate Investments by Subscription Year, but may segregate Investments in your Current Year Account from Investments representing previous years' Subscriptions if we need to do so under Term 8.1 of this Part Four.
- 3.2 **Aggregation:** Orders conducted on your behalf under these Terms may be aggregated with those of other clients. The FSA's rules require us to advise you, if we wish to aggregate orders, that aggregation may work to your disadvantage in relation to a particular order.

4. Opening Your M&G ISA

- 4.1 **Application:** Your Application covers the current Year and each subsequent Year until we receive no Subscriptions for one full Year. A Direct Debit Instruction authorises us to collect and invest regular Subscriptions for you unless and until you notify us to the contrary, either at the time you apply, or otherwise. If we accept your application to open an M&G ISA by telephone or internet we will send you a written copy of the declaration which you make under ISA Regulations. If this copy is incorrect and/or false you must notify us of any correction within 30 days from the date we send the copy. Unless the changes make your M&G ISA void, we then send a revised declaration which takes effect from the date of the original declaration.
- 4.2 Your Subscriptions will be allocated to the M&G Stocks and Shares ISA. With effect from 6 April 2008, no further Subscriptions may be made to the Ex Mini M&G Stocks and Shares ISA or the Ex PEP M&G Stocks and Shares ISA.
- 4.3 **ISA Transfer:** If you opt to cancel an ISA transfer, we will endeavour to transfer your ISA back to your previous ISA manager. If we are unable to transfer your ISA back to your previous ISA manager, we will sell the Investments and send the cash proceeds to you, although you should note that once encashed such proceeds will lose the ISA tax advantages. You may not get a full refund of the money you paid if the price of the Investment falls before we know that you have exercised your cancellation rights.
- 4.4 **Timing:** Your M&G ISA cannot open until we accept your Application and receive your first Subscription. If we receive both Subscription and Application before 12 noon on any Business Day we can open your M&G ISA on that day, otherwise your M&G ISA normally cannot open before the following Business Day. At our discretion we may open your M&G ISA on a day other than a Business Day.

5. Information we require

- 5.1 **Instructions:** You must instruct us in writing unless we agree otherwise. We acknowledge all instructions.
- 5.2 **Information:** You must give us all information which we reasonably request to manage your M&G ISA and tell us promptly if you change your permanent residential address or wish to change your Nominated Bank Account.
- 5.3 **Tax status:** You may not subscribe to an ISA while not resident and ordinarily resident in the UK for tax purposes unless you qualify as a Crown employee (a person holding public office or employment under the Crown and paid out of the public revenue of the UK or of Northern Ireland) or you are married to or in a civil partnership with a Crown employee serving overseas. You must inform us immediately if you stop being UK resident and ordinarily resident for tax purposes, or if as a non-resident you stop being a Crown employee or cease to be married to or in a civil partnership with a person who performs these duties, as the case may be.
- 5.4 **Investors resident outside the UK for tax purposes:** This information applies to investors who are resident outside the United Kingdom for tax purposes. As a result of legislation implementing the European Savings Directive, we are required to obtain your tax identification number, if you have one, or your place and date of birth. If you hold an ISA Fund which invests more than a specified percentage in interest bearing assets, we will be obliged to report personal details as well as details of your Investment to HM Revenue & Customs at the end of each tax year. This information will then be passed to the tax authorities in the appropriate European Union state(s). We request that all non-UK resident investors provide these details, irrespective of the type of ISA Fund you initially purchase, to avoid any delay, at a later date, if you switch into an ISA Fund which would be subject to these requirements.

6. Your Nominated Bank Account

- 6.1 **Your nomination:** You may specify a single Nominated Bank Account with your Application or by completing and submitting to us the form which we provide. You may instruct us at any time to stop using that Nominated Bank Account and, if we accept, specify another single account in its place. It takes five Business Days after we receive your instructions to apply them to Income payments.
 - 6.2 **Payments:** Payment to your Nominated Bank Account, or at our discretion by other means, is in either case a good discharge of our liability.
- ### 7. Withdrawals
- 7.1 **Instructions:** You may at any time instruct us to sell any Investments held in your M&G ISA and withdraw the proceeds, at a future date specified by you, or at the next valuation point if no date is specified. Before we pay, we may require your written signed withdrawal instructions.
 - 7.2 **Payment:** We may deduct from any amount to be paid any outstanding fees, charges and expenses due and retain such sums as we reasonably estimate we need to meet any tax liability for which we must account to HM Revenue & Customs. We hold any cash due pending payment outside your M&G ISA in a Client Account. If you request payment by telegraphic transfer we reserve the right to make a charge for this service. Please contact Customer Relations for further details.
 - 7.3 **Timing:** Instructions received before 12 noon will be dealt at that day's valuation point. Instructions received after 12 noon will be dealt at the next Business Day's valuation point. We will send a cheque, payable to you, to the permanent residential address you have given us. We may carry out security checks to confirm your identity before we make payment. We will settle on the due settlement date, provided we know the proceeds from all Subscriptions, including Direct Debits, have cleared. We may delay paying the sale proceeds from any uncleared Subscriptions, until we are satisfied that we have received all amounts which are due to us.

8. ISA Transfers

- 8.1 **Transfers out:** You may at any time instruct us to transfer, within a time stipulated by you, or at the next valuation point following confirmation from your new manager that they will accept the transfer of all or part of your M&G ISA, with all rights and obligations of the parties to it, to a Stocks and Shares ISA with another ISA manager. You may only transfer Current Year Subscriptions as a whole. We only make transfers to another manager in cash after selling relevant Investments and deducting any amounts due to us. If we receive any Income from Investments transferred out we withdraw it from your M&G ISA and remit it directly to you. These Terms continue to apply to (the part of) your M&G ISA being transferred until the transfer is complete, all outstanding transactions settled and all liabilities met.
 - 8.2 **Transfers in:** You may transfer to us all or part of an ISA, provided the transfer is in cash. We apply the cash when we receive it to buy Shares in your M&G Stocks and Shares ISA as you instruct and as permitted by ISA Regulations. You may not buy Units in an Investment Trust with cash from a transfer. Before we can accept the transfer of an ISA we must receive from you a duly completed Application at our Administration Office.
 - 8.3 **Transfer of our responsibilities:** We may, following 30 days' prior written notice to you, transfer our responsibilities as manager of The M&G ISA to any entity (including an Associate) which is approved under the ISA Regulations as an ISA manager, if that other entity writes to you and undertakes to carry out all our duties and obligations in respect of your M&G ISA. Following such communication, we will be released from all those duties and obligations that the new manager has undertaken to carry out. Before such a transfer is carried out, we shall satisfy ourselves that any new manager is competent to carry out those functions and duties to be transferred.
- ### 9. Closing Your Account
- See also Term 10 of this Part Four.
- 9.1 **Closing:** You may close your M&G ISA at any time by withdrawing all the Investments under Term 7 of this Part Four or transferring all of your ISA to another manager under Term 8 of this Part Four without affecting any transactions already undertaken. Investments remaining in your M&G ISA at closure are reregistered as in Term 13.3 of this Part Four. You may reactivate your M&G ISA by restarting Subscriptions into the M&G Stocks and Shares ISA, although you must submit another Application if we receive no Subscriptions for one full Year.

- 9.2 **No longer manager:** Your M&G ISA will close if we stop acting as a manager. We shall give you reasonable written notice if we decide to do this. At the end of that notice period The M&G ISA will close but you may meanwhile withdraw or transfer Investments under Terms 7 (Withdrawals) and 8 (ISA Transfers) of this Part Four.
- 9.3 **Payment:** We may deduct from any payment or transfer any amount due to us for outstanding fees, charges and expenses. Normal fees and charges apply if your M&G ISA closes other than under Term 9.2 of this Part Four. We also retain sufficient cash to discharge any tax liability for which we must account to HM Revenue & Customs under ISA Regulations. We may sell any Investment which was held in your M&G ISA to meet such liabilities as soon as is reasonably practicable.
- 9.4 **Business in hand:** Closing your M&G ISA does not affect any transactions initiated before the closure began. These Terms continue to apply until we complete all outstanding transactions and meet all liabilities.
- 9.5 **Winding up of an Investment Trust:** An Investment Trust may offer its shareholders the opportunity to roll over their investment into an alternative investment vehicle scheme on its winding up. Where your choice of investment in such a scheme requires a resolution to be approved, we reserve the right to deem your investment election to constitute instructions to us to vote in favour of the required resolution. If such an offer is made, we shall attempt to contact you to advise you of the options available to you. If we are unable to contact you for any reason or you do not respond to documentation issued, then we reserve the right to roll over the Units held by us on your behalf into any specified default option.
- 9.6 **Winding up of an ISA Fund:** In the event that an ISA Fund is no longer available for inclusion in your M&G ISA, to preserve the tax status of your M&G ISA, we reserve the right to switch your Investment into a nominated default ISA Fund. If such an event occurs we shall attempt to contact you to advise you of the options available to you.

10. Exemption from Tax

- 10.1 **ISA Regulations:** You will be notified if all or part of your M&G ISA is no longer exempt from tax for failing to satisfy the provisions of ISA Regulations, but these Terms continue to apply. If your whole M&G ISA is no longer exempt from tax it immediately closes. If all or part of your M&G ISA is no longer exempt from tax we hold any affected Investments to your order outside your M&G ISA and pay any affected cash balances to you.
- 10.2 **Death:** The tax exemptions of The M&G ISA stop at your death. When informed of your death, we close your M&G ISA but continue to hold all Investments under these Terms until your death is registered, your personal representatives instruct us in respect of all Investments and we complete all transactions and meet all liabilities. During this time we will reinvest Income received irrespective of any previous instructions.
- 10.3 We will notify you if by any reason of any failure to satisfy the provisions of the ISA Regulations your M&G ISA is or will become no longer exempt from tax by virtue of the ISA Regulations and other relevant legislation.

11. Our Role as Manager

- 11.1 **Your investment objective:** Your investment objective is to invest in your selected Investments.
- 11.2 **Investments available:** We specify M&G Funds, Shares, Investment Trusts and Units as available for investment within your M&G ISA.

12. Buying and Selling Investments

- 12.1 **Buying Investments:** We use cash to buy Investments, as elected by you or the Nominated Share Class where no election has been made. If we do not have your valid buying instructions, we withdraw the cash and pay it to you. We may only buy when cash is available. We do not retain cash within The M&G ISA.
- 12.2 **Shares:** Subject to Terms 7.1, 12.1 and the exceptions in Term 12.4 of this Part Four, we buy and sell Shares at the relevant price calculated as at the next valuation point of the ISA Fund on the Business Day on which we receive your cash for investment or selling instructions before 12 noon. We normally treat instructions/cash arriving after 12 noon as received at the start of business on the next Business Day. We time sales that are part of a transfer under Term 8 of this Part Four so that the settlement and agreed transfer dates coincide. Purchases and sales of Shares within your M&G ISA may be pooled with those of other M&G ISA holders and transactions placed for the aggregate amount. When we purchase or sell Shares in accordance with these Terms, we will always endeavour do so on terms at least as favourable as those you would receive if we were to deal with you individually. However there may be circumstances where you receive a less favourable price than if we had dealt for you individually. When

there is, or may be, a conflict of interest between us and you or between one M&G ISA holder and another M&G ISA holder we will pay due regard to the interests of each M&G ISA holder and manage any such conflict of interest fairly in accordance with our conflicts of interest policy (see Term 22 of Part One). If you reinvest Income in additional Shares we buy them at the valuation point on the Business Day we receive the Income."

- 12.3 **Units:** Subject to Term 7.1 of this Part Four, if we receive your cash for investment and valid instructions before 12 noon on a Business Day, we buy Units at or around 2.30 pm on that day. We normally treat instructions/cash arriving after 12 noon as received at the start of business on the next Business Day. If you reinvest Income in additional Units we buy them at or around 2.30 pm on the Business Day we receive the Income. If we receive your selling instructions before 12 noon on a Business Day, we sell Units on that Business Day. If we receive your instructions after 12 noon on a Business Day or on any other day, we sell Units on the next Business Day at or around 2.30 pm. We time sales that are part of a transfer under Term 8 of this Part Four (ISA Transfers) so that the settlement and agreed transfer dates coincide. Purchases and sales of Units within your M&G ISA may be pooled with those of other M&G ISA holders and transactions placed for the aggregate amount. Such aggregation may on occasion result in you receiving a less favourable price than if we had dealt for you individually.
- 12.4 **Switches:** You may instruct us to sell Investments and use the proceeds to buy Shares in other ISA Funds, but not in other Shares of the same ISA Fund. We use sale proceeds to buy Shares in your selected ISA Fund(s) immediately prior to the valuation point(s) on the Business Day of the sale. You may not buy Units in Investment Trusts with the proceeds of Investment sales.

13. Registering Investments

- 13.1 **Aggregation:** We register your Investments in the same name as those of other M&G customers and do not identify individual Investments by separate certificates. From time to time, as part of normal settlement procedures, where Investments are pooled we may use your and other clients' Investments to settle transactions. Should we become insolvent, this arrangement could cause delay in recovering your Investments or increase the risk of loss.
- 13.2 **Nominees:** We register Shares in the name of M&G Nominees Limited, whose address is the same as our Registered Address. We register Units in the name of Nortrust Nominees Limited whose address is 50 Bank Street, London E14 5NT. Investments are held on trust and will continue to belong to you even if the nominee becomes insolvent. Subject to ISA Regulations, you authorise us to direct and instruct our Nominees to discharge our responsibilities under these Terms. We are responsible for the acts and omissions of our Nominees. Neither company is itself an authorised person under the Financial Services and Markets Act 2000; they can only hold Investments and do not carry on business in their own right.
- 13.3 **Closure:** When your M&G ISA closes we register all remaining Investments in your name. You may instead instruct us to sell any Investments as in Term 7 (Withdrawals) of this Part Four.

14. Income

- 14.1 **Reinvestment:** We use all Income to buy further Shares (or Units, as appropriate) in the same Investment unless you have already instructed us to pay Income directly to your Nominated Bank Account.
- 14.2 **Income after sale:** If you no longer have a holding in an Investment at the time when we receive the Income arising from it, we do not buy further Shares (or Units, as appropriate) with that Income but pay it to you.
- 14.3 **Payment:** To receive Income payments you must instruct us to pay these by direct credit to your Nominated Bank Account as under Term 6 of this Part Four. We pay shortly after we receive the Income.
- 14.4 **Deductions:** We may deduct from any Income any fees, charges or expenses due to us under Term 16 (Fees, Charges and Expenses) of this Part Four.

15. Fund Reports, Meetings and Voting Rights

- 15.1 **Reports and meetings:** For any Investment held in your M&G ISA, we can arrange for you when you open your M&G ISA or after one month's notice to receive a copy of the annual and half-yearly report on publication, and, subject to any legal restriction, to attend meetings of holders, exercise voting rights and receive additional information sent to holders.
- 15.2 **Voting rights (Shares):** We do not exercise voting rights for any of your Shares unless you instruct us on the form of voting instruction which we issue when appropriate.

- 15.3 **Voting rights (Units):** Subject to any applicable law or regulation, we may exercise or refrain from exercising any voting rights attached to Units held within your M&G ISA unless you have submitted valid instructions to exercise such rights yourself. Your Units may be counted for the purpose of constituting a quorum at general meetings of the relevant Investment trust.

16. Fees, Charges and Expenses

- 16.1 M&G Securities Limited, as authorised corporate director/manager of the ISA Funds you may hold within your M&G ISA, will levy any initial charge relating to buying Shares in the ISA Fund. M&G Securities Limited will also receive the annual management charges of such ISA Funds and any other expenses or charges which are properly paid to them out of the property of the ISA Fund. We receive fees from M&G Securities Limited for managing and administering your M&G ISA on such terms as may be agreed between us and M&G Securities Limited from time to time.
- 16.2 **Withdrawal fee:** A withdrawal fee (or redemption charge where applicable) is levied by M&G Securities Limited, when you sell such Shares in a withdrawal fee share class or ISA Fund or transfer them to another ISA manager under Term 8 of this Part Four according to the details set out in the Key Features. This fee does not apply to Shares bought with reinvested income. Where relevant we shall withdraw on your behalf Shares which carry the lowest withdrawal fee, so that you pay the lowest possible charge.
- 16.3 **Payment:** If there is insufficient cash in your M&G ISA to pay the fees, charges, expenses or other sums due to us, we may sell Investments to that value and use the proceeds for payment.
- 16.4 **Telegraphic Transfer:** If you request payment by telegraphic transfer we currently make a charge of £20 for this service. Please contact Customer Relations for further details.
- 16.5 **Charges:**
- M&G Stocks and Shares ISA, Ex Mini M&G Stocks and Shares ISA**
- 16.5.1 Provided we give you at least one month's written notice, we may add to or amend the charges specified in these Terms. Please note that you have a right to end this agreement at any time by closing your M&G ISA if you object to any changes to our charges or fees.
- 16.5.2 **Additional Fee Investments:** We may specify any Investment as an "Additional Fee Investment". We must give you 90 days' notice if we impose an additional fee on existing Investments. We make an annual charge of 0.25% (plus VAT) per year on Additional Fee Investments, although we have the power to increase this to 0.5% (plus VAT) per year.
- 16.5.3 For Shares, the annual charge is due in 12 equal monthly instalments calculated on the value of the ISA Fund at the first regular valuation point in each month and deducted in arrears from the next Income distribution paid by the ISA Fund, or at the time you sell the Shares.
- 16.5.4 For Units, the annual charge is due in 12 equal monthly instalments calculated on the mid-market value of the Investment Trust at 2.30pm on the first Business Day in each month and paid in arrears out of the next dividend paid by the Investment Trust, or at the time you sell some or all of the Units. We may waive the additional fee but have the right to reinstate the fee at any time without notice. We may add or amend the charges specified in these Terms.

Ex PEP M&G Stocks and Shares ISA

- 16.5.5 Provided we give you at least one month's written notice we have the power to add to or amend the charges specified in these Terms, provided that no additional or increased Annual wrapper charge (see 16.5.6 below) may be imposed in respect of Investments already held within your Ex PEP M&G Stocks and Shares ISA. Please note that you have a right to end this agreement at any time by closing your M&G ISA if you object to any changes to our charges or fees
- 16.5.6 The following fees apply to Units:
- 16.5.6.1 Initial charge – we may make an initial charge of up to 5% plus VAT of the cost of subscription for further Units.
- 16.5.6.2 Annual wrapper charge – We make an annual charge on Units held in the Ex PEP M&G Stocks and Shares ISA of 0.25% plus VAT. This charge is calculated in 12 instalments based on the mid-market value of the Units at 2.30 pm on the first Business Day of each month and paid in arrears out of the next dividend paid by the Investment Trust or at any time you sell some or all of the Units.
- 16.5.6.3 Waived fees – We may waive the initial or annual charge in respect of any Investment Trust and we retain the right to reinstate any waived fee.

- 16.5.6.4 Other fees – We may be paid by the investment adviser of the Investment Trust (currently M&G Investment Management Limited) sums equivalent to such charges, fees and expenses as we incur in carrying out administrative and other services (including the sub-registrar's function) in respect of Units held in the Ex PEP M&G Stocks and Shares ISA.

17. Our Order Execution Policy

17.1 Introduction

We will deal with any order to buy or sell Shares or Units under the Terms in a way that achieves the best possible result for you in the circumstances. For Shares this will usually involve execution outside of a regulated market or multilateral trading facility as the Shares are not quoted on a regulated market or multilateral trading facility.

17.2 Execution factors

- 17.2.1 We are required under the policy to consider various execution factors in deciding how best to execute a client order. These include price, cost, speed, likelihood of execution and settlement, size, nature and other relevant matters. We will usually consider price to be the most important factor for you.
- 17.2.2 **Policy for Shares:** When it is necessary to buy or sell Shares for you under the Terms, these orders will be executed with M&G Securities Limited as Authorised Corporate Director (ACD) or Authorised Fund Manager (AFM) of the relevant collective investment scheme. We believe that the ACD/AFM is best placed to provide us on a consistent basis with a competitive market price and the required level of liquidity. Sometimes an ISA Fund may be available via another trading platform provided by a third party. Although this could be an alternative execution venue, we do not use such platforms as we do not believe that we would obtain a better price by doing so.
- 17.2.3 **Policy for Units:** When it is necessary to buy or sell Units for you under the Terms, these orders will generally be transmitted to, or executed with, the official stockbrokers to the Investment Trust in question.
- 17.2.4 Due to the relatively illiquid nature of Units, our preference and policy will always be to transmit orders to, or execute orders with, the official stockbrokers to the Investment Trusts. Consequently, we believe that they are best placed to provide us on a consistent basis with a competitive market price and the required level of liquidity.

17.3 Best Execution obligation of stockbrokers

The stockbrokers referred to in 17.2.3, and any other stockbroker we use from time to time, will owe us obligations of "best execution" in relation to any orders we transmit to, or execute with, them. We will monitor the prices they achieve on a regular basis to ensure they meet this obligation.

17.4 Monitoring

We will monitor the effectiveness of these arrangements and implement any necessary changes to our Order Execution Policy from time to time. This will involve us reviewing whether using other stockbrokers or execution venues would be feasible and would generate a better result for you. We will notify you of any material changes to our Order Execution Policy and arrangements made from time to time, where they are relevant to you.

17.5 Specific Instructions

Please note, any specific instructions from you as to how you would like your order dealt with may prevent us from taking the steps that we have designed to obtain the best possible result in the circumstances. In any case, however, it is our policy not to take specific instructions from our customers as to how we should fulfil their orders to buy or sell Shares or Units under our Terms.

17.6 Your Acknowledgement and Consent

By placing an order with us, you acknowledge that you have been made aware of and accept the nature, policy and processes which we have in place for providing best execution as defined in this Order Execution Policy and that we shall have full discretion to choose a relevant venue for executing any order or orders, but in doing so shall assess and balance a range of all relevant factors, including those set out in this policy disclosure statement which, in our reasonable determination, we consider relevant to achieving the best result for your order; and you consent to our dealing outside a regulated market or multilateral trading facility, for the reasons set out in Term 17.1 of this Part Four.