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M&G Investment Funds (3)

Interim Long Report and unaudited Financial Statements
for the six months ended 31 December 2019

Contents

M&G Investment Funds (3)

Authorised Corporate Director's Report	Page 1
Directors' statement	Page 3
Financial statements and notes	Page 4

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

M&G Corporate Bond Fund	Page 5
M&G Dividend Fund	Page 21
M&G Emerging Markets Bond Fund	Page 33
M&G European Corporate Bond Fund	Page 47
M&G European High Yield Bond Fund (closed)	Page 59
M&G Fund of Investment Trust Shares (closed)	Page 65
M&G Global Government Bond Fund	Page 67
M&G Recovery Fund	Page 79
M&G Smaller Companies Fund	Page 91

Other regulatory disclosures	Page 101
-------------------------------------	-----------------

Glossary	Page 102
-----------------	-----------------

M&G Investment Funds (3)

Authorised Corporate Director's Report

The Authorised Corporate Director (ACD) of M&G Investment Funds (3) presents its Interim Long Report and unaudited Financial Statements for the six months ended 31 December 2019.

The unaudited financial statements of M&G Investment Funds (3) and the investment report and unaudited financial statements and notes of each sub-fund are presented in their individual sections of this report as set out in the contents page.

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

Company information

M&G Investment Funds (3) is an umbrella Open-Ended Investment Company (OEIC) and contains nine sub-funds, hereinafter referred to as 'funds' in the rest of this report. Each fund is a UCITS (Undertakings for Collective Investment in Transferable Securities) scheme as defined in the Collective Investment Schemes sourcebook, as issued (and amended) by the Financial Conduct Authority (FCA). This OEIC is an Investment Company with Variable Capital (ICVC) incorporated under the Open-Ended Investment Companies Regulations 2001. It is authorised and regulated by the FCA under the Financial Services and Markets Act 2000.

The Company was authorised on 8 August 2001 and was launched on 7 March 2002, following the conversion of a series of authorised unit trusts.

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

As at 31 December 2019, none of the funds held shares of the other funds within this OEIC.

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

Fund managers

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

M&G Corporate Bond Fund

Richard Woolnough & Ben Lord

M&G Dividend Fund

Michael Stiasny

M&G Emerging Markets Bond Fund

Claudia Calich

M&G European Corporate Bond Fund

Stefan Isaacs

M&G European High Yield Bond Fund

James Tomlins

M&G Fund of Investment Trust Shares

Richard O'Connor

M&G Global Government Bond Fund

Claudia Calich

M&G Recovery Fund

Tom Dobell

M&G Smaller Companies Fund

Garfield Kiff

ACD

M&G Securities Limited,
10 Fenchurch Avenue, London EC3M 5AG, UK
Telephone: 0800 390 390 (UK only)

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

Directors of the ACD

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

* Resigned 17 October 2019.

** Resigned 27 September 2019.

Investment manager

M&G Investment Management Limited,
10 Fenchurch Avenue, London EC3M 5AG, UK
Telephone: +44 (0)20 7626 4588
(Authorised and regulated by the Financial Conduct Authority)

Registrar

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

Depositary

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

Independent auditor

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

Important information

The M&G Fund of Investment Trust Shares commenced its termination on 14 June 2019 and is not available for investment. The fund will be formally terminated when all its outstanding assets and liabilities have been settled.

As mentioned in the shareholder letter on 17 June 2019, we have made changes to the way we charge for M&G funds based in the UK, starting on Thursday 1 August 2019. The annual charge should be simpler to understand and easier to compare with other fund charges. We have combined all the charges that make up the current ongoing charge figure (OCF) into a single annual charge. Only exceptional items such as unforeseen legal and tax expenses, also known as extraordinary expenses, will be excluded from the annual charge. To find out the new annual charge and the OCF which are shown in the Key Investor Information Document (KIID) for the share class(es) you are invested in, visit our website www.mandg.co.uk

The M&G European High Yield Bond Fund commenced its termination on 29 November 2019 and is not available for investment. The fund will be formally terminated when all its outstanding assets and liabilities have been settled.

On 29 November 2019 the M&G Dividend Fund's distribution frequency, investment objective and policy were changed.

M&G Investment Funds (3)

Authorised Corporate Director's Report

Investor information

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

Customer services and administration for UK clients:

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

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

Telephone: 0800 390 390 (UK only)

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

Customer services and administration for non-UK clients:

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

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

Telephone: +352 2605 9944

Email: csmandg@rbc.com

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

Austrian paying and information agent:

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

Belgian financial agent:

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

Danish representative agent:

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

French centralising agent:

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

During the accounting period, the effective proportion of the net assets of the M&G M&G Recovery Fund in PEA ('Plan d'Épargne en Actions') eligible assets has permanently been equal to at least 75%.

German information agent:

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

Greek paying agents and distributors:

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

Irish facilities agent:

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

Italian paying agents:

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

Luxembourg paying and information agent:

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

Portuguese distributor:

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

Spanish representative:

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

Swedish paying agent:

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

Swiss paying agent and representative:

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

M&G Investment Funds (3)

Authorised Corporate Director's Report

Authorised Corporate Director's Responsibilities

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

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

Directors' statement

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

M&G Securities Limited
14 February 2020

M&G Investment Funds (3)

Financial statements and notes

The financial statements for M&G Investment Funds (3) comprise the individual financial statements for each fund and the notes below.

Notes to the financial statements

Accounting policies

The interim financial statements have been prepared on the same basis as the audited financial statements for the year ended 30 June 2019. They are prepared under the historical cost convention, as modified by the revaluation of investments, and in accordance with the Statement of Recommended Practice (SORP) for Authorised Funds issued by the Investment Association in May 2014 and amended in June 2017.

M&G Corporate Bond Fund

Authorised Corporate Director's Report

Investment objective

The fund aims to provide income and capital growth.

Investment policy

At least 70% of the fund is invested in sterling-denominated corporate debt instruments. The fund's exposure to corporate debt may be gained through the use of derivatives. Derivatives may also be used for efficient portfolio management. Any currency exposures within the fund may be managed by currency hedges into sterling. The fund may also invest in collective investment schemes, other transferable securities and other debt instruments (including corporate debt and government and public securities denominated in any currency), cash, near cash, other money market securities, warrants and other derivative instruments.

Investment approach

The fund's strategy is based on the principle that corporate bond market returns are driven by a combination of macroeconomic, asset, sector and stock-level factors. As different factors dominate returns at different stages of the economic cycle, the manager applies a dynamic investment approach, changing the blend of duration and credit exposure in the portfolio to weight them appropriately.

The fund manager has the investment freedom to take a high-conviction approach when selecting credits for the portfolio. Diversification – across individual issuers as well as industries – is an essential element of the fund's strategy to limit the potential for losses in the event of default.

The fund's investment style combines top-down and bottom-up analysis, and the fund manager is assisted in the selection of individual credits by a large team of independent sovereign and public credit analysts.

Benchmark

Benchmark: IA Sterling Corporate Bond sector.

The fund is actively managed. The benchmark is a comparator against which the fund's performance can be measured. The sector has been chosen as the fund's comparator benchmark as the fund is a constituent of the sector. The comparator benchmark does not constrain the fund's portfolio construction.

Risk profile

The fund invests mainly in sterling-denominated fixed income securities, or bonds, issued by UK companies. It is primarily subject to the price volatility of the UK bond market as well as the performance of individual issuers. It is also influenced by developments in the broader global bond market. In addition, the fund is subject to fluctuations in currency exchange rates.

The fund's focus is on high-quality corporate bonds, securities that are normally traded with relative ease. Up to 20% of the fund may be invested in other fixed income investments, such as government bonds, which are typically highly liquid assets, or high yield corporate bonds, which are higher risk assets that could potentially experience a degree of illiquidity in times of market distress.

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

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

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



The above number:

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

M&G Corporate Bond Fund

Authorised Corporate Director's Report

Investment review

As at 2 January 2020, for the six months ended 31 December 2019

Performance against objective

Between 1 July 2019 (the start of the review period) and 2 January 2020, the M&G Corporate Bond Fund delivered a positive total return (the combination of income and growth of capital) across both its sterling and euro share classes. Fund performance was either in line or ahead of the average return from the fund's benchmark, the IA Sterling Corporate Bond sector, which was 3.0% and 8.5% in sterling and euro terms, respectively over the same period.

Over the review period and over five years, the fund met its objective, which is to provide income and capital growth.* For the five-year period, all of the fund's share classes recorded positive total returns, but generally lagged the return of its benchmark, which was 4.4% p.a. and 2.7% p.a. in sterling and euro terms, respectively.

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

Investment performance

Following a volatile and largely unpredictable period for financial markets throughout most of 2018, the months that followed to 31 December 2019 was, on balance, calmer in terms of investor behaviour and generally more beneficial for the performance of risk assets such as equities (company shares) and most corporate bonds.

Bonds are loans that are extended by an investor to an issuing entity – such as a company or government – in exchange for regular interest payments. The initial amount borrowed by the entity is usually repaid at the end of the loan's life. Bonds issued by companies are referred to as 'corporate bonds', while those issued by governments are called 'government bonds'. Investment grade corporate bonds refer to debt securities issued by a company with a medium or high credit rating from a recognised credit rating agency. They are considered to be at lower risk of non-repayment than those issued by companies with lower credit ratings (known as high yield bonds). The performance of investment grade corporate bond markets can be influenced by the performance of government bonds.

The drivers of volatility in 2018 centred on higher interest rates, or at least the prospect of higher interest rates, inflation, political uncertainty and global trade tensions. While the last two drivers were still evident during the period under review, especially negotiations over the UK's Brexit deal with the European Union (EU), the fact the Federal Reserve (Fed) paused its plans to raise US interest rates – and actually started to reduce them – certainly settled investor nerves.

But while investors took comfort from statements by the Fed that it would moderate its strategy around raising interest rates, by July and the start of the review period, the more optimistic mood was somewhat dampened. Renewed fears about the prospects for global trade, caused mainly by heightened tensions between the US and China over tariffs, saw investors once again preferring so-called 'safer' assets such as government bonds.

This increasing demand for core government bonds resurfaced in August, pushing bond yields lower – and prices higher – on UK gilts, US Treasuries, and German bunds. Against a backdrop of weaker economic data and inflation that was persistently below acceptable levels, major central banks issued statements in July that seemed to pave the way for fresh cuts to interest rates in the autumn months, and on 1 August the Fed cut rates for the first time since the global financial crisis.

In September, the outgoing European Central Bank (ECB) president Mario Draghi announced that the central bank would start buying eurozone government bonds again (a programme referred to as quantitative easing) in a bid to stimulate the flagging eurozone economy.

There was an increase in investors' appetite for risk assets in October and November, boosted by a potential resolution to US-China trade wars, Brexit nearing some type of agreed deal, and the Fed easing interest rates while announcing it would resume the purchases of bonds. The Fed signalled that this would likely be its last "mid-cycle insurance cut".

In the UK, Prime Minister Boris Johnson called a general election for December 12, mainly to boost the government's chances of breaking the Brexit deadlock. The market generally interpreted this move as positive, and the price of sterling rose compared with the US dollar. The election result of December 13 would show a convincing victory for the ruling Conservative Party.

The second half of 2019 was broadly better for corporate bonds, particularly those issued by US and UK companies, and the asset class delivered positive returns across the six-month period as a whole. For a number of reasons, but mainly because of sluggish growth and jobs data, the picture was weaker for European corporate debt.

The fund's performance was driven by favouring investment grade corporate bonds denominated in sterling and US dollars. Allocation to sectors such as financials and telecoms, and asset-backed securities (bonds whose income payments are derived from a specified group of underlying pooled assets, such as mortgages or credit card payments) also added value.

The fund's duration positioning, however, held back its relative performance, mainly during the summer period when investors sought so-called safe-haven bond assets like UK and German government bonds. An important factor in a bond fund's performance is its ability to adjust the portfolio's sensitivity to changes in interest rates, known as 'duration'. Being shorter duration means that a fund is relatively less sensitive to changes in interest rates than longer duration funds. During the course of the reporting period, we moved the fund's duration slightly between 6.3 years and 6.6 years, keeping it roughly the same extent short (1.3 years short) of the iBoxx £ Corporate Index, a corporate bond index comprising liquid bonds developed by financial information provider Markit.

M&G Corporate Bond Fund

Authorised Corporate Director's Report

Investment review

Investment activities

During the period under review, we took advantage of opportunities to add value through relative value trades – for example, taking advantage of the difference in pricing between bonds from the same company issued in different currencies or different maturities. The majority of these trades involved switching from an issuer's US dollar-denominated debt into its sterling debt, to harness the more attractive pricing. We were particularly active as relative value traders within the financials and telecoms sectors, and with a focus on BBB rated corporate bonds.

Overall, we have been reducing the level of credit risk in the fund by selling bonds we believe are overvalued, such as HSBC and JP Morgan. We disagree with the wider opinion of the market that financials are behaving more like 'safe-haven' bonds, and we think valuations are more compelling in consumer goods.

We continue to think that core government bonds look expensive, for example UK government bonds, and so we have little exposure to these bond assets. Within high yield bonds, we are equally careful not to commit too much cash to the riskier parts of fixed income, and allocation was around 4% of the fund by the end of the reporting period.

Outlook

After a difficult 2018 for financial markets, 2019 was largely constructive for global bond markets, with a return of risk appetite, as investors have generally been encouraged by signs that the US Federal Reserve would pause its interest rate rising cycle. However, we have long been of the view that the Fed will need to raise rates further, which is reflected in the fund's short duration positioning.

We remain broadly positive on the outlook for the global economy and corporate bonds, and do not believe that recession is imminent – this was certainly proven in 2019. Signs of resolutions in things like US-China trade disagreements, and of course Brexit, should help firm up market sentiment as we progress through 2020.

While we have been partially reducing risk in the portfolio in the latter stages of the reporting period, through holding fewer financial companies' bonds for example, we continue to find opportunities within corporate bond markets that are attractively priced and with high levels of credit quality.

Regardless of how these situations develop, what we do as fund managers does not change. We look at where we are in the interest rate cycle and the economic cycle, and we look at where we can find the most attractive opportunities for the fund from different sectors and individual issuers at any given stage.

Richard Woolnough & Ben Lord Co-fund managers

Employees of M&G FA Limited (formerly M&G Limited) which is an associate of M&G Securities Limited. At the start of the review period Richard Woolnough was the sole fund manager.

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

Investments

Portfolio statement

as at Holding	31.12.19 £'000	31.12.19 %	30.06.19 %
FIXED INCOME	3,141,317	92.00	94.42
Debt securities	3,133,126	91.76	94.72
'AAA' credit rated bonds	295,207	8.65	7.13
£799,281 Alba FRN 1.9564% 24/04/2049	800	0.02	
£10,000,000 Barclays Bank 4.25% 12/01/2022	10,635	0.31	
£3,840,000 Broadgate Financing 4.821% 05/07/2033	5,094	0.15	
£299,764 Broadgate Financing 4.949% 05/04/2029	347	0.01	
£4,600,000 Cie de Financement Foncier 5.5% 26/01/2027	5,889	0.17	
£3,942,000 Delamare Cards FRN 1.2325% 03/10/2022	3,942	0.12	
£56,292 E-carat 8 FRN 1.0836% 18/03/2024	56	0.00	
£5,000,000 European Investment Bank 4.5% 07/06/2029	6,474	0.19	
£20,000,000 European Investment Bank 5.5% 15/04/2025	24,549	0.72	
£5,000,000 KFW 0.875% 15/03/2022	5,006	0.15	
£15,000,000 KFW 1.625% 05/06/2020	15,054	0.44	
£1,000,000 KFW 5.5% 18/06/2025	1,236	0.04	
\$10,000,000 Microsoft 3.45% 08/08/2036	8,300	0.24	
\$7,500,000 Microsoft 3.75% 01/05/2043	6,358	0.19	
\$13,987,000 Microsoft 3.95% 08/08/2056	12,466	0.37	
\$15,000,000 Microsoft 4% 12/02/2055	13,442	0.39	
\$35,000,000 Microsoft 4.75% 03/11/2055	35,550	1.04	
\$500,000 Microsoft 5.2% 01/06/2039	509	0.01	
\$3,000,000 Microsoft 5.3% 08/02/2041	3,126	0.09	
£8,826,000 Nationwide Building Society FRN 1.1493% 02/08/2022	8,829	0.26	
£11,000,000 Nationwide Building Society FRN 1.4626% 10/01/2024	11,101	0.33	
£3,986,000 Penarth Master Issuer FRN 1.2036% 18/03/2022	3,987	0.12	
£7,446,000 Permanent Master Issuer FRN 1.2913% 15/07/2058	7,454	0.22	
£3,627,452 Residential Mortgage Securities No. 30 FRN 1.5981% 20/03/2050	3,626	0.11	
£16,250,000 Santander 5.125% 14/04/2021	17,091	0.50	
£10,000,000 Santander FRN 1.0745% 05/05/2020	10,006	0.29	
£5,457,000 Santander FRN 1.3115% 12/11/2024	5,465	0.16	
£12,097,414 Towd Point Mortgage Funding 2017-Auburn 11 FRN 1.6524% 20/05/2045	12,104	0.35	
£4,312,000 Towd Point Mortgage Funding 2019-Vantage2 FRN 1% 20/02/2054	4,307	0.13	
£8,408,836 Warwick Finance Residential Mortgages No. 1 FRN 1.7996% 21/09/2049	8,425	0.25	
£14,417,247 Warwick Finance Residential Mortgages No. 2 FRN 2.2996% 21/09/2049	14,479	0.42	
£25,000,000 Wellcome Trust 2.517% 07/02/2118	29,500	0.86	
'AA' credit rated bonds	259,516	7.60	5.65
£2,000,000 Apple 3.05% 31/07/2029	2,286	0.07	
£626,880 Autolink Concessionaires 8.39% 15/06/2022	688	0.02	
£815,000 Broadgate Financing 4.999% 05/10/2031	987	0.03	
£285,499 Coventry & Rugby Hospital IL 3.246% 30/06/2040	673	0.02	
£5,000,000 Deutsche Bahn Finance 3.125% 24/07/2026	5,560	0.16	

M&G Corporate Bond Fund

Authorised Corporate Director's Report

Investments

Portfolio statement (continued)			
as at Holding	31.12.19 £'000	31.12.19 %	30.06.19 %
'AA' credit rated bonds (continued)			
£4,101,000 Federal National Mortgage Association 5.375% 07/12/2028	5,450	0.16	
£2,797,440 Integrated Accommodation Services 6.48% 31/03/2029	3,450	0.10	
£960,000 Investor 5.5% 05/05/2037	1,421	0.04	
£20,000,000 Land Securities Capital Markets 1.974% 08/02/2026	20,361	0.60	
£16,000,000 Land Securities Capital Markets 2.375% 29/03/2029	16,645	0.49	
£8,858,000 Land Securities Capital Markets 2.399% 08/02/2031	9,228	0.27	
£5,000,000 Land Securities Capital Markets 2.625% 22/09/2039	5,199	0.15	
£18,660,000 MassMutual Global Funding II 1.375% 15/12/2026	18,524	0.54	
£6,807,000 Mercantile Investment Trust 6.125% 25/02/2030	9,132	0.27	
£6,073,000 New York Life Global Funding 1.25% 17/12/2026	6,009	0.18	
£2,530,000 Quebec (Province of) 12.25% 15/03/2020	2,580	0.08	
£18,090,000 Royal Bank of Canada FRN 1.2925% 03/10/2024	18,102	0.53	
£2,000,000 SLM Student Loan Trust FRN 1.3286% 15/12/2039	1,896	0.05	
£5,000,000 SNCF Mobilities 5.375% 18/03/2027	6,339	0.18	
£12,500,000 SNCF Réseau 4.83% 25/03/2060	21,787	0.64	
£10,000,000 SNCF Réseau 5% 11/03/2052	16,703	0.49	
£6,363,000 SNCF Réseau 5.25% 07/12/2028	8,398	0.25	
£6,000,000 SNCF Réseau 5.25% 31/01/2035	8,680	0.25	
£5,000,000 Southern Water Services Finance 5% 31/03/2021	5,226	0.15	
£5,400,000 Trafford Centre Finance FRN 1.5286% 28/07/2038	5,025	0.15	
£5,000,000 Transport for London 3.875% 23/07/2042	6,508	0.19	
£50,000,000 UK Treasury 3.75% 07/09/2021	52,659	1.54	
'A' credit rated bonds			
\$1,837,000 AbbVie 4.05% 21/11/2039	1,464	0.04	
\$1,925,000 AbbVie 4.25% 21/11/2049	1,548	0.05	
£10,000,000 América Móvil 4.375% 07/08/2041	12,977	0.38	
£4,000,000 Anglian Water Services Financing 2.75% 26/10/2029	4,292	0.13	
£13,186,000 Anheuser-Busch InBev 2.25% 24/05/2029	13,558	0.40	
£10,000,000 Anheuser-Busch InBev 9.75% 30/07/2024	13,687	0.40	
\$750,000 Anheuser-Busch InBev Worldwide 4.9% 01/02/2046	673	0.02	
\$9,889,000 Anheuser-Busch InBev Worldwide 5.45% 23/01/2039	9,414	0.28	
\$13,518,000 Anheuser-Busch InBev Worldwide 5.55% 23/01/2049	13,320	0.39	
\$15,000,000 Anheuser-Busch InBev Worldwide 5.8% 23/01/2059	15,511	0.45	
£30,000,000 Bank of America 2.3% 25/07/2025	31,002	0.91	
£3,400,000 Bank of Scotland IL 2.64% 16/04/2020	5,721	0.17	
£4,926,000 BNP Paribas 3.375% 23/01/2026	5,366	0.16	
£4,362,000 Brown-Forman 2.6% 07/07/2028	4,716	0.14	
£13,187,000 Canadian Imperial Bank of Commerce FRN 1.1913% 28/10/2022	13,205	0.39	
£10,000,000 Canadian Imperial Bank of Commerce FRN 1.2273% 10/01/2022	10,024	0.29	
622,466 18.23 21.79			

Portfolio statement (continued)

as at Holding	31.12.19 £'000	31.12.19 %	30.06.19 %
'A' credit rated bonds (continued)			
\$3,509,000 Cigna 4.375% 15/10/2028	2,944	0.09	
\$4,505,000 Cigna 4.8% 15/08/2038	3,969	0.12	
£9,887,000 CK Hutchison Group Telecom Finance 2% 17/10/2027	9,697	0.28	
£15,205,000 CK Hutchison Group Telecom Finance 2.625% 17/10/2034	14,770	0.43	
\$3,474,000 Cloverie Var. Rate 5.625% 24/06/2046	2,957	0.09	
\$10,000,000 Comcast 4.95% 15/10/2058	9,869	0.29	
£20,000,000 Comcast 5.5% 23/11/2029	26,539	0.78	
£5,000,000 Deutsche Pfandbriefbank 1% 04/12/2020	4,994	0.15	
\$7,207,000 DuPont de Nemours 5.319% 15/11/2038	6,514	0.19	
\$6,687,000 DuPont de Nemours 5.419% 15/11/2048	6,239	0.18	
£3,607,000 Eastern Power Networks 2.125% 25/11/2033	3,582	0.10	
\$6,800,000 Électricité de France 4.5% 04/12/2069	5,273	0.15	
\$2,000,000 Électricité de France 6% 22/01/2114	1,804	0.05	
£10,900,000 Électricité de France 6% 23/01/2114	17,845	0.52	
£15,583,000 Engie 5.95% 16/03/2111	25,101	0.74	
\$2,500,000 Eni 4.25% 09/05/2029	2,034	0.06	
\$10,000,000 Eni 4.75% 12/09/2028	8,555	0.25	
£2,500,000 Heathrow Funding 5.225% 15/02/2023	2,809	0.08	
£2,000,000 Heathrow Funding 6.45% 10/12/2031	2,931	0.09	
£25,000,000 Heathrow Funding 6.75% 03/12/2026	33,098	0.97	
£12,000,000 Heathrow Funding 7.075% 04/08/2028	16,809	0.49	
£3,150,000 Heathrow Funding 9.2% 29/03/2021	3,457	0.10	
£2,192,000 Housing Finance 5% 30/09/2027	2,585	0.08	
£2,992,026 Housing Finance 8.625% 13/11/2023	3,744	0.11	
£4,000,000 HSBC Var. Rate 2.256% 13/11/2026	4,058	0.12	
£12,000,000 JPMorgan Chase 3.5% 18/12/2026	13,600	0.40	
£350,000 Lloyds Bank 11.75% Perpetual	726	0.02	
£35,000,000 Lloyds Bank 5.125% 07/03/2025	41,624	1.22	
£9,402,000 Lloyds Bank FRN 1.2816% 16/05/2024	9,405	0.28	
£3,386,000 London & Quadrant Housing Trust 2.625% 05/05/2026	3,539	0.10	
£2,000,000 London & Quadrant Housing Trust 2.625% 28/02/2028	2,087	0.06	
£3,000,000 London & Quadrant Housing Trust 3.125% 28/02/2053	3,234	0.09	
£3,000,000 National Grid Electricity Transmission IL 3.806% 27/07/2020	5,120	0.15	
£4,973,000 National Westminster Bank FRN 1.3123% 22/03/2023	4,996	0.15	
£2,000,000 Northern Powergrid 7.25% 15/12/2022	2,345	0.07	
£3,750,000 Northern Powergrid Yorkshire 4.375% 05/07/2032	4,699	0.14	
£6,116,000 Notting Hill Genesis 3.25% 12/10/2048	6,531	0.19	
£1,339,000 Penarian Housing Finance 3.212% 07/06/2052	1,435	0.04	
£9,000,000 Places for People 5.875% 23/05/2031	11,654	0.34	
£2,454,491 Quadrant Housing Finance Var. Rate 7.93% 10/02/2033	3,445	0.10	
£2,000,000 Sky 4% 26/11/2029	2,384	0.07	
£6,176,000 South Eastern Power Networks 5.5% 05/06/2026	7,567	0.22	
£8,100,000 South Eastern Power Networks 6.375% 12/11/2031	11,787	0.35	
£1,000,000 T.H.F.C Funding No. 3 5.2% 11/10/2043	1,456	0.04	
£1,000,000 UNITE (USAF) II 3.374% 30/06/2023	1,063	0.03	

M&G Corporate Bond Fund

Authorised Corporate Director's Report

Investments

Portfolio statement (continued)			
as at Holding	31.12.19 £'000	31.12.19 %	30.06.19 %
'A' credit rated bonds (continued)			
£4,066,000 United Utilities Water Finance 2% 14/02/2025	4,173	0.12	
£6,000,000 Wales & West Utilities Finance 4.625% 13/12/2023	6,797	0.20	
£8,000,000 Wales & West Utilities Finance 5% 07/03/2028	9,977	0.29	
£4,500,000 Wales & West Utilities Finance 5.75% 29/03/2030	6,133	0.18	
£25,000,000 Wells Fargo 2% 28/07/2025	25,430	0.74	
£7,728,000 Wells Fargo 2.125% 24/09/2031	7,709	0.23	
£20,000,000 Wells Fargo Bank 5.25% 01/08/2023	22,547	0.66	
£3,500,000 Westfield America Management 2.125% 30/03/2025	3,569	0.10	
\$1,000,000 Willow No. 2 Var. Rate 4.25% 01/10/2045	791	0.02	
£3,426,000 Yorkshire Power Finance 7.25% 04/08/2028	4,888	0.14	
£6,000,000 Yorkshire Water Finance 6.5876% 21/02/2023	6,984	0.20	
£5,420,000 Zurich Finance Var. Rate 6.625% Perpetual	6,116	0.18	
'BBB' credit rated bonds	1,624,687	47.58	49.72
£7,500,000 3i 5.75% 03/12/2032	9,779	0.29	
€1,500,000 Altria 2.2% 15/06/2027	1,346	0.04	
€5,000,000 Altria 3.125% 15/06/2031	4,740	0.14	
\$6,000,000 Altria 3.875% 16/09/2046	4,231	0.12	
\$3,000,000 Altria 5.375% 31/01/2044	2,555	0.07	
\$5,000,000 Altria 5.8% 14/02/2039	4,453	0.13	
\$7,500,000 Altria 5.95% 14/02/2049	6,884	0.20	
\$1,500,000 Altria 6.2% 14/02/2059	1,355	0.04	
£3,500,000 Anglian Water Services Financing 4.5% 22/02/2026	3,875	0.11	
£5,000,000 Anglo American Capital 3.375% 11/03/2029	5,235	0.15	
£2,972,000 Annington Funding 2.646% 12/07/2025	3,070	0.09	
£3,889,000 Annington Funding 3.184% 12/07/2029	4,121	0.12	
£3,703,000 Annington Funding 3.685% 12/07/2034	4,093	0.12	
£2,812,000 Annington Funding 3.935% 12/07/2047	3,263	0.09	
£5,752,000 APT Pipelines 3.125% 18/07/2031	6,166	0.18	
£2,100,000 APT Pipelines 4.25% 26/11/2024	2,361	0.07	
£5,000,000 Aroundtown 3% 16/10/2029	5,069	0.15	
£3,238,000 Aroundtown 3.625% 10/04/2031	3,399	0.10	
£9,300,000 AT&T 4.25% 01/06/2043	10,834	0.32	
£10,300,000 AT&T 4.375% 14/09/2029	12,045	0.35	
£39,418,000 AT&T 4.875% 01/06/2044	50,058	1.47	
£5,000,000 AT&T 5.2% 18/11/2033	6,373	0.19	
£9,950,000 Aviva Var. Rate 4.375% 12/09/2049	10,886	0.32	
£21,100,000 Aviva Var. Rate 6.125% 14/11/2036	25,558	0.75	
£13,963,000 Aviva Var. Rate 6.875% 20/05/2058	20,179	0.59	
£6,500,000 AXA Var. Rate 5.453% Perpetual	7,390	0.22	
£15,000,000 AXA Var. Rate 5.625% 16/01/2054	18,288	0.54	
£14,630,000 AXA Var. Rate 6.6862% Perpetual	17,702	0.52	
£15,000,000 Bank of America 5.5% 22/11/2021	16,163	0.47	
\$8,000,000 BAT Capital 4.39% 15/08/2037	6,143	0.18	
£44,076,000 BAT International Finance 2.25% 09/09/2052	32,045	0.94	

Portfolio statement (continued)

as at Holding	31.12.19 £'000	31.12.19 %	30.06.19 %
'BBB' credit rated bonds (continued)			
£13,500,000 BAT International Finance 4% 23/11/2055	13,939	0.41	
£11,000,000 BAT International Finance 5.75% 05/07/2040	14,179	0.42	
\$10,000,000 Bayer US Finance II 4.375% 15/12/2028	8,252	0.24	
\$5,000,000 Bayer US Finance II 4.625% 25/06/2038	4,123	0.12	
\$4,000,000 Bayer US Finance II 4.7% 15/07/2064	2,866	0.08	
\$7,500,000 Bayer US Finance II 4.875% 25/06/2048	6,565	0.19	
\$1,143,000 BNP Paribas 4.375% 28/09/2025	929	0.03	
\$10,000,000 BNP Paribas 4.625% 13/03/2027	8,262	0.24	
£9,000,000 BPCE 5.25% 16/04/2029	11,079	0.32	
£23,500,000 British Telecommunications 3.125% 21/11/2031	24,998	0.73	
£5,334,000 British Telecommunications 3.625% 21/11/2047	5,876	0.17	
\$15,764,000 British Telecommunications 9.625% 15/12/2030	18,331	0.54	
£13,455,000 Cadent Finance 2.125% 22/09/2028	13,675	0.40	
£1,666,000 Channel Link Enterprises Finance 3.848% 30/06/2050	1,919	0.06	
£10,000,000 Channel Link Enterprises Finance Var. Rate 3.043% 30/06/2050	10,370	0.30	
£2,500,000 Cie de Saint-Gobain 4.625% 09/10/2029	3,048	0.09	
\$4,500,000 Citigroup 4.45% 29/09/2027	3,751	0.11	
£5,000,000 Citigroup 4.5% 03/03/2031	6,008	0.18	
£10,000,000 Cooperatieve Rabobank 4.625% 23/05/2029	11,889	0.35	
£833,000 Cooperatieve Rabobank 5.25% 14/09/2027	1,008	0.03	
£3,785,000 CPUK Finance 3.69% 28/08/2028	4,075	0.12	
£6,000,000 CPUK Finance 7.239% 28/02/2024	7,203	0.21	
£5,000,000 Credit Suisse Var. Rate 2.125% 12/09/2025	5,079	0.15	
£2,703,000 CRH Finance 4.125% 02/12/2029	3,172	0.09	
£5,178,900 Delamare Finance 5.5457% 19/02/2029	6,004	0.18	
£2,082,000 Deutsche Telekom 3.125% 06/02/2034	2,252	0.07	
\$2,423,000 Deutsche Telekom International Finance 4.875% 06/03/2042	2,194	0.06	
\$15,000,000 Deutsche Telekom International Finance 8.75% 15/06/2030	16,666	0.49	
£13,000,000 Deutsche Telekom International Finance 8.875% 27/11/2028	20,218	0.59	
£3,806,000 Digital Stout 3.3% 19/07/2029	4,072	0.12	
\$3,750,000 Dow Chemical 5.55% 30/11/2048	3,554	0.10	
£1,500,000 E.ON International Finance 5.875% 30/10/2037	2,195	0.06	
\$8,500,000 Enel Finance International 3.5% 06/04/2028	6,517	0.19	
\$1,319,000 Enel Finance International 3.625% 25/05/2027	1,033	0.03	
\$2,500,000 Enel Finance International 4.875% 14/06/2029	2,125	0.06	
£5,000,000 Enel Finance International 5.625% 14/08/2024	5,916	0.17	
\$500,000 Energy Transfer Operating 4.9% 15/03/2035	397	0.01	
\$1,000,000 Energy Transfer Operating 6.125% 15/12/2045	876	0.03	
\$3,572,000 Energy Transfer Operating 6.5% 01/02/2042	3,206	0.09	
£132,000 ENW Capital Finance 6.125% 21/07/2021	142	0.00	

M&G Corporate Bond Fund

Authorised Corporate Director's Report

Investments

Portfolio statement (continued)				
as at Holding		31.12.19 £'000	31.12.19 %	30.06.19 %
'BBB' credit rated bonds (continued)				
£5,000,000	FCE Bank 3.25% 19/11/2020	5,060	0.15	
£1,928,000	Fidelity National Information Services 3.36% 21/05/2031	2,111	0.06	
£1,150,000	Fiserv 2.25% 01/07/2025	1,179	0.03	
£1,167,000	Fiserv 3% 01/07/2031	1,234	0.04	
\$2,500,000	Ford Motor Company 4.75% 15/01/2043	1,685	0.05	
\$10,000,000	Ford Motor Credit 4.389% 08/01/2026	7,702	0.22	
£7,000,000	Ford Motor Credit 4.535% 06/03/2025	7,365	0.22	
£5,500,000	Gatwick Funding 2.625% 07/10/2046	5,424	0.16	
£8,226,000	Gatwick Funding 2.875% 05/07/2049	8,527	0.25	
£17,500,000	Gatwick Funding 3.125% 28/09/2039	18,894	0.55	
£10,000,000	Gatwick Funding 3.25% 26/02/2048	11,057	0.32	
£5,000,000	Gatwick Funding 4.625% 27/03/2034	6,346	0.19	
£10,000,000	Gatwick Funding 5.25% 23/01/2024	11,499	0.34	
£16,000,000	Gatwick Funding 6.125% 02/03/2026	20,007	0.59	
£921,502	General Electric 6.44% 15/11/2022	976	0.03	
\$2,500,000	General Motors 5.15% 01/04/2038	1,949	0.06	
\$3,000,000	General Motors 6.6% 01/04/2036	2,652	0.08	
\$2,500,000	General Motors Financial 4% 06/10/2026	1,971	0.06	
\$7,000,000	General Motors Financial 4.3% 13/07/2025	5,638	0.17	
£8,000,000	Goldman Sachs 3.125% 25/07/2029	8,630	0.25	
£2,500,000	Goldman Sachs 6.875% 18/01/2038	3,740	0.11	
£4,200,000	Goldman Sachs 7.125% 07/08/2025	5,358	0.16	
£2,234,311	Greene King Finance 4.0643% 15/03/2035	2,480	0.07	
£2,213,245	Greene King Finance 5.318% 15/09/2031	2,595	0.08	
£8,000,000	H.J. Heinz Finance 6.25% 18/02/2030	9,874	0.29	
\$955,000	HCA 5% 15/03/2024	790	0.02	
\$5,000,000	HCA 5.5% 15/06/2047	4,338	0.13	
£2,750,000	HSBC 5.75% 20/12/2027	3,377	0.10	
£3,500,000	Iberdrola Finanzas 7.375% 29/01/2024	4,325	0.13	
\$772,000	Imperial Brands Finance 3.5% 26/07/2026	587	0.02	
\$1,890,000	Imperial Brands Finance 3.875% 26/07/2029	1,440	0.04	
£20,000,000	Imperial Brands Finance 4.875% 07/06/2032	23,662	0.69	
£19,500,000	Imperial Brands Finance 5.5% 28/09/2026	22,972	0.67	
£11,500,000	Imperial Brands Finance 8.125% 15/03/2024	14,281	0.42	
£3,566,000	Informa 3.125% 05/07/2026	3,751	0.11	
£8,000,000	InterContinental Hotels 2.125% 24/08/2026	8,040	0.24	
€2,681,000	InterContinental Hotels 2.125% 15/05/2027	2,434	0.07	
£4,000,000	INTU Finance 3.875% 17/03/2023	3,589	0.10	
£4,808,000	INTU Finance 4.25% 17/09/2030	4,108	0.12	
£5,500,000	INTU Finance 4.625% 17/03/2028	4,699	0.14	
£7,000,000	INTU Metrocentre Finance 4.125% 06/12/2023	6,406	0.19	
£915,000	Italy (Republic of) 5.25% 07/12/2034	1,148	0.03	
£26,716,000	Italy (Republic of) 6% 04/08/2028	33,125	0.97	
\$2,500,000	Kinder Morgan 5.05% 15/02/2046	2,115	0.06	

Portfolio statement (continued)

as at Holding		31.12.19 £'000	31.12.19 %	30.06.19 %
'BBB' credit rated bonds (continued)				
\$6,000,000	Kinder Morgan Energy Partners 6.95% 15/01/2038	5,978	0.18	
£12,500,000	KPN 5% 18/11/2026	14,471	0.42	
£17,700,000	KPN 5.75% 17/09/2029	21,489	0.63	
£11,000,000	Kraft Heinz Foods 4.125% 01/07/2027	12,075	0.35	
\$5,000,000	Kraft Heinz Foods 4.375% 01/06/2046	3,742	0.11	
\$4,000,000	Kraft Heinz Foods 4.625% 01/10/2039	3,143	0.09	
\$3,524,000	Kraft Heinz Foods 4.875% 01/10/2049	2,808	0.08	
£10,000,000	LafargeHolcim Sterling Finance 3% 12/05/2032	10,471	0.31	
£17,500,000	Legal & General Var. Rate 5.125% 14/11/2048	19,829	0.58	
£25,000,000	Legal & General Var. Rate 5.375% 27/10/2045	28,355	0.83	
£20,000,000	Legal & General Var. Rate 5.5% 27/06/2064	23,800	0.70	
£10,000,000	Lloyds Bank 7.625% 22/04/2025	12,727	0.37	
£5,000,000	Lloyds Bank 9.625% 06/04/2023	6,218	0.18	
£10,000,000	Lloyds Bank Var. Rate 5.75% 09/07/2025	10,212	0.30	
£1,750,000	Longstone Finance 4.896% 19/04/2031	2,032	0.06	
\$1,250,000	McDonald's 6.3% 15/10/2037	1,285	0.04	
\$2,000,000	McDonald's 6.3% 01/03/2038	2,056	0.06	
£19,000,000	Mexico (United Mexican States) 5.625% 19/03/2114	20,896	0.61	
£3,138,320	Mitchells & Butlers Finance 5.574% 15/12/2030	3,576	0.10	
£3,000,000	Mitchells & Butlers Finance FRN 1.3975% 15/12/2033	2,550	0.07	
£1,000,000	Mondelēz International 3.875% 06/03/2045	1,133	0.03	
£1,750,000	Mondelēz International 4.5% 03/12/2035	2,126	0.06	
£3,000,000	Morgan Stanley 2.625% 09/03/2027	3,157	0.09	
\$1,000,000	Morgan Stanley 3.95% 23/04/2027	809	0.02	
\$1,141,000	Nationwide Building Society 4% 14/09/2026	896	0.03	
\$10,000,000	Nationwide Building Society Var. Rate 4.125% 18/10/2032	7,872	0.23	
£2,246,000	Next 3% 26/08/2025	2,336	0.07	
£12,500,000	Next 3.625% 18/05/2028	13,350	0.39	
£10,500,000	Next 4.375% 02/10/2026	11,786	0.35	
£10,000,000	NGG Finance Var. Rate 5.625% 18/06/2073	11,317	0.33	
£5,000,000	NIE Finance 6.375% 02/06/2026	6,376	0.19	
£7,000,000	Northumbrian Water 6.875% 06/02/2023	8,186	0.24	
£3,000,000	Orange 3.25% 15/01/2032	3,320	0.10	
£5,000,000	Orange 5.625% 23/01/2034	6,967	0.20	
£19,250,000	Orange 8.125% 20/11/2028	28,980	0.85	
\$12,500,000	Orange 9% 01/03/2031	14,645	0.43	
€6,000,000	Orange Var. Rate 5% Perpetual	6,209	0.18	
\$4,884,000	Reynolds American 5.7% 15/08/2035	4,266	0.12	
\$7,479,000	Reynolds American 5.85% 15/08/2045	6,436	0.19	
\$1,000,000	Reynolds American 6.15% 15/09/2043	872	0.03	
£38,619	Road Management Consolidated 9.18% 10/06/2021	41	0.00	
£7,500,000	Royal Bank of Scotland Var. Rate 2.875% 19/09/2026	7,808	0.23	
£1,548,000	Royal Bank of Scotland Var. Rate 3.125% 28/03/2027	1,633	0.05	
\$5,000,000	Royal Bank of Scotland Var. Rate 4.892% 18/05/2029	4,269	0.13	

M&G Corporate Bond Fund

Authorised Corporate Director's Report

Investments

Portfolio statement (continued)				
as at Holding	31.12.19 £'000	31.12.19 %	30.06.19 %	
'BBB' credit rated bonds (continued)				
£6,258,000 Scottish Hydro Electric Transmission 2.25% 27/09/2035	6,181	0.18		
\$1,000,000 Security Capital 7.7% 15/06/2028	910	0.03		
£1,000,000 Severn Trent IL 1.3% 11/07/2022	1,232	0.04		
£4,160,000 Severn Trent Utilities Finance 2.75% 05/12/2031	4,508	0.13		
£6,000,000 Severn Trent Utilities Finance 3.625% 16/01/2026	6,651	0.19		
£10,000,000 Severn Trent Utilities Finance 6.25% 07/06/2029	13,684	0.40		
£2,888,000 Society of Lloyd's Var. Rate 4.875% 07/02/2047	3,193	0.09		
£2,533,000 Southern Gas Networks 3.1% 15/09/2036	2,804	0.08		
£5,000,000 Southern Gas Networks 4.875% 05/10/2023	5,657	0.17		
£5,445,000 SP Transmission 2% 13/11/2031	5,427	0.16		
£4,000,000 SSE 6.25% 27/08/2038	5,994	0.18		
£6,000,000 SSE 8.375% 20/11/2028	8,925	0.26		
£2,000,000 Student Finance 2.6663% 30/09/2024	1,999	0.06		
£6,500,000 Telefónica Emisiones 5.289% 09/12/2022	7,242	0.21		
£4,302,000 Telefónica Emisiones 5.375% 02/02/2026	5,149	0.15		
£11,500,000 Telefónica Emisiones 5.597% 12/03/2020	11,596	0.34		
\$8,000,000 Telefónica Emisiones 7.045% 20/06/2036	8,472	0.25		
£212,440 Telereal Securitisation 6.1645% 10/12/2031	266	0.01		
£25,121,561 Tesco Property Finance 3 5.744% 13/04/2040	32,504	0.95		
£8,079,513 Tesco Property Finance 4 5.8006% 13/10/2040	10,565	0.31		
£9,812,786 Tesco Property Finance 5 5.6611% 13/10/2041	12,690	0.37		
£5,000,000 Thames Water Utilities Finance 1.875% 24/01/2024	5,054	0.15		
£5,000,000 Thames Water Utilities Finance 2.625% 24/01/2032	5,099	0.15		
£3,543,000 Thames Water Utilities Finance 2.875% 03/05/2027	3,562	0.10		
£5,000,000 Thames Water Utilities Finance 3.5% 25/02/2028	5,487	0.16		
£10,000,000 Thames Water Utilities Finance 4% 19/06/2025	11,102	0.33		
£10,000,000 Thames Water Utilities Finance 4.375% 03/07/2034	12,199	0.36		
£5,000,000 Thames Water Utilities Finance 4.625% 04/06/2046	6,649	0.19		
£3,590,000 Thames Water Utilities Finance 5.125% 28/09/2037	4,798	0.14		
£12,500,000 Thames Water Utilities Finance 6.75% 16/11/2028	17,027	0.50		
£3,727,000 Thames Water Utilities Finance IL 3.375% 21/07/2021	6,485	0.19		
£4,000,000 Thames Water Utilities Finance Var. Rate 5.75% 13/09/2030	4,347	0.13		
£2,841,000 Thermo Fisher Scientific 1.5% 01/10/2039	2,281	0.07		
£2,443,000 Thermo Fisher Scientific 1.875% 01/10/2049	1,917	0.06		
£11,714,000 Time Warner Cable 5.25% 15/07/2042	13,969	0.41		
\$994,000 Time Warner Cable 5.5% 01/09/2041	839	0.02		
£4,950,000 Time Warner Cable 5.75% 02/06/2031	6,010	0.18		

Portfolio statement (continued)

as at Holding	31.12.19 £'000	31.12.19 %	30.06.19 %
'BBB' credit rated bonds (continued)			
£10,000,000 Verizon Communications 3.125% 02/11/2035	11,023	0.32	
£8,750,000 Verizon Communications 3.375% 27/10/2036	9,891	0.29	
£24,884,000 Vodafone 3% 12/08/2056	24,714	0.72	
£2,500,000 Vodafone 3.375% 08/08/2049	2,637	0.08	
\$2,500,000 Vodafone 4.25% 17/09/2050	1,984	0.06	
\$4,001,000 Vodafone 4.875% 19/06/2049	3,497	0.10	
\$7,500,000 Vodafone 5.125% 19/06/2059	6,681	0.20	
\$3,000,000 Vodafone 5.25% 30/05/2048	2,734	0.08	
£6,000,000 Volkswagen Financial Services 1.875% 03/12/2024	5,981	0.18	
£1,100,000 Volkswagen International Finance 3.375% 16/11/2026	1,175	0.03	
£20,000,000 Volkswagen International Finance 4.125% 17/11/2031	22,553	0.66	
£6,000,000 Walgreens Boots Alliance 3.6% 20/11/2025	6,220	0.18	
£5,500,000 Wells Fargo 4.875% 29/11/2035	7,063	0.21	
£7,500,000 Welltower 4.5% 01/12/2034	9,022	0.26	
£5,000,000 Welltower 4.8% 20/11/2028	5,949	0.17	
£2,000,000 WPP Finance 2.875% 14/09/2046	1,824	0.05	
	50,439	1.48	3.68
'BB' credit rated bonds			
£2,050,000 Daily Mail & General Trust 6.375% 21/06/2027	2,380	0.07	
£2,000,000 Ei 6.375% 26/09/2031	2,007	0.06	
£5,000,000 Ei 6.875% 09/05/2025	5,025	0.15	
£3,000,000 Lloyds Banking Var. Rate 7.625% Perpetual	3,361	0.10	
£3,367,000 Lloyds Banking Var. Rate 7.875% Perpetual	4,244	0.13	
£885,000 Marston's Issuer Var. Rate 2.105% 15/10/2027	823	0.02	
£2,000,000 Marston's Issuer Var. Rate 5.1774% 15/07/2032	2,163	0.06	
£473,320 Mitchells & Butlers Finance 5.965% 15/12/2023	503	0.01	
£1,169,434 Mitchells & Butlers Finance 6.013% 15/12/2028	1,321	0.04	
£921,000 Nationwide Building Society Var. Rate 5.875% Perpetual	997	0.03	
\$3,300,000 Royal Bank of Scotland 6% 19/12/2023	2,762	0.08	
\$3,500,000 Royal Bank of Scotland 6.1% 10/06/2023	2,905	0.09	
\$7,000,000 Royal Bank of Scotland 6.125% 15/12/2022	5,775	0.17	
\$2,244,000 Royal Bank of Scotland Var. Rate 3.754% 01/11/2029	1,733	0.05	
£13,000,000 Telecom Italia 5.875% 19/05/2023	14,440	0.42	
	280,811	8.22	6.75
Bonds with no credit rating			
£1,322,000 Albion NO 4 FRN 1% 17/08/2062	1,323	0.04	
€1,822,000 Assicurazioni Generali Var. Rate 5.5% 27/10/2047	1,900	0.06	
£5,000,000 Assicurazioni Generali Var. Rate 6.269% Perpetual	5,760	0.17	
£3,250,000 Assura Financing 3% 19/07/2028	3,547	0.10	
£3,000,000 BUPA Finance 5% 08/12/2026	3,447	0.10	
£2,559,127 Charter Mortgage Funding 2018-1 FRN 1.2486% 12/06/2055	2,542	0.07	
£3,412,000 Coventry Building Society 1.875% 24/10/2023	3,475	0.10	
£1,588,000 Coventry Building Society FRN 1.0944% 17/03/2020	1,589	0.05	
£8,920,000 Delamare Finance 6.067% 19/02/2029	10,992	0.32	
£8,847,000 DP World 4.25% 25/09/2030	9,838	0.29	
£501,516 Duncan Funding FRN 1.5631% 17/04/2063	502	0.01	

M&G Corporate Bond Fund

Authorised Corporate Director's Report

Investments

Portfolio statement (continued)				
as at Holding	31.12.19 £'000	31.12.19 %	30.06.19 %	
Bonds with no credit rating (continued)				
£4,152,000 Eversholt Funding 3.529% 07/08/2042	4,355	0.13		
£10,000,000 Eversholt Funding 6.359% 02/12/2025	12,239	0.36		
£2,431,000 Finsbury Square 2019-3 FRN 1% 16/12/2069	2,439	0.07		
£7,059,000 Friary No. 6 FRN 1% 21/11/2067	7,063	0.21		
£4,000,000 Grand Union 4.625% 04/12/2043	5,427	0.16		
£1,659,748 Greater Gabbard OFTO 4.137% 29/11/2032	1,927	0.06		
£7,800,000 Grosvenor UK Finance 6.5% 29/09/2026	10,016	0.29		
£12,000,000 Hammerson 6% 23/02/2026	13,879	0.41		
£10,000,000 Hammerson 7.25% 21/04/2028	12,768	0.37		
£1,000,000 Heathrow Finance 5.75% 03/03/2025	1,112	0.03		
£3,802,118 Highbury Finance 7.017% 20/03/2023	4,284	0.13		
£192,146 INTU Debenture 5.562% 31/12/2027	150	0.00		
£2,500,000 John Lewis 4.25% 18/12/2034	2,394	0.07		
£6,000,000 John Lewis 6.125% 21/01/2025	6,789	0.20		
£553,000 Land Securities Capital Markets Var. Rate 5.391% 31/03/2027	648	0.02		
£2,333,000 Leeds Building Society Var. Rate 3.75% 25/04/2029	2,401	0.07		
£4,000,000 London Merchant Securities 6.5% 16/03/2026	5,066	0.15		
£5,165,354 London Wall Mortgage Capital FRN 1.5071% 15/05/2050	5,159	0.15		
£7,477,000 Moat Homes Finance 5% 23/09/2041	10,264	0.30		
£3,102,000 Oak No. 3 FRN 1% 28/07/2061	3,106	0.09		
£7,636,120 Offa No. 1 FRN 2.0475% 14/06/2050	7,673	0.22		
£7,071,000 Orbit Capital 3.375% 14/06/2048	8,059	0.24		
£4,984,000 Orbit Capital 3.5% 24/03/2045	5,727	0.17		
£2,859,000 PCL Funding III FRN 1.3635% 15/06/2023	2,850	0.08		
£9,300,000 Peel South East 10% 30/04/2026	12,644	0.37		
£5,000,000 Places for People 3.625% 22/11/2028	5,398	0.16		
£2,500,000 Principality Building Society 2.375% 23/11/2023	2,537	0.07		
£344,209 Road Management Services IL 3.642% 31/03/2028	686	0.02		
£2,736,000 Skipton Building Society FRN 1.4072% 22/02/2024	2,752	0.08		
£4,750,000 South West Water Finance 5.875% 16/07/2040	7,050	0.21		
£2,731,000 Southern Housing 3.5% 19/10/2047	3,213	0.09		
£1,551,346 Summit Finance Law 6.484% 31/03/2028	1,783	0.05		
£414,674 THFC Social Housing Finance 8.75% 18/12/2021	466	0.01		
£3,844,276 Together Asset Backed Securitisation 2019-1 FRN 1.9802% 15/07/2061	3,858	0.11		
£1,348,166 Together Asset Backed Securitisation No. 1 FRN 1.7786% 12/03/2049	1,350	0.04		
£15,000,000 University of Oxford 2.544% 08/12/2117	17,642	0.52		
£250,000 Washington Mutual Bank 5.5% 10/06/2019 [a]	0	0.00		
£5,000,000 Whitbread 3.375% 16/10/2025	5,179	0.15		
£1,900,000 Witan Investment Trust 6.125% 15/12/2025	2,317	0.07		

Portfolio statement (continued)

as at Holding	31.12.19 £'000	31.12.19 %	30.06.19 %
Bonds with no credit rating (continued)			
£4,462,000 Wm Morrison Supermarkets 2.5% 01/10/2031	4,459	0.13	
£5,011,000 Wm Morrison Supermarkets 4.75% 04/07/2029	6,061	0.18	
£1,250,000 Yorkshire Building Society 3.5% 21/04/2026	1,365	0.04	
£20,000,000 Yorkshire Building Society FRN 1.2916% 21/11/2024	20,012	0.59	
£1,288,000 Yorkshire Building Society Var. Rate 3% 18/04/2025	1,329	0.04	
Debt derivatives			
Credit default swaps			
\$15,000,000 Mexico (United Mexican States) Dec 2024	(119)	0.00	(0.30)
Interest rate futures			
(2,291) 10 Year US Treasury Note Mar 2020	2,041	0.06	
(2,000) 10 Year US Treasury Ultra Mar 2020	2,174	0.06	
(200) Euro Buxl Mar 2020	1,095	0.03	
(100) UK Long Gilt Bond Mar 2020	89	0.00	
(1,200) US Long Treasury Bond Mar 2020	2,911	0.09	
CURRENCY			
Forward currency contracts			
€(19,002,812) Sold for £16,469,187 (expires 15.01.20)	311	0.01	(0.32)
€(18,185,313) Sold for £15,558,071 (expires 12.02.20)	80	0.00	
€(21,179,087) Sold for £17,734,075 (expires 11.03.20)	(311)	(0.01)	
\$9,442,205 Bought for £7,141,918 (expires 15.01.20)	4	0.00	
\$29,020,535 Bought for £22,079,010 (expires 12.02.20)	(134)	0.00	
\$(197,029,882) Sold for £153,082,501 (expires 15.01.20)	3,971	0.12	
\$(219,545,256) Sold for £168,961,944 (expires 12.02.20)	2,942	0.08	
\$(197,578,980) Sold for £147,703,276 (expires 11.03.20)	(1,596)	(0.05)	
Portfolio of investments	3,146,584	92.15	94.10
CASH EQUIVALENTS			
'AAA' rated money market funds [b]	239,319	7.01	4.56
239,319,137 Northern Trust Global Fund - Sterling	239,319	7.01	
Total portfolio	3,385,903	99.16	98.66
Net other assets / (liabilities)	28,728	0.84	1.34
Net assets attributable to shareholders	3,414,631	100.00	100.00

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

[a] Defaulted bond.

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

Portfolio transactions

for the six months to 31 December	2019 £'000	2018 £'000
Portfolio transactions		
Total purchases	378,829	519,845
Total sales	616,107	595,324

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

M&G Corporate Bond Fund

Financial highlights

Fund performance

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

The following chart and tables reflect the key financial information of a representative share class, Sterling Class 'A' (Accumulation) shares. As different share classes have different attributes, for example charging structures and minimum investments, please be aware that their performance may be different. For more information on the different share classes in this fund please refer to the Prospectus for M&G Investment Funds (3), which is available free of charge either from our website at www.mandg.co.uk/prospectuses or by calling M&G Customer Relations.

Fund level performance

Fund net asset value			
as at	31.12.19 £'000	30.06.19 £'000	30.06.18 £'000
Fund net asset value (NAV)	3,414,631	3,505,536	3,696,143

Performance since launch

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



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

Long-term performance by share class

	Six months 01.07.19 % ^[a]	Three years 03.01.17 % p.a.	Five years 02.01.15 % p.a.	Since launch % p.a.
Euro ^[b]				
Class 'A'	+8.9	+3.6	+2.1	+4.4 ^[c]
Class 'C'	+9.3	+4.4	+2.9	+4.9 ^[c]
Sterling ^[d]				
Class 'A'	+3.0	+3.9	+3.8	+6.1 ^[e]
Class 'I'	+3.3	+4.5	+4.3	+6.6 ^[f]
Class 'PP'	+3.3	n/a	n/a	+6.4 ^[g]
Class 'R'	+3.1	+4.2	+4.1	+4.6 ^[h]
Class 'X'	+3.0	+3.9	+3.8	+6.0 ^[i]

^[a] Absolute basis.

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

^[c] 29 November 2002, the launch date of the share class.

^[d] Price to price with income reinvested.

^[e] 15 April 1994. All performance data prior to 11 March 2002 (the launch date of the share class) has been calculated by reference to a conversion factor due to a change of the nominated share class.

^[f] 2 July 2007, the launch date of the share class.

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

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

^[i] 15 April 1994, the end of the initial offer period of the predecessor unit trust.

M&G Corporate Bond Fund

Financial highlights

Fund performance

Operating charges and portfolio transaction costs

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

Operating charges

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

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

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

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

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

Portfolio transaction costs

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

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

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

To protect existing investors, portfolio transaction costs incurred as a result of investors buying and selling shares in the fund are recovered from those investors through a 'dilution adjustment' to the price they pay or receive. As the fund invests mainly in fixed interest securities, the direct transaction costs paid on other investments are too small to be reflected in the table below. To give an indication of the indirect portfolio dealing costs the table below shows the average portfolio dealing spread.

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

Portfolio transaction costs

as at	31.12.19	30.06.19	30.06.18	Average ^[a]
Indirect portfolio transaction costs	%	%	%	%
Average portfolio dealing spread	0.76	0.80	0.72	0.76

[a] Average of first three columns.

M&G Corporate Bond Fund

Financial highlights

Specific share class performance

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

Euro Class 'A' Accumulation share performance

The share class was launched on 29 November 2002.

	Six months to 31.12.19	Year to 30.06.19	Year to 30.06.18
Change in NAV per share	Euro ¢	Euro ¢	Euro ¢
Opening NAV	1,921.75	1,847.42	1,869.07
Return before operating charges and after direct portfolio transaction costs	180.99	100.77	4.65
Operating charges	(13.80)	(26.44)	(26.30)
Return after operating charges	167.19	74.33	(21.65)
Distributions	(20.50)	(42.26)	(41.42)
Retained distributions	20.50	42.26	41.42
Closing NAV	2,088.94	1,921.75	1,847.42
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.02	0.02	0.02
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.02	0.02	0.02
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges ^[c]	1.35	1.41	1.41
Return after operating charges	+8.70	+4.02	-1.16
Distribution yield	1.90	2.14	2.19
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (£'000)	8,929	9,331	14,337
Closing NAV percentage of total fund NAV (%)	0.26	0.27	0.39
Number of shares	502,890	541,193	875,979
Highest share price (Euro ¢)	2,135.41	1,976.54	1,916.24
Lowest share price (Euro ¢)	1,898.14	1,793.34	1,795.84

Euro Class 'C' Accumulation share performance

The share class was launched on 29 November 2002.

	Six months to 31.12.19	Year to 30.06.19	Year to 30.06.18
Change in NAV per share	Euro ¢	Euro ¢	Euro ¢
Opening NAV	2,072.44	1,977.46	1,985.70
Return before operating charges and after direct portfolio transaction costs	195.54	108.24	4.89
Operating charges	(6.65)	(13.26)	(13.13)
Return after operating charges	188.89	94.98	(8.24)
Distributions	(30.43)	(60.46)	(59.15)
Retained distributions	30.43	60.46	59.15
Closing NAV	2,261.33	2,072.44	1,977.46
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.02	0.02	0.02
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.02	0.02	0.02
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges ^[c]	0.60	0.66	0.66
Return after operating charges	+9.11	+4.80	-0.41
Distribution yield	2.65	2.89	2.94
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (£'000)	1,393	1,482	3,234
Closing NAV percentage of total fund NAV (%)	0.04	0.04	0.09
Number of shares	72,477	79,693	184,614
Highest share price (Euro ¢)	2,310.93	2,129.24	2,044.58
Lowest share price (Euro ¢)	2,048.90	1,926.74	1,910.26

Sterling Class 'A' Income share performance

The share class was launched on 15 April 1994.

	Six months to 31.12.19	Year to 30.06.19	Year to 30.06.18
Change in NAV per share	UK p	UK p	UK p
Opening NAV	40.43	39.70	41.21
Return before operating charges and after direct portfolio transaction costs	1.50	2.64	0.45
Operating charges	(0.23)	(0.46)	(0.48)
Return after operating charges	1.27	2.18	(0.03)
Distributions	(0.70)	(1.45)	(1.48)
Closing NAV	41.00	40.43	39.70
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges ^[c]	1.10	1.16	1.16
Return after operating charges	+3.14	+5.49	-0.07
Distribution yield	3.23	3.53	3.59
Effect on yield of charges offset against capital	1.10	1.15	1.15
Other information			
Closing NAV (£'000)	152,560	158,362	224,543
Closing NAV percentage of total fund NAV (%)	4.47	4.52	6.08
Number of shares	372,140,349	391,692,816	565,571,858
Highest share price (UK p)	41.94	40.84	41.95
Lowest share price (UK p)	40.50	38.61	39.95

M&G Corporate Bond Fund

Financial highlights

Specific share class performance

Sterling Class 'A' Accumulation share performance

The share class was launched on 15 April 1994.

	Six months to 31.12.19 UK p	Year to 30.06.19 UK p	Year to 30.06.18 UK p
Change in NAV per share			
Opening NAV	73.04	69.17	69.24
Return before operating charges and after direct portfolio transaction costs	2.70	4.68	0.74
Operating charges	(0.42)	(0.81)	(0.81)
Return after operating charges	2.28	3.87	(0.07)
Distributions	(0.85)	(1.76)	(1.72)
Retained distributions	0.85	1.76	1.72
Closing NAV	75.32	73.04	69.17
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges ^[c]	1.10	1.16	1.16
Return after operating charges	+3.12	+5.59	-0.10
Distribution yield	2.15	2.39	2.44
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (£'000)	299,495	309,130	367,913
Closing NAV percentage of total fund NAV (%)	8.77	8.82	9.95
Number of shares	397,622,406	423,211,540	531,917,115
Highest share price (UK p)	76.26	73.11	70.75
Lowest share price (UK p)	73.17	68.16	68.85

Sterling Class 'I' Income share performance

The share class was launched on 2 July 2007.

	Six months to 31.12.19 UK p	Year to 30.06.19 UK p	Year to 30.06.18 UK p
Change in NAV per share			
Opening NAV	41.06	40.12	41.44
Return before operating charges and after direct portfolio transaction costs	1.52	2.68	0.44
Operating charges	(0.13)	(0.27)	(0.27)
Return after operating charges	1.39	2.41	0.17
Distributions	(0.71)	(1.47)	(1.49)
Closing NAV	41.74	41.06	40.12
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges ^[c]	0.60	0.66	0.66
Return after operating charges	+3.39	+6.01	+0.41
Distribution yield	3.23	3.53	3.59
Effect on yield of charges offset against capital	0.60	0.65	0.65
Other information			
Closing NAV (£'000)	2,003,261	2,054,827	2,073,188
Closing NAV percentage of total fund NAV (%)	58.67	58.62	56.09
Number of shares	4,799,083,771	5,004,202,980	5,167,353,603
Highest share price (UK p)	42.65	41.48	42.22
Lowest share price (UK p)	41.14	39.12	40.36

Sterling Class 'I' Accumulation share performance

The share class was launched on 2 July 2007.

	Six months to 31.12.19 UK p	Year to 30.06.19 UK p	Year to 30.06.18 UK p
Change in NAV per share			
Opening NAV	76.84	72.40	72.12
Return before operating charges and after direct portfolio transaction costs	2.84	4.93	0.76
Operating charges	(0.24)	(0.49)	(0.48)
Return after operating charges	2.60	4.44	0.28
Distributions	(1.09)	(2.21)	(2.16)
Retained distributions	1.09	2.21	2.16
Closing NAV	79.44	76.84	72.40
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges ^[c]	0.60	0.66	0.66
Return after operating charges	+3.38	+6.13	+0.39
Distribution yield	2.65	2.89	2.94
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (£'000)	535,964	554,172	573,803
Closing NAV percentage of total fund NAV (%)	15.70	15.81	15.52
Number of shares	674,674,832	721,174,779	792,512,099
Highest share price (UK p)	80.42	76.91	73.89
Lowest share price (UK p)	76.98	71.50	71.87

Sterling Class 'PP' Income share performance

The share class was launched on 5 August 2019.

	Period to 31.12.19 UK p	Year to 30.06.19 UK p	Year to 30.06.18 UK p
Change in NAV per share			
Opening NAV	100.00	n/a	n/a
Return before operating charges and after direct portfolio transaction costs	1.30	n/a	n/a
Operating charges	(0.18)	n/a	n/a
Return after operating charges	1.12	n/a	n/a
Distributions	(1.66)	n/a	n/a
Closing NAV	99.46	n/a	n/a
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	n/a	n/a
Dilution adjustments ^[a]	0.00	n/a	n/a
Total direct portfolio transaction costs	0.00	n/a	n/a
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	n/a	n/a
Operating charges	0.44	n/a	n/a
Return after operating charges	+1.12	n/a	n/a
Distribution yield	3.23	n/a	n/a
Effect on yield of charges offset against capital	0.44	n/a	n/a
Other information			
Closing NAV (£'000)	147	n/a	n/a
Closing NAV percentage of total fund NAV (%)	0.00	n/a	n/a
Number of shares	147,698	n/a	n/a
Highest share price (UK p)	101.54	n/a	n/a
Lowest share price (UK p)	98.59	n/a	n/a

M&G Corporate Bond Fund

Financial highlights

Specific share class performance

Sterling Class 'PP' Accumulation share performance

The share class was launched on 8 April 2019.

Change in NAV per share	Six months to 31.12.19 UK p	Year to 30.06.19 UK p	Year to 30.06.18 UK p
Opening NAV	102.82	100.00	n/a
Return before operating charges and after direct portfolio transaction costs	3.80	2.94	n/a
Operating charges	(0.24)	(0.12)	n/a
Return after operating charges	3.56	2.82	n/a
Distributions	(1.54)	(0.81)	n/a
Retained distributions	1.54	0.81	n/a
Closing NAV	106.38	102.82	n/a
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.00	n/a
Dilution adjustments ^[a]	0.00	0.00	n/a
Total direct portfolio transaction costs	0.00	0.00	n/a
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	n/a
Operating charges ^[c]	0.45	0.51	n/a
Return after operating charges	+3.46	+2.82	n/a
Distribution yield	2.79	3.04	n/a
Effect on yield of charges offset against capital	0.00	0.00	n/a
Other information			
Closing NAV (£'000)	908	493	n/a
Closing NAV percentage of total fund NAV (%)	0.03	0.01	n/a
Number of shares	853,590	479,751	n/a
Highest share price (UK p)	107.69	102.90	n/a
Lowest share price (UK p)	103.01	100.00	n/a

Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012.

Change in NAV per share	Six months to 31.12.19 UK p	Year to 30.06.19 UK p	Year to 30.06.18 UK p
Opening NAV	108.91	106.69	110.46
Return before operating charges and after direct portfolio transaction costs	4.03	7.09	1.20
Operating charges	(0.48)	(0.97)	(1.00)
Return after operating charges	3.55	6.12	0.20
Distributions	(1.88)	(3.90)	(3.97)
Closing NAV	110.58	108.91	106.69
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges ^[c]	0.85	0.91	0.91
Return after operating charges	+3.26	+5.74	+0.18
Distribution yield	3.23	3.53	3.59
Effect on yield of charges offset against capital	0.85	0.90	0.90
Other information			
Closing NAV (£'000)	10,409	9,810	9,318
Closing NAV percentage of total fund NAV (%)	0.30	0.28	0.25
Number of shares	9,413,318	9,007,249	8,733,707
Highest share price (UK p)	113.04	110.01	112.50
Lowest share price (UK p)	109.12	103.89	107.33

Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012.

Change in NAV per share	Six months to 31.12.19 UK p	Year to 30.06.19 UK p	Year to 30.06.18 UK p
Opening NAV	135.48	127.97	127.78
Return before operating charges and after direct portfolio transaction costs	5.00	8.69	1.36
Operating charges	(0.60)	(1.18)	(1.17)
Return after operating charges	4.40	7.51	0.19
Distributions	(1.75)	(3.58)	(3.50)
Retained distributions	1.75	3.58	3.50
Closing NAV	139.88	135.48	127.97
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges ^[c]	0.85	0.91	0.91
Return after operating charges	+3.25	+5.87	+0.15
Distribution yield	2.40	2.64	2.69
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (£'000)	18,859	18,304	15,318
Closing NAV percentage of total fund NAV (%)	0.55	0.52	0.41
Number of shares	13,481,964	13,510,595	11,969,919
Highest share price (UK p)	141.61	135.59	130.75
Lowest share price (UK p)	135.72	126.24	127.27

Sterling Class 'X' Income share performance

The share class was launched on 15 April 1994.

Change in NAV per share	Six months to 31.12.19 UK p	Year to 30.06.19 UK p	Year to 30.06.18 UK p
Opening NAV	40.39	39.67	41.17
Return before operating charges and after direct portfolio transaction costs	1.50	2.63	0.45
Operating charges	(0.23)	(0.46)	(0.47)
Return after operating charges	1.27	2.17	(0.02)
Distributions	(0.70)	(1.45)	(1.48)
Closing NAV	40.96	40.39	39.67
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges ^[c]	1.10	1.16	1.16
Return after operating charges	+3.14	+5.47	-0.05
Distribution yield	3.23	3.53	3.59
Effect on yield of charges offset against capital	1.10	1.15	1.15
Other information			
Closing NAV (£'000)	366,084	372,605	394,950
Closing NAV percentage of total fund NAV (%)	10.72	10.63	10.69
Number of shares	893,815,331	922,450,949	995,698,514
Highest share price (UK p)	41.90	40.80	41.91
Lowest share price (UK p)	40.47	38.57	39.91

M&G Corporate Bond Fund

Financial highlights

Specific share class performance

Sterling Class 'X' Accumulation share performance

The share class was launched on 15 April 1994.

	Six months to 31.12.19	Year to 30.06.19	Year to 30.06.18
Change in NAV per share	UK p	UK p	UK p
Opening NAV	70.89	67.13	67.20
Return before operating charges and after direct portfolio transaction costs	2.62	4.55	0.71
Operating charges	(0.41)	(0.79)	(0.78)
Return after operating charges	2.21	3.76	(0.07)
Distributions	(0.82)	(1.71)	(1.67)
Retained distributions	0.82	1.71	1.67
Closing NAV	73.10	70.89	67.13
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges ^[c]	1.10	1.16	1.16
Return after operating charges	+3.12	+5.60	-0.10
Distribution yield	2.15	2.39	2.44
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (£'000)	16,622	17,020	19,539
Closing NAV percentage of total fund NAV (%)	0.49	0.48	0.53
Number of shares	22,736,621	24,007,590	29,105,020
Highest share price (UK p)	74.01	70.96	68.67
Lowest share price (UK p)	71.02	66.15	66.83

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

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

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

M&G Corporate Bond Fund

Financial statements and notes

Financial statements

Statement of total return

for the six months to 31 December	2019		2018	
	£'000	£'000	£'000	£'000
Income				
Net capital gains / (losses)		67,204		(83,943)
Revenue	59,308		68,555	
Expenses	(13,106)		(14,850)	
Net revenue / (expense) before taxation	46,202		53,705	
Taxation	186		83	
Net revenue / (expense) after taxation		46,388		53,788
Total return before distributions		113,592		(30,155)
Distributions		(54,902)		(63,413)
Change in net assets attributable to shareholders from investment activities		58,690		(93,568)

Statement of change in net assets attributable to shareholders

for the six months to 31 December	2019		2018	
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		3,505,536		3,696,143
Amounts received on issue of shares	120,632		322,154	
Amounts paid on cancellation of shares	(282,952)		(322,021)	
		(162,320)		133
Dilution adjustments		1,211		1,554
Change in net assets attributable to shareholders from investment activities (see above)		58,690		(93,568)
Retained distributions on Accumulation shares		11,499		13,291
Unclaimed distributions		15		25
Closing net assets attributable to shareholders		3,414,631		3,617,578

The opening net assets attributable to shareholders for 2019 differs to the closing position in 2018 by the change in net assets attributable to shareholders for the second half of the comparative financial year.

Balance sheet

as at	31 December 2019	30 June 2019
	£'000	£'000
Assets		
Fixed assets		
Investments	3,148,744	3,320,641
Current assets		
Debtors	44,620	53,533
Cash and bank balances	22,413	42,395
Cash equivalents	239,319	159,695
Total assets	3,455,096	3,576,264
Liabilities		
Investment liabilities	(2,160)	(21,799)
Creditors		
Overdrawn positions at futures clearing houses and collateral manager	(12,066)	(10,190)
Distribution payable	(20,867)	(23,961)
Other creditors	(5,372)	(14,778)
Total liabilities	(40,465)	(70,728)
Net assets attributable to shareholders	3,414,631	3,505,536

Notes to the financial statements

Accounting policies

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

Distribution policy

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

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

M&G Corporate Bond Fund

Financial statements and notes

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M&G Dividend Fund

Authorised Corporate Director's Report

Investment objective and policy up to 28 November 2019

The fund invests mainly in a range of UK equities with the aim of achieving a steadily increasing income stream. 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 (the combination of income and growth of capital).

Investment approach up to 28 November 2019

The M&G Dividend Fund employs a bottom-up stockpicking approach, driven by the fundamental analysis of individual companies. The fund manager seeks to invest in companies with excellent capital discipline and long-term dividend growth potential. The fund manager believes rising dividends create upward pressure on the value of shares. Dividend yield is not the primary consideration for stock selection. The fund manager aims to create a diversified portfolio with exposure to a broad range of sectors. He selects stocks with different drivers of dividend growth to construct a portfolio that has the potential to cope in a variety of market conditions. The fund invests with a long-term investment view and a typical holding period of three to five years.

Investment objective from 29 November 2019

The fund has three aims:

- To provide an annual yield higher than that of the FTSE All-Share Index;
- To provide an income stream that increases every year;
- To provide a higher total return (the combination of capital growth and income), net of the ongoing charge figure, than that of the FTSE All-Share Index over any five-year period.

Investment policy from 29 November 2019

At least 70% of the fund is invested in equity securities and equity-related securities of companies across any sector and market capitalisation, that are incorporated, domiciled, listed or do most of their business in the United Kingdom.

The fund may also invest in other transferable securities, including the shares of non-UK companies, cash and near cash directly or via collective investment schemes (including funds managed by M&G).

Derivatives may be used for efficient portfolio management and hedging.

Investment approach from 29 November 2019

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

The fund typically invests in a well-diversified portfolio of high-yielding UK stocks. The yield premium attached to the fund generally means that there is a bias towards good value, out of favour stocks (i.e. those stocks which the fund manager considered to be undervalued by the market). The emphasis on yield helps to identify stocks that are relatively cheap and to avoid those that are expensive. From the universe of high yielding stocks, the fund manager identifies companies that are competitive, with a strong business franchise and that have attractive dividend growth prospects.

Benchmark

Benchmark: FTSE All-Share Index.

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

Risk profile

The fund invests in the shares of UK-listed companies and is, therefore, subject to the price volatility of the UK stockmarket and the performance of individual companies. The fund's focus is on shares of companies that have the potential to grow their dividends over the long term. Income distributions from the fund's holdings, however, are not guaranteed and may vary. Diversification is therefore key in managing liquidity risk and reducing market risk. The fund's risks are measured and managed as an integral part of the investment process.

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



The above number:

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

M&G Dividend Fund

Authorised Corporate Director's Report

Investment review

As at 2 January 2020, for the six months ended 31 December 2019

Performance against objective

The fund achieved the objective of growing its income distribution over the six-month review period. As at 2 January 2020, the 5.02% yield on the fund's Sterling Class 'A' (Income) shares was 22.5% above the benchmark FTSE All-Share Index yield of 4.10%, meeting the fund's target to exceed the index yield.

During the period, the fund distributed income of 0.8250p per Sterling Class 'A' (Income) share, an increase of 3.1% over the 0.8005p payment made in the same period last year. The inflation rate in December 2019 was 2.2%, as measured by the Retail Prices Index, while on the Consumer Prices Index (CPI) measure it was 1.3%.

For details of the fund's historic yields for your specific share class, please refer to the 'Specific share class performance' tables in this report.

Between 1 July 2019 (the start of the review period) and 2 January 2020, the fund registered a positive total return of over 5.5% (the combination of income and growth of capital) across all of its share classes.* The fund's performance reflected the overall trend in the UK stockmarket, ending the six-month period ahead of the 5.4% return by its benchmark, the FTSE All-Share Index.

Over five years, the fund lagged the FTSE All-Share Index which returned 7.8% p.a., therefore missing its objective to outperform the benchmark over a five-year period.

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

Investment performance

The fund finished the six-month period just ahead of its benchmark, the FTSE All-Share Index. In particular, the fund was assisted by its exposure to medium-sized companies, which benefited from their domestic focus and a recovery in sterling over the period, both of which rallied on the back of the general election. Conversely, the currency moves meant some performance was surrendered as a result of the fund's overseas exposure as a stronger pound reduced the returns from this portfolio segment for sterling-based investors. However, the overseas positions represent less than 10% of the portfolio and are maintained for diversification purposes, allowing the fund to have a broader exposure to dividend-paying companies in the energy and pharmaceutical sectors, for example, which a pure UK equity portfolio would inhibit.

At the stock level, the main sources of added value included a clutch of medium-sized companies such as housebuilder Countryside Properties, student accommodation provider Unite Group, flexible workspace provider IWG (formerly Regus), Ladbroke's Coral owner GVC and brewer plus pub operator Greene King. Within the fund's larger company holdings, broadcaster ITV was a notable outperformer, whilst among its smaller-company holdings, newspaper group Reach (formerly Trinity Mirror) added value. The common theme driving their performance was the general election-induced rally in UK domestically orientated companies. In addition, Unite received approval from the competition regulator and completed its acquisition of rival Liberty Living. IWG has started to perform well as the market is beginning to

take notice of the company's strategy for franchising its worldwide office portfolio. GVC produced a good set of annual results, despite a tougher regulatory environment, assisted by its operations in the US and Brazil. Meanwhile, Greene King was taken over by a Hong-Kong-listed investor.

Conversely, aside from a number of overseas holdings, the main detractors were larger companies and included software firm Micro Focus, oil major BP, Lloyd's underwriter Hiscox, cigarette manufacturer Imperial Brands and Anglo-Australian miner Rio Tinto. Having run up strongly over the previous 12 months, Micro Focus consolidated after issuing a profit warning following a fall in half-year licence sales. We took the opportunity to increase the fund's holding on a more attractive yield. BP produced lacklustre results as the oil price has been held back by oversupply issues, and disappointed the market somewhat by not raising its dividend in 2018. However, after the oil major raised its dividend in 2019 for the first time since the 2010 disaster in the Gulf of Mexico, it was felt that this was more likely to be a timing issue. Hiscox was affected by severe weather events and announced that they may fall short of their medium-term targets. Imperial Brands was under pressure from the US authorities' position against vaping products, although the tobacco sector has recovered from recent lows. We took the opportunity to add to the fund's holding on a yield in excess of 11%. Rio Tinto reflected decreased demand for raw materials as economic growth in China has slowed under pressure from President Trump's trade wars; in addition, the Australian fires have disrupted production.

Turning to markets, the six months under review was a volatile period for UK equities, or company shares, which limited the progress of the broad market FTSE All-Share Index to a total return of 5.4% in sterling terms. Global equity markets including the UK generally rose through the summer, encouraged by a softening in the US Federal Reserve's attitude towards interest rates, cutting them three times between July and October in response to the markets' volatility and concerns about slowing growth. The European Central Bank followed suit, lowering its already negative interest rate in September. Late summer, the US-China trade conflict and renewed concerns about global growth unsettled investors, before risk appetite picked up again in the autumn, led by the US market which recorded a series of all-time highs, as signs emerged that a trade deal might be agreed between the US and China in January 2020, as well as some improvement in global economic data. UK equities lagged, however, as Brexit increasingly preoccupied investors in the domestic market.

Hopes that the Conservative's decisive victory in the general election on 12 December 2019 might remove the uncertainty over Brexit initially led to significant strength in sterling and sharp rallies by the domestically focused mid and small-cap indices (medium sized and smaller companies), with the former recording an all-time high. The currency move weighed on the FTSE 100 Index of larger companies, though, with its higher weighting of overseas earners. The currency rally partially unwound after the prime minister promised legislation to make 31 December 2020 a hard deadline for achieving a trade deal, raising concerns that the UK could crash out of the European Union after all. Notably, although there was broad participation across sectors, there was a cyclical tilt to the UK market rally over the period. However, utilities outperformed as the threat of nationalisation was lifted from them, and the tobacco sector rebounded. Meanwhile, energy and mining companies lagged – the former reflecting disappointing results and the latter slowing growth in China, while banks were held back by a weak performance from HSBC due to the unrest in Hong Kong.

M&G Dividend Fund

Authorised Corporate Director's Report

Investment review

Investment activities

The broad thrust of the fund was unchanged over the six months under review. Most of the portfolio's weighting remains above-index in the more defensive and higher income-earning sectors of the market, while generally avoiding the lower-quality areas. In this regard, there was a preference for adding to holdings or establishing new positions within the medium-sized company area of the market and especially in financials, but also in the media and leisure sectors. Elsewhere, we took advantage of relative market weakness within larger companies to add to holdings in telecoms, tobacco and utility companies.

Accordingly, since the fund's June year end, new positions established have included miniature war games manufacturer Games Workshop, housebuilder Persimmon, cinema chain Cineworld, home furnishings retailer SCS and alternative finance lender Duke Royalty.

Games Workshop is the owner of the brand Warhammer. The business monetises its intellectual property (IP) through selling its miniatures globally and by licensing the brand. We believe the company represents a very long-term growth opportunity, especially through further IP licenses, which are a particularly attractive earnings stream. While the dividend yield is lower than the fund typically targets for new holdings, our expectations for significant earnings growth underpin what we believe are excellent dividend prospects in future years. Persimmon is the UK's largest housebuilder. The sector came under pressure on concerns around Brexit and Help-to-Buy ending, albeit the scheme was subsequently extended to 2023. Persimmon maintains a strong balance sheet with net cash of around £700 million, cementing our confidence in their ability to grow while paying significant dividends to shareholders.

Shares in Cineworld, the second-largest cinema chain in the world by screens, were acquired on a high yield as the market has been concerned about 2020's film line-up and capital investment requirements to compete with their theatrical peers, plus the likes of Netflix and Amazon Prime. However, we believe that box office attendance will continue on an upwards growth trajectory. SCS was added to the portfolio via a placing to raise funds for the business. SCS is concentrated in the North and the Midlands, and specialises in sofas which are proving fairly resilient to online demand as customers tend to prefer to visit physical stores to try them out. The new holding complements the fund's position in DFS. Listed on AIM, Duke Royalty is the leading provider of royalty finance to companies in the UK and Europe. The shares are attractively valued and offer a 6% yield.

To help fund these purchases, some holdings were sold as their yields had become less attractive from an income standpoint after a long period of outperformance. These included Finnish lift manufacturer Kone, media company RELX and plastic pipe manufacturer Polypipe. One holding exited the portfolio at a healthy premium as a result of a takeover: brewer and pub operator Greene King. Two holdings were sold as we reallocated to stronger conviction ideas: Tritax Big Box REIT (real estate investment trust) and Scandinavian banking group Nordea where we were anticipating a dividend cut.

Elsewhere, positions were reduced in holdings that had performed well and where yields had declined, including Compass, AstraZeneca, Unilever, Intermediate Capital Group and Britvic. In addition, we realised some profits in flexible workspace provider IWG, as it more than doubled in 2019.

Outlook

The UK stockmarket ultimately delivered a solid return in 2019, notwithstanding a weaker economic outlook at home and abroad, trade tensions between the US and its major trading partners, geopolitical concerns and the uncertainty regarding Brexit.

The main reasons behind the market's support were the Bank of England's low interest rate policy, together with the low level of bond yields – the 10-year benchmark UK government bond yield stood at 0.83% at the end of December. In addition, after the sell-off at the end of 2018, the market started 2019 from a low base.

Consumer spending has also been resilient, helped by low unemployment and wage growth that has finally overtaken inflation; however, the high street is clearly suffering. Despite this year's recovery, though, the UK stockmarket still represents fair value compared to other markets, notwithstanding the year-end election rally, and is likely to stay at a discount to them until some form of Brexit resolution is achieved.

Sterling remains a key influence. Even though the currency has staged a recovery, it is well below the US\$1.50 level of four years ago, which means UK companies still represent attractive opportunities for overseas buyers as the recent pick-up in takeover activity testifies.

The UK's economic outlook remains uncertain, largely due to continued confusion about Brexit, although there is likely to be a substantial fiscal boost as the new government embarks on a huge investment programme in infrastructure, public housing and the NHS, to list a few projects, especially in its newly won northern and Midlands constituencies. The UK just managed to avoid a recession in the third and fourth quarters of 2019. Longer term, we are more optimistic about the UK's prospects, given the broadly positive fundamentals of low interest rates, high employment and subdued inflation. Encouragingly, corporate earnings have held up so far and company balance sheets generally remain well capitalised.

Distribution prospects

The fund's income generation has been assisted by the tailwind of sterling weakness on the back of concerns about Brexit and the slowdown in the economy, which has principally benefited the UK's multinationals by boosting the translational effects of their overseas earnings into sterling. The past two years have borne witness to a broadening of the market's dividend-producing base. Despite recent weakness, the recovery in commodity prices from their 2016 lows has enabled the mining behemoths to return to paying dividends once again, and a higher oil price combined with improved production costs has provided greater confidence about the security of future dividend flows from the energy sector. In addition, the UK's banks, another important source of market income in the past, are returning to health and paying dividends again in most cases.

M&G Dividend Fund

Authorised Corporate Director's Report

Investment review

Distribution prospects (continued)

2019 produced solid gains in dividend payments, which have been helped by special dividends and sterling weakness. However, the forecast for 2020 is more modest, with dividend growth expected to ease, reflecting greater risks to economic growth. In addition, the magnitude of the increases in the mining sector over the past two years is unlikely to be repeated. Nevertheless, in the absence of unforeseen circumstances, we are aiming for a further increase in the fund's distribution in 2020.

After the six-monthly interim distribution is paid on 28 February 2020, the fund's distribution frequency will increase to quarterly payments on 31 May (Interim), 31 August (Final), 30 November (Interim) and 28 February (Interim).

Michael Stiasny
Fund manager

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

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

Investments

Portfolio statement			
as at Holding	31.12.19 £'000	31.12.19 %	30.06.19 %
EQUITIES	1,189,900	100.14	102.55
Software & computer services	19,795	1.67	2.11
1,850,000 Micro Focus International	19,795	1.67	
Telecommunication service providers	34,536	2.91	1.77
8,000,000 BT	15,400	1.30	
13,000,001 Vodafone	19,136	1.61	
Pharmaceuticals & biotechnology	103,857	8.74	8.20
125,000 AbbVie	8,375	0.70	
725,000 AstraZeneca	54,665	4.60	
1,750,000 GlaxoSmithKline	30,982	2.61	
40,000 Roche	9,835	0.83	
Banks	77,573	6.53	7.97
7,000,000 HSBC	41,370	3.48	
57,943,709 Lloyds Banking	36,203	3.05	
Financial services	677	0.06	0.00
1,353,380 Duke Royalty ^[a]	677	0.06	
Investment banking & brokerage services	61,595	5.18	6.13
800,000 3i	8,796	0.74	
1,639,553 Brewin Dolphin	6,079	0.51	
1,325,000 Intermediate Capital	21,386	1.80	
2,150,000 Jupiter Fund Management	8,834	0.74	
5,000,000 Standard Life Aberdeen	16,500	1.39	
Equity investment instruments	2,140	0.18	0.00 ^[b]
2,000,000 SDCL Energy Efficiency Income Trust	2,140	0.18	
Non-equity investment instruments	11,040	0.93	1.11
1,150,000 Honeycomb Investment Trust	11,040	0.93	
Life insurance	93,808	7.89	5.83
4,825,000 Aviva	20,222	1.70	
2,646,813 Chesnara	8,205	0.69	
7,750,000 Legal & General	23,637	1.99	
3,250,000 Phoenix	24,261	2.04	
1,500,000 St. James's Place	17,483	1.47	
Non-life insurance	60,935	5.13	6.07
700,000 Admiral	16,205	1.36	
5,000,000 Hastings	9,000	0.76	
750,000 Hiscox	10,643	0.89	
4,383,177 Sabre Insurance	13,500	1.14	
350,000 Sampo	11,587	0.98	
Real estate investment & services	16,481	1.39	1.27 ^[b]
7,971,658 Grit Real Estate Income	7,121	0.60	
10,000,000 Tritax EuroBox	9,360	0.79	
Real estate investment trusts	42,451	3.57	4.45
4,948,434 NewRiver REIT	9,946	0.84	
2,800,000 Regional REIT	3,159	0.27	
300,000 Segro REIT	2,684	0.22	
1,661,637 UNITE REIT	20,970	1.76	
5,128,064 Warehouse REIT ^[a]	5,692	0.48	
Automobiles & parts	4,920	0.41	0.49
225,306 Nokian Renkaat	4,920	0.41	
Household goods & home construction	23,963	2.02	0.97
3,500,000 Countryside Properties	16,009	1.35	
294,916 Persimmon	7,954	0.67	

M&G Dividend Fund

Authorised Corporate Director's Report

Investments

Portfolio statement (continued)			
as at Holding	31.12.19 £'000	31.12.19 %	30.06.19 %
Leisure goods	3,080	0.26	0.00
50,000 Games Workshop	3,080	0.26	
Personal goods	13,016	1.10	1.72
300,000 Unilever	13,016	1.10	
Media	82,885	6.98	6.46
2,500,000 Informa	21,395	1.80	
10,500,000 ITV	15,797	1.33	
1,000,000 Moneysupermarket.com	3,332	0.28	
8,500,000 Reach	11,475	0.97	
900,000 SES FDR	9,566	0.81	
2,000,000 WPP	21,320	1.79	
Retailers	18,237	1.53	0.82
1,500,000 DFS Furniture	4,327	0.36	
500,000 Halfords	848	0.07	
1,136,364 ScS	2,727	0.23	
399,049 WH Smith	10,335	0.87	
Travel & leisure	80,459	6.77	7.10
4,264,000 Cineworld	9,351	0.79	
500,000 Compass	9,460	0.79	
450,000 Go-Ahead	9,873	0.83	
4,040,375 GVC	35,612	3.00	
8,000,000 Marston's	10,240	0.86	
708,586 Restaurant	1,156	0.10	
500,000 TUI	4,767	0.40	
Beverages	17,167	1.44	1.57
1,900,000 Britvic	17,167	1.44	
Food producers	6,028	0.51	0.96
550,000 Hilton Food	6,028	0.51	
Tobacco	99,983	8.41	7.46
1,700,000 British American Tobacco	55,122	4.64	
2,400,000 Imperial Brands	44,861	3.77	
Construction & materials	1,153	0.10	0.43
1,200,000 Kier	1,153	0.10	
General industrials	24,830	2.09	2.06
6,500,000 DS Smith	24,830	2.09	
Industrial engineering	11,750	0.99	2.74
1,000,000 IMI	11,750	0.99	
Industrial support services	43,866	3.69	3.72
6,242,542 Essentra	27,130	2.28	
2,000,000 IWG	8,720	0.73	
800,000 PayPoint	8,016	0.68	
Industrial metals & mining	46,594	3.92	4.58
500,000 Central Asia Metals ^[a]	1,115	0.09	
2,990,875 Prosafe	544	0.05	
1,000,000 Rio Tinto	44,935	3.78	
Chemicals	24,872	2.09	2.33
465,852 Methanex	13,434	1.13	
456,797 Victrex	11,438	0.96	
Non-renewable energy	107,158	9.02	10.95
14,941,281 BP	70,784	5.96	
1,300,000 Royal Dutch Shell	29,152	2.45	
172,878 TOTAL	7,222	0.61	
Electricity	2,891	0.24	0.12
200,000 SSE	2,891	0.24	

Portfolio statement (continued)

as at Holding	31.12.19 £'000	31.12.19 %	30.06.19 %
Gas, water & multi-utilities	52,160	4.39	3.16
450,000 ENGIE	5,533	0.47	
3,000,000 National Grid	28,434	2.39	
1,200,000 Pennon	12,324	1.04	
618,070 United Utilities	5,869	0.49	
Unquoted / unlisted ^[c]	0	0.00	0.00
377,518 Izodia	0	0.00	
CURRENCY	0	0.00	(0.03)
Forward currency contracts	0	0.00	(0.03)
Portfolio of investments	1,189,900	100.14	102.52
CASH EQUIVALENTS	3,277	0.28	0.69
'AAA' rated money market funds ^[d]	3,277	0.28	0.69
3,277,000 Northern Trust Global Fund - Sterling	3,277	0.28	
Total portfolio	1,193,177	100.42	103.21
Net other assets / (liabilities)	(4,999)	(0.42)	(3.21)
Net assets attributable to shareholders	1,188,178	100.00	100.00

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

^[a] AIM quoted.

^[b] The comparative sector weightings have been re-analysed to reflect changes to the sector classifications.

^[c] Suspended.

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

Top ten portfolio transactions

for the six months to 31 December 2019

	£'000
Largest purchases	
Legal & General	13,892
Cineworld	9,308
Aviva	8,552
Vodafone	7,708
Micro Focus International	7,517
Persimmon	7,420
BT	6,089
Imperial Brands	5,599
Standard Life Aberdeen	5,268
ITV	5,057
Other purchases	64,615
Total purchases	141,025
Largest sales	
Compass	19,962
Tritax Big Box	14,504
RELX	14,383
Kone	14,337
Intermediate Capital	13,386
Nordea Bank	10,193
Greene King	7,596
IWG	6,989
UNITE	6,949
IMI	6,498
Other sales	47,007
Total sales	161,804

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

M&G Dividend Fund

Financial highlights

Fund performance

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

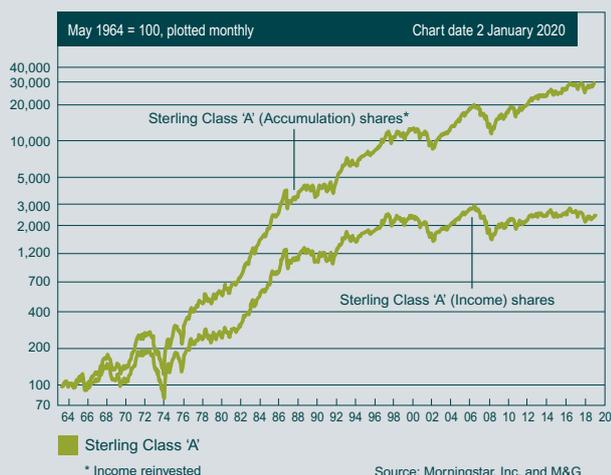
The following charts and tables reflect the key financial information of a representative share class, Sterling Class 'A' (Accumulation) shares. As different share classes have different attributes, for example charging structures and minimum investments, please be aware that their performance may be different. For more information on the different share classes in this fund please refer to the Prospectus for M&G Investment Funds (3), which is available free of charge either from our website at www.mandg.co.uk/prospectuses or by calling M&G Customer Relations.

Fund level performance

Fund net asset value			
as at	31.12.19 £'000	30.06.19 £'000	30.06.18 £'000
Fund net asset value (NAV)	1,188,178	1,134,711	1,204,479

Share class performance since launch

To give an indication of how the fund has performed since launch, the chart below shows performance of Sterling Class 'A' (Accumulation) shares and Sterling Class 'A' (Income) shares. With Accumulation shares, income received from an investment is reinvested, while with Income shares, the income is paid out to shareholders.



Ten-year performance

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



Historic yield

The chart below shows the historic yield of Sterling Class 'A' (Income) shares against that of a comparator benchmark.



Historic yield: The historic yield reflects distributions declared over the past twelve months as a percentage of the mid-market price, as at the date shown. It does not include any preliminary charge and investors may be subject to tax on their distributions.

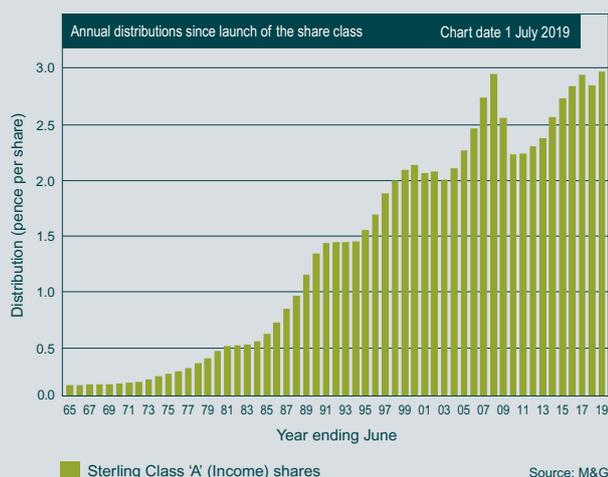
M&G Dividend Fund

Financial highlights

Fund performance

Distribution since launch

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



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

Long-term performance by share class				
	Six months 01.07.19 % ^[a]	Three years 03.01.17 % p.a.	Five years 02.01.15 % p.a.	Since launch % p.a.
Sterling ^[b]				
Class 'A'	+5.6	+3.6	+5.2	+10.8 ^[c]
Class 'C'	+6.2	+5.0	+6.7	+6.4 ^[d]
Class 'I'	+5.9	+4.3	+5.9	+7.3 ^[e]
Class 'R'	+5.7	+4.0	+5.7	+7.0 ^[e]
Class 'X'	+5.6	+3.6	+5.2	+7.1 ^[f]

^[a] Absolute basis.

^[b] Price to price with income reinvested.

^[c] 6 May 1964, the end of the initial offer period of the predecessor unit trust.

^[d] 3 January 2006, the launch date of the share class.

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

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

Operating charges and portfolio transaction costs

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

Operating charges

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

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

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

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

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

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

M&G Dividend Fund

Financial highlights

Fund performance

Operating charges and portfolio transaction costs

Portfolio transaction costs

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

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

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

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

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

Portfolio transaction costs				
	Six months to 31.12.19	Year to 30.06.19	Year to 30.06.18	Average ^[a]
Direct portfolio transaction costs ^[b]	%	%	%	%
Broker commission	0.02	0.04	0.04	0.03
Taxes	0.10	0.18	0.12	0.13
Costs before dilution adjustments	0.12	0.22	0.16	0.16
Dilution adjustments ^[c]	(0.04)	(0.03)	(0.03)	(0.03)
Total direct portfolio transaction costs	0.08	0.19	0.13	0.13
as at	31.12.19	30.06.19	30.06.18	Average ^[a]
Indirect portfolio transaction costs	%	%	%	%
Average portfolio dealing spread	0.13	0.11	0.10	0.11

^[a] Average of first three columns.

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

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

Specific share class performance

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

Historic yields for the current period are calculated as at 10 January 2020.

Sterling Class 'A' Income share performance

The share class was launched on 6 May 1964.

	Six months to 31.12.19 UK p	Year to 30.06.19 UK p	Year to 30.06.18 UK p
Change in NAV per share			
Opening NAV	56.65	61.07	65.01
Return before operating charges and after direct portfolio transaction costs	3.74	(0.47)	(0.04)
Operating charges	(0.37)	(0.98)	(1.05)
Return after operating charges	3.37	(1.45)	(1.09)
Distributions	(0.83)	(2.97)	(2.85)
Closing NAV	59.19	56.65	61.07
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.04	0.13	0.10
Dilution adjustments ^[a]	(0.01)	(0.02)	(0.02)
Total direct portfolio transaction costs	0.03	0.11	0.08
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.08	0.19	0.13
Operating charges ^[c]	1.22	1.70	1.68
Return after operating charges	+5.95	-2.37	-1.68
Historic yield	5.03	5.21	4.60
Effect on yield of charges offset against capital	1.22	1.66	1.66
Other information			
Closing NAV (£'000)	269,988	264,442	303,852
Closing NAV percentage of total fund NAV (%)	22.72	23.30	25.23
Number of shares	456,142,159	466,775,318	497,549,090
Highest share price (UK p)	60.72	63.11	65.92
Lowest share price (UK p)	54.40	52.08	57.44

M&G Dividend Fund

Financial highlights

Specific share class performance

Sterling Class 'A' Accumulation share performance

The share class was launched on 6 May 1964.

Change in NAV per share	Six months to 31.12.19 UK p	Year to 30.06.19 UK p	Year to 30.06.18 UK p
Opening NAV	687.64	702.83	714.80
Return before operating charges and after direct portfolio transaction costs	44.91	(3.77)	(0.34)
Operating charges	(4.45)	(11.42)	(11.63)
Return after operating charges	40.46	(15.19)	(11.97)
Distributions	(7.40)	(23.50)	(20.17)
Retained distributions	7.40	23.50	20.17
Closing NAV	728.10	687.64	702.83
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.43	1.47	1.07
Dilution adjustments ^[a]	(0.14)	(0.23)	(0.21)
Total direct portfolio transaction costs	0.29	1.24	0.86
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.08	0.19	0.13
Operating charges ^[c]	1.22	1.70	1.68
Return after operating charges	+5.88	-2.16	-1.67
Historic yield	3.58	3.40	2.83
Effect on yield of charges offset against capital	0.00	0.01	0.01
Other information			
Closing NAV (£'000)	68,186	67,252	74,303
Closing NAV percentage of total fund NAV (%)	5.74	5.93	6.17
Number of shares	9,364,896	9,780,117	10,571,996
Highest share price (UK p)	736.72	726.56	724.97
Lowest share price (UK p)	660.03	600.55	639.57

Sterling Class 'C' Income share performance

Sterling Class 'C' shares are not generally available to all investors.

The share class was launched on 3 January 2006.

Change in NAV per share	Six months to 31.12.19 UK p	Year to 30.06.19 UK p	Year to 30.06.18 UK p
Opening NAV	70.03	74.35	77.96
Return before operating charges and after direct portfolio transaction costs	4.64	(0.53)	(0.02)
Operating charges	(0.01)	(0.14)	(0.14)
Return after operating charges	4.63	(0.67)	(0.16)
Distributions	(1.03)	(3.65)	(3.45)
Closing NAV	73.63	70.03	74.35
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.04	0.16	0.12
Dilution adjustments ^[a]	(0.01)	(0.02)	(0.02)
Total direct portfolio transaction costs	0.03	0.14	0.10
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.08	0.19	0.13
Operating charges ^[c]	0.01	0.20	0.18
Return after operating charges	+6.61	-0.90	-0.21
Historic yield	4.99	5.18	4.57
Effect on yield of charges offset against capital	0.01	0.16	0.16
Other information			
Closing NAV (£'000)	661,170	658,664	665,795
Closing NAV percentage of total fund NAV (%)	55.64	58.04	55.27
Number of shares	897,952,084	940,507,184	895,430,657
Highest share price (UK p)	75.53	76.94	79.12
Lowest share price (UK p)	67.38	63.90	69.68

Sterling Class 'I' Income share performance

The share class was launched on 3 August 2012.

Change in NAV per share	Six months to 31.12.19 UK p	Year to 30.06.19 UK p	Year to 30.06.18 UK p
Opening NAV	1,141.74	1,221.44	1,290.34
Return before operating charges and after direct portfolio transaction costs	75.31	(8.93)	(0.51)
Operating charges	(4.21)	(11.06)	(11.59)
Return after operating charges	71.10	(19.99)	(12.10)
Distributions	(16.65)	(59.71)	(56.80)
Closing NAV	1,196.19	1,141.74	1,221.44
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.72	2.55	1.93
Dilution adjustments ^[a]	(0.24)	(0.41)	(0.38)
Total direct portfolio transaction costs	0.48	2.14	1.55
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.08	0.19	0.13
Operating charges ^[c]	0.70	0.95	0.93
Return after operating charges	+6.23	-1.64	-0.94
Historic yield	5.01	5.20	4.59
Effect on yield of charges offset against capital	0.70	0.91	0.91
Other information			
Closing NAV (£'000)	113,207	72,423	83,800
Closing NAV percentage of total fund NAV (%)	9.53	6.38	6.96
Number of shares	9,463,976	6,343,173	6,860,758
Highest share price (UK p)	1,227.11	1,263.06	1,309.05
Lowest share price (UK p)	1,097.37	1,045.65	1,146.68

Sterling Class 'I' Accumulation share performance

The share class was launched on 3 August 2012.

Change in NAV per share	Six months to 31.12.19 UK p	Year to 30.06.19 UK p	Year to 30.06.18 UK p
Opening NAV	1,570.70	1,593.43	1,608.51
Return before operating charges and after direct portfolio transaction costs	102.83	(8.19)	(0.55)
Operating charges	(5.79)	(14.54)	(14.53)
Return after operating charges	97.04	(22.73)	(15.08)
Distributions	(19.50)	(64.98)	(57.32)
Retained distributions	19.50	64.98	57.32
Closing NAV	1,667.74	1,570.70	1,593.43
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.98	3.35	2.42
Dilution adjustments ^[a]	(0.33)	(0.53)	(0.48)
Total direct portfolio transaction costs	0.65	2.82	1.94
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.08	0.19	0.13
Operating charges ^[c]	0.70	0.95	0.93
Return after operating charges	+6.18	-1.43	-0.94
Historic yield	4.12	4.11	3.55
Effect on yield of charges offset against capital	0.00	0.01	0.01
Other information			
Closing NAV (£'000)	21,270	20,241	22,216
Closing NAV percentage of total fund NAV (%)	1.79	1.78	1.84
Number of shares	1,275,398	1,288,692	1,394,209
Highest share price (UK p)	1,687.38	1,648.33	1,632.10
Lowest share price (UK p)	1,508.97	1,366.64	1,447.45

M&G Dividend Fund

Financial highlights

Specific share class performance

Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012.

	Six months to 31.12.19 UK p	Year to 30.06.19 UK p	Year to 30.06.18 UK p
Change in NAV per share			
Opening NAV	112.20	120.34	127.45
Return before operating charges and after direct portfolio transaction costs	7.40	(0.90)	(0.06)
Operating charges	(0.56)	(1.37)	(1.45)
Return after operating charges	6.84	(2.27)	(1.51)
Distributions	(1.64)	(5.87)	(5.60)
Closing NAV	117.40	112.20	120.34

	UK p	UK p	UK p
Direct portfolio transaction costs			
Costs before dilution adjustments	0.07	0.25	0.19
Dilution adjustments ^[a]	(0.02)	(0.04)	(0.04)
Total direct portfolio transaction costs	0.05	0.21	0.15

	%	%	%
Performance and charges			
Direct portfolio transaction costs ^[b]	0.08	0.19	0.13
Operating charges ^[c]	0.95	1.20	1.18
Return after operating charges	+6.10	-1.89	-1.18
Historic yield	5.02	5.20	4.59
Effect on yield of charges offset against capital	0.95	1.16	1.16

Other information

Closing NAV (£'000)	16,835	15,838	15,978
Closing NAV percentage of total fund NAV (%)	1.42	1.40	1.33
Number of shares	14,340,633	14,115,564	13,277,490
Highest share price (UK p)	120.44	124.41	129.28
Lowest share price (UK p)	107.81	102.89	113.04

Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012.

	Six months to 31.12.19 UK p	Year to 30.06.19 UK p	Year to 30.06.18 UK p
Change in NAV per share			
Opening NAV	154.35	156.97	158.85
Return before operating charges and after direct portfolio transaction costs	10.10	(0.82)	(0.07)
Operating charges	(0.77)	(1.80)	(1.81)
Return after operating charges	9.33	(2.62)	(1.88)
Distributions	(1.80)	(6.02)	(5.27)
Retained distributions	1.80	6.02	5.27
Closing NAV	163.68	154.35	156.97

	UK p	UK p	UK p
Direct portfolio transaction costs			
Costs before dilution adjustments	0.10	0.33	0.24
Dilution adjustments ^[a]	(0.03)	(0.05)	(0.05)
Total direct portfolio transaction costs	0.07	0.28	0.19

	%	%	%
Performance and charges			
Direct portfolio transaction costs ^[b]	0.08	0.19	0.13
Operating charges ^[c]	0.95	1.20	1.18
Return after operating charges	+6.04	-1.67	-1.18
Historic yield	3.93	3.88	3.31
Effect on yield of charges offset against capital	0.00	0.01	0.01

Other information

Closing NAV (£'000)	18,187	16,887	15,165
Closing NAV percentage of total fund NAV (%)	1.53	1.49	1.26
Number of shares	11,111,414	10,940,930	9,661,090
Highest share price (UK p)	165.61	162.34	161.16
Lowest share price (UK p)	148.23	134.46	142.68

Sterling Class 'X' Income share performance

The share class was launched on 1 October 2002.

	Six months to 31.12.19 UK p	Year to 30.06.19 UK p	Year to 30.06.18 UK p
Change in NAV per share			
Opening NAV	56.91	61.35	65.30
Return before operating charges and after direct portfolio transaction costs	3.76	(0.46)	(0.03)
Operating charges	(0.37)	(0.99)	(1.06)
Return after operating charges	3.39	(1.45)	(1.09)
Distributions	(0.83)	(2.99)	(2.86)
Closing NAV	59.47	56.91	61.35

	UK p	UK p	UK p
Direct portfolio transaction costs			
Costs before dilution adjustments	0.04	0.13	0.10
Dilution adjustments ^[a]	(0.01)	(0.02)	(0.02)
Total direct portfolio transaction costs	0.03	0.11	0.08

	%	%	%
Performance and charges			
Direct portfolio transaction costs ^[b]	0.08	0.19	0.13
Operating charges ^[c]	1.22	1.70	1.68
Return after operating charges	+5.96	-2.36	-1.67
Historic yield	5.02	5.21	4.60
Effect on yield of charges offset against capital	1.22	1.66	1.66

Other information

Closing NAV (£'000)	17,007	16,516	19,977
Closing NAV percentage of total fund NAV (%)	1.43	1.46	1.66
Number of shares	28,599,371	29,018,907	32,562,207
Highest share price (UK p)	61.00	63.40	66.22
Lowest share price (UK p)	54.65	52.32	57.70

Sterling Class 'X' Accumulation share performance

The share class was launched on 1 October 2002.

	Six months to 31.12.19 UK p	Year to 30.06.19 UK p	Year to 30.06.18 UK p
Change in NAV per share			
Opening NAV	680.23	695.26	707.10
Return before operating charges and after direct portfolio transaction costs	44.44	(3.72)	(0.33)
Operating charges	(4.41)	(11.31)	(11.51)
Return after operating charges	40.03	(15.03)	(11.84)
Distributions	(7.30)	(23.25)	(19.95)
Retained distributions	7.30	23.25	19.95
Closing NAV	720.26	680.23	695.26

	UK p	UK p	UK p
Direct portfolio transaction costs			
Costs before dilution adjustments	0.43	1.46	1.06
Dilution adjustments ^[a]	(0.14)	(0.23)	(0.21)
Total direct portfolio transaction costs	0.29	1.23	0.85

	%	%	%
Performance and charges			
Direct portfolio transaction costs ^[b]	0.08	0.19	0.13
Operating charges ^[c]	1.22	1.70	1.68
Return after operating charges	+5.88	-2.16	-1.67
Historic yield	3.58	3.40	2.83
Effect on yield of charges offset against capital	0.00	0.01	0.01

Other information

Closing NAV (£'000)	2,328	2,448	3,393
Closing NAV percentage of total fund NAV (%)	0.20	0.22	0.28
Number of shares	323,239	359,867	488,082
Highest share price (UK p)	728.78	718.73	717.16
Lowest share price (UK p)	652.92	594.08	632.68

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

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

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

M&G Dividend Fund

Financial statements and notes

Financial statements

for the six months to 31 December	2019		2018	
	£'000	£'000	£'000	£'000
Statement of total return				
Income				
Net capital gains / (losses)		46,893		(177,054)
Revenue	28,273		20,271	
Expenses	(2,872)		(4,456)	
Net revenue / (expense) before taxation	25,401		15,815	
Taxation	(408)		(40)	
Net revenue / (expense) after taxation		24,993		15,775
Total return before distributions		71,886		(161,279)
Distributions		(16,382)		(15,521)
Change in net assets attributable to shareholders from investment activities		55,504		(176,800)

for the six months to 31 December	2019		2018	
	£'000	£'000	£'000	£'000
Statement of change in net assets attributable to shareholders				
Opening net assets attributable to shareholders		1,134,711		1,204,479
Amounts received on issue of shares	84,490		91,530	
Amounts paid on cancellation of shares	(88,335)		(47,487)	
		(3,845)		44,043
Dilution adjustments		536		468
Change in net assets attributable to shareholders from investment activities (see above)		55,504		(176,800)
Retained distributions on Accumulation shares		1,165		835
Unclaimed distributions		107		91
Closing net assets attributable to shareholders		1,188,178		1,073,116

The opening net assets attributable to shareholders for 2019 differs to the closing position in 2018 by the change in net assets attributable to shareholders for the second half of the comparative financial year.

as at	31 December 2019		30 June 2019	
	£'000	£'000	£'000	£'000
Balance sheet				
Assets				
Fixed assets				
Investments		1,189,900		1,163,698
Current assets				
Debtors		6,473		9,841
Cash and bank balances		5,087		1,169
Cash equivalents		3,277		7,801
Total assets		1,204,737		1,182,509
Liabilities				
Investment liabilities		0		(369)
Creditors				
Bank overdrafts		0		(248)
Distribution payable		(15,014)		(39,284)
Other creditors		(1,545)		(7,897)
Total liabilities		(16,559)		(47,798)
Net assets attributable to shareholders		1,188,178		1,134,711

Notes to the financial statements

Accounting policies

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

Distribution policy

In determining the amount available for reinvestment to Accumulation shares, all expenses with the exception of the annual charge, annual management charge, administration charge and overdraft interest are offset against capital, increasing the amount available for reinvestment whilst restraining capital performance to an equivalent extent. In determining the amount available for distribution to Income shares, all expenses with the exception of overdraft interest are offset against capital, increasing the amount available for distribution whilst restraining capital performance to an equivalent extent.

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

In order to conduct a controlled dividend flow to shareholders, interim distributions will be at the fund manager's discretion, up to the maximum of the distributable income available for the period.

M&G Dividend Fund

Financial statements and notes

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M&G Emerging Markets Bond Fund

Authorised Corporate Director's Report

Investment objective

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

Investment policy

The fund invests mainly in debt instruments issued by emerging market borrowers, including government, government agency and corporate debt. There are no restrictions on the currencies to which the fund may be exposed. Derivatives may be used for investment purposes as well as for efficient portfolio management. The fund may also invest in collective investment schemes, other transferable securities (including other debt instruments), cash and near cash, deposits, warrants and money market instruments. M&G has the discretion to identify the countries that it considers to qualify as emerging markets although these will typically be those that the IMF or World Bank define as emerging or developing economies.

Investment approach

The fund's investment approach begins with a top-down assessment of macroeconomic factors such as global risk appetite and structural global growth catalysts. On a regional and country-specific level, factors such as monetary and fiscal policies, capital flows, and political and regulatory environments will be assessed. The result of this analysis will help inform the fund's country and currency allocations and its duration. Individual credit selection is determined by a thorough credit analysis and an assessment of valuations. Both macroeconomic and stock-specific analysis is undertaken in close conjunction with the deputy fund manager and the internal credit analysts. The fund is diversified by investing in a range of assets across global emerging markets and is unconstrained by a benchmark with a flexible strategy.

Benchmark

Benchmark: 1/3 JPM EMBI Global Diversified Index, 1/3 JPM CEMBI Broad Diversified Index, 1/3 JPM GBI-EM Global Diversified Index.

The fund is actively managed. The benchmark is a comparator against which the fund's performance can be measured. The composite index has been chosen as the fund's comparator benchmark as it best reflects the scope of the fund's investment policy. The comparator benchmark does not constrain the fund's portfolio construction.

Risk profile

The fund invests mainly in fixed income securities, or bonds, issued by governments and companies in emerging markets. It can also invest in emerging market currencies. It is, therefore, subject to the price volatility of the global bond market and the performance of individual issuers. The fund is also subject to fluctuations in currency exchange rates.

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

The fund may use derivatives to achieve the manager's desired exposure to emerging market bonds and currencies. In association with the use of derivatives, including those instruments not traded through an exchange, collateral is deposited, in order to mitigate the risk that a counterparty may default on its obligations or become insolvent.

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

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



The above number:

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

M&G Emerging Markets Bond Fund

Authorised Corporate Director's Report

Investment review

As at 2 January 2020, for the six months ended 31 December 2019

Performance against objective

Between 1 July 2019 (the start of the review period) and 2 January 2020, the sterling share classes of the M&G Emerging Markets Bond Fund delivered varied performance. Generally, performance was helped by positive returns recorded across the main segments of emerging market bonds. However, the decline of the US dollar against sterling detracted from the returns of the fund's sterling unhedged share classes. This effect was felt as the fund maintained a sizeable exposure to the US dollar. As a result, the fund's sterling unhedged share classes registered small negative returns. The fund's sterling hedged share class, however, delivered a positive return in the period.

In comparison, the fund's comparator benchmark recorded a return of -0.5% over the same period. The fund's benchmark is a composite index consisting of 1/3 JP Morgan Emerging Markets Bond (EMBI) Global Diversified Index, 1/3 JP Morgan Corporate EMBI (CEMBI) Broad Diversified Index, and 1/3 JPM GBI-EM Global Diversified Index.

Over the review period, the fund recorded a mixed performance against its objective, which is to maximise total return (the combination of income and capital growth)*. For the five-year period, all of the fund's share classes recorded positive total returns that were higher than the return of its benchmark, which was 8.4% p.a.

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

Investment performance

Several key themes continued to influence investors' sentiment in global financial markets during the six months to 31 December 2019. These included slower global economic growth and ongoing international trade tensions between China and the US. Against this backdrop, however, attention also remained focused on some renewed economic stimulus policies from important central banks.

In turn, these central bank activities provided some support towards the performance of bond markets, including emerging market bonds. Bonds are loans in the form of securities, usually issued by a government (sovereign bonds) or company (corporate bonds). They normally pay a fixed rate of interest (also known as a coupon) over a given time period, at the end of which the initial amount borrowed is repaid.

In the US, as widely expected, the Federal Reserve reduced interest rates three times between July and October, each time by 0.25 percentage points. The European Central Bank (ECB), also as expected, confirmed renewed stimulus measures in September, which included an interest rate cut. The performance of bonds is influenced by expected or actual changes in interest rates. Bond prices move inversely to interest rates, so rising interest rates can reduce the returns of bonds, while falling rates tend to be helpful.

Given the size and importance of the US market in a global context, the effects of higher or lower US interest rates can be felt internationally in both developed and emerging countries.

While the trend of lower interest rates contributed positively to the performance of emerging market bonds, there was some renewed volatility in emerging market currencies. This was notable during August, after Argentina's President Macri was defeated in primary voting in the country's elections. The Argentine peso sold off sharply, and other local emerging market currencies weakened. Later in the review period, there were serious civil protests against governments in several smaller markets, including Lebanon and Chile, which weighed on sentiment towards their bond and currency markets.

However, many emerging market currencies rallied well towards the end of 2019, helping emerging market bonds denominated in local currencies to register gains for the review period as a whole. Hard currency-denominated emerging market government and corporate bonds also recorded positive returns in the period. This outcome was helped as, towards the end of 2019, optimism increased that the US and China were making progress to resolve their trade dispute. Among other relevant themes, there was also optimism that Brexit would finally proceed with an agreed withdrawal deal after a UK general election resulted in a large majority for the ruling Conservative Party. Together with the continued low interest rate environment, these factors contributed towards investors' support for areas of the global bond universe, such as in the emerging markets.

In the fund, we maintained a preference throughout the period for investing in a diversified way across emerging market regions. The fund's allocations consisted of government and corporate bonds denominated in local or hard currencies. While the gains produced by these assets generally helped the fund's performance, for its unhedged sterling share classes, a decline in the value of the US dollar versus sterling detracted from returns. This effect on performance resulted as the fund maintained a sizeable exposure to the US currency.

Investment activities

The fund's overall strategy continued to reflect our belief that investing in the right mix of local and hard currency government and corporate bonds is key to delivering performance. Going into the review period, the fund was invested around 43% in hard currency government bonds, 27% in local currency government bonds, 25% in emerging market hard currency corporate bonds, and 4% in local currency corporate bonds.

After some solid performance from emerging market bonds in the first half of 2019, our adjustments to the fund as the review period got under way included locking in some gains from holdings on a selective basis. In July, this activity included reducing some euro-denominated government positions in Egypt, Senegal and Serbia, while we sold out of a holding of euro-denominated government bonds in Cyprus.

Among US dollar-denominated government bonds, we reduced an allocation to Oman after the securities performed well. Elsewhere, the fund's purchases included newly issued government bonds in El Salvador as we felt the outlook for the country appeared to be stabilising.

M&G Emerging Markets Bond Fund

Authorised Corporate Director's Report

Investment review

Investment activities (continued)

In the corporate bond markets, we added a position in Naftogaz, the Ukrainian state-owned oil and gas group. The holding increased the fund's existing exposure to Ukraine, a country that we felt has offered an appealing investment proposition for some time, having emerged from a crisis at the end of 2015. The latest political developments in the country remained supportive, in our view, with continued cooperation with the International Monetary Fund and potential for reforms. Our other activity in the opening months of the period included adding exposure to China, after the country's underperformance amid its trade tensions with the US. While maintaining a relatively small allocation to China, we purchased US dollar-denominated bonds from real estate group Wanda. The real estate sector is among our favoured areas in the country, partly as it is less exposed to any adverse developments in US/China relations.

In Africa, we opened a position in Namibia in September via US dollar-denominated government bonds, based on our favourable assessment of valuations in the country. Subsequently, we bought government bonds in Morocco, which we consider has attractions as a more stable nation in a turbulent region. We purchased US dollar-denominated bonds, as well as newly issued euro-denominated government securities. We also added new exposure to Mozambique, as the government completed a restructuring programme and its bonds will be added to relevant global emerging market indices. In Asia, however, we reduced a position in Sri Lanka, largely as the new government's fiscal plans were very expansionary, which raised concerns with us about its refinancing arrangements with the International Monetary Fund.

Among larger markets, we increased the fund's allocation to hard currency government bonds in Argentina in the final month of the period. In our view, the newly elected administration's plans to restructure government finances in the country should be helped by its appointment of a debt restructuring expert as its economic minister. Elsewhere in Latin America, we took some profits from a corporate position in Marfrig, the Brazilian beef producer, after the bonds performed well.

Outlook

While current valuations for emerging market bonds appear less favourable after their solid performance in 2019, we still feel that a variety of factors should support the long-term outlook for these assets. In our opinion, these include the prevailing very low interest rate environment in developed markets, which underlines the appeal of higher yields from emerging market bonds denominated in both hard and local currencies. In addition, we would note that many emerging economies can exhibit lower debt levels compared to developed markets, while emerging market bonds also offer huge diversity for global investors.

In the fund, our preference remains to hold allocations invested in the hard and local currency segments, given that we continue to believe opportunities can be found in both areas of the market. For local currency exposures, we maintain a selective approach, with diversity across the emerging market regions via positions that include the Russian ruble, Brazilian real, Indonesian rupiah, Chilean peso, Polish zloty, Malaysian ringgit, and Mexican peso. In our view, few emerging market central banks are likely to continue cutting interest rates in 2020. We believe this raises the prospect that currency positioning, rather than strategies based on interest rate movements, may be an important contributor to returns in the year ahead.

Going into 2020, the fund was invested around 41% in hard currency government bonds, 26% in local currency government bonds, 28% in emerging market hard currency corporate bonds, and 5% in local currency corporate bonds. As always within our overall approach, we believe that flexibility remains key for successfully investing in the emerging market bonds. We base this approach on holding bonds and currencies that we believe offer the best relative value and avoiding countries or industries where the outlook is unfavourable.

Claudia Calich Fund manager

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

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

M&G Emerging Markets Bond Fund

Authorised Corporate Director's Report

Investments

Portfolio statement

as at Holding	31.12.19 \$'000	31.12.19 %	30.06.19 %
FIXED INCOME	956,858	97.91	98.20
Debt securities	956,858	97.91	98.20
'AAA' credit rated bonds	14,033	1.44	0.93
INR200,000,000 Asian Development Bank 5.9% 20/12/2022	2,753	0.28	
IDR60,250,000,000 Inter-American Development Bank 7.875% 14/03/2023	4,578	0.47	
INR181,000,000 International Finance 5.85% 25/11/2022	2,495	0.26	
UAH100,000,000 International Finance 15.5% 29/01/2021	4,207	0.43	
'AA' credit rated bonds	38,721	3.96	5.36
\$6,436,000 Qatar (State of) 6.4% 20/01/2040	9,350	0.96	
\$26,100,000 US Treasury IL 0.625% 15/01/2024	29,371	3.00	
'A' credit rated bonds	81,930	8.38	7.09
CLP11,395,000,000 Chile (Republic of) 4% 01/03/2023 CLP500 Chile (Republic of) IL 1.5% 01/03/2026	15,985	1.64	0.00
MYR66,366,000 Malaysia (Govt. of) 3.882% 10/03/2022	16,515	1.69	
MXN30,200,000 Mexico (United Mexican States) 2% 09/06/2022	9,826	1.00	
MXN160,000,000 Mexico (United Mexican States) 7.5% 03/06/2027	8,794	0.90	
PEN35,617,000 Peru (Republic of) 8.2% 12/08/2026	13,657	1.40	
PLN63,125,000 Poland (Republic of) 2.5% 25/07/2026	17,132	1.75	
'BBB' credit rated bonds	157,438	16.11	15.10
\$3,000,000 Aeropuerto Internacional de Tocumen 5.625% 18/05/2036	3,526	0.36	
\$3,236,000 Aeropuerto Internacional de Tocumen 6% 18/11/2048	3,972	0.41	
\$4,375,000 Banco General 4.125% 07/08/2027	4,584	0.47	
COP22,206,000,000 Bogota Distrito Capital 9.75% 26/07/2028	7,626	0.78	
\$4,365,000 Burgan Bank SAK Var. Rate 5.7492% Perpetual	4,450	0.45	
COP18,000,000,000 Colombia (Republic of) 6% 28/04/2028	5,446	0.56	
\$2,925,000 Fufeng 5.875% 28/08/2021	3,034	0.31	
\$3,624,000 Gaz Capital 7.288% 16/08/2037	5,071	0.52	
IDR187,881,000,000 Indonesia (Republic of) 8.25% 15/05/2036	14,258	1.46	
£3,450,000 Mexico (United Mexican States) 5.625% 19/03/2114	5,012	0.51	
MXN106,800,000 Mexico (United Mexican States) 8% 07/11/2047	6,169	0.63	
€4,714,000 Morocco (Kingdom of) 1.5% 27/11/2031	5,287	0.54	
\$2,000,000 Morocco (Kingdom of) 5.5% 11/12/2042	2,448	0.25	
INR630,000,000 National Highways 7.3% 18/05/2022	8,774	0.90	
\$4,750,000 Orbia Advance 5.5% 15/01/2048	4,849	0.50	
\$2,556,000 Perusahaan Listrik Negara 3.875% 17/07/2029	2,664	0.27	
\$7,050,000 Petroleos Mexicano 5.35% 12/02/2028	6,996	0.72	
PHP328,000,000 Philippines (Republic of) 6.25% 14/01/2036	7,853	0.80	
\$5,000,000 Romania (Republic of) 6.125% 22/01/2044	6,481	0.66	
RUB1,563,367,000 Russia (Federation of) 8.15% 03/02/2027	28,052	2.87	

Portfolio statement (continued)

as at Holding	31.12.19 \$'000	31.12.19 %	30.06.19 %
'BBB' credit rated bonds (continued)			
\$5,025,000 SASOL Financing USA 6.5% 27/09/2028	5,579	0.57	
THB252,687,000 Thailand (Kingdom of) IL 1.25% 12/03/2028	8,595	0.88	
UYU126,783,000 Uruguay (Republic of) 8.5% 15/03/2028	2,910	0.30	
UYU144,091,000 Uruguay (Republic of) 9.875% 20/06/2022	3,802	0.39	
'BB' credit rated bonds			
	225,723	23.10	22.54
\$7,215,000 ABJA Investment 5.45% 24/01/2028	6,959	0.71	
\$6,000,000 Bahamas (Commonwealth of) 6% 21/11/2028	6,660	0.68	
\$1,453,000 Banco de Bogota 6.25% 12/05/2026	1,622	0.17	
\$5,100,000 Banco Mercantil del Norte Var. Rate 6.75% Perpetual	5,215	0.53	
\$7,859,000 Bioceanico Sovereign Certificate 0% 05/06/2034	5,381	0.55	
\$7,086,000 Bolivia (Plurinational State of) 4.5% 20/03/2028	7,093	0.73	
BRL86,500,000 Brazil (Federal Republic of) 10% 01/01/2025	24,694	2.53	
\$2,175,000 CIFI 6.55% 28/03/2024	2,228	0.23	
\$3,975,000 Delhi International Airport 6.45% 04/06/2029	4,250	0.43	
KZT2,066,500,000 Development Bank of Kazakhstan 9.5% 14/12/2020	5,282	0.54	
\$5,016,000 Dominican Republic 7.45% 30/04/2044	6,036	0.62	
DOP177,800,000 Dominican Republic 8.9% 15/02/2023	3,336	0.34	
DOP280,000,000 Dominican Republic 9.75% 05/06/2026	5,368	0.55	
DOP115,700,000 Dominican Republic 10.5% 07/04/2023	2,232	0.23	
DOP61,800,000 Dominican Republic 15.95% 04/06/2021	1,264	0.13	
\$3,398,000 Guatemala (Republic of) 4.5% 03/05/2026	3,562	0.36	
\$8,000,000 Guatemala (Republic of) 4.9% 01/06/2030	8,551	0.87	
\$8,100,000 Honduras (Republic of) 6.25% 19/01/2027	8,828	0.90	
\$3,132,000 Inretail Pharma 5.375% 02/05/2023	3,292	0.34	
IDR54,460,000,000 Jasa Marga 7.5% 11/12/2020	3,805	0.39	
\$2,300,000 KazMunayGas National 4.75% 19/04/2027	2,522	0.26	
\$5,750,000 KUO 5.75% 07/07/2027	6,003	0.61	
\$2,882,000 MAF Global Securities Var. Rate 5.5% Perpetual	2,936	0.30	
\$2,719,000 MAF Global Securities Var. Rate 6.375% Perpetual	2,815	0.29	
\$4,480,000 MARB BondCo 6.875% 19/01/2025	4,743	0.49	
\$2,765,000 Melco Resorts Finance 5.375% 04/12/2029	2,839	0.29	
\$1,710,000 Muthoot Finance 6.125% 31/10/2022	1,774	0.18	
\$7,401,000 Network i2i Var. Rate 5.65% Perpetual	7,309	0.75	
\$6,106,000 Oman (Salutante of) 6.75% 17/01/2048	6,129	0.63	
\$5,511,000 Paraguay (Republic of) 6.1% 11/08/2044	6,751	0.69	
\$7,800,000 Petrobras Global Finance 6.9% 19/03/2049	9,140	0.93	
\$4,225,000 Rede D'or Finance 4.95% 17/01/2028	4,365	0.45	
RSD882,000,000 Serbia (Republic of) 4.5% 11/01/2026	9,078	0.93	
ZAR211,118,303 South Africa (Republic of) 8.75% 28/02/2048	13,167	1.35	
\$6,650,000 Teva Pharmaceutical Finance Netherlands III 6.75% 01/03/2028	6,712	0.69	

M&G Emerging Markets Bond Fund

Authorised Corporate Director's Report

Investments

Portfolio statement (continued)			
as at Holding	31.12.19 \$'000	31.12.19 %	30.06.19 %
'BB' credit rated bonds (continued)			
\$2,000,000	Trinidad Petroleum 9.75% 15/06/2026	2,218	0.23
\$4,600,000	Uzbek Industrial and Construction Bank 5.75% 02/12/2024	4,677	0.48
\$3,919,000	Uzbekistan (Republic of) 4.75% 20/02/2024	4,157	0.42
\$4,411,000	Uzbekistan (Republic of) 5.375% 20/02/2029	4,894	0.50
\$1,308,000	Wynn Macau 5.125% 15/12/2029	1,325	0.14
\$4,200,000	Yingde Gases Investment 6.25% 19/01/2023	4,315	0.44
\$2,250,000	Yuzhou Properties 6% 25/10/2023	2,196	0.22
	'B' credit rated bonds	287,750	29.44 35.34
\$4,024,000	ADES International 8.625% 24/04/2024	4,178	0.43
€10,425,000	Albania (Republic of) 3.5% 09/10/2025	12,755	1.31
\$7,863,000	Angola (Republic of) 9.375% 08/05/2048	8,591	0.88
\$5,000,000	Bahrain (Kingdom of) 5.625% 30/09/2031	5,354	0.55
\$3,100,000	Belarus (Republic of) 6.2% 28/02/2030	3,288	0.34
€7,525,000	Benin Government International Bond 5.75% 26/03/2026	8,782	0.90
\$6,444,000	Cameroon (Republic of) 9.5% 19/11/2025	7,216	0.74
\$4,780,000	China Evergrande 7.5% 28/06/2023	4,160	0.43
\$4,985,000	Córdoba (Province of) 7.125% 01/08/2027	3,305	0.34
\$2,000,000	Costa Rica (Republic of) 5.52% 10/11/2021	2,018	0.21
\$7,000,000	Costa Rica (Republic of) 9.2% 21/02/2024	7,926	0.81
\$4,000,000	Development Bank of Mongolia 7.25% 23/10/2023	4,237	0.43
\$4,845,000	Development Bank of the Republic of Belarus 6.75% 02/05/2024	5,096	0.52
\$6,639,000	Ecuador (Republic of) 7.875% 23/01/2028	5,891	0.60
\$4,502,000	Ecuador (Republic of) 8.75% 02/06/2023	4,445	0.46
\$950,000	Ecuador (Republic of) 9.65% 13/12/2026	901	0.09
EGP60,000,000	Egypt (Arab Republic of) 0% 03/03/2020	3,654	0.37
\$12,500,000	Egypt (Arab Republic of) 8.7002% 01/03/2049	13,945	1.43
\$6,000,000	El Salvador (Republic of) 7.1246% 20/01/2050	6,389	0.65
\$6,088,000	Ethiopia (Federal Democratic Republic of) 6.625% 11/12/2024	6,565	0.67
\$11,384,000	Ghana (Republic of) 8.125% 26/03/2032	11,575	1.18
\$6,900,000	Iraq (Republic of) 5.8% 15/01/2028	6,751	0.69
\$1,900,000	Jamaica (Govt. of) 7.875% 28/07/2045	2,561	0.26
\$4,870,000	Jamaica (Govt. of) 8% 15/03/2039	6,612	0.68
\$5,624,000	Jordan (Kingdom of) 7.375% 10/10/2047	5,986	0.61
\$5,614,000	JSC Georgia Capital 6.125% 09/03/2024	5,496	0.56
\$4,400,000	Kenya (Republic of) 7% 22/05/2027	4,675	0.48
\$3,700,000	Kenya (Republic of) 8% 22/05/2032	4,026	0.41

Portfolio statement (continued)

as at Holding	31.12.19 \$'000	31.12.19 %	30.06.19 %
'B' credit rated bonds (continued)			
\$4,500,000	Kenya (Republic of) 8.25% 28/02/2048	4,810	0.49
\$2,770,000	Kernel 6.5% 17/10/2024	2,862	0.29
\$1,555,000	Kernel 8.75% 31/01/2022	1,674	0.17
\$5,144,000	Latam Finance 7% 01/03/2026	5,556	0.57
\$3,924,000	MHP 7.75% 10/05/2024	4,230	0.43
\$5,538,000	Mongolia (Govt. of) 5.625% 01/05/2023	5,714	0.58
NGN1,750,000,000	Nigeria (Federal Republic of) 0.01% 27/02/2020	4,703	0.48
\$5,096,000	Nigeria (Federal Republic of) 7.875% 16/02/2032	5,280	0.54
\$4,543,000	Nigeria (Federal Republic of) 8.747% 21/01/2031	5,009	0.51
NGN1,400,000,000	Nigeria (Federal Republic of) 17.75% 14/05/2020	3,667	0.38
\$6,012,000	Pakistan (Islamic Republic of) 7.875% 31/03/2036	6,189	0.63
\$11,451,000	Rwanda (Republic of) 6.625% 02/05/2023	12,221	1.25
\$10,000,000	Senegal (Republic of) 6.25% 23/05/2033	10,492	1.07
\$4,880,000	Sri Lanka (Republic of) 6.85% 03/11/2025	4,869	0.50
\$4,023,000	Sri Lanka (Republic of) 7.85% 14/03/2029	4,063	0.42
\$2,267,000	Tajikistan (Republic of) 7.125% 14/09/2027	1,841	0.19
\$2,125,000	Times China 6.75% 16/07/2023	2,162	0.22
\$3,600,000	Turkey (Republic of) 6.875% 17/03/2036	3,718	0.38
TRY57,425,049	Turkey (Republic of) 7.4% 05/02/2020	9,613	0.98
\$9,500,000	Ukraine (Republic of) 9.75% 01/11/2028	11,543	1.18
UAH12,490,000	Ukraine (Republic of) 14.91% 12/10/2022	549	0.06
UAH60,000,000	Ukraine (Republic of) 15.36% 29/09/2021	2,571	0.26
UAH30,000,000	Ukraine (Republic of) 16.25% 19/02/2020	1,266	0.13
UAH40,903,000	Ukraine (Republic of) 17.25% 30/09/2020	1,759	0.18
€2,250,000	Walnut Bidco 6.75% 01/08/2024	2,696	0.28
\$2,350,000	Wanda Properties International 7.25% 29/01/2024	2,315	0.24
	'CCC' credit rated bonds	19,321	1.98 0.00
€3,600,000	Argentina (Republic of) 5% 15/01/2027	1,778	0.18
€2,800,000	Argentina (Republic of) 5.25% 15/01/2028	1,386	0.14
\$4,300,000	Argentina (Republic of) 5.875% 11/01/2028	2,017	0.21
\$1,200,000	Argentina (Republic of) 6.875% 11/01/2048	573	0.06
\$800,000	Argentina (Republic of) 7.125% 06/07/2036	382	0.04
€7,009,327	Argentina (Republic of) 7.82% 31/12/2033	4,540	0.46
ARS59,161,481	Argentina (Republic of) FRN 56.4991% 21/06/2020	649	0.07
\$3,439,000	Buenos Aires (Province of) 7.875% 15/06/2027	1,443	0.15
\$5,000,000	Mozambique (Republic of) 5% 15/09/2031	4,673	0.48
\$2,735,000	Zambia (Republic of) 8.5% 14/04/2024	1,880	0.19

M&G Emerging Markets Bond Fund

Authorised Corporate Director's Report

Investments

Portfolio statement (continued)				
as at Holding	31.12.19 \$'000	31.12.19 %	30.06.19 %	
'D' credit rated bonds				
\$12,676,000	2,139	0.22	0.65	
Venezuela (Republic of) 7% 31/03/2038	1,423	0.15		
\$6,171,300	716	0.07		
Venezuela (Republic of) 9.25% 07/05/2028				
Bonds with no credit rating				
\$5,749,000	129,803	13.28	11.19	
Armenia (Republic of) 7.15% 26/03/2025	6,741	0.69		
€4,125,000	4,601	0.47		
Central Bank Tunisia 5.625% 17/02/2024				
€3,800,000	4,341	0.44		
Côte d'Ivoire (Republic of) 5.25% 22/03/2030				
€6,139,000	6,929	0.71		
Côte d'Ivoire (Republic of) 6.625% 22/03/2048				
\$5,300,000	5,362	0.55		
Dar Al-Arkan Sukuk 6.875% 21/03/2023				
\$11,799,000	9,022	0.92		
Debt and Asset Trading 1% 10/10/2025				
\$6,600,000	7,617	0.78		
DP World 5.625% 25/09/2048				
COP6,343,000,000	2,036	0.21		
Empresas Públicas de Medellin ESP 8.375% 08/11/2027				
\$7,881,000	8,296	0.85		
Gabonese (Republic of) 6.95% 16/06/2025				
\$5,075,000	5,125	0.53		
Greenko Solar Mauritius 5.95% 29/07/2026				
\$4,708,000	5,097	0.52		
GTLK Europe Capital 5.95% 17/04/2025				
\$6,000,000	5,871	0.60		
Lao (Republic of) 6.875% 30/06/2021				
\$5,421,000	5,660	0.58		
Millicom International Cellular 5.125% 15/01/2028				
\$3,414,000	3,526	0.36		
NAK Naftogaz Ukraine via Kondor Finance 7.375% 19/07/2022				
\$3,868,000	3,933	0.40		
NAK Naftogaz Ukraine via Kondor Finance 7.625% 08/11/2026				
\$5,000,000	5,188	0.53		
Namibia (Republic of) 5.25% 29/10/2025				
\$5,050,000	5,037	0.52		
NBK Tier 1 Financing 2 Var. Rate 4.5% Perpetual				
\$1,563,000	1,801	0.18		
Oil and Gas Company BSCC 7.5% 25/10/2027				
\$1,215,000	1,473	0.15		
Oil and Gas Company BSCC 8.375% 07/11/2028				
\$11,676,200	774	0.08		
Petroleos de Venezuela 5.375% 12/04/2027				
\$3,000,000	214	0.02		
Petroleos de Venezuela 6% 16/05/2024				
\$2,944,927	217	0.02		
Petroleos de Venezuela 9.75% 17/05/2035				
\$2,320,000	2,168	0.22		
Puma International Financing 5% 24/01/2026				
\$3,700,000	3,716	0.38		
QNB Finansbank 4.875% 19/05/2022				
\$6,550,000	6,619	0.68		
Royal Capital 5.875% Perpetual				
\$4,318,000	5,114	0.52		
Southern Gas Corridor 6.875% 24/03/2026				
\$3,986,000	4,452	0.46		
Tabreed Sukuk Spc 5.5% 31/10/2025				
\$705,563	711	0.07		
Tanzania (United Republic of) FRN 7.9885% 09/03/2020				
\$4,828,000	4,805	0.49		
TMB Bank Var. Rate 4.9% Perpetual				
UAH49,500,000	2,095	0.22		
Ukreximbank Via Biz Finance 16.5% 02/03/2021				
\$1,246,000	1,262	0.13		
Vietnam Prosperity JSC Bank 6.25% 17/07/2022				

Portfolio statement (continued)

as at Holding	31.12.19 \$'000	31.12.19 %	30.06.19 %	
CURRENCY				
Forward currency contracts				
	(43)	(0.01)	(0.15)	
CLP5,120,000,000				
Bought for \$6,679,800 (expires 11.03.20)	136	0.01		
ILS38,500,000	17	0.00		
Bought for \$11,144,174 (expires 12.02.20)				
€(45,179,556)	(286)	(0.03)		
Sold for \$50,477,130 (expires 15.01.20)				
£(5,050,000)	90	0.01		
Sold for \$6,762,733 (expires 15.01.20)				
Portfolio of investments	956,815	97.90	98.05	
CASH EQUIVALENTS				
'AAA' rated money market funds [a]				
	5,051	0.52	0.08	
5,051,000				
Northern Trust Global Fund - US dollar	5,051	0.52		
SHARE CLASS HEDGING				
Forward currency contracts for share class hedging				
	936	0.10	0.01	
£208,389,243				
Bought for \$274,420,014 (expires 15.01.20)	937	0.10		
£(729,690)	(1)	0.00		
Sold for \$963,112 (expires 15.01.20)				
Total portfolio	962,802	98.52	98.14	
Net other assets / (liabilities)	14,499	1.48	1.86	
Net assets attributable to shareholders	977,301	100.00	100.00	

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

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

Portfolio transactions

for the six months to 31 December	2019	2018
Portfolio transactions	\$'000	\$'000
Total purchases	444,118	285,232
Total sales	239,290	295,774

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

M&G Emerging Markets Bond Fund

Financial highlights

Fund performance

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

The following charts and tables reflect the key financial information of a representative share class, Sterling Class 'A' (Accumulation) shares. As different share classes have different attributes, for example charging structures and minimum investments, please be aware that their performance may be different. For more information on the different share classes in this fund please refer to the Prospectus for M&G Investment Funds (3), which is available free of charge either from our website at www.mandg.co.uk/prospectuses or by calling M&G Customer Relations.

Fund level performance

Fund net asset value			
as at	31.12.19 \$'000	30.06.19 \$'000	30.06.18 \$'000
Fund net asset value (NAV)	977,301	754,279	1,183,643

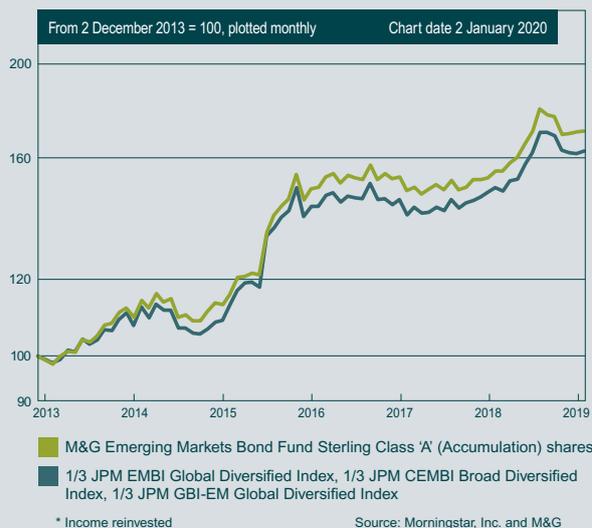
Performance since launch

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



Fund performance against the comparator benchmark

We are unable to show the fund's performance against the comparator benchmark from inception, as the fund was previously managed against a different comparator benchmark. Therefore, the graph below shows the performance of the fund from the period where the fund was managed against 1/3 JPM EMBI Global Diversified Index, 1/3 JPM CEMBI Broad Diversified Index and 1/3 JPM GBI-EM Global Diversified Index.



Please note prior to 2 December 2013, the fund was not managed with reference to 1/3 JPM EMBI Global Diversified Index, 1/3 JPM CEMBI Broad Diversified Index and 1/3 JPM GBI-EM Global Diversified Index.

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

Long-term performance by share class

	Six months 01.07.19 % [a]	Three years 03.01.17 % p.a.	Five years 02.01.15 % p.a.	Since launch % p.a.
Sterling [b]				
Class 'A'	-0.8	+4.7	+9.1	+8.5 [c]
Class 'I'	-0.5	+5.3	+9.7	+8.4 [d]
Class 'I-H'	+2.9	+6.0	n/a	+5.6 [e]
Class 'PP'	-0.4	n/a	n/a	+7.2 [f]
Class 'R'	-0.6	+4.9	+9.3	+7.4 [g]
Class 'X'	-0.8	+4.7	+9.1	+8.3 [h]

[a] Absolute basis.

[b] Price to price with income reinvested.

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

[d] 19 April 2012, the launch date of the share class.

[e] 24 July 2015, the launch date of the share class.

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

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

[h] 15 October 1999, the end of the initial offer period of the predecessor unit trust.

M&G Emerging Markets Bond Fund

Financial highlights

Fund performance

Operating charges and portfolio transaction costs

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

Operating charges

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

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

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

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

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

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

Portfolio transaction costs

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

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

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

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

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

Portfolio transaction costs

	Six months to 31.12.19	Year to 30.06.19	Year to 30.06.18	Average ^[a]
Direct portfolio transaction costs ^[b]	%	%	%	%
Taxes	0.01	0.04	0.00	0.02
Costs before dilution adjustments	0.01	0.04	0.00	0.02
Dilution adjustments ^[c]	0.00	0.00	0.00	0.00
Total direct portfolio transaction costs	0.01	0.04	0.00	0.02
as at	31.12.19	30.06.19	30.06.18	Average ^[a]
Indirect portfolio transaction costs	%	%	%	%
Average portfolio dealing spread	0.76	0.78	0.80	0.78

^[a] Average of first three columns.

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

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

M&G Emerging Markets Bond Fund

Financial highlights

Specific share class performance

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

Sterling Class 'A' Income share performance

The share class was launched on 1 October 2002.

	Six months to 31.12.19 UK p	Year to 30.06.19 UK p	Year to 30.06.18 UK p
Change in NAV per share			
Opening NAV	97.18	90.22	98.68
Return before operating charges and after direct portfolio transaction costs	0.51	14.48	(1.27)
Operating charges	(0.65)	(1.34)	(1.39)
Return after operating charges	(0.14)	13.14	(2.66)
Distributions	(2.97)	(6.18)	(5.80)
Closing NAV	94.07	97.18	90.22
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.03	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.03	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.04	0.00
Operating charges ^[c]	1.27	1.44	1.43
Return after operating charges	-0.14	+14.56	-2.70
Distribution yield	6.14	6.40	6.59
Effect on yield of charges offset against capital	1.26	1.40	1.40
Other information			
Closing NAV (\$'000)	4,267	3,450	2,900
Closing NAV percentage of total fund NAV (%)	0.44	0.46	0.25
Number of shares	3,434,428	2,798,473	2,446,112
Highest share price (UK p)	103.45	101.12	102.42
Lowest share price (UK p)	95.07	89.00	91.42

Sterling Class 'A' Accumulation share performance

The share class was launched on 1 October 2002.

	Six months to 31.12.19 UK p	Year to 30.06.19 UK p	Year to 30.06.18 UK p
Change in NAV per share			
Opening NAV	248.00	215.73	221.99
Return before operating charges and after direct portfolio transaction costs	1.23	35.52	(3.10)
Operating charges	(1.66)	(3.25)	(3.16)
Return after operating charges	(0.43)	32.27	(6.26)
Distributions	(6.05)	(11.81)	(10.12)
Retained distributions	6.05	11.81	10.12
Closing NAV	247.57	248.00	215.73
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.01	0.08	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.01	0.08	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.04	0.00
Operating charges ^[c]	1.27	1.44	1.43
Return after operating charges	-0.17	+14.96	-2.82
Distribution yield	4.91	5.03	5.18
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	4,509	4,113	3,257
Closing NAV percentage of total fund NAV (%)	0.46	0.55	0.28
Number of shares	1,378,674	1,307,099	1,149,090
Highest share price (UK p)	263.92	249.89	230.38
Lowest share price (UK p)	242.54	212.83	211.61

Sterling Class 'I' Income share performance

The share class was launched on 19 April 2012.

	Six months to 31.12.19 UK p	Year to 30.06.19 UK p	Year to 30.06.18 UK p
Change in NAV per share			
Opening NAV	132.79	122.46	133.08
Return before operating charges and after direct portfolio transaction costs	0.69	19.75	(1.74)
Operating charges	(0.53)	(1.00)	(1.03)
Return after operating charges	0.16	18.75	(2.77)
Distributions	(4.06)	(8.42)	(7.85)
Closing NAV	128.89	132.79	122.46
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.05	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.05	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.04	0.00
Operating charges ^[c]	0.76	0.79	0.79
Return after operating charges	+0.12	+15.31	-2.08
Distribution yield	6.14	6.40	6.59
Effect on yield of charges offset against capital	0.75	0.75	0.75
Other information			
Closing NAV (\$'000)	222,097	153,289	120,174
Closing NAV percentage of total fund NAV (%)	22.73	20.32	10.15
Number of shares	130,453,311	90,983,400	74,689,403
Highest share price (UK p)	141.44	138.17	138.27
Lowest share price (UK p)	130.20	120.99	123.92

M&G Emerging Markets Bond Fund

Financial highlights

Specific share class performance

Sterling Class 'I' Accumulation share performance

The share class was launched on 19 April 2012.

	Six months to 31.12.19 UK p	Year to 30.06.19 UK p	Year to 30.06.18 UK p
Change in NAV per share			
Opening NAV	184.19	159.19	162.75
Return before operating charges and after direct portfolio transaction costs	0.91	26.32	(2.29)
Operating charges	(0.73)	(1.32)	(1.27)
Return after operating charges	0.18	25.00	(3.56)
Distributions	(4.96)	(9.85)	(8.51)
Retained distributions	4.96	9.85	8.51
Closing NAV	184.37	184.19	159.19
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.01	0.06	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.01	0.06	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.04	0.00
Operating charges ^[c]	0.76	0.79	0.79
Return after operating charges	+0.10	+15.70	-2.19
Distribution yield	5.40	5.66	5.84
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	452,796	379,720	188,425
Closing NAV percentage of total fund NAV (%)	46.33	50.34	15.92
Number of shares	185,933,356	162,485,767	90,080,597
Highest share price (UK p)	196.13	185.60	169.09
Lowest share price (UK p)	180.55	157.28	155.95

Sterling Class 'I-H' Income share performance

The share class was launched on 24 July 2015.

	Six months to 31.12.19 UK p	Year to 30.06.19 UK p	Year to 30.06.18 UK p
Change in NAV per share			
Opening NAV	97.83	95.40	104.06
Return before operating charges and after direct portfolio transaction costs	3.63	9.46	(1.59)
Operating charges	(0.40)	(0.78)	(0.85)
Return after operating charges	3.23	8.68	(2.44)
Distributions	(3.11)	(6.25)	(6.22)
Closing NAV	97.95	97.83	95.40
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.04	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.04	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.04	0.00
Operating charges ^[c]	0.79	0.80	0.81
Return after operating charges	+3.30	+9.10	-2.34
Distribution yield	6.23	6.39	6.67
Effect on yield of charges offset against capital	0.78	0.77	0.77
Other information			
Closing NAV (\$'000)	107,511	76,269	42,591
Closing NAV percentage of total fund NAV (%)	11.00	10.11	3.60
Number of shares	83,097,080	61,448,223	33,978,254
Highest share price (UK p)	101.82	101.76	108.87
Lowest share price (UK p)	97.52	92.39	98.22

Sterling Class 'I-H' Accumulation share performance

The share class was launched on 24 July 2015.

	Six months to 31.12.19 UK p	Year to 30.06.19 UK p	Year to 30.06.18 UK p
Change in NAV per share			
Opening NAV	122.55	111.91	114.88
Return before operating charges and after direct portfolio transaction costs	4.45	11.57	(2.01)
Operating charges	(0.50)	(0.93)	(0.96)
Return after operating charges	3.95	10.64	(2.97)
Distributions	(3.42)	(6.58)	(6.06)
Retained distributions	3.42	6.58	6.06
Closing NAV	126.50	122.55	111.91
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.04	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.04	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.04	0.00
Operating charges ^[c]	0.78	0.80	0.81
Return after operating charges	+3.22	+9.51	-2.59
Distribution yield	5.45	5.64	5.89
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	164,532	117,459	60,640
Closing NAV percentage of total fund NAV (%)	16.84	15.57	5.12
Number of shares	98,467,794	75,547,240	41,238,190
Highest share price (UK p)	127.44	123.47	122.22
Lowest share price (UK p)	122.11	110.15	111.53

Sterling Class 'PP' Income share performance

The share class was launched on 5 August 2019.

	Period to 31.12.19 UK p	Year to 30.06.19 UK p	Year to 30.06.18 UK p
Change in NAV per share			
Opening NAV	100.00	n/a	n/a
Return before operating charges and after direct portfolio transaction costs	(4.68)	n/a	n/a
Operating charges	(0.24)	n/a	n/a
Return after operating charges	(4.92)	n/a	n/a
Distributions	(2.86)	n/a	n/a
Closing NAV	92.22	n/a	n/a
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	n/a	n/a
Dilution adjustments ^[a]	0.00	n/a	n/a
Total direct portfolio transaction costs	0.00	n/a	n/a
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	n/a	n/a
Operating charges	0.60	n/a	n/a
Return after operating charges	-4.92	n/a	n/a
Distribution yield	6.14	n/a	n/a
Effect on yield of charges offset against capital	0.60	n/a	n/a
Other information			
Closing NAV (\$'000)	42	n/a	n/a
Closing NAV percentage of total fund NAV (%)	0.00	n/a	n/a
Number of shares	34,188	n/a	n/a
Highest share price (UK p)	101.03	n/a	n/a
Lowest share price (UK p)	93.09	n/a	n/a

M&G Emerging Markets Bond Fund

Financial highlights

Specific share class performance

Sterling Class 'PP' Accumulation share performance

The share class was launched on 8 April 2019.

Change in NAV per share	Six months to 31.12.19 UK p	Year to 30.06.19 UK p	Year to 30.06.18 UK p
Opening NAV	105.96	100.00	n/a
Return before operating charges and after direct portfolio transaction costs	0.50	6.11	n/a
Operating charges	(0.33)	(0.15)	n/a
Return after operating charges	0.17	5.96	n/a
Distributions	(2.93)	(3.00)	n/a
Retained distributions	2.93	3.00	n/a
Closing NAV	106.13	105.96	n/a
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.04	n/a
Dilution adjustments ^[a]	0.00	0.00	n/a
Total direct portfolio transaction costs	0.00	0.04	n/a
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.04	n/a
Operating charges ^[c]	0.60	0.63	n/a
Return after operating charges	+0.16	+5.96	n/a
Distribution yield	5.55	5.81	n/a
Effect on yield of charges offset against capital	0.00	0.00	n/a
Other information			
Closing NAV (\$'000)	816	684	n/a
Closing NAV percentage of total fund NAV (%)	0.08	0.09	n/a
Number of shares	582,229	508,496	n/a
Highest share price (UK p)	112.85	106.77	n/a
Lowest share price (UK p)	103.93	99.69	n/a

Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012.

Change in NAV per share	Six months to 31.12.19 UK p	Year to 30.06.19 UK p	Year to 30.06.18 UK p
Opening NAV	123.07	113.94	124.34
Return before operating charges and after direct portfolio transaction costs	0.62	18.35	(1.64)
Operating charges	(0.66)	(1.40)	(1.44)
Return after operating charges	(0.04)	16.95	(3.08)
Distributions	(3.76)	(7.82)	(7.32)
Closing NAV	119.27	123.07	113.94
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.04	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.04	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.04	0.00
Operating charges ^[c]	1.02	1.19	1.19
Return after operating charges	-0.03	+14.88	-2.48
Distribution yield	6.14	6.40	6.59
Effect on yield of charges offset against capital	1.01	1.15	1.15
Other information			
Closing NAV (\$'000)	1,861	1,503	845
Closing NAV percentage of total fund NAV (%)	0.19	0.20	0.07
Number of shares	1,181,325	962,442	564,280
Highest share price (UK p)	131.03	128.06	129.10
Lowest share price (UK p)	120.52	112.48	115.41

Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012.

Change in NAV per share	Six months to 31.12.19 UK p	Year to 30.06.19 UK p	Year to 30.06.18 UK p
Opening NAV	168.53	146.24	150.09
Return before operating charges and after direct portfolio transaction costs	0.83	24.11	(2.07)
Operating charges	(0.91)	(1.82)	(1.78)
Return after operating charges	(0.08)	22.29	(3.85)
Distributions	(4.31)	(8.41)	(7.24)
Retained distributions	4.31	8.41	7.24
Closing NAV	168.45	168.53	146.24
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.01	0.06	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.01	0.06	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.04	0.00
Operating charges ^[c]	1.02	1.19	1.19
Return after operating charges	-0.05	+15.24	-2.57
Distribution yield	5.16	5.27	5.43
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	3,442	2,903	2,154
Closing NAV percentage of total fund NAV (%)	0.35	0.38	0.18
Number of shares	1,546,768	1,357,662	1,120,772
Highest share price (UK p)	179.39	169.81	155.83
Lowest share price (UK p)	164.99	144.35	143.37

Sterling Class 'X' Income share performance

The share class was launched on 15 October 1999.

Change in NAV per share	Six months to 31.12.19 UK p	Year to 30.06.19 UK p	Year to 30.06.18 UK p
Opening NAV	95.76	88.88	97.23
Return before operating charges and after direct portfolio transaction costs	0.50	14.29	(1.26)
Operating charges	(0.64)	(1.32)	(1.37)
Return after operating charges	(0.14)	12.97	(2.63)
Distributions	(2.93)	(6.09)	(5.72)
Closing NAV	92.69	95.76	88.88
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.03	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.03	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.04	0.00
Operating charges ^[c]	1.27	1.44	1.43
Return after operating charges	-0.15	+14.59	-2.70
Distribution yield	6.14	6.40	6.59
Effect on yield of charges offset against capital	1.26	1.40	1.40
Other information			
Closing NAV (\$'000)	7,949	7,902	7,459
Closing NAV percentage of total fund NAV (%)	0.81	1.05	0.63
Number of shares	6,493,161	6,504,500	6,387,180
Highest share price (UK p)	101.93	99.63	100.92
Lowest share price (UK p)	93.67	87.69	90.07

M&G Emerging Markets Bond Fund

Financial highlights

Specific share class performance

Sterling Class 'X' Accumulation share performance

The share class was launched on 15 October 1999.

	Six months to 31.12.19 UK p	Year to 30.06.19 UK p	Year to 30.06.18 UK p
Change in NAV per share			
Opening NAV	248.55	216.22	222.49
Return before operating charges and after direct portfolio transaction costs	1.24	35.58	(3.10)
Operating charges	(1.66)	(3.25)	(3.17)
Return after operating charges	(0.42)	32.33	(6.27)
Distributions	(6.06)	(11.84)	(10.14)
Retained distributions	6.06	11.84	10.14
Closing NAV	248.13	248.55	216.22
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.01	0.08	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.01	0.08	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.04	0.00
Operating charges ^[c]	1.27	1.44	1.44
Return after operating charges	-0.17	+14.95	-2.82
Distribution yield	4.91	5.03	5.18
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	7,479	6,987	6,309
Closing NAV percentage of total fund NAV (%)	0.77	0.93	0.53
Number of shares	2,281,972	2,215,532	2,220,614
Highest share price (UK p)	264.51	250.45	230.90
Lowest share price (UK p)	243.08	213.31	212.08

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

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

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

M&G Emerging Markets Bond Fund

Financial statements and notes

Financial statements

Statement of total return

for the six months to 31 December	2019		2018	
	\$'000	\$'000	\$'000	\$'000
Income				
Net capital gains / (losses)		20,527		(49,113)
Revenue	28,142		36,547	
Expenses	(3,419)		(5,293)	
Net revenue / (expense) before taxation	24,723		31,254	
Taxation	(125)		(186)	
Net revenue / (expense) after taxation		24,598		31,068
Total return before distributions		45,125		(18,045)
Distributions		(25,010)		(31,820)
Change in net assets attributable to shareholders from investment activities		20,115		(49,865)

Statement of change in net assets attributable to shareholders

for the six months to 31 December	2019		2018	
	\$'000	\$'000	\$'000	\$'000
Opening net assets attributable to shareholders		754,279		1,183,643
Amounts received on issue of shares	217,105		194,094	
Amounts paid on cancellation of shares	(32,083)		(205,394)	
Transfer to M&G (Lux) Emerging Markets Bond Fund	0		(661,672)	
		185,022		(672,972)
Dilution adjustments		841		800
Change in net assets attributable to shareholders from investment activities (see above)		20,115		(49,865)
Retained distributions on Accumulation shares		17,044		22,614
Closing net assets attributable to shareholders		977,301		484,220

The opening net assets attributable to shareholders for 2019 differs to the closing position in 2018 by the change in net assets attributable to shareholders for the second half of the comparative financial year.

Balance sheet

as at	31 December 2019	30 June 2019
	\$'000	\$'000
Assets		
Fixed assets		
Investments	958,038	740,779
Current assets		
Debtors	31,836	24,673
Cash and bank balances	8,409	8,286
Cash equivalents	5,051	597
Total assets	1,003,334	774,335
Liabilities		
Investment liabilities	(287)	(1,135)
Creditors		
Bank overdrafts	(75)	(76)
Distribution payable	(10,864)	(7,884)
Other creditors	(14,807)	(10,961)
Total liabilities	(26,033)	(20,056)
Net assets attributable to shareholders	977,301	754,279

Notes to the financial statements

Accounting policies

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

Distribution policy

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

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

M&G Emerging Markets Bond Fund

Financial statements and notes

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M&G European Corporate Bond Fund

Authorised Corporate Director's Report

Investment objective

The fund aims to provide income and capital growth.

Investment policy

At least 70% of the fund is invested in investment grade corporate bonds denominated in any European currency. The fund may also invest in high yield corporate bonds, government and public securities denominated in any European currency. The fund's exposure to bonds, government and other public securities may be gained through the use of derivatives. Derivatives may also be used for Efficient Portfolio Management. The fund may also invest in collective investment schemes, other transferable securities, cash, near cash, other money market instruments, warrants and other derivative instruments which may be denominated in any major global currency. More than 70% of the fund will be in euro or hedged back to euro.

Investment approach

The fund manager believes that bond returns are driven by a combination of macroeconomic, asset, sector, geography and stock-level factors. A dynamic investment approach is followed, allowing the fund manager to change the blend of duration and credit exposure based on the outlook. A high level of diversification, across individual issuers, sectors and geographies is an essential part of the investment process.

Benchmark

Benchmark: ICE BofAML Euro Corporate Index.

The fund is actively managed. The benchmark is a comparator against which the fund's performance can be measured. The index has been chosen as the fund's comparator benchmark as it best reflects the scope of the fund's investment policy. The comparator benchmark does not constrain the fund's portfolio construction.

Risk profile

A minimum of 70% of the fund is invested in investment grade corporate bonds denominated in any European currency. It is primarily subject to the price volatility of the European bond market as well as the performance of individual issuers. It is also influenced by developments in the broader global bond market. In addition, the fund is subject to fluctuations in currency exchange rates.

Up to 30% of the fund may be invested in high yield corporate bonds, government and public securities denominated in any European currency. Some of these securities may be higher risk assets that could potentially experience a degree of illiquidity in times of market distress.

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

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

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



The above number:

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

Investment review

As at 2 January 2020, for the six months ended 31 December 2019

Performance against objective

Between 1 July 2019 (the start of the review period) and 2 January 2020, the M&G European Corporate Bond Fund delivered a negative total return (the combination of income and growth of capital) across its sterling unhedged share classes. The decline of the euro against sterling detracted from the returns of the fund's sterling unhedged share classes. This effect was felt as the fund is predominantly exposed to the euro. The fund's sterling hedged share class, however, delivered a positive return.

The fund's benchmark, the ICE BofAML Euro Corporate Index, recorded a return of -4.3% over the same period.

Over the review period, the fund recorded a mixed performance against its objective, which is to provide income and capital growth.* For the five-year period, all of the fund's share classes recorded positive total returns although they were behind the return from its benchmark, which was 4.1% p.a.

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

Investment performance

Following a volatile and largely unpredictable period for financial markets throughout most of 2018, the months that followed to 31 December 2019 was, on balance, calmer in terms of investor behaviour and generally more beneficial for the performance of risk assets such as equities (company shares) and most corporate bonds.

M&G European Corporate Bond Fund

Authorised Corporate Director's Report

Investment review

Investment performance (continued)

Bonds are loans that are extended by an investor to an issuing entity – such as a company or government – in exchange for regular interest payments. The initial amount borrowed by the entity is usually repaid at the end of the loan's life. Bonds issued by companies are referred to as 'corporate bonds', while those issued by governments are called 'government bonds'. Investment grade corporate bonds are debt securities issued by a company with a medium or high credit rating from a recognised credit rating agency. They are considered to be at lower risk of non-repayment than those issued by companies with lower credit ratings (known as high yield bonds). The performance of investment grade corporate bond markets can be influenced by the performance of government bonds.

The drivers of volatility in 2018 centred on higher interest rates, or at least the prospect of higher interest rates, inflation, political uncertainty and global trade tensions. While the last two drivers were still evident during the period under review, especially negotiations over the UK's Brexit deal with the European Union (EU), the fact the Federal Reserve (Fed) paused its plans to raise US interest rates – and actually started to reduce them – certainly settled investor nerves.

But while investors took comfort from statements by the Fed that it would moderate its strategy around raising interest rates, by July and the start of the review period, the more optimistic mood was somewhat dampened. Renewed fears about the prospects for global trade, caused mainly by heightened tensions between the US and China over tariffs, saw investors once again preferring so-called 'safer' assets such as government bonds.

This increasing demand for core government bonds resurfaced in August, pushing bond yields lower – and prices higher – on UK gilts, US Treasuries, and German bunds. Against a backdrop of weaker economic data and inflation that was persistently below acceptable levels, major central banks issued statements in July that seemed to pave the way for fresh cuts to interest rates in the autumn months, and on 1 August the Fed cut rates for the first time since the global financial crisis.

In September, the outgoing European Central Bank (ECB) president Mario Draghi announced that the central bank would start buying eurozone government bonds again (a programme referred to as quantitative easing) in a bid to stimulate the flagging eurozone economy.

There was an increase in investors' appetite for risk assets in October and November, boosted by a potential resolution to US-China trade wars, Brexit nearing some type of agreed deal, and the Fed easing interest rates while announcing it would resume the purchases of bonds. The Fed signalled that this would likely be its last 'mid-cycle insurance cut'.

In the UK, Prime Minister Boris Johnson called a general election for December 12, mainly to boost the government's chances of breaking the Brexit deadlock. The market generally interpreted this move as positive, and the price of sterling rose compared to the US dollar. The UK general election result of December 13 would show a convincing victory for the ruling Conservative Party.

Overall, it was a mildly positive period for corporate bonds – mainly those issued by US companies. Euro and sterling-denominated investment grade bonds were weaker, despite the resumption of bond-buying by the ECB seen by many investors as a potential boost for the former.

In those months when the fund produced a positive return, performance was driven by its sizeable exposure to investment grade corporate bonds – and in sectors like telecoms and financials. However, the fund's relative lack of sensitivity to changes in interest rates (known as 'duration') constrained performance, mostly in the early third quarter of 2019.

The change in the value of the euro over the period against sterling either added or detracted from returns of the fund's sterling unhedged share classes, depending on whether the euro's value rose or declined. This effect was felt as the fund is predominantly exposed to the euro.

Investment activities

One of the key drivers of a bond fund's performance is the ability to adjust the portfolio's sensitivity to changes in interest rates, known as 'duration' and measured in years. Being shorter duration means that a fund is relatively less sensitive to changes in interest rates than longer duration funds. During the course of the review period, we slightly adjusted the fund's duration, while keeping it short overall. We moved it between around 0.8 years to 0.4 years short against the ICE BofAML Euro Corporate Index, ending the period at around 0.4 years short.

We have been active throughout the six months under review and participating in trades across a range of sectors and regions. We continue to favour financials, particularly banks, and retained a significant exposure to this sector throughout the review period. However, insurance companies became less attractive and holdings were reduced over the period. Bonds issued by utilities and healthcare companies have been fairly attractive in recent months.

An interesting trade for the fund in the period was a highly rated 'Eurobond' issued by Temasek Holdings, the Singapore government's investment arm. Eurobonds are international bonds issued that are denominated in a currency not native to the country where they are issued.

We continue to favour the more attractive valuations mainly offered by BBB rated bonds (and those rated higher such as Temasek's AAA rated paper). For us, these bonds provide the best return opportunities in this current environment. We have a cautious view of high yield bonds and believe they offer poor value while also being prone to negative effects from a potential slowdown in the US economy, although this is not our base-case view.

M&G European Corporate Bond Fund

Authorised Corporate Director's Report

Investment review

Outlook

Global economic growth held up in 2019, and against the main view of market participants, key economic regions like the US and Europe managed to stay clear of recession during the period. In this regard, the German economy avoiding a contraction in November was highly significant. In our view, we expect a broadly similar pattern of positive growth and reasonably strong labour markets in 2020.

Sentiment should also be mainly favourable around issues like US-China trade agreements. This is also against a backdrop of accommodative monetary policy with most central banks continuing to echo the 'lower-for-longer' approach to their interest rates.

Within European corporate bonds, the European Central Bank's CSPP (corporate sector purchase programme) announced in the autumn of 2019 could make valuations for the asset class more expensive in the coming period. This means, as active bond investors, we will work harder to select attractive issuers with reasonable levels of credit quality and operating in markets with solid fundamentals.

Regardless of how situations develop for the likes of geopolitics or central bank interest rate policies, what we do as fund managers does not change. We look at where we are in the interest rate cycle and the economic cycle, and we look at where we can find the most attractive opportunities for the fund from different sectors and individual issuers at any given stage.

Stefan Isaacs

Fund manager

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

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

Investments

Portfolio statement

as at Holding	31.12.19 €'000	31.12.19 %	30.06.19 %
FIXED INCOME	111,380	98.41	97.63
Debt securities	111,279	98.31	97.79
'AAA' credit rated bonds	9,571	8.46	12.03
€408,926 Germany (Federal Republic of) 0.01% 08/04/2022	414	0.37	
€414,670 Germany (Federal Republic of) 0.25% 15/02/2027	433	0.38	
€318,363 Germany (Federal Republic of) 0.5% 15/02/2026	337	0.30	
€249,360 Germany (Federal Republic of) 1.5% 04/09/2022	264	0.23	
€305,743 Germany (Federal Republic of) 2.25% 04/09/2021	320	0.28	
€263,254 Germany (Federal Republic of) 5.5% 04/01/2031	429	0.38	
€448,000 Johnson & Johnson 0.25% 20/01/2022	452	0.40	
€1,548,000 Johnson & Johnson 0.65% 20/05/2024	1,591	1.41	
€223,000 Microsoft 2.625% 02/05/2033	283	0.25	
\$356,000 Microsoft 3.5% 12/02/2035	349	0.31	
€611,000 Nationwide Building Society 0.05% 03/06/2024	612	0.54	
€3,045,371 Netherlands (Kingdom of) 0.75% 15/07/2027	3,260	2.88	
€375,000 Temasek Financial I 0.5% 20/11/2031	375	0.33	
€425,000 Wellcome Trust 1.125% 21/01/2027	452	0.40	
'AA' credit rated bonds	13,991	12.36	12.15
€282,000 3M 0.95% 15/05/2023	292	0.26	
€297,000 Apple 0.875% 24/05/2025	309	0.27	
€200,000 Apple 1% 10/11/2022	206	0.18	
€886,000 Apple 1.625% 10/11/2026	975	0.86	
€118,000 Apple 2% 17/09/2027	134	0.12	
€1,018,000 Berkshire Hathaway 1.125% 16/03/2027	1,076	0.95	
€356,000 Deutsche Bahn Finance 1.5% 08/12/2032	392	0.35	
€100,000 Euroclear Investments 1.5% 11/04/2030	108	0.10	
€1,283,455 France (Govt. of) 0.25% 25/11/2026	1,319	1.16	
€471,148 France (Govt. of) 1.75% 25/05/2023	508	0.45	
€285,000 Metropolitan Life Global Funding I 0.375% 09/04/2024	287	0.25	
€493,000 Nestlé Finance International 1.75% 12/09/2022	519	0.46	
€793,000 Nestlé Finance International 2.125% 10/09/2021	825	0.73	
€1,331,000 Novartis Finance 0.125% 20/09/2023	1,342	1.19	
€282,000 Novartis Finance 0.75% 09/11/2021	287	0.25	
€539,000 Novartis Finance 1.625% 09/11/2026	595	0.53	
€218,000 Procter & Gamble 2% 16/08/2022	230	0.20	
€449,000 Roche Finance Europe 0.875% 25/02/2025	468	0.41	
€1,487,000 Shell International Finance 1% 06/04/2022	1,527	1.35	
€421,000 Svenska Handelsbanken 2.625% 23/08/2022	450	0.40	
€509,000 Toyota Finance Australia 0.25% 09/04/2024	512	0.45	
€831,000 Walmart 4.875% 21/09/2029	1,179	1.04	
£382,000 Warwick Finance Residential Mortgage FRN 2.3996% 21/09/2049	451	0.40	

M&G European Corporate Bond Fund

Authorised Corporate Director's Report

Investments

Portfolio statement (continued)				
as at Holding	31.12.19 €'000	31.12.19 %	30.06.19 %	
'A' credit rated bonds				
€396,000 Airbus Finance 0.875% 13/05/2026	412	0.36		
€100,000 Allianz Finance II Var. Rate 5.75% 08/07/2041	108	0.10		
€700,000 Allianz Var. Rate 3.375% Perpetual	779	0.69		
€611,000 América Móvil 0.75% 26/06/2027	618	0.55		
€531,000 Anheuser-Busch InBev 1.5% 17/03/2025	568	0.50		
€952,000 Aon 2.875% 14/05/2026	1,076	0.95		
€200,000 Banco Santander Var. Rate 6.75% Perpetual	220	0.19		
€633,000 Bank of America 0.75% 26/07/2023	647	0.57		
€356,000 Bank of America 1.375% 10/09/2021	365	0.32		
€492,000 Bank of America 2.375% 19/06/2024	539	0.48		
€200,000 Belfius Bank Var. Rate 1.625% 15/03/2028	203	0.18		
€305,000 BMW Finance 0.125% 13/07/2022	306	0.27		
€649,000 BMW Finance 1.125% 22/05/2026	682	0.60		
€178,000 BNP Paribas 1.5% 17/11/2025	189	0.17		
€785,000 BNP Paribas FRN 0.355% 07/06/2024	793	0.70		
€146,000 BP Capital Markets 1.117% 25/01/2024	152	0.13		
€588,000 BP Capital Markets 2.177% 28/09/2021	612	0.54		
€611,000 BP Capital Markets 2.517% 17/02/2021	630	0.56		
€200,000 BPCE 1.375% 23/03/2026	210	0.19		
€213,000 CEZ 4.875% 16/04/2025	260	0.23		
€284,000 Chubb 0.875% 15/12/2029	283	0.25		
€222,000 Chubb 1.55% 15/03/2028	236	0.21		
€315,000 CK Hutchison Europe Finance 18 1.25% 13/04/2025	324	0.29		
€461,000 CK Hutchison Group Telecom Finance 1.5% 17/10/2031	458	0.41		
€1,350,000 Coca-Cola 1.125% 09/03/2027	1,432	1.27		
€423,000 Cooperatieve Rabobank 4% 11/01/2022	458	0.40		
€100,000 Crédit Agricole 1.375% 03/05/2027	107	0.09		
€400,000 Crédit Agricole 1.875% 20/12/2026	436	0.39		
€513,000 Crédit Agricole 4.125% 10/01/2027	490	0.43		
€629,000 DAA Finance 1.554% 07/06/2028	652	0.58		
€385,000 Daimler International Finance 1% 11/11/2025	396	0.35		
€300,000 Dassault Systemes 0.125% 16/09/2026	296	0.26		
€185,000 DH Europe Finance II 1.8% 18/09/2049	178	0.16		
€450,000 Électricité de France 4% 12/11/2025	550	0.49		
€150,000 ELM Var. Rate 2.6% Perpetual	163	0.14		
€180,000 ELM Var. Rate 4.5% Perpetual	215	0.19		
€21,413 EMAC De (2006-1) FRN 1.672% 25/08/2048	21	0.02		
€500,000 Engie 1.375% 19/05/2020	503	0.44		
€978,000 Engie 5.95% 16/03/2111	1,853	1.64		
€505,000 Eni 3.75% 12/09/2025	604	0.53		
€468,000 Heathrow Funding 1.5% 11/02/2030	494	0.44		
€373,000 Heathrow Funding 1.875% 14/03/2034	398	0.35		
€425,000 Honeywell International 0.65% 21/02/2020	425	0.38		
€154,000 Honeywell International 1.3% 22/02/2023	160	0.14		
€637,000 HSBC 0.875% 06/09/2024	654	0.58		

Portfolio statement (continued)

as at Holding	31.12.19 €'000	31.12.19 %	30.06.19 %	
'A' credit rated bonds (continued)				
€421,000 HSBC 1.5% 15/03/2022	434	0.38		
€846,000 HSBC FRN 0.121% 05/10/2023	846	0.75		
€368,000 Hutchison Whampoa Finance 1.375% 31/10/2021	376	0.33		
€100,000 ING 2.125% 10/01/2026	110	0.10		
€800,000 JAB 1% 20/12/2027	802	0.71		
€335,000 JPMorgan Chase 1.375% 16/09/2021	344	0.30		
€840,000 JPMorgan Chase 1.5% 29/10/2026	906	0.80		
€580,000 JPMorgan Chase 2.875% 24/05/2028	698	0.62		
€304,000 JPMorgan Chase Var. Rate 1.001% 25/07/2031	309	0.27		
€210,000 JPMorgan Chase Var. Rate 1.638% 18/05/2028	225	0.20		
€300,000 KBC 0.75% 01/03/2022	305	0.27		
€300,000 Klépierre 1.375% 16/02/2027	319	0.28		
€264,000 Lloyds Bank 0.125% 23/09/2029	257	0.23		
€203,000 Lloyds Bank 0.25% 25/03/2024	205	0.18		
€244,000 Lloyds Bank 4.875% 30/03/2027	355	0.31		
€202,000 Lloyds Bank Corporate Markets 0.25% 04/10/2022	203	0.18		
€153,000 NatWest Markets 1% 28/05/2024	156	0.14		
€185,000 Prologis 3% 18/01/2022	195	0.17		
€113,000 Prologis 3.375% 20/02/2024	127	0.11		
€191,000 Prologis International Funding II 1.876% 17/04/2025	205	0.18		
€300,000 RTE Réseau de Transport d'Électricité SADR 0.01% 09/09/2027	291	0.26		
€300,000 Santander Consumer Bank 0.25% 15/10/2024	299	0.26		
€400,000 Santander Consumer Finance 0.375% 27/06/2024	400	0.35		
€900,000 SAP 0.75% 10/12/2024	929	0.82		
€376,000 Scentre Management 1.5% 16/07/2020	378	0.33		
€200,000 SCOR Var. Rate 3.875% Perpetual	230	0.20		
€964,156 Silverback Finance 3.1261% 25/02/2037	1,029	0.91		
€164,000 Statkraft 2.5% 28/11/2022	176	0.16		
€232,000 Sumitomo Mitsui Banking 2.75% 24/07/2023	254	0.22		
€200,000 Swiss Re Finance Luxembourg Var. Rate 2.534% 30/04/2050	219	0.19		
€500,000 Thales 0.75% 07/06/2023	510	0.45		
€1,100,000 Total Capital International 1.375% 19/03/2025	1,176	1.04		
€1,351,000 Total Var. Rate 3.369% Perpetual	1,542	1.36		
€679,000 UBS Var. Rate 1.25% 17/04/2025	706	0.62		
€600,000 Unibail-Rodamco-Westfield 0.875% 29/03/2032	586	0.52		
€309,000 Vier Gas Transport 3.125% 10/07/2023	343	0.30		
€197,000 Wells Fargo 1.625% 02/06/2025	210	0.19		
€1,015,000 Wells Fargo 2.25% 02/05/2023	1,087	0.96		
€421,000 Wells Fargo 2.625% 16/08/2022	449	0.40		
'BBB' credit rated bonds				
€500,000 AG Insurance Var. Rate 3.5% 30/06/2047	568	0.50		
€141,000 Albemarle New 1.125% 25/11/2025	143	0.13		
€400,000 Alstria office REIT 1.5% 15/11/2027	409	0.36		
€326,000 Altria 1.7% 15/06/2025	338	0.30		
€176,000 American International 1.875% 21/06/2027	188	0.17		
€450,000 American International Var. Rate 1.335% 15/03/2037	397	0.35		
€356,000 Arion Bank 1% 20/03/2023	360	0.32		
€300,000 Aroundtown 1.875% 19/01/2026	319	0.28		
	37,026	32.71	32.77	

M&G European Corporate Bond Fund

Authorised Corporate Director's Report

Investments

Portfolio statement (continued)			
as at Holding	31.12.19 €'000	31.12.19 %	30.06.19 %
'BBB' credit rated bonds (continued)			
€814,000 AT&T 1.8% 05/09/2026	870	0.77	
€150,000 Aviva Var. Rate 3.375% 04/12/2045	166	0.15	
€182,000 Aviva Var. Rate 6.125% 05/07/2043	214	0.19	
€300,000 AXA Var. Rate 5.125% 04/07/2043	347	0.31	
€224,000 Babcock International 1.375% 13/09/2027	226	0.20	
€200,000 Banco Santander 2.125% 08/02/2028	214	0.19	
€600,000 Banco Santander 2.5% 18/03/2025	651	0.57	
€236,000 Barclays Bank 6.625% 30/03/2022	269	0.24	
£459,000 BAT International Finance 2.25% 09/09/2052	393	0.35	
€367,000 BAT International Finance 3.125% 06/03/2029	416	0.37	
£275,000 BAT International Finance 7.25% 12/03/2024	393	0.35	
€315,000 BNP Paribas Var. Rate 2.875% 20/03/2026	325	0.29	
€183,000 Boston Scientific 0.625% 01/12/2027	181	0.16	
€200,000 BPCE Var. Rate 2.75% 30/11/2027	214	0.19	
€525,000 Channel Link Enterprises Finance Var. Rate 1.761% 30/06/2050	527	0.46	
€561,000 Citigroup 1.5% 26/10/2028	601	0.53	
€678,000 Citigroup 1.75% 28/01/2025	726	0.64	
€140,000 Citigroup Var. Rate 0.5% 08/10/2027	138	0.12	
€700,000 Coentreprise de Transport d'Electricité 1.5% 29/07/2028	750	0.66	
£277,000 Credit Suisse Funding 3% 27/05/2022	339	0.30	
€224,000 Deutsche Telekom International Finance 0.25% 19/04/2021	225	0.20	
€621,000 Deutsche Telekom International Finance 0.375% 30/10/2021	626	0.55	
€196,000 Deutsche Telekom International Finance 5.375% 27/07/2021	213	0.19	
\$408,000 Deutsche Telekom International Finance 8.75% 15/06/2030	533	0.47	
€196,000 ELM Var. Rate 3.375% 29/09/2047	221	0.19	
€151,000 Fastighets AB Balder 1.875% 23/01/2026	157	0.14	
€425,000 FCE Bank 1.134% 10/02/2022	427	0.38	
€108,000 FCE Bank 1.615% 11/05/2023	109	0.10	
€197,000 Fidelity National Information Services 0.125% 03/12/2022	197	0.17	
€193,000 Fidelity National Information Services 1.5% 21/05/2027	204	0.18	
€141,000 Fiserv 0.375% 01/07/2023	142	0.12	
€269,000 Ford Motor Credit 2.386% 17/02/2026	273	0.24	
€125,000 Ford Motor Credit 3.021% 06/03/2024	132	0.12	
€733,000 General Electric Capital 0.875% 17/05/2025	736	0.65	
€580,000 General Electric Capital 1.25% 26/05/2023	595	0.52	
€309,000 General Motors Financial 0.955% 07/09/2023	312	0.28	
€125,000 General Motors Financial 2.2% 01/04/2024	132	0.12	
€234,000 Global Switch 2.25% 31/05/2027	248	0.22	
€153,000 Goldman Sachs 1.375% 26/07/2022	158	0.14	
€445,000 Goldman Sachs 1.625% 27/07/2026	474	0.42	

Portfolio statement (continued)

as at Holding	31.12.19 €'000	31.12.19 %	30.06.19 %
'BBB' credit rated bonds (continued)			
€509,000 Goldman Sachs FRN 0.221% 26/09/2023	510	0.45	
€175,000 Holcim Finance 1.75% 29/08/2029	184	0.16	
€127,000 Imperial Brands Finance 1.375% 27/01/2025	130	0.11	
€421,000 ING Bank Var. Rate 3.625% 25/02/2026	438	0.39	
€508,000 Intesa Sanpaolo 1.125% 04/03/2022	518	0.46	
€421,000 Intesa Sanpaolo 2% 18/06/2021	433	0.38	
€500,000 Intesa Sanpaolo Var. Rate 4.75% Perpetual	546	0.48	
€516,000 Johnson Controls International 1.375% 25/02/2025	532	0.47	
€127,000 Kraft Heinz Foods 2% 30/06/2023	134	0.12	
€532,000 Kraft Heinz Foods 2.25% 25/05/2028	565	0.50	
€152,000 Liberty Mutual 2.75% 04/05/2026	169	0.15	
€487,000 Lloyds Banking FRN 0.382% 21/06/2024	491	0.43	
€144,000 Lloyds Banking Var. Rate 0.5% 12/11/2025	144	0.13	
€224,000 LYB International Finance II 0.875% 17/09/2026	224	0.20	
€100,000 McDonald's 0.9% 15/06/2026	103	0.09	
€300,000 McDonald's 2% 01/06/2023	321	0.28	
€118,000 Merlin Properties 1.875% 02/11/2026	126	0.11	
£254,000 Mitchells & Butlers Finance FRN 1.3975% 15/12/2033	254	0.22	
\$426,309 Mitchells & Butlers Finance FRN 2.3436% 15/12/2030	349	0.31	
€162,000 Molnlycke 0.875% 05/09/2029	157	0.14	
€241,000 Mondelēz International Netherlands 0.875% 01/10/2031	239	0.21	
€325,000 Morgan Stanley 1% 02/12/2022	334	0.29	
€356,000 Morgan Stanley 1.375% 27/10/2026	375	0.33	
€451,000 Morgan Stanley 1.75% 30/01/2025	482	0.43	
€629,000 Nielsen Norman Var. Rate 4.5% Perpetual	722	0.64	
€100,000 Orange 1.125% 15/07/2024	104	0.09	
€100,000 Orange 1.375% 04/09/2049	90	0.08	
€654,000 Orange Var. Rate 5% Perpetual	796	0.70	
€270,000 Orange Var. Rate 5.25% Perpetual	316	0.28	
€790,000 Origin Energy Finance 2.5% 23/10/2020	807	0.71	
€233,000 RCI Banque 2% 11/07/2024	245	0.22	
€281,000 Royal Bank of Scotland Var. Rate 2% 04/03/2025	297	0.26	
€600,000 Société Générale 1.75% 22/03/2029	644	0.57	
€156,000 Tele2 1.125% 15/05/2024	161	0.14	
€829,000 Tele2 2.125% 15/05/2028	897	0.79	
€127,000 Thermo Fisher Scientific 1.45% 16/03/2027	135	0.12	
€291,000 Thermo Fisher Scientific 1.875% 01/10/2049	269	0.24	
\$209,000 Time Warner Cable 7.3% 01/07/2038	244	0.21	
€1,269,000 UBS Var. Rate 4.75% 12/02/2026	1,331	1.18	
€400,000 UniCredit Var. Rate 7.5% Perpetual	468	0.41	
€300,000 Uniq Insurance Var. Rate 6.875% 31/07/2043	359	0.32	
€835,000 Verizon Communications 3.25% 17/02/2026	981	0.87	
€231,000 Vodafone 1.125% 20/11/2025	240	0.21	
€791,000 Vodafone 2.2% 25/08/2026	879	0.78	
\$239,000 Vodafone 3.75% 16/01/2024	225	0.20	
€449,000 Volkswagen Financial Services 0.75% 14/10/2021	455	0.40	

M&G European Corporate Bond Fund

Authorised Corporate Director's Report

Investments

Portfolio statement (continued)				
as at Holding	31.12.19 €'000	31.12.19 %	30.06.19 %	
'BBB' credit rated bonds (continued)				
€85,000 Volkswagen International Finance 1.625% 16/01/2030	87	0.08		
€254,000 Volkswagen Leasing 1.5% 19/06/2026	263	0.23		
€281,000 Volkswagen Leasing 2.625% 15/01/2024	304	0.27		
€171,000 WPC Eurobond 1.35% 15/04/2028	169	0.15		
€629,000 WPC Eurobond 2.25% 19/07/2024	677	0.60		
€300,000 ZF Europe Finance 2% 23/02/2026	307	0.27		
'BB' credit rated bonds				
€200,000 Banco de Sabadell Var. Rate 5.375% 12/12/2028	227	0.20		
£47,000 Bank of Scotland Var. Rate 7.281% Perpetual	68	0.06		
€154,000 Barclays Var. Rate 2% 07/02/2028	156	0.14		
€400,000 CaixaBank Var. Rate 5.25% Perpetual	408	0.36		
€300,000 Intesa Sanpaolo 3.928% 15/09/2026	342	0.30		
€254,000 Intesa Sanpaolo Var. Rate 7.75% Perpetual	307	0.27		
€318,000 Lloyds Banking Var. Rate 6.375% Perpetual	326	0.29		
€63,000 National Westminster Bank Var. Rate 1.771% Perpetual	62	0.05		
€245,000 Solvay Finance Var. Rate 5.425% Perpetual	282	0.25		
€98,000 Telecom Italia Finance 7.75% 24/01/2033	146	0.13		
€300,000 Telefónica Europe Var. Rate 2.625% Perpetual	310	0.27		
€400,000 Telefónica Europe Var. Rate 3% Perpetual	418	0.37		
€300,000 Telefónica Europe Var. Rate 4.375% Perpetual	334	0.30		
€282,000 Teva Pharmaceutical Finance 1.125% 15/10/2024	245	0.22		
€202,000 UBS Var. Rate 5.75% Perpetual	220	0.19		
€127,000 Unicredit 6.95% 31/10/2022	148	0.13		
€300,000 Vodafone Var. Rate 3.1% 03/01/2019	315	0.28		
Bonds with no credit rating				
€247,000 Assicurazioni Generali Var. Rate 5.5% 27/10/2047	303	0.27		
€100,000 Assicurazioni Generali Var. Rate 7.75% 12/12/2042	120	0.11		
€456,000 Avoca CLO XIII FRN 0.9% 15/10/2030	455	0.40		
€636,000 Barings 2017-1 FRN 0.9% 15/10/2030	634	0.56		
€200,000 Bureau Veritas 1.125% 18/01/2027	204	0.18		
€200,000 Bureau Veritas 1.25% 07/09/2023	206	0.18		
€491,000 Coventry Building Society 0.125% 20/06/2026	488	0.43		
€106,000 EWE 5.25% 16/07/2021	115	0.10		
€500,000 Groupe Bruxelles Lambert 1.375% 23/05/2024	513	0.45		
£200,000 Heathrow Finance 3.875% 01/03/2027	238	0.21		
€300,000 Iliad 1.875% 25/04/2025	301	0.27		
€400,000 Lagardère 1.625% 21/06/2024	402	0.36		
€350,000 Lehman Brothers Holdings Var. Rate 2040 (0%) ^[a]	0	0.00		
€559,000 NET4GAS 2.5% 28/07/2021	579	0.51		
€200,000 Santander Consumer Bank 0.125% 11/09/2024	198	0.18		
	7,031	6.21	6.06	

Portfolio statement (continued)

as at Holding	31.12.19 €'000	31.12.19 %	30.06.19 %
Bonds with no credit rating (continued)			
€300,000 SEB 1.5% 31/05/2024	309	0.27	
€311,000 SELP Finance 1.25% 25/10/2023	320	0.28	
€109,000 SELP Finance 1.5% 20/11/2025	113	0.10	
€275,000 Stora Enso 2.5% 07/06/2027	299	0.26	
€100,000 Suez Var. Rate 2.875% Perpetual	106	0.09	
€899,000 Telefónica Germany 2.375% 10/02/2021	923	0.82	
€200,000 Vilmorin & Cie 2.375% 26/05/2021	205	0.18	
Debt derivatives			
Interest rate futures			
(19) 10 Year US Treasury Note March 2020	21	0.02	
2 Euro-Bobl March 2020	(2)	0.00	
5 Euro-Bund March 2020	(12)	(0.01)	
(10) Euro-Buxl March 2020	75	0.07	
(11) UK Long Gilt Bond March 2020	19	0.02	
	101	0.10	(0.16)
	101	0.10	(0.16)
CURRENCY			
Forward currency contracts			
£33,039 Bought for €39,498 (expires 15.01.20)	(1)	0.00	
£(2,449,701) Sold for €2,929,513 (expires 15.01.20)	49	0.04	
\$(2,661,266) Sold for €2,381,966 (expires 15.01.20)	13	0.01	
Portfolio of investments	111,441	98.46	97.71
CASH EQUIVALENTS			
'AAA' rated money market funds ^[b]			
1,038,891 Northern Trust Global Fund - Euro	1,015	0.90	1.19
	1,015	0.90	1.19
SHARE CLASS HEDGING			
Forward currency contracts for share class hedging			
£33,946 Bought for €40,251 (expires 15.01.20)	0	0.00	
£(5,161) Sold for €6,070 (expires 15.01.20)	0	0.00	
Total portfolio	112,456	99.36	98.85
Net other assets / (liabilities)	729	0.64	1.15
Net assets attributable to shareholders	113,185	100.00	100.00

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

^[a] Defaulted bond.

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

Portfolio transactions

for the six months to 31 December	2019 €'000	2018 €'000
Portfolio transactions		
Total purchases	25,746	73,385
Total sales	96,032	1,559,968

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

M&G European Corporate Bond Fund

Financial highlights

Fund performance

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

The following charts and tables reflect the key financial information of a representative share class, Sterling Class 'A' (Accumulation) shares. As different share classes have different attributes, for example charging structures and minimum investments, please be aware that their performance may be different. For more information on the different share classes in this fund please refer to the Prospectus for M&G Investment Funds (3), which is available free of charge either from our website at www.mandg.co.uk/prospectuses or by calling M&G Customer Relations.

Fund level performance

Fund net asset value			
as at	31.12.19 €'000	30.06.19 €'000	30.06.18 €'000
Fund net asset value (NAV)	113,185	184,337	1,697,355

Performance since launch

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



Ten-year fund performance against the comparator benchmark

We are unable to show the fund's performance against the comparator benchmark from inception, as the fund was previously managed against a different comparator benchmark. Therefore a ten-year comparable performance chart is shown below.



Please note prior to 30 March 2007, the fund was not managed with reference to ICE BofAML Euro Corporate Index.

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

Long-term performance by share class

	Six months 01.07.19 % [a]	Three years 03.01.17 % p.a.	Five years 02.01.15 % p.a.	Since launch % p.a.
Sterling [b]				
Class 'A'	-5.4	+1.8	+3.2	+4.8 [c]
Class 'I'	-5.1	+2.3	+3.7	+4.5 [d]
Class 'I-H'	+1.1	n/a	n/a	+0.9 [e]
Class 'R'	-5.3	+2.0	+3.5	+4.3 [d]
Class 'X'	-5.4	+1.8	+3.2	+4.7 [c]

[a] Absolute basis.

[b] Price to price with income reinvested.

[c] 13 January 2003, the launch date of the fund.

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

[e] 23 February 2018, the launch date of the share class.

M&G European Corporate Bond Fund

Financial highlights

Fund performance

Operating charges and portfolio transaction costs

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

Operating charges

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

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

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

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

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

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

Portfolio transaction costs

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

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

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

To protect existing investors, portfolio transaction costs incurred as a result of investors buying and selling shares in the fund are recovered from those investors through a 'dilution adjustment' to the price they pay or receive. As the fund invests mainly in fixed interest securities, the direct transaction costs paid on other investments are too small to be reflected in the table below. To give an indication of the indirect portfolio dealing costs the table below shows the average portfolio dealing spread.

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

Portfolio transaction costs

as at	31.12.19	30.06.19	30.06.18	Average ^[a]
Indirect portfolio transaction costs	%	%	%	%
Average portfolio dealing spread	0.45	0.48	0.45	0.46

[a] Average of first three columns.

M&G European Corporate Bond Fund

Financial highlights

Specific share class performance

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

Sterling Class 'A' Income share performance

The share class was launched on 13 January 2003.

	Six months to 31.12.19 UK p	Year to 30.06.19 UK p	Year to 30.06.18 UK p
Change in NAV per share			
Opening NAV	79.45	77.44	78.14
Return before operating charges and after direct portfolio transaction costs	(3.15)	4.48	1.90
Operating charges	(0.46)	(0.90)	(0.92)
Return after operating charges	(3.61)	3.58	0.98
Distributions	(0.69)	(1.57)	(1.68)
Closing NAV	75.15	79.45	77.44
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges ^[c]	1.15	1.17	1.16
Return after operating charges	-4.54	+4.62	+1.25
Distribution yield	1.72	1.51	2.07
Effect on yield of charges offset against capital	1.15	1.15	1.15
Other information			
Closing NAV (€'000)	568	607	662
Closing NAV percentage of total fund NAV (%)	0.50	0.33	0.04
Number of shares	643,056	685,338	757,368
Highest share price (UK p)	83.49	80.21	83.89
Lowest share price (UK p)	74.19	74.48	76.59

Sterling Class 'A' Accumulation share performance

The share class was launched on 13 January 2003.

	Six months to 31.12.19 UK p	Year to 30.06.19 UK p	Year to 30.06.18 UK p
Change in NAV per share			
Opening NAV	116.84	111.60	110.24
Return before operating charges and after direct portfolio transaction costs	(4.66)	6.55	2.67
Operating charges	(0.68)	(1.31)	(1.31)
Return after operating charges	(5.34)	5.24	1.36
Distributions	(0.36)	(0.98)	(1.09)
Retained distributions	0.36	0.98	1.09
Closing NAV	111.50	116.84	111.60
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges ^[c]	1.15	1.17	1.16
Return after operating charges	-4.57	+4.70	+1.23
Distribution yield	0.57	0.37	0.92
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€'000)	40,236	40,203	51,650
Closing NAV percentage of total fund NAV (%)	35.55	21.81	3.04
Number of shares	30,672,678	30,869,258	41,001,496
Highest share price (UK p)	122.77	117.39	118.35
Lowest share price (UK p)	109.63	108.43	109.79

Sterling Class 'I' Income share performance

The share class was launched on 3 August 2012.

	Six months to 31.12.19 UK p	Year to 30.06.19 UK p	Year to 30.06.18 UK p
Change in NAV per share			
Opening NAV	1,261.98	1,223.86	1,228.81
Return before operating charges and after direct portfolio transaction costs	(50.14)	71.07	29.74
Operating charges	(4.19)	(8.15)	(8.26)
Return after operating charges	(54.33)	62.92	21.48
Distributions	(11.00)	(24.80)	(26.43)
Closing NAV	1,196.65	1,261.98	1,223.86
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.01	0.00	0.02
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.01	0.00	0.02
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges ^[c]	0.65	0.67	0.66
Return after operating charges	-4.31	+5.14	+1.75
Distribution yield	1.72	1.51	2.07
Effect on yield of charges offset against capital	0.65	0.65	0.65
Other information			
Closing NAV (€'000)	3,523	2,719	3,411
Closing NAV percentage of total fund NAV (%)	3.11	1.48	0.20
Number of shares	250,229	193,314	246,954
Highest share price (UK p)	1,326.92	1,274.11	1,320.32
Lowest share price (UK p)	1,181.26	1,181.08	1,209.20

M&G European Corporate Bond Fund

Financial highlights

Specific share class performance

Sterling Class 'I' Accumulation share performance

The share class was launched on 3 August 2012.

	Six months to 31.12.19 UK p	Year to 30.06.19 UK p	Year to 30.06.18 UK p
Change in NAV per share			
Opening NAV	1,450.15	1,378.24	1,354.69
Return before operating charges and after direct portfolio transaction costs	(57.95)	81.17	32.70
Operating charges	(4.81)	(9.26)	(9.15)
Return after operating charges	(62.76)	71.91	23.55
Distributions	(8.02)	(19.12)	(20.39)
Retained distributions	8.02	19.12	20.39
Closing NAV	1,387.39	1,450.15	1,378.24
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.01	0.01	0.02
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.01	0.01	0.02
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges ^[c]	0.65	0.67	0.66
Return after operating charges	-4.33	+5.22	+1.74
Distribution yield	1.07	0.87	1.42
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€'000)	31,447	30,308	26,325
Closing NAV percentage of total fund NAV (%)	27.78	16.44	1.55
Number of shares	1,926,628	1,875,040	1,692,136
Highest share price (UK p)	1,524.74	1,456.99	1,455.52
Lowest share price (UK p)	1,363.77	1,343.59	1,354.42

Sterling Class 'I-H' Income share performance

The share class was launched on 23 February 2018.

	Six months to 31.12.19 UK p	Year to 30.06.19 UK p	Year to 30.06.18 UK p
Change in NAV per share			
Opening NAV	101.74	98.67	100.00
Return before operating charges and after direct portfolio transaction costs	2.02	5.77	(0.05)
Operating charges	(0.35)	(0.68)	(0.24)
Return after operating charges	1.67	5.09	(0.29)
Distributions	(0.93)	(2.02)	(1.04)
Closing NAV	102.48	101.74	98.67
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges ^[c]	0.68	0.69	0.68
Return after operating charges	+1.64	+5.16	-0.29
Distribution yield	1.75	1.52	1.42
Effect on yield of charges offset against capital	0.68	0.67	0.67
Other information			
Closing NAV (€'000)	34	68,919	59,907
Closing NAV percentage of total fund NAV (%)	0.03	37.39	3.53
Number of shares	27,912	60,777,130	53,785,024
Highest share price (UK p)	103.70	102.71	100.37
Lowest share price (UK p)	102.36	97.54	98.99

Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012.

	Six months to 31.12.19 UK p	Year to 30.06.19 UK p	Year to 30.06.18 UK p
Change in NAV per share			
Opening NAV	125.27	121.79	122.58
Return before operating charges and after direct portfolio transaction costs	(4.99)	7.05	2.97
Operating charges	(0.57)	(1.11)	(1.13)
Return after operating charges	(5.56)	5.94	1.84
Distributions	(1.09)	(2.46)	(2.63)
Closing NAV	118.62	125.27	121.79
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges ^[c]	0.90	0.92	0.91
Return after operating charges	-4.44	+4.88	+1.50
Distribution yield	1.72	1.51	2.07
Effect on yield of charges offset against capital	0.90	0.90	0.90
Other information			
Closing NAV (€'000)	141	156	134
Closing NAV percentage of total fund NAV (%)	0.13	0.08	0.01
Number of shares	101,492	111,436	97,201
Highest share price (UK p)	131.66	126.47	131.66
Lowest share price (UK p)	117.11	117.33	120.39

Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012.

	Six months to 31.12.19 UK p	Year to 30.06.19 UK p	Year to 30.06.18 UK p
Change in NAV per share			
Opening NAV	142.98	136.22	134.23
Return before operating charges and after direct portfolio transaction costs	(5.72)	8.01	3.23
Operating charges	(0.65)	(1.25)	(1.24)
Return after operating charges	(6.37)	6.76	1.99
Distributions	(0.61)	(1.55)	(1.68)
Retained distributions	0.61	1.55	1.68
Closing NAV	136.61	142.98	136.22
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges ^[c]	0.90	0.92	0.91
Return after operating charges	-4.46	+4.96	+1.48
Distribution yield	0.82	0.63	1.17
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€'000)	441	430	486
Closing NAV percentage of total fund NAV (%)	0.39	0.23	0.03
Number of shares	274,216	269,643	316,345
Highest share price (UK p)	150.28	143.65	144.16
Lowest share price (UK p)	134.30	132.58	133.94

M&G European Corporate Bond Fund

Financial highlights

Specific share class performance

Sterling Class 'X' Income share performance

The share class was launched on 13 January 2003.

Change in NAV per share	Six months to 31.12.19 UK p	Year to 30.06.19 UK p	Year to 30.06.18 UK p
Opening NAV	79.24	77.23	77.94
Return before operating charges and after direct portfolio transaction costs	(3.14)	4.47	1.88
Operating charges	(0.46)	(0.90)	(0.92)
Return after operating charges	(3.60)	3.57	0.96
Distributions	(0.69)	(1.56)	(1.67)
Closing NAV	74.95	79.24	77.23
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges ^[c]	1.15	1.17	1.16
Return after operating charges	-4.54	+4.62	+1.23
Distribution yield	1.72	1.51	2.07
Effect on yield of charges offset against capital	1.15	1.15	1.15
Other information			
Closing NAV (€'000)	724	772	755
Closing NAV percentage of total fund NAV (%)	0.64	0.42	0.04
Number of shares	820,723	873,923	865,777
Highest share price (UK p)	83.27	80.01	83.67
Lowest share price (UK p)	74.00	74.28	76.39

Sterling Class 'X' Accumulation share performance

The share class was launched on 13 January 2003.

Change in NAV per share	Six months to 31.12.19 UK p	Year to 30.06.19 UK p	Year to 30.06.18 UK p
Opening NAV	114.26	109.14	107.80
Return before operating charges and after direct portfolio transaction costs	(4.55)	6.40	2.62
Operating charges	(0.67)	(1.28)	(1.28)
Return after operating charges	(5.22)	5.12	1.34
Distributions	(0.35)	(0.96)	(1.07)
Retained distributions	0.35	0.96	1.07
Closing NAV	109.04	114.26	109.14
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges ^[c]	1.15	1.17	1.16
Return after operating charges	-4.57	+4.69	+1.24
Distribution yield	0.57	0.40	0.92
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€'000)	36,071	40,223	33,765
Closing NAV percentage of total fund NAV (%)	31.87	21.82	1.99
Number of shares	28,119,427	31,583,381	27,409,825
Highest share price (UK p)	120.06	114.80	115.74
Lowest share price (UK p)	107.21	106.04	107.36

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

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

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

M&G European Corporate Bond Fund

Financial statements and notes

Financial statements

Statement of total return

for the six months to 31 December	2019		2018	
	€'000	€'000	€'000	€'000
Income				
Net capital gains / (losses)		3,159		(6,753)
Revenue	1,317		13,079	
Expenses	(665)		(6,115)	
Net revenue / (expense) before taxation	652		6,964	
Taxation	0		14	
Net revenue / (expense) after taxation		652		6,978
Total return before distributions		3,811		225
Distributions		(784)		(7,498)
Change in net assets attributable to shareholders from investment activities		3,027		(7,273)

Statement of change in net assets attributable to shareholders

for the six months to 31 December	2019		2018	
	€'000	€'000	€'000	€'000
Opening net assets attributable to shareholders		184,337		1,697,355
Amounts received on issue of shares	9,185		40,172	
Amounts paid on cancellation of shares	(83,967)		(259,825)	
Transferred to M&G (Lux) Euro Corporate Bond Fund	0		(1,283,631)	
		(74,782)		(1,503,284)
Dilution adjustments		181		490
Change in net assets attributable to shareholders from investment activities (see above)		3,027		(7,273)
Retained distributions on Accumulation shares		422		5,940
Closing net assets attributable to shareholders		113,185		193,228

The opening net assets attributable to shareholders for 2019 differs to the closing position in 2018 by the change in net assets attributable to shareholders for the second half of the comparative financial year.

Balance sheet

as at	31 December 2019	30 June 2019
	€'000	€'000
Assets		
Fixed assets		
Investments	111,456	180,420
Current assets		
Debtors	4,513	1,719
Cash and bank balances	604	1,789
Cash equivalents	1,015	2,196
Total assets	117,588	186,124
Liabilities		
Investment liabilities	(15)	(397)
Creditors		
Bank overdrafts	0	(712)
Overdrawn positions at futures clearing houses and collateral manager	(91)	0
Distribution payable	(21)	(360)
Other creditors	(4,276)	(318)
Total liabilities	(4,403)	(1,787)
Net assets attributable to shareholders	113,185	184,337

Notes to the financial statements

Accounting policies

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

Distribution policy

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

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

M&G European High Yield Bond Fund (closed)

Authorised Corporate Director's Report

Important information

The M&G European High Yield Bond Fund commenced its termination on 29 November 2019 and is not available for investment. The fund will be formally terminated when all its outstanding assets and liabilities have been settled.

Investment objective up to 29 November 2019

The fund aims to provide income and capital growth.

Investment policy up to 29 November 2019

At least 70% of the fund is invested in higher yielding debt instruments denominated in any European currency and will normally be managed to give investors exposure to European currencies. The fund's exposure to higher yielding debt instruments may be gained through the use of derivatives. Derivatives may also be used for efficient portfolio management. The fund may also invest in collective investment schemes, government and public securities and other transferable securities, cash, near cash, other money market instruments, warrants and other derivative instruments which may be denominated in any major global currency. Any non-European currency exposures within the fund may be managed by currency hedges in European currencies. More than 70% of the fund will be in euro or hedged back to euro.

Investment approach up to 29 November 2019

The fund manager concentrates on bottom-up analysis of individual bond issues while remaining aware of macroeconomic developments. Emphasis is placed upon investigating the ability of a company or government to meet its interest payments, especially during unfavourable economic conditions. Credit risk is constantly monitored and typically spread across a variety of countries and industrial sectors.

Risk profile up to 29 November 2019

The fund invests mainly in higher yielding fixed income securities denominated in any European currency. It is primarily subject to the price volatility of the European bond market as well as the performance of individual issuers. It is also influenced by developments in the broader global bond market. In addition, the fund is subject to fluctuations in currency exchange rates.

The fund's focus on higher yielding debt securities implies that it may experience greater volatility than a fund that invests primarily in investment grade debt securities as higher risk assets could potentially experience a degree of illiquidity in times of market distress.

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

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

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



The above number:

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

M&G European High Yield Bond Fund (closed)

Authorised Corporate Director's Report

Investment review

As at 2 January 2020, for the period from 1 July 2019 to 29 November 2019

Performance against objective

Between 1 July 2019 (the start of the review period) and 29 November 2019, the M&G European High Yield Bond Fund delivered a negative total return (the combination of income and growth of capital) for its Sterling Class 'I' and Class 'X' shares. Negative performance was mainly due to a significant strengthening in sterling versus the euro, which more than offset positive gains in European high yield markets.*

On 29 November 2019, the M&G European High Yield Bond Fund was closed.

In this reporting period, the fund has not met its objective of providing income** and capital growth, although it has met its objective over three and five years and since launch.

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

** The fund's distribution and distribution yield are as shown in the 'Specific share class performance' tables in this report.

Factors affecting performance

European high yield bonds delivered positive returns in local currency terms during the period under review. (High yield bonds are loans paying fixed interest issued by companies with a low credit rating. Credit ratings are independent assessments of a borrower's ability to repay loans. Bonds from low-rated companies are considered riskier than those issued by companies with a high credit rating. They therefore pay a higher rate of interest than their higher rated counterparts, to compensate investors for the greater possibility that the issuer might be unable to make the regular interest payments or repay the loan – in other words, default.)

Despite signs of slowing global growth, sentiment was well supported during the period by the announcement of further stimulus measures from the world's central banks. The US Federal Reserve implemented a series of interest rates cuts during 2019, as policymakers sought to offset muted inflationary pressures and ongoing trade tensions between the US and China.

In Europe, the European Central Bank (ECB) announced a raft of new stimulus measures at Mario Draghi's final policy meeting in September, including a further cut in interest rates and a resumption of its quantitative easing (QE) programme.

In the UK, sterling rallied strongly as markets reacted positively to the latest Brexit developments. The announcement in October of a general election in particular raised hopes of a Brexit breakthrough of some sort, with the UK now poised to leave the European Union by the end of January 2020.

While European high yield bonds delivered positive returns from a euro perspective, returns for the sterling share classes were held back by a significant rally in sterling during the period.

Investment activity

There were no significant changes in fund positioning during the period under review. We maintained our preference for defensive, non-cyclical companies offering resilient cashflows, such as packaging companies and cable businesses.

We maintained minimal exposure to the energy and commodity sectors, which in our view do not generally provide sufficient compensation for the risks at this stage of the economic cycle.

In regional allocation terms, we maintained a preference for Northern Europe while also keeping a modest exposure to the eurozone periphery. We also kept a modest allocation to US high yield, where we see some attractive opportunities.

From a credit rating perspective, we maintained a slight preference for more highly rated BB bonds, while also keeping a small exposure to investment grade BBB bonds.

In terms of trading activity, we participated in several new deals in the primary market, including new issues from Eurofin and Infineon. In secondary markets we sold bonds issued by Picard, Energiser and Casino, amongst others.

James Tomlins
Fund manager

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

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

Investments

The fund had no holdings as at the end of the period.

Portfolio transactions

for the six months to 31 December	2019	2018
Portfolio transactions	€'000	€'000
Total purchases	8,610	17,413
Total sales	36,896	19,665

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

M&G European High Yield Bond Fund (closed)

Financial highlights

Fund performance

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

The following chart and tables show the performance for Sterling Class 'I' (Accumulation) shares. We show performance for this share class because the performance of the Sterling Class 'I' (Accumulation) share is the most appropriate to compare with the average performance of the fund's comparative sector. It is the share class used by the Investment Association in the calculation of the comparative sector's average performance. This share class is available for direct investment with M&G subject to minimum investment criteria, or via third parties who may charge additional fees. The performance shown takes the deduction of the ongoing charge for this share class into account but it does not take account of charges applied by any other party through which you may have invested.

Fund level performance

Fund net asset value			
as at	31.12.19 €'000	30.06.19 €'000	30.06.18 €'000
Fund net asset value (NAV)	0	32,758	114,385

Performance since launch

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



The fund's Sterling Class 'I' (Accumulation) shares were launched on 3 August 2012. Performance data shown prior to this date is that of the fund's Sterling Class 'A' (Accumulation) shares.

To give an indication of the performance of the fund, the following table shows the compound rate of return, per annum, over the period to 29 November 2019 when the fund closed. Calculated on a price to price basis with income reinvested.

Long-term performance by share class

	From 01.07.19 % ^[a]	From 03.01.17 % p.a.	From 02.01.15 % p.a.	Since launch % p.a.
Sterling^[b]				
Class 'I'	-3.9	+4.3	+5.8	+6.6 ^[c]
Class 'X'	-4.1	+0.1	+0.2	+4.5 ^[d]

^[a] Absolute basis.

^[b] Price to price with income reinvested.

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

^[d] 15 October 1999, the end of the initial offer period of the predecessor unit trust.

Operating charges and portfolio transaction costs

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

Operating charges

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

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

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

M&G European High Yield Bond Fund (closed)

Financial highlights

Fund performance

Operating charges and portfolio transaction costs

Operating charges (continued)

- **Ongoing charges from underlying funds:** Ongoing charges on holdings in underlying funds that are not rebated. From 1 August 2019 charges from underlying funds (excluding Investment Trust Companies and Real Estate Investment Trusts) will be rebated.

These charges do not include portfolio transaction costs or any entry and exit charges (also known as initial and redemption charges). The charging structures of share classes may differ, and therefore the operating charges may differ.

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

Portfolio transaction costs

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

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

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

To protect existing investors, portfolio transaction costs incurred as a result of investors buying and selling shares in the fund are recovered from those investors through a 'dilution adjustment' to the price they pay or receive. As the fund invests mainly in fixed interest securities, the direct transaction costs paid on other investments are too small to be reflected in the table below. To give an indication of the indirect portfolio dealing costs the table below shows the average portfolio dealing spread.

Portfolio transaction costs				
as at	31.12.19	30.06.19	30.06.18	Average ^[a]
Indirect portfolio transaction costs	%	%	%	%
Average portfolio dealing spread	0.00 ^[b]	0.78	0.79	0.79

^[a] Average of first three columns.

^[b] The average figure for 2019 is not a true representation, as the fund has not been in existence for the full 2019 financial year.

Specific share class performance

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

The distribution yields for the current period were calculated as at 29 November 2019.

Sterling Class 'I' Income share performance

The share class was launched on 3 August 2012.

	Period to 31.12.19 UK p	Year to 30.06.19 UK p	Year to 30.06.18 UK p
Change in NAV per share			
Opening NAV	1,242.92	1,198.51	1,235.47
Return before operating charges and after direct portfolio transaction costs	(40.61)	106.65	25.59
Operating charges	(3.98)	(11.43)	(11.55)
Return after operating charges	(44.59)	95.22	14.04
Distributions	(14.25)	(50.81)	(51.00)
Return to shareholder as a result of share class closure	(1,184.08)	n/a	n/a
Closing NAV	0.00	1,242.92	1,198.51
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges ^[c]	0.72	0.96	0.93
Return after operating charges	-3.59	+7.94	+1.14
Distribution yield	4.25	4.56	4.18
Effect on yield of charges offset against capital	0.72	0.90	0.90
Other information			
Closing NAV (€'000)	0	8,176	8,166
Closing NAV percentage of total fund NAV (%)	0.00	24.96	7.14
Number of shares	0	590,132	603,623
Highest share price (UK p)	1,284.87	1,258.23	1,325.63
Lowest share price (UK p)	1,178.36	1,150.08	1,199.55

M&G European High Yield Bond Fund (closed)

Financial highlights

Specific share class performance

Sterling Class 'I' Accumulation share performance

The share class was launched on 3 August 2012.

Change in NAV per share	Period to 31.12.19 UK p	Year to 30.06.19 UK p	Year to 30.06.18 UK p
Opening NAV	1,658.91	1,533.81	1,517.21
Return before operating charges and after direct portfolio transaction costs	(55.17)	139.92	31.04
Operating charges	(5.29)	(14.82)	(14.44)
Return after operating charges	(60.46)	125.10	16.60
Distributions	(15.82)	(51.97)	(49.63)
Retained distributions	15.82	51.97	49.63
Return to shareholder as a result of share class closure	(1,598.45)	n/a	n/a
Closing NAV	0.00	1,658.91	1,533.81
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges ^[c]	0.72	0.96	0.93
Return after operating charges	-3.64	+8.16	+1.09
Distribution yield	3.55	3.67	3.27
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€'000)	0	23,470	30,248
Closing NAV percentage of total fund NAV (%)	0.00	71.65	26.44
Number of shares	0	1,269,259	1,747,069
Highest share price (UK p)	1,714.76	1,658.87	1,627.84
Lowest share price (UK p)	1,590.74	1,502.49	1,513.23

Sterling Class 'X' Accumulation share performance

The share class was launched on 15 October 1999.

Change in NAV per share	Period to 31.12.19 UK p	Year to 30.06.19 UK p	Year to 30.06.18 UK p
Opening NAV	127.33	118.31	117.62
Return before operating charges and after direct portfolio transaction costs	(4.21)	10.76	2.40
Operating charges	(0.68)	(1.74)	(1.71)
Return after operating charges	(4.89)	9.02	0.69
Distributions	(1.05)	(3.40)	(3.24)
Retained distributions	1.05	3.40	3.24
Return to shareholder as a result of share class closure	(122.44)	n/a	n/a
Closing NAV	0.00	127.33	118.31
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges ^[c]	1.22	1.46	1.43
Return after operating charges	-3.84	+7.62	+0.59
Distribution yield	3.05	3.18	2.76
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€'000)	0	1,112	1,234
Closing NAV percentage of total fund NAV (%)	0.00	3.39	1.08
Number of shares	0	783,588	923,814
Highest share price (UK p)	131.54	127.32	126.09
Lowest share price (UK p)	121.87	115.56	117.18

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

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

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

M&G European High Yield Bond Fund (closed)

Financial statements and notes

Financial statements

Statement of total return

for the six months to 31 December	2019		2018	
	€'000	€'000	€'000	€'000
Income				
Net capital gains / (losses)		(61)		(3,896)
Revenue	560		2,369	
Expenses	(107)		(720)	
Net revenue / (expense) before taxation	453		1,649	
Taxation	0		1	
Net revenue / (expense) after taxation		453		1,650
Total return before distributions		392		(2,246)
Distributions		(475)		(1,268)
Change in net assets attributable to shareholders from investment activities		(83)		(3,514)

Statement of change in net assets attributable to shareholders

for the six months to 31 December	2019		2018	
	€'000	€'000	€'000	€'000
Opening net assets attributable to shareholders		32,758		114,385
Amounts received on issue of shares	207		21,815	
Amounts paid on cancellation of shares	(33,116)		(16,407)	
		(32,909)		5,408
Dilution adjustments		33		96
Change in net assets attributable to shareholders from investment activities (see above)		(83)		(3,514)
Retained distributions on Accumulation shares		201		984
Unclaimed distributions		0		1
Closing net assets attributable to shareholders		0		117,360

The opening net assets attributable to shareholders for 2019 differs to the closing position in 2018 by the change in net assets attributable to shareholders for the second half of the comparative financial year.

Balance sheet

as at	31 December 2019	30 June 2019
	€'000	€'000
Assets		
Fixed assets		
Investments	0	28,536
Current assets		
Debtors	0	1,018
Cash and bank balances	14	691
Cash equivalents	0	3,123
Total assets	14	33,368
Liabilities		
Investment liabilities	0	(1)
Creditors		
Distribution payable	0	(94)
Other creditors	(14)	(515)
Total liabilities	(14)	(610)
Net assets attributable to shareholders	0	32,758

Notes to the financial statements

Accounting policies

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

Distribution policy

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

M&G Fund of Investment Trust Shares (closed)

Financial statements and notes

Important information

The M&G Fund of Investment Trust Shares commenced its termination on 14 June 2019 and is not available for investment. The fund will be formally terminated when all its outstanding assets and liabilities have been settled.

Financial statements

Statement of total return

for the six months to 31 December	2019		2018	
	£'000	£'000	£'000	£'000
Income				
Net capital gains / (losses)		0		(4,134)
Revenue	0		349	
Expenses	0		(246)	
Net revenue / (expense) before taxation	0		103	
Taxation	0		0	
Net revenue / (expense) after taxation		0		103
Total return before distributions		0		(4,031)
Distributions		0		(164)
Change in net assets attributable to shareholders from investment activities		0		(4,195)

Statement of change in net assets attributable to shareholders

for the six months to 31 December	2019		2018	
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		0		41,962
Amounts received on issue of shares	0		515	
Amounts paid on cancellation of shares	0		(1,190)	
		0		(675)
Dilution adjustments		0		8
Change in net assets attributable to shareholders from investment activities (see above)		0		(4,195)
Retained distributions on Accumulation shares		0		40
Closing net assets attributable to shareholders		0		37,140

The opening net assets attributable to shareholders for 2019 differs to the closing position in 2018 by the change in net assets attributable to shareholders for the second half of the comparative financial year.

Balance sheet

as at	31 December 2019	30 June 2019
	£'000	£'000
Assets		
Fixed assets		
Investments	0	0
Current assets		
Debtors	0	202
Cash and bank balances	30	38
Cash equivalents	0	0
Total assets	30	240
Liabilities		
Investment liabilities	0	0
Creditors		
Bank overdrafts	0	(103)
Distribution payable	0	(129)
Other creditors	(30)	(8)
Total liabilities	(30)	(240)
Net assets attributable to shareholders	0	0

Notes to the financial statements

Accounting policies

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

M&G Fund of Investment Trust Shares (closed)

Financial statements and notes

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M&G Global Government Bond Fund

Authorised Corporate Director's Report

Investment objective

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

Investment policy

The portfolio will mainly consist of investment grade government debt securities, including government guaranteed debt securities, and will be invested on a global basis. The fund's exposure to investment grade government debt may be gained through the use of derivatives. The fund may also invest in other government and public securities, collective investment schemes, other transferable securities, other debt instruments, cash and near cash, deposits, warrants, money market instruments and other derivative instruments. The fund may use derivatives for efficient portfolio management purposes.

Investment approach

The M&G Global Government Bond Fund invests mainly in investment grade government bonds on a global basis. Its investment approach is driven primarily by the fund manager's views on macroeconomic factors such as economic growth, interest rates and inflation. This assessment determines the individual government bonds from different countries in which the manager believes the fund should invest in order to achieve its objective. It also influences the portfolio's mix of interest rate risk and currency exposure. These factors, along with the manager's selection of government bond holdings, drive the fund's long-term performance. With the active management of the fund's currency exposures being one of these drivers, its returns will include a higher degree of currency risk than domestic fixed income funds.

Benchmark

Benchmark: IA Global Bonds sector.

The fund is actively managed. The benchmark is a comparator against which the fund's performance can be measured. The sector has been chosen as the fund's comparator benchmark as the fund is a constituent of the sector. The comparator benchmark does not constrain the fund's portfolio construction.

Risk profile

The fund invests mainly in investment grade government bonds, including government-guaranteed debt securities, in both developed and emerging markets on a global basis. It is, therefore, subject to the price volatility of the global bond market and the performance of individual issuers. It is also subject to fluctuations in currency exchange rates.

The fund's exposure to investment grade government debt may be gained through the use of derivatives. In association with the use of derivatives, including those instruments not traded through an exchange, collateral is deposited, in order to mitigate the risk that a counterparty may default on its obligations or become insolvent.

Up to 30% of the fund's assets may be invested in non-investment grade government debt securities, which are higher risk assets that could potentially experience a degree of illiquidity in times of market distress. Portfolio diversification is key in managing liquidity and default risks as well as reducing market risk. The fund's risks are measured and managed as an integral part of the investment process.

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



The above number:

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

Investment review

As at 2 January 2020, for the six months ended 31 December 2019

Performance against objective

Between 1 July 2019 (the start of the review period) and 2 January 2020, the M&G Global Government Bond Fund delivered varied performance across its share classes. Generally, performance was helped by positive returns recorded across government bonds in many developed and emerging markets. However, for the fund's sterling share classes, declines among relevant foreign currencies against sterling detracted from these gains. This effect was felt as the fund maintained a sizeable exposure to non-sterling-denominated government bonds. As a result, the fund's sterling share classes registered negative returns. However, the fund's euro, Swiss franc, and US dollar share classes delivered positive returns in the period.

M&G Global Government Bond Fund

Authorised Corporate Director's Report

Investment review

Performance against objective (continued)

In comparison, the fund's benchmark, which is the average of the IA Global Bonds Sector, recorded a return of -0.5% in sterling terms in the same period. This benchmark return was 4.8% in euro terms, 3.7% in US dollar terms, and 2.1% in Swiss franc terms.

During the review period, the fund recorded a mixed performance against its objective, which is to maximise total return (the combination of income and capital growth)*. For the five-year period, all of the fund's share classes recorded positive total returns that were ahead of the benchmark. The benchmark return was 4.4% p.a. in sterling, 2.7% p.a. in euro, 1.3% p.a. in US dollar and 0.7% p.a. in Swiss franc.

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

Investment performance

A variety of factors continued to influence investors' sentiment in global financial markets during the six months to 31 December 2019. These included slower global economic growth and ongoing international trade tensions between China and the US. Against this backdrop, however, attention also remained focused on some renewed economic stimulus policies from two major central banks, the US Federal Reserve (Fed) and European Central Bank (ECB).

These central bank activities contributed to supporting the performance of bond markets, including government bonds. For example, US and UK government bonds performed well, although returns from these and other government debt markets weakened towards the end of the review period. Bonds are loans in the form of securities, usually issued by a government (sovereign bonds) or company (corporate bonds). They normally pay a fixed rate of interest (also known as a coupon) over a given time period, at the end of which the initial amount borrowed is repaid.

In the US, as widely expected, the Fed reduced interest rates three times between July and the end of October, each time by 0.25 percentage points. The ECB, also as expected, confirmed renewed stimulus measures in September, which included an interest rate cut. The performance of bonds is influenced by expected or actual changes in interest rates. Bond prices move inversely to interest rates, so rising interest rates can reduce the returns of bonds, while falling rates tend to be helpful. Given the size and importance of the US market in a global context, the effects of higher or lower US interest rates can be felt internationally.

Sentiment towards perceived 'safe haven' assets such as government bonds can also strengthen during times of uncertainty. In the UK, worries about an unknown outcome regarding Brexit persisted for some time. Earlier in 2019, the withdrawal deal agreed between former Prime Minister Theresa May's government and the European Union (EU) failed to win consent in the UK parliament. Subsequently, under new Prime Minister Boris Johnson, some progress was made towards approving a deal, but a timeframe remained undecided and a departure deadline of 31 October was missed.

Against this backdrop, UK government bonds found support during the opening months of the review period. However, these assets recorded weaker performance later in 2019, partly as the way forward on Brexit finally became clearer. In December, the Conservative Party under Boris Johnson won a general election majority, which paved the way for the UK to leave the EU with an agreed withdrawal deal on a rescheduled deadline of 31 January 2020. Encouraged by these developments, investors' sentiment improved towards other areas of the bond markets, such as corporate segments, in preference to government bonds. The prospect of a Brexit resolution looking more likely also influenced sterling to rally against other currencies in the foreign exchange markets.

For the fund's overall positioning, we maintained globally diversified holdings of government bonds in developed and emerging markets. We continued to like allocations to emerging market government bonds on a selective basis, given our assessment that appealing long-term valuations could still be found in the area for taking on additional degrees of risk.

During the review period, emerging market government bonds recorded positive returns, helped by signs towards the end of 2019 that the US and China were progressing towards settling their trade dispute. In turn, the fund's allocation to emerging markets contributed favourably to its performance, and helped its non-sterling share classes to deliver positive returns. However, for the fund's sterling share classes, the decline of many currencies against sterling detracted from these gains, as we maintained a sizeable exposure to non-UK government bonds denominated in foreign currencies.

Investment activities

Our preferred investment strategy remained based around a globally diversified fund of government bonds in developed countries as well as emerging markets. Among the former, our largest holding continued to consist of US government bonds. Our maintenance of this stance was based on key factors such as the backdrop of declining US interest rates. Elsewhere, we kept an allocation to Japanese government bonds and increased this exposure during the period, partly as we felt the Japanese yen was an attractively valued currency that offered upside potential.

However, we held relatively small exposures to mainstream eurozone government bonds, given our assessment that very low yields in the region lacked value. Our activity among non-EU members included adding some exposure to Norway, a financially strong country where we hold a constructive view as bond investors.

In addition to our chosen allocations in developed government bond markets, the fund's flexible investment approach allows us to hold government positions across emerging countries. We continued to favour exposure to the latter area despite concerns about US/China trade tensions and slowing global economic growth. As well as maintaining holdings in larger emerging markets such as Brazil, Mexico, and Russia, we added some exposure to smaller countries. This activity included topping up on Costa Rica, as well as adding a position in Morocco, which we felt has merit as a relatively stable market in its region.

M&G Global Government Bond Fund

Authorised Corporate Director's Report

Investment review

Towards the end of the period, we also added exposure to Chile after the country's underperformance following some serious civil protests against the government. In our view, the sharp decline in the value of the Chilean peso following the protests left the currency undervalued. In Asia, the Philippines was among our chosen allocations, as the economy continues to record decent growth and we felt government bonds in the country were attractively valued.

Outlook

The active management of the fund's allocations to individual countries, as well as its currency positioning, remains a key driver of its long-term returns. At the end of the review period, US government bonds remained our largest position, while we also favoured diversification via other large industrialised countries such as Japan, Germany, and the UK.

Among other themes, we maintained select exposures to emerging economies. We still consider that long-term investment opportunities can be found in this area when comparing their valuations to government bonds in developed countries. Relevantly, emerging market bonds offer higher yields relative to developed markets for taking on a higher degree of risk. We also continue to believe that sentiment towards emerging market bonds should be supported by improvements made to their creditworthiness – a measure of a borrower's ability and willingness to repay its debt. As always, however, the relevant risks need to be monitored closely, including developments around the trade negotiations between the US and China.

In the fund, our biggest holdings in the emerging markets at the end of the period included in countries as diverse as Peru, the Philippines, and Serbia. Overall, we continue to manage the fund by seeking the most attractive value in the global government bond markets amid the prevailing economic conditions, while avoiding those countries where we believe the outlook is less favourable.

Claudia Calich

Fund manager

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

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

Investments

Portfolio statement

as at Holding	31.12.19 \$'000	31.12.19 %	30.06.19 %
FIXED INCOME	233,757	97.97	97.26
Debt securities	233,757	97.97	97.26
'AAA' credit rated bonds	29,510	12.37	9.22
INR100,000,000 Asian Development Bank 5.9% 20/12/2022	1,377	0.58	
AUD3,054,000 Australia (Commonwealth of) 3% 21/03/2047	2,580	1.08	
CAD4,000,000 Canada (Govt. of) 2.25% 01/03/2024	3,144	1.32	
IDR20,000,000,000 European Bank for Reconstruction & Development 6.25% 22/12/2021	1,448	0.61	
€8,000,000 Germany (Federal Republic of) 0.25% 15/08/2028	9,378	3.93	
INR100,090,000 International Finance 5.85% 25/11/2022	1,380	0.58	
INR90,000,000 International Finance 6.3% 25/11/2024	1,255	0.52	
UAH50,000,000 International Finance 15.5% 29/01/2021	2,103	0.88	
NOK30,500,000 Norway (Kingdom of) 2% 24/05/2023	3,539	1.48	
SGD4,400,000 Singapore (Govt. of) 3.25% 01/09/2020	3,306	1.39	
'AA' credit rated bonds	54,429	22.81	28.38
ILS5,000,000 Israel (State of) 1% 30/04/2021	1,463	0.61	
ILS7,500,000 Israel (State of) 1.25% 30/11/2022	2,232	0.93	
\$1,350,000 Israel (State of) 4.5% 30/01/2043	1,614	0.68	
\$1,556,000 Qatar (State of) 5.103% 23/04/2048	1,997	0.84	
\$1,000,000 Qatar (State of) 6.4% 20/01/2040	1,453	0.61	
£7,000,000 UK Treasury 2% 22/07/2020	9,315	3.90	
\$15,000,000 US Treasury Note 3.125% 15/11/2028	16,521	6.92	
\$4,000,000 US Treasury Note 3.125% 15/05/2048	4,642	1.95	
\$13,500,000 US Treasury IL 0.625% 15/01/2024	15,192	6.37	
'A' credit rated bonds	44,470	18.64	17.52
\$1,945,000 Bermuda (Govt. of) 4.75% 15/02/2029	2,203	0.93	
€2,000,000 Chile (Republic of) 1.75% 20/01/2026	2,431	1.02	
CLP1,840,000,000 Chile (Republic of) 4% 01/03/2023	2,581	1.08	
¥2,955,000,000 Japan (Govt. of) 0.1% 01/10/2020	27,264	11.43	
MYR10,000,000 Malaysia (Govt. of) 3.882% 10/03/2022	2,488	1.04	
MXN7,133,500 Mexico (United Mexican States) 2% 09/06/2022	2,321	0.97	
PEN4,800,000 Peru (Republic of) 8.2% 12/08/2026	1,841	0.77	
PLN7,700,000 Poland (Republic of) 3.25% 25/07/2025	2,168	0.91	
\$1,047,000 Saudi Arabia (Kingdom of) 4.375% 16/04/2029	1,173	0.49	
'BBB' credit rated bonds	50,514	21.17	19.80
COP5,262,000,000 Bogota Distrio Capital 9.75% 26/07/2028	1,807	0.76	
€2,000,000 Bulgaria (Republic of) 3.125% 26/03/2035	2,931	1.23	
€1,000,000 Colombia (Republic of) 3.875% 22/03/2026	1,326	0.56	
\$1,000,000 Colombia (Republic of) 7.375% 18/09/2037	1,420	0.60	
IDR27,000,000,000 Indonesia (Republic of) 8.25% 15/05/2036	2,049	0.86	
\$1,500,000 Indonesia (Republic of) 8.5% 12/10/2035	2,360	0.99	
£1,000,000 Italy (Republic of) 6% 04/08/2028	1,638	0.69	
€1,250,000 Kazakhstan (Republic of) 1.5% 30/09/2034	1,427	0.60	
\$2,000,000 Kazakhstan (Republic of) 4.875% 14/10/2044	2,468	1.03	
£1,292,000 Mexico (United Mexican States) 5.625% 19/03/2114	1,877	0.79	

M&G Global Government Bond Fund

Authorised Corporate Director's Report

Investments

Portfolio statement (continued)				
as at Holding	31.12.19 \$'000	31.12.19 %	30.06.19 %	
'BBB' credit rated bonds (continued)				
€1,048,000 Morocco (Kingdom of) 1.5% 27/11/2031	1,175	0.49		
\$1,900,000 Morocco (Kingdom of) 5.5% 11/12/2042	2,325	0.97		
\$1,000,000 Panama (Republic of) 6.7% 26/01/2036	1,401	0.59		
€2,000,000 Peru (Republic of) 3.75% 01/03/2030	2,889	1.21		
PEN4,000,000 Peru (Republic of) 5.94% 12/02/2029	1,359	0.57		
\$450,000 Petroleos Mexicano 2.46% 15/12/2025	449	0.19		
\$1,500,000 Philippines (Republic of) 3.75% 14/01/2029	1,654	0.69		
PHP150,000,000 Philippines (Republic of) 4.95% 15/01/2021	2,983	1.25		
PHP50,000,000 Philippines (Republic of) 6.25% 14/01/2036	1,197	0.50		
\$1,200,000 Portugal (Republic of) 5.125% 15/10/2024	1,345	0.56		
€827,000 Romania (Republic of) 2.875% 11/03/2029	1,049	0.44		
€1,000,000 Romania (Republic of) 3.875% 29/10/2035	1,304	0.54		
€840,000 Romania (Republic of) 4.625% 03/04/2049	1,162	0.49		
RON6,500,000 Romania (Republic of) 5.8% 26/07/2027	1,674	0.70		
RUB195,000,000 Russia (Federation of) 8.15% 03/02/2027	3,499	1.46		
\$1,000,000 Russia (Federation of) 12.75% 24/06/2028	1,722	0.72		
THB85,000,000 Thailand (Kingdom of) IL 1.25% 12/03/2028	2,891	1.21		
UYU24,609,000 Uruguay (Republic of) 8.5% 15/03/2028	565	0.24		
UYU21,509,000 Uruguay (Republic of) 9.875% 20/06/2022	568	0.24		
'BB' credit rated bonds				
\$1,500,000 Bahamas (Commonwealth of) 6% 21/11/2028	1,665	0.70		
BRL11,500,000 Brazil (Federal Republic of) 10% 01/01/2025	3,283	1.38		
DOP63,350,000 Dominican Republic 8.9% 15/02/2023	1,189	0.50		
DOP64,000,000 Dominican Republic 9.75% 05/06/2026	1,227	0.51		
\$2,500,000 Guatemala (Republic of) 4.9% 01/06/2030	2,672	1.12		
\$1,900,000 Honduras (Republic of) 6.25% 19/01/2027	2,071	0.87		
€2,350,000 Macedonia (Govt. of) 5.625% 26/07/2023	3,047	1.28		
\$1,000,000 Paraguay (Republic of) 6.1% 11/08/2044	1,225	0.51		
€2,500,000 Serbia (Republic of) 1.5% 26/06/2029	2,855	1.20		
RSD266,000,000 Serbia (Republic of) 4.5% 11/01/2026	2,738	1.15		
ZAR33,000,000 South Africa (Republic of) 8.75% 28/02/2048	2,058	0.86		
\$617,000 Uzbekistan (Republic of) 4.75% 20/02/2024	654	0.27		
\$953,000 Uzbekistan (Republic of) 5.375% 20/02/2029	1,057	0.44		
\$1,929,700 Vietnam (Socialist Republic of) 5.5% 12/03/2028	1,906	0.80		
	27,647	11.59	10.13	

Portfolio statement (continued)

as at Holding	31.12.19 \$'000	31.12.19 %	30.06.19 %
'B' credit rated bonds			
€2,502,000 Albania (Republic of) 3.5% 09/10/2025	3,061	1.28	
€2,000,000 Benin (Republic of) 5.75% 26/03/2026	2,334	0.98	
\$1,500,000 Cameroon (Republic of) 9.5% 19/11/2025	1,680	0.70	
\$500,000 Costa Rica (Republic of) 5.52% 10/11/2021	504	0.21	
\$500,000 Costa Rica (Republic of) 5.52% 23/08/2023	505	0.21	
EGP14,000,000 Egypt (Arab Republic of) 0% 03/03/2020	853	0.36	
€1,150,000 Egypt (Arab Republic of) 5.625% 16/04/2030	1,329	0.56	
\$2,100,000 Rwanda (Republic of) 6.625% 02/05/2023	2,241	0.94	
\$1,800,000 Senegal (Republic of) 6.25% 23/05/2033	1,889	0.79	
€1,150,000 Turkey (Republic of) 5.2% 16/02/2026	1,397	0.59	
TRY10,000,000 Turkey (Republic of) 7.4% 05/02/2020	1,674	0.70	
€1,442,000 Ukraine (Republic of) 6.75% 20/06/2026	1,817	0.76	
'CCC' credit rated bonds			
€1,238,493 Argentina (Republic of) 7.82% 31/12/2033	802	0.34	
ARS11,250,000 Argentina (Republic of) FRN 1% 21/06/2020	123	0.05	
Bonds with no credit rating			
\$2,000,000 Armenia (Republic of) 7.15% 26/03/2025	2,345	0.98	
€1,700,000 Côte d'Ivoire (Republic of) 6.625% 22/03/2048	1,919	0.80	
\$3,550,000 Debt and Asset Trading 1% 10/10/2025	2,714	1.14	
CURRENCY			
	77	0.03	0.00
Forward currency contracts			
	77	0.03	0.00
CLP1,370,000,000 Bought for \$1,787,368 (expires 11.03.20)	37	0.01	
CZK116,500,000 Bought for \$5,102,482 (expires 15.01.20)	46	0.02	
£2,800,000 Bought for \$3,749,634 (expires 15.01.20)	(50)	(0.02)	
SEK23,000,000 Bought for \$2,404,501 (expires 15.01.20)	69	0.03	
SEK(23,000,000) Sold for \$2,448,696 (expires 15.01.20)	(25)	(0.01)	
Portfolio of investments	233,834	98.00	97.26
CASH EQUIVALENTS			
	1,047	0.44	0.87
'AAA' rated money market fund [a]			
1,047,000 Northern Trust Global Fund - US dollar	1,047	0.44	
Total portfolio	234,881	98.44	98.13
Net other assets / (liabilities)	3,712	1.56	1.87
Net assets attributable to shareholders	238,593	100.00	100.00

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

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

Portfolio transactions

for the six months to 31 December	2019 \$'000	2018 \$'000
Portfolio transactions		
Total purchases	104,963	65,719
Total sales	42,987	36,834

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

M&G Global Government Bond Fund

Financial highlights

Fund performance

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

The following chart and tables reflect the key financial information of a representative share class, Sterling Class 'A' (Accumulation) shares. As different share classes have different attributes, for example charging structures and minimum investments, please be aware that their performance may be different. For more information on the different share classes in this fund please refer to the Prospectus for M&G Investment Funds (3), which is available free of charge either from our website at www.mandg.co.uk/prospectuses or by calling M&G Customer Relations.

Fund level performance

Fund net asset value			
as at	31.12.19 \$'000	30.06.19 \$'000	30.06.18 \$'000
Fund net asset value (NAV)	238,593	175,095	87,020

Performance since launch

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



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

Long-term performance by share class

	Six months 01.07.19 % ^[a]	Three years 03.01.17 % p.a.	Five years 02.01.15 % p.a.	Since launch % p.a.
Euro^[b]				
Class 'A'	+3.4	+2.2	+4.8	+5.8 ^[c]
Class 'C'	+3.7	+2.8	+5.3	+6.4 ^[c]
Sterling^[d]				
Class 'A'	-2.3	+2.3	+6.4	+5.2 ^[e]
Class 'I'	-2.1	+2.8	+6.9	+3.7 ^[f]
Class 'R'	-2.2	+2.5	+6.6	+3.5 ^[f]
Swiss franc^[b]				
Class 'A'	+0.8	+2.8	+2.7	+3.8 ^[c]
Class 'C'	+1.1	+3.3	+3.3	+4.3 ^[c]
US dollar^[b]				
Class 'A'	+2.0	+4.7	+3.2	+2.5 ^[c]
Class 'C'	+2.3	+5.3	+3.8	+3.1 ^[c]

[a] Absolute basis.

[b] Price to price with gross income reinvested.

[c] 22 August 2014, the launch date of the share class.

[d] Price to price with income reinvested.

[e] 4 October 1999, the end of the initial offer period of the predecessor unit trust.

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

M&G Global Government Bond Fund

Financial highlights

Fund performance

Operating charges and portfolio transaction costs

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

Operating charges

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

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

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

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

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

Portfolio transaction costs

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

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

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

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

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

Portfolio transaction costs				
	Six months to 31.12.19	Year to 30.06.19	Year to 30.06.18	Average ^[a]
Direct portfolio transaction costs ^[b]	%	%	%	%
Taxes	0.00	0.06	0.00	0.02
Costs before dilution adjustments	0.00	0.06	0.00	0.02
Dilution adjustments ^[c]	0.00	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.06	0.00	0.02
as at	31.12.19	30.06.19	30.06.18	Average ^[a]
Indirect portfolio transaction costs	%	%	%	%
Average portfolio dealing spread	0.43	0.36	0.35	0.38

^[a] Average of first three columns.

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

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

M&G Global Government Bond Fund

Financial highlights

Specific share class performance

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

Euro Class 'A' Income share performance

The share class was launched on 22 August 2014.

	Six months to 31.12.19	Year to 30.06.19	Year to 30.06.18
Change in NAV per share	Euro ¢	Euro ¢	Euro ¢
Opening NAV	1,147.79	1,095.80	1,169.78
Return before operating charges and after direct portfolio transaction costs	46.51	104.12	(19.41)
Operating charges	(6.34)	(12.14)	(13.78)
Return after operating charges	40.17	91.98	(33.19)
Distributions	(19.69)	(39.99)	(40.79)
Closing NAV	1,168.27	1,147.79	1,095.80
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.03	0.63	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.03	0.63	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.06	0.00
Operating charges ^[c]	1.05	1.09	1.21
Return after operating charges	+3.50	+8.39	-2.84
Distribution yield	3.22	3.63	3.86
Effect on yield of charges offset against capital	1.05	1.00	1.15
Other information			
Closing NAV (\$'000)	5,386	5,816	5,985
Closing NAV percentage of total fund NAV (%)	2.26	3.32	6.88
Number of shares	410,620	445,190	469,187
Highest share price (Euro ¢)	1,202.50	1,175.75	1,175.37
Lowest share price (Euro ¢)	1,156.71	1,081.26	1,110.72

Euro Class 'A' Accumulation share performance

The share class was launched on 22 August 2014.

	Six months to 31.12.19	Year to 30.06.19	Year to 30.06.18
Change in NAV per share	Euro ¢	Euro ¢	Euro ¢
Opening NAV	1,299.35	1,197.45	1,233.05
Return before operating charges and after direct portfolio transaction costs	52.54	115.29	(21.01)
Operating charges	(7.17)	(13.39)	(14.59)
Return after operating charges	45.37	101.90	(35.60)
Distributions	(15.44)	(31.31)	(29.31)
Retained distributions	15.44	31.31	29.31
Closing NAV	1,344.72	1,299.35	1,197.45
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.03	0.70	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.03	0.70	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.06	0.00
Operating charges ^[c]	1.05	1.09	1.21
Return after operating charges	+3.49	+8.51	-2.89
Distribution yield	2.18	2.65	2.70
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	5,647	6,865	9,645
Closing NAV percentage of total fund NAV (%)	2.37	3.92	11.08
Number of shares	374,038	464,153	691,939
Highest share price (Euro ¢)	1,361.19	1,307.48	1,238.75
Lowest share price (Euro ¢)	1,309.36	1,181.54	1,190.42

Euro Class 'C' Income share performance

The share class was launched on 22 August 2014.

	Six months to 31.12.19	Year to 30.06.19	Year to 30.06.18
Change in NAV per share	Euro ¢	Euro ¢	Euro ¢
Opening NAV	1,164.52	1,106.25	1,175.01
Return before operating charges and after direct portfolio transaction costs	47.91	106.20	(18.67)
Operating charges	(3.33)	(6.50)	(8.13)
Return after operating charges	44.58	99.70	(26.80)
Distributions	(20.74)	(41.43)	(41.96)
Closing NAV	1,188.36	1,164.52	1,106.25
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.03	0.64	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.03	0.64	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.06	0.00
Operating charges ^[c]	0.55	0.57	0.71
Return after operating charges	+3.83	+9.01	-2.28
Distribution yield	3.22	3.63	3.85
Effect on yield of charges offset against capital	0.54	0.50	0.65
Other information			
Closing NAV (\$'000)	7	7	6
Closing NAV percentage of total fund NAV (%)	0.00	0.00	0.01
Number of shares	500	500	500
Highest share price (Euro ¢)	1,222.08	1,192.91	1,180.72
Lowest share price (Euro ¢)	1,173.57	1,093.14	1,119.41

M&G Global Government Bond Fund

Financial highlights

Specific share class performance

Euro Class 'C' Accumulation share performance

The share class was launched on 22 August 2014.

	Six months to 31.12.19 Euro ¢	Year to 30.06.19 Euro ¢	Year to 30.06.18 Euro ¢
Change in NAV per share			
Opening NAV	1,334.49	1,222.89	1,252.06
Return before operating charges and after direct portfolio transaction costs	54.27	118.43	(20.55)
Operating charges	(3.93)	(6.83)	(8.62)
Return after operating charges	50.34	111.60	(29.17)
Distributions	(19.38)	(39.23)	(36.78)
Retained distributions	19.38	39.23	36.78
Closing NAV	1,384.83	1,334.49	1,222.89

	Euro ¢	Euro ¢	Euro ¢
Direct portfolio transaction costs			
Costs before dilution adjustments	0.03	0.71	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.03	0.71	0.00

	%	%	%
Performance and charges			
Direct portfolio transaction costs ^[b]	0.00	0.06	0.00
Operating charges ^[c]	0.55	0.54	0.70
Return after operating charges	+3.77	+9.13	-2.33
Distribution yield	2.67	3.14	3.20
Effect on yield of charges offset against capital	0.00	0.00	0.00

Other information

Closing NAV (\$'000)	34	44	7
Closing NAV percentage of total fund NAV (%)	0.01	0.03	0.01
Number of shares	2,193	2,910	500
Highest share price (Euro ¢)	1,400.09	1,342.68	1,258.23
Lowest share price (Euro ¢)	1,344.84	1,208.59	1,213.39

Sterling Class 'A' Income share performance

The share class was launched on 4 October 1999.

	Six months to 31.12.19 UK p	Year to 30.06.19 UK p	Year to 30.06.18 UK p
Change in NAV per share			
Opening NAV	98.19	92.57	98.02
Return before operating charges and after direct portfolio transaction costs	(1.37)	10.06	(0.83)
Operating charges	(0.53)	(1.02)	(1.17)
Return after operating charges	(1.90)	9.04	(2.00)
Distributions	(1.60)	(3.42)	(3.45)
Closing NAV	94.69	98.19	92.57

	UK p	UK p	UK p
Direct portfolio transaction costs			
Costs before dilution adjustments	0.00	0.05	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.05	0.00

	%	%	%
Performance and charges			
Direct portfolio transaction costs ^[b]	0.00	0.06	0.00
Operating charges ^[c]	1.05	1.09	1.21
Return after operating charges	-1.94	+9.77	-2.04
Distribution yield	3.22	3.63	3.86
Effect on yield of charges offset against capital	1.05	1.00	1.15

Other information

Closing NAV (\$'000)	2,483	2,389	2,669
Closing NAV percentage of total fund NAV (%)	1.04	1.37	3.07
Number of shares	1,985,555	1,917,770	2,193,963
Highest share price (UK p)	104.09	100.31	101.37
Lowest share price (UK p)	94.33	91.25	92.03

Sterling Class 'A' Accumulation share performance

The share class was launched on 4 October 1999.

	Six months to 31.12.19 UK p	Year to 30.06.19 UK p	Year to 30.06.18 UK p
Change in NAV per share			
Opening NAV	142.95	130.10	132.84
Return before operating charges and after direct portfolio transaction costs	(2.01)	14.30	(1.15)
Operating charges	(0.77)	(1.45)	(1.59)
Return after operating charges	(2.78)	12.85	(2.74)
Distributions	(1.61)	(3.44)	(3.19)
Retained distributions	1.61	3.44	3.19
Closing NAV	140.17	142.95	130.10

	UK p	UK p	UK p
Direct portfolio transaction costs			
Costs before dilution adjustments	0.00	0.08	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.08	0.00

	%	%	%
Performance and charges			
Direct portfolio transaction costs ^[b]	0.00	0.06	0.00
Operating charges ^[c]	1.05	1.09	1.21
Return after operating charges	-1.94	+9.88	-2.06
Distribution yield	2.18	2.65	2.70
Effect on yield of charges offset against capital	0.00	0.00	0.00

Other information

Closing NAV (\$'000)	12,821	11,409	7,931
Closing NAV percentage of total fund NAV (%)	5.37	6.52	9.11
Number of shares	6,924,698	6,290,218	4,639,906
Highest share price (UK p)	151.53	143.46	137.39
Lowest share price (UK p)	137.33	128.23	126.85

Sterling Class 'I' Income share performance

The share class was launched on 3 August 2012.

	Six months to 31.12.19 UK p	Year to 30.06.19 UK p	Year to 30.06.18 UK p
Change in NAV per share			
Opening NAV	1,152.02	1,080.60	1,138.41
Return before operating charges and after direct portfolio transaction costs	(16.26)	117.89	(9.74)
Operating charges	(3.26)	(6.44)	(7.92)
Return after operating charges	(19.52)	111.45	(17.66)
Distributions	(18.74)	(40.03)	(40.15)
Closing NAV	1,113.76	1,152.02	1,080.60

	UK p	UK p	UK p
Direct portfolio transaction costs			
Costs before dilution adjustments	0.03	0.62	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.03	0.62	0.00

	%	%	%
Performance and charges			
Direct portfolio transaction costs ^[b]	0.00	0.06	0.00
Operating charges ^[c]	0.55	0.58	0.71
Return after operating charges	-1.69	+10.31	-1.55
Distribution yield	3.22	3.63	3.85
Effect on yield of charges offset against capital	0.55	0.50	0.65

Other information

Closing NAV (\$'000)	20,614	28,067	21,313
Closing NAV percentage of total fund NAV (%)	8.64	16.03	24.49
Number of shares	1,401,171	1,920,251	1,501,062
Highest share price (UK p)	1,222.28	1,176.87	1,178.24
Lowest share price (UK p)	1,109.29	1,066.72	1,073.24

M&G Global Government Bond Fund

Financial highlights

Specific share class performance

Sterling Class 'I' Accumulation share performance

The share class was launched on 3 August 2012.

	Six months to 31.12.19 UK p	Year to 30.06.19 UK p	Year to 30.06.18 UK p
Change in NAV per share			
Opening NAV	1,324.38	1,199.22	1,218.46
Return before operating charges and after direct portfolio transaction costs	(18.72)	132.22	(10.64)
Operating charges	(3.78)	(7.06)	(8.60)
Return after operating charges	(22.50)	125.16	(19.24)
Distributions	(18.10)	(38.08)	(35.40)
Retained distributions	18.10	38.08	35.40
Closing NAV	1,301.88	1,324.38	1,199.22
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.03	0.70	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.03	0.70	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.06	0.00
Operating charges ^[c]	0.55	0.57	0.71
Return after operating charges	-1.70	+10.44	-1.58
Distribution yield	2.67	3.14	3.20
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	185,852	116,146	36,857
Closing NAV percentage of total fund NAV (%)	77.90	66.34	42.35
Number of shares	10,807,557	6,912,196	2,339,042
Highest share price (UK p)	1,405.09	1,329.09	1,261.12
Lowest share price (UK p)	1,275.20	1,183.83	1,168.21

Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012.

	Six months to 31.12.19 UK p	Year to 30.06.19 UK p	Year to 30.06.18 UK p
Change in NAV per share			
Opening NAV	114.33	107.52	113.55
Return before operating charges and after direct portfolio transaction costs	(1.61)	11.70	(0.97)
Operating charges	(0.47)	(0.91)	(1.06)
Return after operating charges	(2.08)	10.79	(2.03)
Distributions	(1.86)	(3.98)	(4.00)
Closing NAV	110.39	114.33	107.52
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.06	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.06	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.06	0.00
Operating charges ^[c]	0.80	0.83	0.96
Return after operating charges	-1.82	+10.04	-1.79
Distribution yield	3.22	3.63	3.86
Effect on yield of charges offset against capital	0.80	0.75	0.90
Other information			
Closing NAV (\$'000)	453	406	345
Closing NAV percentage of total fund NAV (%)	0.19	0.23	0.39
Number of shares	310,500	279,986	244,420
Highest share price (UK p)	121.25	116.80	117.48
Lowest share price (UK p)	109.96	106.06	106.84

Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012.

	Six months to 31.12.19 UK p	Year to 30.06.19 UK p	Year to 30.06.18 UK p
Change in NAV per share			
Opening NAV	130.76	118.72	120.91
Return before operating charges and after direct portfolio transaction costs	(1.85)	13.04	(1.03)
Operating charges	(0.54)	(1.00)	(1.16)
Return after operating charges	(2.39)	12.04	(2.19)
Distributions	(1.63)	(3.46)	(3.20)
Retained distributions	1.63	3.46	3.20
Closing NAV	128.37	130.76	118.72
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.07	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.07	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.06	0.00
Operating charges ^[c]	0.80	0.82	0.96
Return after operating charges	-1.83	+10.14	-1.81
Distribution yield	2.43	2.89	2.95
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	1,761	1,826	499
Closing NAV percentage of total fund NAV (%)	0.74	1.04	0.57
Number of shares	1,038,506	1,100,961	319,986
Highest share price (UK p)	138.67	131.22	125.09
Lowest share price (UK p)	125.76	117.09	115.69

Swiss franc Class 'A' Accumulation share performance

The share class was launched on 22 August 2014.

	Six months to 31.12.19 Swiss ¢	Year to 30.06.19 Swiss ¢	Year to 30.06.18 Swiss ¢
Change in NAV per share			
Opening NAV	1,195.37	1,148.24	1,116.80
Return before operating charges and after direct portfolio transaction costs	21.37	59.60	45.50
Operating charges	(6.49)	(12.47)	(14.06)
Return after operating charges	14.88	47.13	31.44
Distributions	(13.89)	(29.01)	(28.98)
Retained distributions	13.89	29.01	28.98
Closing NAV	1,210.25	1,195.37	1,148.24
Direct portfolio transaction costs	Swiss ¢	Swiss ¢	Swiss ¢
Costs before dilution adjustments	0.03	0.66	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.03	0.66	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.06	0.00
Operating charges ^[c]	1.05	1.08	1.20
Return after operating charges	+1.24	+4.10	+2.82
Distribution yield	2.18	2.65	2.75
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	1,436	403	217
Closing NAV percentage of total fund NAV (%)	0.60	0.23	0.25
Number of shares	114,682	32,832	18,800
Highest share price (Swiss ¢)	1,235.59	1,213.55	1,195.76
Lowest share price (Swiss ¢)	1,195.65	1,102.66	1,115.74

M&G Global Government Bond Fund

Financial highlights

Specific share class performance

Swiss franc Class 'C' Accumulation share performance

The share class was launched on 22 August 2014.

	Six months to 31.12.19 Swiss ¢	Year to 30.06.19 Swiss ¢	Year to 30.06.18 Swiss ¢
Change in NAV per share			
Opening NAV	1,226.63	1,170.87	1,132.69
Return before operating charges and after direct portfolio transaction costs	22.50	62.37	46.10
Operating charges	(3.60)	(6.61)	(7.92)
Return after operating charges	18.90	55.76	38.18
Distributions	(17.76)	(36.99)	(35.90)
Retained distributions	17.76	36.99	35.90
Closing NAV	1,245.53	1,226.63	1,170.87
Direct portfolio transaction costs	Swiss ¢	Swiss ¢	Swiss ¢
Costs before dilution adjustments	0.03	0.67	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.03	0.67	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.06	0.00
Operating charges ^[c]	0.57	0.56	0.67
Return after operating charges	+1.54	+4.76	+3.37
Distribution yield	2.67	3.14	3.27
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	6	6	6
Closing NAV percentage of total fund NAV (%)	0.00	0.00	0.01
Number of shares	500	500	500
Highest share price (Swiss ¢)	1,271.02	1,244.45	1,215.94
Lowest share price (Swiss ¢)	1,227.71	1,126.33	1,131.71

US dollar Class 'A' Income share performance

The share class was launched on 22 August 2014.

	Six months to 31.12.19 US ¢	Year to 30.06.19 US ¢	Year to 30.06.18 US ¢
Change in NAV per share			
Opening NAV	984.53	961.21	1,005.29
Return before operating charges and after direct portfolio transaction costs	25.82	68.15	4.57
Operating charges	(5.30)	(10.44)	(12.36)
Return after operating charges	20.52	57.71	(7.79)
Distributions	(16.64)	(34.39)	(36.29)
Closing NAV	988.41	984.53	961.21
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.02	0.54	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.02	0.54	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.06	0.00
Operating charges ^[c]	1.05	1.09	1.21
Return after operating charges	+2.08	+6.00	-0.77
Distribution yield	3.22	3.63	3.86
Effect on yield of charges offset against capital	1.05	1.00	1.15
Other information			
Closing NAV (\$'000)	209	243	207
Closing NAV percentage of total fund NAV (%)	0.09	0.14	0.24
Number of shares	21,166	24,631	21,536
Highest share price (US ¢)	1,009.35	1,005.78	1,051.51
Lowest share price (US ¢)	983.56	945.00	981.87

US dollar Class 'A' Accumulation share performance

The share class was launched on 22 August 2014.

	Six months to 31.12.19 US ¢	Year to 30.06.19 US ¢	Year to 30.06.18 US ¢
Change in NAV per share			
Opening NAV	1,115.02	1,050.84	1,059.91
Return before operating charges and after direct portfolio transaction costs	29.21	75.70	4.10
Operating charges	(5.99)	(11.52)	(13.17)
Return after operating charges	23.22	64.18	(9.07)
Distributions	(13.07)	(26.95)	(26.08)
Retained distributions	13.07	26.95	26.08
Closing NAV	1,138.24	1,115.02	1,050.84
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.03	0.60	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.03	0.60	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.06	0.00
Operating charges ^[c]	1.05	1.09	1.21
Return after operating charges	+2.08	+6.11	-0.86
Distribution yield	2.18	2.65	2.70
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	1,696	1,438	1,304
Closing NAV percentage of total fund NAV (%)	0.71	0.82	1.50
Number of shares	149,038	128,952	124,082
Highest share price (US ¢)	1,143.11	1,118.99	1,127.49
Lowest share price (US ¢)	1,113.89	1,033.13	1,052.81

US dollar Class 'C' Income share performance

The share class was launched on 22 August 2014.

	Six months to 31.12.19 US ¢	Year to 30.06.19 US ¢	Year to 30.06.18 US ¢
Change in NAV per share			
Opening NAV	998.75	970.38	1,009.77
Return before operating charges and after direct portfolio transaction costs	26.41	69.75	5.32
Operating charges	(2.94)	(5.71)	(6.82)
Return after operating charges	23.47	64.04	(1.50)
Distributions	(17.12)	(35.67)	(37.89)
Closing NAV	1,005.10	998.75	970.38
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.02	0.55	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.02	0.55	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.06	0.00
Operating charges ^[c]	0.58	0.59	0.66
Return after operating charges	+2.35	+6.60	-0.15
Distribution yield	3.22	3.63	3.89
Effect on yield of charges offset against capital	0.57	0.50	0.65
Other information			
Closing NAV (\$'000)	5	5	5
Closing NAV percentage of total fund NAV (%)	0.00	0.00	0.01
Number of shares	500	500	500
Highest share price (US ¢)	1,026.60	1,020.48	1,059.42
Lowest share price (US ¢)	998.18	956.04	991.95

M&G Global Government Bond Fund

Financial highlights

Specific share class performance

US dollar Class 'C' Accumulation share performance

The share class was launched on 22 August 2014.

	Six months to 31.12.19	Year to 30.06.19	Year to 30.06.18
Change in NAV per share	US ¢	US ¢	US ¢
Opening NAV	1,145.32	1,073.94	1,077.79
Return before operating charges and after direct portfolio transaction costs	30.08	77.84	4.11
Operating charges	(3.21)	(6.46)	(7.96)
Return after operating charges	26.87	71.38	(3.85)
Distributions	(16.33)	(33.12)	(32.14)
Retained distributions	16.33	33.12	32.14
Closing NAV	1,172.19	1,145.32	1,073.94
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.03	0.61	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.03	0.61	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.06	0.00
Operating charges ^[c]	0.56	0.59	0.71
Return after operating charges	+2.35	+6.65	-0.36
Distribution yield	2.67	3.14	3.20
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	183	25	24
Closing NAV percentage of total fund NAV (%)	0.08	0.01	0.03
Number of shares	15,595	2,216	2,216
Highest share price (US ¢)	1,177.21	1,149.40	1,149.77
Lowest share price (US ¢)	1,144.73	1,057.65	1,072.19

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

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

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

M&G Global Government Bond Fund

Financial statements and notes

Financial statements

Statement of total return

for the six months to 31 December	2019		2018	
	\$'000	\$'000	\$'000	\$'000
Income				
Net capital gains / (losses)		1,883		(1,068)
Revenue	3,832		1,700	
Expenses	(703)		(378)	
Net revenue / (expense) before taxation	3,129		1,322	
Taxation	(15)		(15)	
Net revenue / (expense) after taxation		3,114		1,307
Total return before distributions		4,997		239
Distributions		(3,150)		(1,382)
Change in net assets attributable to shareholders from investment activities		1,847		(1,143)

Statement of change in net assets attributable to shareholders

for the six months to 31 December	2019		2018	
	\$'000	\$'000	\$'000	\$'000
Opening net assets attributable to shareholders		175,095		87,020
Amounts received on issue of shares	83,703		37,912	
Amounts paid on cancellation of shares	(25,067)		(11,616)	
		58,636		26,296
Dilution adjustments		157		55
Change in net assets attributable to shareholders from investment activities (see above)		1,847		(1,143)
Retained distributions on Accumulation shares		2,858		1,053
Closing net assets attributable to shareholders		238,593		113,281

The opening net assets attributable to shareholders for 2019 differs to the closing position in 2018 by the change in net assets attributable to shareholders for the second half of the comparative financial year.

Balance sheet

as at	31 December 2019	30 June 2019
	\$'000	\$'000
Assets		
Fixed assets		
Investments	233,909	170,294
Current assets		
Debtors	3,405	4,301
Cash and bank balances	874	1,569
Cash equivalents	1,047	1,531
Total assets	239,235	177,695
Liabilities		
Investment liabilities	(75)	0
Creditors		
Distribution payable	(491)	(663)
Other creditors	(76)	(1,937)
Total liabilities	(642)	(2,600)
Net assets attributable to shareholders	238,593	175,095

Notes to the financial statements

Accounting policies

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

Distribution policy

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

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

M&G Recovery Fund

Authorised Corporate Director's Report

Investment objective

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

Investment policy

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

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

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

Derivatives may be used for efficient portfolio management and hedging.

Investment approach

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

Recovery investing focuses on companies that have experienced difficulties but have the potential to deliver returns for shareholders through their turnaround over the long term.

The fund looks to benefit from the market's inefficiency in valuing companies going through short-term challenges. This enables the fund manager to identify companies whose long-term prospects have been under-appreciated by the market.

When analysing a company, the fund manager focuses on three key factors: people, strategy and cashflow. Developing a constructive dialogue with company management is fundamental to the investment process.

The investment approach means the fund manager is prepared to take a contrarian view and consider areas that are out of favour with other investors. To take this contrarian view, the fund manager focuses on company management, their turnaround strategy and the businesses' ability to generate cashflow.

The fund manager expects individual cases of companies recovering to be the main driver of performance rather than individual sectors and the macroeconomic environment.

The fund manager takes a long-term view with a typical holding period of five years or more.

Benchmark

Benchmark: FTSE All-Share Index.

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

Risk profile

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

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



The above number:

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

Investment review

As at 2 January 2020, for the six months ended 31 December 2019

Performance against objective

The M&G Recovery Fund invests in companies that, at the time of investment, are out of favour with the stockmarket, and where the fund manager believes a good management team is making concerted efforts to turn the business around. The fund's objective is to outperform the FTSE All-Share Index (net of charges) over any five-year period.

Between 1 July 2019 (the start of the review period) and 2 January 2020, the fund produced a flat total return (the combination of income and growth of capital) across its sterling share classes. The euro share classes returned around 5-6%. The fund's returns in all share classes were behind that of the FTSE All-Share Index. Over the same period, returns for the index were 5.4% and 11.1% in sterling and euro terms, respectively.

Over five years, the fund also lagged the FTSE All-Share Index, therefore missing its objective.*

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

M&G Recovery Fund

Authorised Corporate Director's Report

Investment review

Investment performance

The fund delivered flat returns in sterling terms over the six-month review period and underperformed its benchmark, the FTSE All-Share Index. The second half of 2019 was undoubtedly a tough period for recovery. After a strong start to the year that lasted up to the end of April, the fund fell behind during May's risk aversion and did not catch up thereafter, despite briefly outperforming in August and October. Accordingly, the fund underperformed the market by around 5% during the six months ending 2 January 2020.

This outcome was primarily due to the fund's exposure to the resources sectors. In particular, Tullow Oil fell sharply in the wake of a number of problems that surfaced during the period, including poor quality oil discoveries off the Guyana coast, a reduction in production guidance, the removal of its chief executive and suspension of its dividend. Despite the setback, Tullow has been a profitable investment over the years and we remain supportive of the company, using the opportunity to pick up stock. BP, the fund's largest position, was also weak as the market expressed disappointment at the oil major's third-quarter results and failure to raise the dividend, although we believe this to be a timing issue. Amongst the other extractors, gold miner St Barbara reported disappointingly lower production figures and the market remains sceptical about its recent purchase of a mine in Nova Scotia. Meanwhile, Petra Diamonds has been under pressure from lower diamond prices and its debt pile; however, we are confident the miner can generate sufficient cash to navigate the current period of weakness, so we increased the fund's holding.

Apart from resources, another poor performer was fastjet on concerns about the African low-cost carrier's future; we have not invested further in the company and the management is looking at a number of options to avoid raising capital from investors. There was a better performance, though, from another low-cost carrier in the portfolio, easyJet, which has benefited from others' problems, with Thomas Cook going into administration and Ryanair affected by Boeing grounding its 737 Max jets after two crashes.

The fund's biotech holdings also delivered mixed results as GW Pharmaceuticals and Oxford Biomedica lagged the market, while Mesoblast and Medical Developments International outperformed. Notwithstanding the share price volatility, GW Pharma is making good progress in gaining approval for its transformative cannabinoid drug treatments, especially Epidiolex which has been approved for sale already in the US, Europe and the UK. Sales thus far in the US are significantly exceeding pre-launch expectations. Oxford Biomedica consolidated following some good performance over the past two years and having recently announced a five-year extension to its commercial supply agreement with Novartis for the manufacture of lentiviral vectors. Mesoblast was supported by the announcement of a strategic partnership with Grünenthal, a global leader in pain management, to develop and commercialise its Phase III stem cell therapy for chronic low back pain. Medical Developments International benefited from the news in late November that its Pentrox fast pain relief product had made progress in its path towards acceptance in China.

Corporate activity added value during the six months as defence manufacturer Cobham, the UK's largest pub company, Ei Group (formerly Enterprise Inns), and content provider plus Peppa Pig owner Entertainment One were all the subject of takeover approaches. In addition, there was bid speculation circulating around a long-term fund holding, Canadian copper miner First Quantum Minerals which has operations in Zambia and Panama.

Elsewhere, the fund benefited principally from holdings in flexible workspace provider IWG (formerly Regus), outsourcer Capita and miner Kenmare Resources. IWG has started to perform well as the market is beginning to take notice of the company's strategy for franchising its worldwide office portfolio. Capita's shares picked up in 2019 as it is executing on its turnaround strategy under a new chief executive after 2018's fundraising when the M&G Recovery Fund became involved. Kenmare Resources, which operates the Moma mine in Mozambique, pleased the market by announcing its maiden dividend.

Turning to markets, the six months under review was a volatile period for UK equities, or company shares, which limited the progress of the broad market FTSE All-Share Index to a total return of 5.4% in sterling terms. Global equity markets including the UK generally rose through the summer, encouraged by a softening in the US Federal Reserve's attitude towards interest rates, cutting them three times between July and October in response to the markets' volatility and concerns about slowing growth. The European Central Bank followed suit, lowering its already negative interest rate in September. Late summer, the US-China trade conflict and renewed concerns about global growth unsettled investors, before risk appetite picked up again in the autumn, led by the US market which recorded a series of all-time highs, as signs emerged that a trade deal might be agreed between the US and China in January 2020, as well as some improvement in global economic data. UK equities lagged, however, as Brexit increasingly preoccupied investors in the domestic market.

Hopes that the Conservative's decisive victory in the general election on 12 December 2019 might remove the uncertainty over Brexit initially led to significant strength in sterling and sharp rallies by the domestically focused mid and small-cap indices (medium-sized and smaller companies), with the former recording an all-time high. The currency move weighed on the FTSE 100 Index, though, with its higher weighting of overseas earners. The currency rally partially unwound after the prime minister promised legislation to make 31 December 2020 a hard deadline for achieving a trade deal, raising concerns that the UK could crash out of the EU after all. Notably, although there was broad participation across sectors, there was a cyclical tilt to the UK market rally over the period. However, utilities outperformed as the threat of nationalisation was lifted from them, and the tobacco sector recovered from oversold levels. Meanwhile, energy and mining companies lagged – the former reflecting disappointing results and the latter slowing growth in China, while banks were held back by a weak performance from HSBC due to the unrest in Hong Kong.

M&G Recovery Fund

Authorised Corporate Director's Report

Investment review

Investment activities

We made four new purchases and six complete sales over the first half of the fund's financial year, while another two holdings departed as a result of being taken over.

Positions were established in biotech firm Medical Developments International, two advertising stocks, WPP plus Mirriad Advertising, and a manufacturer of medical devices, Creo Medical Group. Medical Developments International is in the early stages of developing its product pipeline and the shares had consolidated in 2018 after a strong 2017 on expectations of the success of the company's international expansion of its Pentrox pain management drug. Colloquially known as the 'green whistle', Pentrox is commonly carried by accident and emergency teams in Australia, parts of Asia and Europe, as well as the NHS in the UK, and is a very effective alternative to opioid-based drugs. We took advantage of an attractive valuation in 2019 to pick up stock.

The market does not like WPP's advertising business as it perceives it to be cyclical and under pressure from Google, Facebook and deposed founder Martin Sorrell. However, the agency is not particularly geared, is a global business and has a very competent chief executive who is putting some of its agencies together, merging the back-office operations and reinvesting the cost savings in people.

Mirriad Advertising is a much smaller media business, but it is introducing innovative digital techniques to marketing such as product promotions within programmes. The company first listed at the end of 2017 and we established a modest position by supporting a refinancing after the shares had suffered a setback on market disappointment that the company was not delivering on its growth forecasts.

AIM-listed Creo Medical Group's devices are minimally invasive in the field of surgical endoscopy and the company was raising capital in order to continue with its development programme and build distribution capabilities in the US. The fundraising represented an opportunity for Recovery Fund to become involved in a business that is engaged in revolutionary work in healthcare.

In other activity, we built up fund positions in some more recently acquired FTSE 100 holdings, including power network provider National Grid, broadcaster ITV and packaging manufacturer Smurfit Kappa. We also participated in a fundraising by Mesoblast as part of its deal with Grünenthal, and continued to add to the fund's holding in Micro Focus after the market overreacted to a profit warning by the software firm in August.

Sales from the portfolio included cruise line operator Carnival, emergency home-cover provider Homeserve, smaller-company focused investment trust Gresham House Strategic, satellite operator Avanti Communications, insurer Aviva and interdealer broker TP ICAP. Carnival had been a long-term position and, following its strong recovery and earlier fund sales, had been reduced to a rump holding. Homeserve had also been a long-term holding and had performed well for the fund, but had completed its recovery cycle and appeared

fully valued. Similarly with Gresham House Strategic where, having performed very well in 2019, we took the opportunity when it arose to sell the shares back to the company. Meanwhile, we exited the positions in Avanti Communications, Aviva and TP ICAP after losing conviction in the investment case for them. The other two holdings to exit the portfolio were Entertainment One and Frontier Smart Technologies as a result of takeovers.

Outlook

We are conscious that the Recovery Fund does not deliver performance in a straight line, but maintain that its potential remains considerable. Despite having to weather an extended period of underperformance, we have stuck to our recovery proposition and have been clear about it, and been sorely tested for doing so. We are investing in companies that are usually severely undervalued, and revaluations of them by the market are not always straightforward, but they can be pronounced when they eventually occur. Indeed, a number of the fund's holdings have made considerable operational progress in the past few years that has not been recognised by the market. For example, the list includes such diverse businesses as resource companies BP, Kenmare Resources and St Barbara, construction group Balfour Beatty, biotechnology firm Oxford Biomedica, plus the clearing banks RBS and Lloyds.

The Recovery Fund has a well-diversified portfolio of 76 stocks with an average holding period of six years, albeit this is starting to fall and is expected to settle back at around five years. This is markedly different from market practice where holding periods are much shorter. Approximately two thirds of the fund is in stages 1 (unloved) or 2 (stabilising) of our business recovery cycle. One third is in stage 3 (recovering well) where the improvement in operational or financial performance is beginning to be recognised by the market. Very little of the fund is normally in stage 4 (mature), where the recovery has normally been fully recognised, and following recent bid activity the fund currently has two holdings in this category.

The Recovery Fund's strategy of seeking mispriced risk from companies across the spectrum remains alive and well. We continue, therefore, to target companies that are under pressure and the portfolio currently contains 27 firms that reported losses last year, a figure we expect to fall to 25 in the current financial year. Similarly, we have 40 companies that did not pay a dividend, which is expected to decline to 34 once 2019's final declarations have been made.

Tom Dobell Fund manager

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

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

M&G Recovery Fund

Authorised Corporate Director's Report

Investments

Portfolio statement

as at Holding	31.12.19 £'000	31.12.19 %	30.06.19 %
EQUITIES			
Software & computer services			
7,063,972 Actual Experience ^[a]	6,640	0.32	
11,000,000 Blancco Technology ^[a]	18,700	0.92	
2,000,000 Micro Focus International	21,400	1.05	
120,629,158 Wameja ^[a]	5,790	0.28	
2,916,666 Watchstone ^[a]	4,113	0.20	
Technology hardware & equipment	0	0.00	0.11
Telecommunication service providers			
19,500,000 BT	37,537	1.84	1.66
	37,537	1.84	
Medical equipment & services	14,833	0.73	0.00
8,333,000 Creo Medical ^[a]	14,833	0.73	
Pharmaceuticals & biotechnology			
5,244,052 Eco Animal Health ^[a]	10,488	0.52	
830,000 GW Pharmaceuticals ADR	63,998	3.14	
2,540,838 Hutchison China Meditech ADR	49,820	2.44	
3,428,178 Medical Developments International	15,928	0.78	
63,179,045 Mesoblast	69,445	3.40	
1,491,414 Mesoblast ADR	8,209	0.40	
11,156,679 Oxford Biomedica	72,742	3.56	
Banks			
23,900,000 HSBC	141,249	6.92	
125,680,000 Lloyds Banking	78,525	3.85	
17,000,000 Royal Bank of Scotland	41,106	2.01	
6,800,000 Standard Chartered	48,361	2.37	
Investment banking & brokerage services			
17,657,142 IP	12,536	0.62	
7,301,333 WH Ireland ^[a]	3,505	0.17	
Equity investment instruments	0	0.00	0.21
Life insurance			
	0	0.00	1.51
Household goods & home construction			
7,960,000 McCarthy & Stone	11,900	0.58	0.51
	11,900	0.58	
Media			
20,900,000 ITV	31,444	1.54	3.67
29,666,666 Mirriad Advertising ^[a]	4,302	0.21	
2,100,000 Pearson	13,427	0.66	
2,660,000 WPP	28,356	1.39	
Retailers			
1,200,000 Dignity	6,888	0.34	
69,542,935 Mothercare	12,101	0.59	
Travel & leisure			
5,040,000 Dalata Hotel	22,062	1.08	
3,330,000 easyJet	47,369	2.32	
6,000,000 Ei	17,028	0.83	
745,331,981 fastjet	1,342	0.07	
9,321,340 fastjet Warrants 31/07/2021	0	0.00	
7,900,000 National Express	37,020	1.81	
Food producers			
8,757,630 REA	13,925	0.68	
2,000,000 Tate & Lyle	15,288	0.75	
46,304,408 Zambeef Products ^[a]	2,431	0.12	

Portfolio statement (continued)

as at Holding	31.12.19 £'000	31.12.19 %	30.06.19 %
Construction & materials			
13,550,000 Balfour Beatty	35,637	1.75	
1,450,000 CRH	44,007	2.15	
5,548,239 Kier	5,329	0.26	
Aerospace & defence	86,871	4.25	3.32
18,350,000 Cobham	30,131	1.47	
2,510,000 Meggitt	16,451	0.80	
3,180,000 QinetiQ	11,397	0.56	
2,850,000 Rolls-Royce	19,528	0.96	
146,309,150 TP ^[a]	9,364	0.46	
Electronic & electrical equipment			
4,976,666 Xaar	2,687	0.13	0.19
General industrials			
14,500,000 Coats	10,868	0.54	
925,000 Smiths	15,540	0.76	
1,520,000 Smurfit Kappa	44,110	2.16	
Industrial engineering			
27,500,000 Renold ^[a]	4,675	0.23	
35,949,718 Severfield	30,054	1.47	
Industrial support services			
28,444,340 Capita	46,876	2.30	
4,825,000 Essentra	20,970	1.03	
1,620,000 Grafton	14,280	0.70	
18,000,000 IWG	78,480	3.84	
Industrial transportation			
5,500,549 Avation	14,632	0.72	
346,934,550 Mercantile Ports & Logistics ^[a]	4,510	0.22	
13,846,267 Stobart	15,314	0.75	
Industrial metals & mining			
44,373,385 Bacanora Lithium ^[a]	15,087	0.74	
132,136,364 Bluejay Mining ^[a]	11,496	0.56	
6,170,000 First Quantum Minerals	47,243	2.31	
18,557,778 Kenmare Resources	43,425	2.13	
23,346,347 MC Mining ^[a]	6,304	0.31	
1,320,000 Rio Tinto	59,314	2.90	
102,430,167 White Energy Company	2,774	0.14	
Precious metals & mining			
13,500,000 Hummingbird Resources ^[a]	2,795	0.14	
100,000,000 Petra Diamonds	8,565	0.42	
22,500,000 St Barbara	32,497	1.59	
20,650,000 Sylvania Platinum ^[a]	7,599	0.37	
94,500,000 Troy Resources	4,516	0.22	
Non-renewable energy			
33,300,000 BP	157,759	7.73	14.05
16,622,508 Great Eastern Energy GDR	4,155	0.20	
11,995,232 Lamprell	4,678	0.23	
8,970,675 Nostrum Oil & Gas	1,507	0.07	
2,560,000 Petrofac	9,851	0.48	
98,547,984 Providence Resources ^[a]	2,858	0.14	
62,000,000 Tullow Oil	39,494	1.94	
Electricity			
50,702,030 OPG Power Ventures ^[a]	8,239	0.41	0.37
Gas, water & multi-utilities			
5,465,000 National Grid	51,797	2.54	0.70
Unquoted / unlisted ^[c]			
	0	0.00	0.00
38,761,085 African Minerals	0	0.00	
39,868,814 Alizyme	0	0.00	
3,094,020 Izodia	0	0.00	
34,149,791 KSK Power Ventur	0	0.00	
Portfolio of investments	1,986,601	97.32	99.92

M&G Recovery Fund

Authorised Corporate Director's Report

Investments

Portfolio statement (continued)			
as at	31.12.19	31.12.19	30.06.19
Holding	£'000	%	%
CASH EQUIVALENTS	25,767	1.26	0.36
'AAA' rated money market funds ^[d]	25,767	1.26	0.36
25,767,000 Northern Trust Global Fund - Sterling	25,767	1.26	
Total portfolio	2,012,368	98.58	100.28
Net other assets / (liabilities)	29,072	1.42	(0.28)
Net assets attributable to shareholders	2,041,440	100.00	100.00

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

^[a] AIM quoted.

^[b] The comparative sector weightings have been re-analysed to reflect changes to the sector classifications.

^[c] Suspended.

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

Top ten portfolio transactions

for the six months to 31 December 2019

Largest purchases	£'000
National Grid	31,193
WPP	26,256
Smurfit Kappa	23,544
Tullow Oil	19,742
Creo Medical ^[a]	14,999
Medical Developments International	10,960
Rolls-Royce	10,593
Micro Focus International	8,062
Bacanora Lithium ^[a]	7,729
Mesoblast	5,481
Other purchases	38,202
Total purchases	196,761
Largest sales	£'000
Entertainment One	63,081
Ei	55,367
Aviva	32,769
HomeServe	31,539
CRH	30,027
HSBC	27,966
GW Pharmaceuticals ADR	21,902
BP	21,423
Coats	15,499
Carnival	12,003
Other sales	79,027
Total sales	390,603

^[a] AIM quoted.

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

M&G Recovery Fund

Financial highlights

Fund performance

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

The following charts and tables reflect the key financial information of a representative share class, Sterling Class 'A' (Accumulation) shares. As different share classes have different attributes, for example charging structures and minimum investments, please be aware that their performance may be different. For more information on the different share classes in this fund please refer to the Prospectus for M&G Investment Funds (3), which is available free of charge either from our website at www.mandg.co.uk/prospectuses or by calling M&G Customer Relations.

Fund level performance

Fund net asset value			
as at	31.12.19 £'000	30.06.19 £'000	30.06.18 £'000
Fund net asset value (NAV)	2,041,440	2,211,907	2,809,729

Performance since launch

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



Ten-year performance

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



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

Long-term performance by share class

	Six months 01.07.19 % [a]	Three years 03.01.17 % p.a.	Five years 02.01.15 % p.a.	Since launch % p.a.
Euro [b]				
Class 'A'	+5.3	-0.1	+0.9	+5.7 [c]
Class 'C'	+5.8	+0.7	+1.7	+6.5 [c]
Sterling [d]				
Class 'A'	-0.4	+0.0	+2.6	+13.2 [e]
Class 'C'	+0.3	+1.5	+4.1	+8.0 [f]
Class 'I'	-0.1	+0.7	+3.3	+3.9 [g]
Class 'PP'	+0.0	n/a	n/a	-5.1 [h]
Class 'R'	-0.2	+0.5	+3.1	+3.3 [i]
Class 'X'	-0.4	+0.0	+2.6	+7.7 [j]

[a] Absolute basis.

[b] Price to price with net income reinvested.

[c] 29 November 2002, the launch date of the share class.

[d] Price to price with income reinvested.

[e] 23 May 1969, the end of the initial offer period of the predecessor unit trust.

[f] 1 July 2004, the launch date of the share class.

[g] 15 January 2010, the launch date of the share class.

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

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

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

M&G Recovery Fund

Financial highlights

Fund performance

Operating charges and portfolio transaction costs

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

Operating charges

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

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

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

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

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

Portfolio transaction costs

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

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

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

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

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

Portfolio transaction costs

	Six months to 31.12.19	Year to 30.06.19	Year to 30.06.18	Average ^[a]
Direct portfolio transaction costs ^[b]	%	%	%	%
Broker commission	0.02	0.01	0.01	0.01
Taxes	0.06	0.02	0.02	0.04
Costs before dilution adjustments	0.08	0.03	0.03	0.05
Dilution adjustments ^[c]	(0.02)	(0.02)	(0.02)	(0.02)
Total direct portfolio transaction costs	0.06	0.01	0.01	0.03
as at	31.12.19	30.06.19	30.06.18	Average ^[a]
Indirect portfolio transaction costs	%	%	%	%
Average portfolio dealing spread	0.84	0.69	0.59	0.71

^[a] Average of first three columns.

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

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

M&G Recovery Fund

Financial highlights

Specific share class performance

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

Historic yields for the current period are calculated as at 10 January 2020.

Euro Class 'A' Accumulation share performance

The share class was launched on 29 November 2002.

	Six months to 31.12.19 Euro ¢	Year to 30.06.19 Euro ¢	Year to 30.06.18 Euro ¢
Change in NAV per share			
Opening NAV	2,440.93	2,751.81	2,588.06
Return before operating charges and after direct portfolio transaction costs	138.30	(268.28)	207.49
Operating charges	(20.19)	(42.60)	(43.74)
Return after operating charges	118.11	(310.88)	163.75
Distributions	(14.52)	(30.61)	(19.50)
Retained distributions	14.52	30.61	19.50
Closing NAV	2,559.04	2,440.93	2,751.81
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.99	0.81	0.84
Dilution adjustments ^[a]	(0.27)	(0.57)	(0.61)
Total direct portfolio transaction costs	0.72	0.24	0.23
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.06	0.01	0.01
Operating charges ^[c]	1.61	1.66	1.66
Return after operating charges	+4.84	-11.30	+6.33
Historic yield	1.35	1.24	0.71
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (£'000)	4,697	5,281	8,815
Closing NAV percentage of total fund NAV (%)	0.23	0.24	0.31
Number of shares	215,926	241,155	361,578
Highest share price (Euro ¢)	2,585.77	2,780.15	2,889.21
Lowest share price (Euro ¢)	2,257.67	2,226.86	2,419.72

Euro Class 'C' Accumulation share performance

The share class was launched on 29 November 2002.

	Six months to 31.12.19 Euro ¢	Year to 30.06.19 Euro ¢	Year to 30.06.18 Euro ¢
Change in NAV per share			
Opening NAV	2,768.98	3,098.39	2,892.31
Return before operating charges and after direct portfolio transaction costs	157.42	(302.97)	233.02
Operating charges	(11.74)	(26.44)	(26.94)
Return after operating charges	145.68	(329.41)	206.08
Distributions	(27.82)	(55.94)	(44.04)
Retained distributions	27.82	55.94	44.04
Closing NAV	2,914.66	2,768.98	3,098.39
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	1.12	0.91	0.94
Dilution adjustments ^[a]	(0.31)	(0.65)	(0.68)
Total direct portfolio transaction costs	0.81	0.26	0.26
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.06	0.01	0.01
Operating charges ^[c]	0.82	0.91	0.91
Return after operating charges	+5.26	-10.63	+7.12
Historic yield	2.09	2.00	1.42
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (£'000)	3,411	4,014	11,892
Closing NAV percentage of total fund NAV (%)	0.16	0.18	0.42
Number of shares	137,684	161,571	433,231
Highest share price (Euro ¢)	2,944.40	3,131.01	3,250.49
Lowest share price (Euro ¢)	2,563.88	2,516.52	2,707.52

Sterling Class 'A' Income share performance

The share class was launched on 27 June 1977.

	Six months to 31.12.19 UK p	Year to 30.06.19 UK p	Year to 30.06.18 UK p
Change in NAV per share			
Opening NAV	127.43	146.31	139.67
Return before operating charges and after direct portfolio transaction costs	0.21	(12.79)	12.42
Operating charges	(0.88)	(2.24)	(2.37)
Return after operating charges	(0.67)	(15.03)	10.05
Distributions	(1.73)	(3.85)	(3.41)
Closing NAV	125.03	127.43	146.31
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.05	0.04	0.05
Dilution adjustments ^[a]	(0.01)	(0.03)	(0.03)
Total direct portfolio transaction costs	0.04	0.01	0.02
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.06	0.01	0.01
Operating charges ^[c]	1.34	1.66	1.66
Return after operating charges	-0.53	-10.27	+7.20
Historic yield	3.08	3.00	2.34
Effect on yield of charges offset against capital	1.34	1.65	1.65
Other information			
Closing NAV (£'000)	359,019	378,214	467,858
Closing NAV percentage of total fund NAV (%)	17.59	17.10	16.65
Number of shares	287,149,718	296,790,684	319,778,985
Highest share price (UK p)	130.82	147.56	154.04
Lowest share price (UK p)	120.15	119.75	132.92

M&G Recovery Fund

Financial highlights

Specific share class performance

Sterling Class 'A' Accumulation share performance

The share class was launched on 23 May 1969.

	Six months to 31.12.19 UK p	Year to 30.06.19 UK p	Year to 30.06.18 UK p
Change in NAV per share			
Opening NAV	311.48	346.76	323.47
Return before operating charges and after direct portfolio transaction costs	0.45	(29.95)	28.80
Operating charges	(2.15)	(5.33)	(5.51)
Return after operating charges	(1.70)	(35.28)	23.29
Distributions	(2.13)	(3.91)	(2.46)
Retained distributions	2.13	3.91	2.46
Closing NAV	309.78	311.48	346.76
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.12	0.10	0.11
Dilution adjustments ^[a]	(0.03)	(0.07)	(0.08)
Total direct portfolio transaction costs	0.09	0.03	0.03
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.06	0.01	0.01
Operating charges ^[c]	1.34	1.66	1.66
Return after operating charges	-0.55	-10.17	+7.20
Historic yield	1.51	1.24	0.71
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (£'000)	504,045	536,905	634,597
Closing NAV percentage of total fund NAV (%)	24.69	24.27	22.59
Number of shares	162,712,620	172,372,639	183,009,631
Highest share price (UK p)	319.71	349.75	360.34
Lowest share price (UK p)	293.63	285.39	310.94

Sterling Class 'C' Income share performance

Sterling Class 'C' shares are not generally available to all investors.

The share class was launched on 1 July 2004.

	Six months to 31.12.19 UK p	Year to 30.06.19 UK p	Year to 30.06.18 UK p
Change in NAV per share			
Opening NAV	133.64	151.14	142.12
Return before operating charges and after direct portfolio transaction costs	0.23	(13.27)	12.75
Operating charges	(0.02)	(0.22)	(0.23)
Return after operating charges	0.21	(13.49)	12.52
Distributions	(1.82)	(4.01)	(3.50)
Closing NAV	132.03	133.64	151.14
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.05	0.04	0.05
Dilution adjustments ^[a]	(0.01)	(0.03)	(0.03)
Total direct portfolio transaction costs	0.04	0.01	0.02
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.06	0.01	0.01
Operating charges ^[c]	0.01	0.16	0.16
Return after operating charges	+0.16	-8.93	+8.81
Historic yield	3.06	2.97	2.32
Effect on yield of charges offset against capital	0.01	0.15	0.15
Other information			
Closing NAV (£'000)	66,926	70,012	93,253
Closing NAV percentage of total fund NAV (%)	3.28	3.17	3.32
Number of shares	50,690,747	52,386,777	61,700,616
Highest share price (UK p)	137.23	152.51	158.86
Lowest share price (UK p)	126.77	124.67	136.82

Sterling Class 'C' Accumulation share performance

Sterling Class 'C' shares are not generally available to all investors.

The share class was launched on 1 July 2004.

	Six months to 31.12.19 UK p	Year to 30.06.19 UK p	Year to 30.06.18 UK p
Change in NAV per share			
Opening NAV	387.33	424.80	390.40
Return before operating charges and after direct portfolio transaction costs	0.58	(36.84)	35.04
Operating charges	(0.06)	(0.63)	(0.64)
Return after operating charges	0.52	(37.47)	34.40
Distributions	(5.21)	(10.77)	(9.06)
Retained distributions	5.21	10.77	9.06
Closing NAV	387.85	387.33	424.80
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.15	0.12	0.13
Dilution adjustments ^[a]	(0.04)	(0.09)	(0.09)
Total direct portfolio transaction costs	0.11	0.03	0.04
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.06	0.01	0.01
Operating charges ^[c]	0.01	0.16	0.16
Return after operating charges	+0.13	-8.82	+8.81
Historic yield	2.90	2.75	2.14
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (£'000)	328,142	360,330	482,882
Closing NAV percentage of total fund NAV (%)	16.07	16.29	17.19
Number of shares	84,604,499	93,028,828	113,673,926
Highest share price (UK p)	397.66	428.66	440.73
Lowest share price (UK p)	367.36	352.19	379.57

Sterling Class 'I' Income share performance

The share class was launched on 15 January 2010.

	Six months to 31.12.19 UK p	Year to 30.06.19 UK p	Year to 30.06.18 UK p
Change in NAV per share			
Opening NAV	130.27	148.43	140.63
Return before operating charges and after direct portfolio transaction costs	0.20	(12.98)	12.56
Operating charges	(0.54)	(1.25)	(1.31)
Return after operating charges	(0.34)	(14.23)	11.25
Distributions	(1.77)	(3.93)	(3.45)
Closing NAV	128.16	130.27	148.43
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.05	0.04	0.05
Dilution adjustments ^[a]	(0.01)	(0.03)	(0.03)
Total direct portfolio transaction costs	0.04	0.01	0.02
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.06	0.01	0.01
Operating charges ^[c]	0.82	0.91	0.91
Return after operating charges	-0.26	-9.59	+8.00
Historic yield	3.07	2.99	2.33
Effect on yield of charges offset against capital	0.82	0.90	0.90
Other information			
Closing NAV (£'000)	133,855	140,143	173,323
Closing NAV percentage of total fund NAV (%)	6.56	6.34	6.17
Number of shares	104,441,240	107,582,769	116,769,431
Highest share price (UK p)	133.74	149.74	156.15
Lowest share price (UK p)	123.12	121.96	134.61

M&G Recovery Fund

Financial highlights

Specific share class performance

Sterling Class 'I' Accumulation share performance

The share class was launched on 15 January 2010.

	Six months to 31.12.19 UK p	Year to 30.06.19 UK p	Year to 30.06.18 UK p
Change in NAV per share			
Opening NAV	333.28	368.26	340.98
Return before operating charges and after direct portfolio transaction costs	0.49	(31.86)	30.48
Operating charges	(1.39)	(3.12)	(3.20)
Return after operating charges	(0.90)	(34.98)	27.28
Distributions	(3.17)	(6.73)	(5.24)
Retained distributions	3.17	6.73	5.24
Closing NAV	332.38	333.28	368.26
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.13	0.11	0.11
Dilution adjustments ^[a]	(0.04)	(0.08)	(0.08)
Total direct portfolio transaction costs	0.09	0.03	0.03
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.06	0.01	0.01
Operating charges ^[c]	0.82	0.91	0.91
Return after operating charges	-0.27	-9.50	+8.00
Historic yield	2.15	2.00	1.43
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (£'000)	412,527	468,848	643,242
Closing NAV percentage of total fund NAV (%)	20.21	21.20	22.89
Number of shares	124,113,448	140,675,920	174,669,140
Highest share price (UK p)	342.13	371.53	382.38
Lowest share price (UK p)	314.96	304.20	329.64

Sterling Class 'PP' Income share performance

The share class was launched on 5 August 2019.

	Period to 31.12.19 UK p	Year to 30.06.19 UK p	Year to 30.06.18 UK p
Change in NAV per share			
Opening NAV	100.00	n/a	n/a
Return before operating charges and after direct portfolio transaction costs	3.15	n/a	n/a
Operating charges	(0.26)	n/a	n/a
Return after operating charges	2.89	n/a	n/a
Distributions	(1.40)	n/a	n/a
Closing NAV	101.49	n/a	n/a
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.03	n/a	n/a
Dilution adjustments ^[a]	(0.01)	n/a	n/a
Total direct portfolio transaction costs	0.02	n/a	n/a
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.06	n/a	n/a
Operating charges ^[c]	0.61	n/a	n/a
Return after operating charges	+2.89	n/a	n/a
Historic yield	3.07	n/a	n/a
Effect on yield of charges offset against capital	0.61	n/a	n/a
Other information			
Closing NAV (£'000)	30	n/a	n/a
Closing NAV percentage of total fund NAV (%)	0.00	n/a	n/a
Number of shares	29,811	n/a	n/a
Highest share price (UK p)	104.19	n/a	n/a
Lowest share price (UK p)	97.49	n/a	n/a

Sterling Class 'PP' Accumulation share performance

The share class was launched on 8 April 2019.

	Six months to 31.12.19 UK p	Year to 30.06.19 UK p	Year to 30.06.18 UK p
Change in NAV per share			
Opening NAV	95.81	100.00	n/a
Return before operating charges and after direct portfolio transaction costs	0.14	(4.03)	n/a
Operating charges	(0.30)	(0.16)	n/a
Return after operating charges	(0.16)	(4.19)	n/a
Distributions	(1.01)	(1.21)	n/a
Retained distributions	1.01	1.21	n/a
Closing NAV	95.65	95.81	n/a
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.04	0.01	n/a
Dilution adjustments ^[a]	(0.01)	(0.01)	n/a
Total direct portfolio transaction costs	0.03	0.00	n/a
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.06	0.01	n/a
Operating charges ^[c]	0.62	0.71	n/a
Return after operating charges	-0.17	-4.19	n/a
Historic yield	2.29	1.80	n/a
Effect on yield of charges offset against capital	0.00	0.00	n/a
Other information			
Closing NAV (£'000)	548	522	n/a
Closing NAV percentage of total fund NAV (%)	0.03	0.02	n/a
Number of shares	573,190	544,596	n/a
Highest share price (UK p)	98.36	102.00	n/a
Lowest share price (UK p)	90.63	94.55	n/a

Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012.

	Six months to 31.12.19 UK p	Year to 30.06.19 UK p	Year to 30.06.18 UK p
Change in NAV per share			
Opening NAV	111.19	127.02	120.65
Return before operating charges and after direct portfolio transaction costs	0.18	(11.12)	10.78
Operating charges	(0.60)	(1.36)	(1.45)
Return after operating charges	(0.42)	(12.48)	9.33
Distributions	(1.51)	(3.35)	(2.96)
Closing NAV	109.26	111.19	127.02
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.04	0.04	0.04
Dilution adjustments ^[a]	(0.01)	(0.03)	(0.03)
Total direct portfolio transaction costs	0.03	0.01	0.01
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.06	0.01	0.01
Operating charges ^[c]	1.07	1.16	1.16
Return after operating charges	-0.38	-9.83	+7.73
Historic yield	3.08	2.99	2.33
Effect on yield of charges offset against capital	1.07	1.15	1.15
Other information			
Closing NAV (£'000)	10,790	11,259	12,469
Closing NAV percentage of total fund NAV (%)	0.53	0.51	0.44
Number of shares	9,875,748	10,125,699	9,816,918
Highest share price (UK p)	114.16	128.13	133.66
Lowest share price (UK p)	104.98	104.23	115.26

M&G Recovery Fund

Financial highlights

Specific share class performance

Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012.

	Six months to 31.12.19 UK p	Year to 30.06.19 UK p	Year to 30.06.18 UK p
Change in NAV per share			
Opening NAV	126.59	140.22	130.16
Return before operating charges and after direct portfolio transaction costs	0.18	(12.12)	11.64
Operating charges	(0.69)	(1.51)	(1.58)
Return after operating charges	(0.51)	(13.63)	10.06
Distributions	(1.05)	(2.23)	(1.66)
Retained distributions	1.05	2.23	1.66
Closing NAV	126.08	126.59	140.22
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.05	0.04	0.04
Dilution adjustments ^[a]	(0.01)	(0.03)	(0.03)
Total direct portfolio transaction costs	0.04	0.01	0.01
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.06	0.01	0.01
Operating charges ^[c]	1.07	1.16	1.16
Return after operating charges	-0.40	-9.72	+7.73
Historic yield	1.90	1.75	1.19
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (£'000)	70,664	72,636	72,805
Closing NAV percentage of total fund NAV (%)	3.46	3.28	2.59
Number of shares	56,045,088	57,380,182	51,920,764
Highest share price (UK p)	129.94	141.46	145.64
Lowest share price (UK p)	119.50	115.69	125.59

Sterling Class 'X' Income share performance

The share class was launched on 1 October 2002.

	Six months to 31.12.19 UK p	Year to 30.06.19 UK p	Year to 30.06.18 UK p
Change in NAV per share			
Opening NAV	128.27	147.26	140.58
Return before operating charges and after direct portfolio transaction costs	0.19	(12.86)	12.50
Operating charges	(0.88)	(2.25)	(2.38)
Return after operating charges	(0.69)	(15.11)	10.12
Distributions	(1.74)	(3.88)	(3.44)
Closing NAV	125.84	128.27	147.26
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.05	0.04	0.05
Dilution adjustments ^[a]	(0.01)	(0.03)	(0.03)
Total direct portfolio transaction costs	0.04	0.01	0.02
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.06	0.01	0.01
Operating charges ^[c]	1.34	1.66	1.66
Return after operating charges	-0.54	-10.26	+7.20
Historic yield	3.08	3.00	2.34
Effect on yield of charges offset against capital	1.33	1.65	1.65
Other information			
Closing NAV (£'000)	54,664	58,168	74,042
Closing NAV percentage of total fund NAV (%)	2.68	2.63	2.64
Number of shares	43,437,940	45,349,600	50,279,512
Highest share price (UK p)	131.67	148.53	155.05
Lowest share price (UK p)	120.93	120.53	133.79

Sterling Class 'X' Accumulation share performance

The share class was launched on 1 October 2002.

	Six months to 31.12.19 UK p	Year to 30.06.19 UK p	Year to 30.06.18 UK p
Change in NAV per share			
Opening NAV	308.21	343.12	320.08
Return before operating charges and after direct portfolio transaction costs	0.45	(29.63)	28.49
Operating charges	(2.13)	(5.28)	(5.45)
Return after operating charges	(1.68)	(34.91)	23.04
Distributions	(2.11)	(3.87)	(2.43)
Retained distributions	2.11	3.87	2.43
Closing NAV	306.53	308.21	343.12
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.12	0.10	0.10
Dilution adjustments ^[a]	(0.03)	(0.07)	(0.08)
Total direct portfolio transaction costs	0.09	0.03	0.02
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.06	0.01	0.01
Operating charges ^[c]	1.34	1.66	1.66
Return after operating charges	-0.55	-10.17	+7.20
Historic yield	1.51	1.24	0.71
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (£'000)	92,122	105,575	134,551
Closing NAV percentage of total fund NAV (%)	4.51	4.77	4.79
Number of shares	30,053,179	34,253,763	39,213,889
Highest share price (UK p)	316.36	346.08	356.56
Lowest share price (UK p)	290.55	282.40	307.68

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

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

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

M&G Recovery Fund

Financial statements and notes

Financial statements

Statement of total return

for the six months to 31 December	2019		2018	
	£'000	£'000	£'000	£'000
Income				
Net capital gains / (losses)		(29,662)		(464,244)
Revenue	30,124		32,163	
Expenses	(10,254)		(14,516)	
Net revenue / (expense) before taxation	19,870		17,647	
Taxation	(46)		(71)	
Net revenue / (expense) after taxation		19,824		17,576
Total return before distributions		(9,838)		(446,668)
Distributions		(22,872)		(22,107)
Change in net assets attributable to shareholders from investment activities		(32,710)		(468,775)

Statement of change in net assets attributable to shareholders

for the six months to 31 December	2019		2018	
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		2,211,907		2,809,729
Amounts received on issue of shares	20,569		23,518	
Amounts paid on cancellation of shares	(172,164)		(217,060)	
		(151,595)		(193,542)
Dilution adjustments		715		759
Change in net assets attributable to shareholders from investment activities (see above)		(32,710)		(468,775)
Retained distributions on Accumulation shares		13,100		11,966
Unclaimed distributions		23		26
Closing net assets attributable to shareholders		2,041,440		2,160,163

The opening net assets attributable to shareholders for 2019 differs to the closing position in 2018 by the change in net assets attributable to shareholders for the second half of the comparative financial year.

Balance sheet

as at	31 December 2019	30 June 2019
	£'000	£'000
Assets		
Fixed assets		
Investments	1,986,601	2,210,023
Current assets		
Debtors	2,724	7,379
Cash and bank balances	37,644	4,071
Cash equivalents	25,767	8,051
Total assets	2,052,736	2,229,524
Liabilities		
Creditors		
Distribution payable	(8,632)	(11,246)
Other creditors	(2,664)	(6,371)
Total liabilities	(11,296)	(17,617)
Net assets attributable to shareholders	2,041,440	2,211,907

Notes to the financial statements

Accounting policies

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

Distribution policy

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

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

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

M&G Smaller Companies Fund

Authorised Corporate Director's Report

Investment objective

The fund aims to deliver a higher total return (the combination of capital growth and income) than the Numis Smaller Companies Index (excluding Investment Companies), net of the ongoing charge figure, over any five year period.

Investment policy

At least 80% of the fund is invested in UK smaller companies. These are UK listed companies which, at the initial time of purchase, are:

- in the bottom 10% (by market capitalisation) of the FTSE All-Share Index, or
- in the Numis Smaller Companies Index (excluding Investment Companies), or
- listed on the Alternative Investment Market.

The fund may also invest in collective investment schemes and other transferable securities. Cash and near cash may be held for ancillary purposes and derivatives, including warrants, may be used for efficient portfolio management and hedging purposes.

Investment approach

The fund manager takes a bottom-up approach to stockpicking and aims to construct a well-diversified portfolio. A long-term perspective is adopted with particular focus placed on 'growth drivers', competitive advantage, change, quality of management and valuation.

When a company held by the fund grows such that it no longer has the characteristics of a smaller company, the fund manager will reduce the holding in a manner and timescale best suited to meeting the fund's objective.

Benchmark

Benchmark: Numis Smaller Companies Index excluding Investment Companies.

The fund is actively managed. The benchmark is a target which the fund seeks to outperform. The index has been chosen as the fund's target benchmark as it best reflects the scope of the fund's investment policy. The target benchmark, together with the other index and market referenced in the investment policy, act as constraints on the fund's portfolio construction as they define the investment universe of the fund.

Risk profile

The fund invests in the shares of smaller UK-listed companies and is, therefore, subject to the price volatility of the UK stockmarket and the performance of individual companies. The fund's focus is on smaller companies and it can also invest in the shares of AIM-listed companies. Shares in both types of company can be more unpredictable and difficult to buy and sell compared to those of larger companies. Diversification is therefore key in managing liquidity risk

and reducing market risk. The fund's risks are measured and managed as an integral part of the investment process.

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



The above number:

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

Investment review

As at 2 January 2020, for the six months ended 31 December 2019

Performance against objective

Between 1 July 2019 (the start of the review period) and 2 January 2020, the M&G Smaller Companies Fund delivered a positive total return (the combination of income and growth of capital) across all of its share classes.* The fund finished the period ahead of its comparator benchmark, the Numis Smaller Companies excluding Investment Companies Index, which returned 13.9%.

The fund met its objective of delivering a higher total return than the Numis Smaller Companies excluding Investment Companies Index over any five-year period for all share classes. The index returned 9.4% p.a. in the five years to 2 January 2020.

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

Investment performance

In an eventful six months, the UK stockmarket ultimately made robust gains, despite periods when heightened international trade tensions weighed on investor sentiment. Brexit-related developments also preoccupied investors in the domestic market. However, for much of the period under review, the mood was supported by three cuts in US interest rates and, later in the period, signs that a trade deal might be agreed between the US and China as well as the UK general election.

In terms of UK politics, following Theresa May's resignation in early summer, Boris Johnson became prime minister in July 2019. The revised Brexit deadline of 31 October 2019 passed and a flexible extension, to 31 January 2020, was agreed with the European Union (EU). The UK general election in December led to a surprisingly large victory by the Conservative Party and investors welcomed the perceived certainty towards Brexit and domestic politics expected from the election result. Given Boris Johnson's sizeable majority after the election, the UK is due to leave the EU in the near term.

M&G Smaller Companies Fund

Authorised Corporate Director's Report

Investment review

Investment performance (continued)

The UK economy remains lacklustre as slowing global activity and concerns about Brexit continue to weigh on domestic manufacturing and business investment. The important services sector, which represents the majority of the domestic economy, stabilised in December, although construction and manufacturing are weak. Nevertheless, market observers are hopeful that, post the election, a more predictable political landscape and increased clarity regarding Brexit will support business sentiment.

Shares in all company sizes gained over the six-month period. Hopes of reduced uncertainty over Brexit post the election led to significant strength in sterling and a sharp recovery in domestically focused smaller companies and the FTSE 250 Index, which were the strongest performers over the period. Meanwhile, sterling's appreciation dampened the performance of FTSE 100 stocks, with its higher weighting of overseas earners, and the index lagged most other markets.

Key contributors to fund performance over the period under review included Alpha FX, a corporate foreign exchange specialist, data and identity security firm GB Group and office space provider Workspace. Shares in these companies gained on favourable trading results, while investors in Alpha FX were also encouraged by prospects for the firm's online payment solution.

Performance was also supported by a strong rally in a number of holdings in domestically oriented businesses as investors responded positively to greater certainty regarding Brexit and domestic politics following the election. Such contributors included UK housebuilder Countryside Properties, which also benefited from solid trading results and an increased dividend. Other examples included homeware and furniture retailer Dunelm, vertically integrated building materials firm Breedon, tool hire business Speedy Hire and Mortgage Advice Bureau, a mortgage platform intermediary.

Detractors included Accesso Technology Group, a supplier of ticketing and queueing software services for visitor attractions, healthcare software developer EMIS, and digital marketing company Kin and Carta. Accesso has struggled due to disappointing trading and the need to invest in its core systems. Shares in Accesso gained earlier in the period under review due to a takeover approach and talks are ongoing.

EMIS drifted following a strong performance in the summer of 2019, with no significant stock-specific news affecting sentiment towards the stock, while Kin and Carta was weak after issuing a disappointing trading statement.

Finally, not holding sports-goods retailer Frasers Group, formerly Sports Direct, cost some performance as the firm's shares responded to strong trading figures.

Investment activities

We increased our allocation to domestically focused stocks during the six-month period, by starting new positions in Dunelm, Breedon, Speedy Hire and Mortgage Advice Bureau. It is pleasing to note that this move was rewarded by positive performance from these stocks during the period under review, as mentioned above.

Dunelm is well capitalised and has the potential to gain significant market share, while Breedon is in a good position to benefit from possible renewed investment in UK infrastructure and is attractively valued. Speedy Hire is expanding its business by investing in IT, as a result improving its customer service and increasing its market share. We took advantage of recent share price weakness to buy the stock at favourable valuations. Mortgage Advice Bureau supports its network of advisors with access to products, technology and compliance services. The business is growing strongly and the shares are attractively valued.

We also started an investment in cyber security consultant NCC which, following a difficult period, has stabilised under new management. The company's balance sheet has improved, its prospects are increasingly favourable and the shares are attractively valued.

Other new entrants to the portfolio included branding and promotional products Pebble Group. In one of the very few IPOs during the year, Pebble floated on the London Stock Exchange in December. Against a backdrop of wider investor nervousness, the valuation was attractively priced.

In terms of sales, we sold the holding in exhibition and events company Tarsus after it was taken over during the period under review. The holding in ticketing website Trainline was also sold as the stock rallied to fair value.

In other disposals, we have been reducing the holdings in specialist chemicals business Elementis and carrier billing software company Boku for most of the past year and we finally closed the positions.

Outlook

The outlook for the UK looks a little more favourable given the recent general election result, due to increased clarity. Boris Johnson now has a clear majority to drive forward his plan for the UK to leave the EU by 31 January 2020. However, there still remains the challenge of securing a trade deal with the EU before the end of 2020. Aside from Brexit, the election result is generally perceived as a business-friendly outcome, which may support investor and business sentiment. However, we are mindful that global equity markets have performed very strongly during 2019 and valuations are less attractive than previously.

In terms of the global backdrop, a potential easing in US-China trade tensions could be supportive. However, heightened tension between the US and Iran early in the new year has increased uncertainty, while a US election at the end of the year may also influence equity markets.

Meanwhile, UK smaller companies remain a dynamic area of the stockmarket and we will closely monitor interesting ideas for potential investments in the fund. As ever, we will adopt a careful, pragmatic approach in selecting new holdings for the fund.

Garfield Kiff Fund manager

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

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

M&G Smaller Companies Fund

Authorised Corporate Director's Report

Investments

Portfolio statement

as at Holding	31.12.19 £'000	31.12.19 %	30.06.19 %
EQUITIES	463,225	95.37	95.96
Software & computer services	56,103	11.55	12.89
766,747 acceso Technology ^[a]	3,604	0.74	
516,107 Computacenter	9,161	1.89	
965,020 EMIS ^[a]	10,596	2.18	
789,081 FDM	8,333	1.72	
729,956 GB ^[a]	5,664	1.17	
1,823,364 NCC	4,139	0.85	
1,701,161 SDL	9,730	2.00	
421,431 Softcat	4,876	1.00	
Medical equipment & services	16,524	3.40	3.12
927,577 Consort Medical	9,508	1.96	
4,412,611 Medica	7,016	1.44	
Pharmaceuticals & biotechnology	6,947	1.43	1.36
2,171,051 PureTech Health	6,947	1.43	
Finance & credit services	20,046	4.12	2.86
805,202 Mortgage Advice Bureau ^[a]	6,039	1.24	
3,251,433 OneSavings Bank	14,007	2.88	
Investment banking & brokerage services	33,429	6.88	6.92
918,587 Alpha FX ^[a]	11,299	2.33	
3,430,181 Arrow Global	8,802	1.81	
2,337,500 Brewin Dolphin	8,667	1.78	
219,868 Rathbone Brothers	4,661	0.96	
Non-life insurance	10,146	2.09	2.15
3,294,020 Sabre Insurance	10,146	2.09	
Real estate investment & services	11,217	2.31	2.19
2,396,759 Helical	11,217	2.31	
Real estate investment trusts	28,168	5.80	5.34
7,114,437 Hansteen	8,281	1.70	
3,818,467 LondonMetric Property	9,027	1.86	
911,836 Workspace	10,860	2.24	
Household goods & home construction	32,362	6.66	5.53
29,933 Bovis Homes	408	0.08	
1,990,834 Countryside Properties	9,106	1.87	
914,957 Galliford Try	7,892	1.63	
773,366 Redrow	5,823	1.20	
3,750,569 Watkin Jones ^[a]	9,133	1.88	
Leisure goods	11,327	2.33	2.22
183,877 Games Workshop	11,327	2.33	
Media	26,820	5.52	6.94
282,121 4imprint	9,818	2.02	
2,295,651 Ascential	9,049	1.87	
201,912 Future	2,928	0.60	
963,963 Hyve	985	0.20	
2,992,829 Pebble ^[a]	4,040	0.83	

Portfolio statement (continued)

as at Holding	31.12.19 £'000	31.12.19 %	30.06.19 %
Retailers	10,030	2.06	0.00
855,801 Dunelm	10,030	2.06	
Travel & leisure	14,176	2.92	3.40
2,214,364 Loungers ^[a]	4,650	0.96	
1,941,768 On the Beach	9,526	1.96	
Beverages	6,943	1.43	1.70
3,354,117 Stock Spirits	6,943	1.43	
Construction & materials	45,452	9.36	8.89
9,099,792 Breedon ^[a]	7,553	1.55	
2,985,076 Forterra	10,328	2.13	
857,275 Marshalls	7,390	1.52	
1,935,040 Polypipe	10,420	2.15	
3,648,946 Tyman	9,761	2.01	
Aerospace & defence	14,025	2.89	3.43
1,976,565 Senior	3,425	0.71	
499,999 Ultra Electronics	10,600	2.18	
Electronic & electrical equipment	8,923	1.84	2.08
3,672,041 TT Electronics	8,923	1.84	
General industrials	11,446	2.36	2.79
9,700,000 Coats	7,270	1.50	
834,303 Vesuvius	4,176	0.86	
Industrial engineering	17,553	3.62	4.39
710,625 Hill & Smith	10,524	2.17	
650,818 Vitec	7,029	1.45	
Industrial support services	51,039	10.51	11.39
3,697,971 Alpha Financial Markets Consulting ^[a]	9,097	1.87	
2,006,192 Essentra	8,719	1.80	
7,765,418 Kin & Carta	7,703	1.59	
1,151,350 Pagegroup	6,039	1.24	
1,899,444 Restore ^[a]	10,295	2.12	
1,350,836 Sanne	9,186	1.89	
Industrial transportation	13,890	2.86	1.99
434,753 James Fisher & Sons	8,847	1.82	
6,705,588 Speedy Hire	5,043	1.04	
Chemicals	8,559	1.76	2.73
2,411,042 Synthomer	8,559	1.76	
Non-renewable energy	8,100	1.67	1.65
3,958,901 Cairn Energy	8,100	1.67	
Portfolio of investments	463,225	95.37	95.96
CASH EQUIVALENTS	24,677	5.08	4.92
'AAA' rated money market funds ^[b]	24,677	5.08	4.92
24,676,858 Northern Trust Global Fund - Sterling	24,677	5.08	
Total portfolio	487,902	100.45	100.88
Net other assets / (liabilities)	(2,173)	(0.45)	(0.88)
Net assets attributable to shareholders	485,729	100.00	100.00

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

^[a] AIM quoted.

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

M&G Smaller Companies Fund

Authorised Corporate Director's Report

Investments

Top ten portfolio transactions

for the six months to 31 December 2019

Largest purchases	£'000
Dunelm	7,179
Breedon ^[a]	5,458
Mortgage Advice Bureau ^[a]	4,511
Sanne	3,587
Speedy Hire	3,502
Pebble ^[a]	3,142
NCC	3,080
Computacenter	2,743
Future	2,385
Synthomer	1,370
Other purchases	13,136
Total purchases	50,093
Largest sales	£'000
Tarsus	11,640
Softcat	7,052
Boku	4,967
Alpha FX ^[a]	3,488
GB ^[a]	3,190
Elementis	3,173
Marshalls	2,965
4imprint	2,864
Hill & Smith	1,732
Pagegroup	1,718
Other sales	10,850
Total sales	53,639

^[a] AIM quoted.

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

M&G Smaller Companies Fund

Financial highlights

Fund performance

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

The following charts and tables reflect the key financial information of a representative share class, Sterling Class 'A' (Accumulation) shares. As different share classes have different attributes, for example charging structures and minimum investments, please be aware that their performance may be different. For more information on the different share classes in this fund please refer to the Prospectus for M&G Investment Funds (3), which is available free of charge either from our website at www.mandg.co.uk/prospectuses or by calling M&G Customer Relations.

Fund level performance

Fund net asset value			
as at	31.12.19 £'000	30.06.19 £'000	30.06.18 £'000
Fund net asset value (NAV)	485,729	414,010	449,970

Performance since launch

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



Ten-year performance

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



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

Long-term performance by share class

	Six months 01.07.19 % ^[a]	Three years 03.01.17 %p.a.	Five years 02.01.15 %p.a.	Since launch %p.a.
Sterling^[b]				
Class 'A'	+18.9	+13.6	+11.9	+12.5 ^[c]
Class 'C'	+19.7	+15.3	+13.6	+11.5 ^[d]
Class 'I'	+19.2	+14.5	+12.8	+14.0 ^[e]
Class 'R'	+19.1	+14.2	+12.5	+13.7 ^[e]
Class 'X'	+18.9	+13.6	+11.9	+13.6 ^[f]

^[a] Absolute basis.

^[b] Price to price with income reinvested.

^[c] 27 September 1967, the end of the initial offer period of the predecessor unit trust.

^[d] 3 January 2006, the launch date of the share class.

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

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

M&G Smaller Companies Fund

Financial highlights

Fund performance

Operating charges and portfolio transaction costs

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

Operating charges

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

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

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

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

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

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

Portfolio transaction costs

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

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

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

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

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

Portfolio transaction costs

	Six months to 31.12.19	Year to 30.06.19	Year to 30.06.18	Average ^[a]
Direct portfolio transaction costs ^[b]	%	%	%	%
Broker commission	0.01	0.03	0.03	0.02
Taxes	0.07	0.13	0.11	0.10
Costs before dilution adjustments	0.08	0.16	0.14	0.12
Dilution adjustments ^[c]	(0.03)	(0.01)	0.00	(0.01)
Total direct portfolio transaction costs	0.05	0.15	0.14	0.11
as at	31.12.19	30.06.19	30.06.18	Average ^[a]
Indirect portfolio transaction costs	%	%	%	%
Average portfolio dealing spread	0.81	0.67	0.67	0.72

^[a] Average of first three columns.

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

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

M&G Smaller Companies Fund

Financial highlights

Specific share class performance

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

Historic yields for the current period are calculated as at 10 January 2020.

Sterling Class 'A' Income share performance

The share class was launched on 27 September 1967.

	Six months to 31.12.19 UK p	Year to 30.06.19 UK p	Year to 30.06.18 UK p
Change in NAV per share			
Opening NAV	346.52	369.03	348.07
Return before operating charges and after direct portfolio transaction costs	62.77	(5.82)	35.78
Operating charges	(2.53)	(5.73)	(6.10)
Return after operating charges	60.24	(11.55)	29.68
Distributions	(4.12)	(10.96)	(8.72)
Closing NAV	402.64	346.52	369.03
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.15	0.56	0.49
Dilution adjustments ^[a]	(0.05)	(0.02)	(0.02)
Total direct portfolio transaction costs	0.10	0.54	0.47
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.05	0.15	0.14
Operating charges ^[c]	1.38	1.66	1.66
Return after operating charges	+17.38	-3.13	+8.53
Historic yield	2.66	3.17	2.37
Effect on yield of charges offset against capital	1.38	1.65	1.65
Other information			
Closing NAV (£'000)	119,849	109,944	122,473
Closing NAV percentage of total fund NAV (%)	24.67	26.56	27.22
Number of shares	29,765,481	31,727,678	33,187,811
Highest share price (UK p)	413.10	375.26	385.20
Lowest share price (UK p)	330.38	304.69	346.37

Sterling Class 'A' Accumulation share performance

The share class was launched on 27 September 1967.

	Six months to 31.12.19 UK p	Year to 30.06.19 UK p	Year to 30.06.18 UK p
Change in NAV per share			
Opening NAV	921.63	949.64	875.06
Return before operating charges and after direct portfolio transaction costs	166.83	(13.18)	89.97
Operating charges	(6.73)	(14.83)	(15.39)
Return after operating charges	160.10	(28.01)	74.58
Distributions	(4.42)	(13.73)	(6.76)
Retained distributions	4.42	13.73	6.76
Closing NAV	1,081.73	921.63	949.64
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.39	1.44	1.24
Dilution adjustments ^[a]	(0.13)	(0.05)	(0.04)
Total direct portfolio transaction costs	0.26	1.39	1.20
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.05	0.15	0.14
Operating charges ^[c]	1.38	1.66	1.66
Return after operating charges	+17.37	-2.95	+8.52
Historic yield	1.30	1.50	0.71
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (£'000)	37,700	33,354	38,151
Closing NAV percentage of total fund NAV (%)	7.76	8.06	8.48
Number of shares	3,485,130	3,619,045	4,017,459
Highest share price (UK p)	1,098.56	965.67	977.55
Lowest share price (UK p)	878.58	784.06	870.78

Sterling Class 'C' Income share performance

Sterling Class 'C' shares are not generally available to all investors.

The share class was launched on 3 January 2006.

	Six months to 31.12.19 UK p	Year to 30.06.19 UK p	Year to 30.06.18 UK p
Change in NAV per share			
Opening NAV	370.26	388.41	360.88
Return before operating charges and after direct portfolio transaction costs	67.48	(5.91)	37.27
Operating charges	(0.06)	(0.60)	(0.62)
Return after operating charges	67.42	(6.51)	36.65
Distributions	(4.42)	(11.64)	(9.12)
Closing NAV	433.26	370.26	388.41
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.16	0.59	0.51
Dilution adjustments ^[a]	(0.05)	(0.02)	(0.02)
Total direct portfolio transaction costs	0.11	0.57	0.49
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.05	0.15	0.14
Operating charges ^[c]	0.01	0.16	0.16
Return after operating charges	+18.21	-1.68	+10.16
Historic yield	2.64	3.15	2.36
Effect on yield of charges offset against capital	0.01	0.15	0.15
Other information			
Closing NAV (£'000)	202,450	175,806	187,664
Closing NAV percentage of total fund NAV (%)	41.68	42.45	41.71
Number of shares	46,727,057	47,481,931	48,316,209
Highest share price (UK p)	444.47	396.31	405.12
Lowest share price (UK p)	353.68	323.08	359.18

M&G Smaller Companies Fund

Financial highlights

Specific share class performance

Sterling Class 'I' Income share performance

The share class was launched on 3 August 2012.

	Six months to 31.12.19 UK p	Year to 30.06.19 UK p	Year to 30.06.18 UK p
Change in NAV per share			
Opening NAV	1,922.15	2,031.62	1,901.88
Return before operating charges and after direct portfolio transaction costs	349.12	(31.48)	195.98
Operating charges	(8.65)	(17.38)	(18.37)
Return after operating charges	340.47	(48.86)	177.61
Distributions	(22.91)	(60.61)	(47.87)
Closing NAV	2,239.71	1,922.15	2,031.62
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.82	3.07	2.70
Dilution adjustments ^[a]	(0.27)	(0.11)	(0.09)
Total direct portfolio transaction costs	0.55	2.96	2.61
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.05	0.15	0.14
Operating charges ^[c]	0.86	0.91	0.91
Return after operating charges	+17.71	-2.40	+9.34
Historic yield	2.65	3.16	2.13
Effect on yield of charges offset against capital	0.85	0.90	0.90
Other information			
Closing NAV (£'000)	72,268	52,949	57,307
Closing NAV percentage of total fund NAV (%)	14.88	12.79	12.73
Number of shares	3,226,661	2,754,654	2,820,730
Highest share price (UK p)	2,297.75	2,069.45	2,119.86
Lowest share price (UK p)	1,834.22	1,683.65	1,892.74

Sterling Class 'I' Accumulation share performance

The share class was launched on 3 August 2012.

	Six months to 31.12.19 UK p	Year to 30.06.19 UK p	Year to 30.06.18 UK p
Change in NAV per share			
Opening NAV	2,210.12	2,260.31	2,067.30
Return before operating charges and after direct portfolio transaction costs	401.20	(30.72)	213.08
Operating charges	(9.94)	(19.47)	(20.07)
Return after operating charges	391.26	(50.19)	193.01
Distributions	(16.70)	(48.83)	(32.55)
Retained distributions	16.70	48.83	32.55
Closing NAV	2,601.38	2,210.12	2,260.31
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.94	3.44	2.95
Dilution adjustments ^[a]	(0.31)	(0.12)	(0.10)
Total direct portfolio transaction costs	0.63	3.32	2.85
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.05	0.15	0.14
Operating charges ^[c]	0.86	0.91	0.91
Return after operating charges	+17.70	-2.22	+9.34
Historic yield	1.85	2.22	1.44
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (£'000)	32,730	24,091	26,197
Closing NAV percentage of total fund NAV (%)	6.74	5.82	5.82
Number of shares	1,258,172	1,090,021	1,158,983
Highest share price (UK p)	2,641.65	2,302.40	2,325.89
Lowest share price (UK p)	2,108.74	1,873.18	2,057.36

Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012.

	Six months to 31.12.19 UK p	Year to 30.06.19 UK p	Year to 30.06.18 UK p
Change in NAV per share			
Opening NAV	190.75	202.12	189.69
Return before operating charges and after direct portfolio transaction costs	34.60	(3.15)	19.55
Operating charges	(1.10)	(2.20)	(2.35)
Return after operating charges	33.50	(5.35)	17.20
Distributions	(2.27)	(6.02)	(4.77)
Closing NAV	221.98	190.75	202.12
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.08	0.30	0.27
Dilution adjustments ^[a]	(0.03)	(0.01)	(0.01)
Total direct portfolio transaction costs	0.05	0.29	0.26
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.05	0.15	0.14
Operating charges ^[c]	1.11	1.16	1.16
Return after operating charges	+17.56	-2.65	+9.07
Historic yield	2.65	3.17	2.37
Effect on yield of charges offset against capital	1.10	1.15	1.15
Other information			
Closing NAV (£'000)	3,002	2,526	2,427
Closing NAV percentage of total fund NAV (%)	0.62	0.61	0.54
Number of shares	1,352,651	1,324,519	1,200,768
Highest share price (UK p)	227.73	205.77	210.93
Lowest share price (UK p)	181.96	167.29	188.77

Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012.

	Six months to 31.12.19 UK p	Year to 30.06.19 UK p	Year to 30.06.18 UK p
Change in NAV per share			
Opening NAV	217.15	222.63	204.13
Return before operating charges and after direct portfolio transaction costs	39.42	(3.04)	21.05
Operating charges	(1.25)	(2.44)	(2.55)
Return after operating charges	38.17	(5.48)	18.50
Distributions	(1.36)	(4.28)	(2.69)
Retained distributions	1.36	4.28	2.69
Closing NAV	255.32	217.15	222.63
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.09	0.34	0.29
Dilution adjustments ^[a]	(0.03)	(0.01)	(0.01)
Total direct portfolio transaction costs	0.06	0.33	0.28
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.05	0.15	0.14
Operating charges ^[c]	1.11	1.16	1.16
Return after operating charges	+17.58	-2.46	+9.06
Historic yield	1.64	1.98	1.21
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (£'000)	10,068	8,605	7,569
Closing NAV percentage of total fund NAV (%)	2.07	2.08	1.68
Number of shares	3,943,306	3,962,631	3,399,718
Highest share price (UK p)	259.22	226.65	229.12
Lowest share price (UK p)	207.12	184.27	203.14

M&G Smaller Companies Fund

Financial highlights

Specific share class performance

Sterling Class 'X' Income share performance

The share class was launched on 1 October 2002.

Change in NAV per share	Six months to 31.12.19 UK p	Year to 30.06.19 UK p	Year to 30.06.18 UK p
Opening NAV	346.36	368.86	347.91
Return before operating charges and after direct portfolio transaction costs	62.75	(5.81)	35.75
Operating charges	(2.53)	(5.73)	(6.09)
Return after operating charges	60.22	(11.54)	29.66
Distributions	(4.12)	(10.96)	(8.71)
Closing NAV	402.46	346.36	368.86
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.15	0.56	0.49
Dilution adjustments ^[a]	(0.05)	(0.02)	(0.02)
Total direct portfolio transaction costs	0.10	0.54	0.47
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.05	0.15	0.14
Operating charges ^[c]	1.38	1.66	1.66
Return after operating charges	+17.39	-3.13	+8.53
Historic yield	2.66	3.17	2.37
Effect on yield of charges offset against capital	1.38	1.65	1.65
Other information			
Closing NAV (£'000)	4,767	4,342	5,094
Closing NAV percentage of total fund NAV (%)	0.98	1.05	1.13
Number of shares	1,184,562	1,253,711	1,381,035
Highest share price (UK p)	412.91	375.09	385.02
Lowest share price (UK p)	330.23	304.54	346.21

Sterling Class 'X' Accumulation share performance

The share class was launched on 1 October 2002.

Change in NAV per share	Six months to 31.12.19 UK p	Year to 30.06.19 UK p	Year to 30.06.18 UK p
Opening NAV	910.73	938.41	864.71
Return before operating charges and after direct portfolio transaction costs	164.87	(13.02)	88.91
Operating charges	(6.66)	(14.66)	(15.21)
Return after operating charges	158.21	(27.68)	73.70
Distributions	(4.36)	(13.57)	(6.68)
Retained distributions	4.36	13.57	6.68
Closing NAV	1,068.94	910.73	938.41
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.39	1.42	1.23
Dilution adjustments ^[a]	(0.13)	(0.05)	(0.04)
Total direct portfolio transaction costs	0.26	1.37	1.19
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.05	0.15	0.14
Operating charges ^[c]	1.38	1.66	1.66
Return after operating charges	+17.37	-2.95	+8.52
Historic yield	1.30	1.50	0.71
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (£'000)	2,895	2,393	3,088
Closing NAV percentage of total fund NAV (%)	0.60	0.58	0.69
Number of shares	270,867	262,702	329,122
Highest share price (UK p)	1,085.56	954.25	965.99
Lowest share price (UK p)	868.19	774.79	860.49

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

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

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

M&G Smaller Companies Fund

Financial statements and notes

Financial statements

Statement of total return

for the six months to 31 December	2019		2018	
	£'000	£'000	£'000	£'000
Income				
Net capital gains / (losses)		69,516		(74,485)
Revenue	5,028		5,595	
Expenses	(1,521)		(1,895)	
Net revenue / (expense) before taxation	3,507		3,700	
Taxation	0		0	
Net revenue / (expense) after taxation		3,507		3,700
Total return before distributions		73,023		(70,785)
Distributions		(4,493)		(4,972)
Change in net assets attributable to shareholders from investment activities		68,530		(75,757)

Statement of change in net assets attributable to shareholders

for the six months to 31 December	2019		2018	
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		414,010		449,970
Amounts received on issue of shares	18,899		3,153	
Amounts paid on cancellation of shares	(16,315)		(10,312)	
		2,584		(7,159)
Dilution adjustments		172		33
Change in net assets attributable to shareholders from investment activities (see above)		68,530		(75,757)
Retained distributions on Accumulation shares		430		428
Unclaimed distributions		3		3
Closing net assets attributable to shareholders		485,729		367,518

The opening net assets attributable to shareholders for 2019 differs to the closing position in 2018 by the change in net assets attributable to shareholders for the second half of the comparative financial year.

Balance sheet

as at	31 December 2019	30 June 2019
	£'000	£'000
Assets		
Fixed assets		
Investments	463,225	397,268
Current assets		
Debtors	2,026	1,638
Cash and bank balances	764	1,599
Cash equivalents	24,677	20,372
Total assets	490,692	420,877
Liabilities		
Creditors		
Distribution payable	(4,112)	(6,450)
Other creditors	(851)	(417)
Total liabilities	(4,963)	(6,867)
Net assets attributable to shareholders	485,729	414,010

Notes to the financial statements

Accounting policies

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

Distribution policy

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

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

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

M&G Investment Funds (3)

Other regulatory disclosures

Swiss investor information

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

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

Glossary

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

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

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

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

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

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

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

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

Bunds: Fixed income securities issued by the German government.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Defaulted bond: When a bond issuer does not maintain interest payments or repay the amount borrowed when due.

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

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

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

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

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

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

Glossary

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

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

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

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

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

Equities: Shares of ownership in a company.

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

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

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

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

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

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

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

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

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

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

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

Gilts: Fixed income securities issued by the UK government.

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

Hedging: A method of reducing unnecessary or unintended risk.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Ongoing Charge Figure: The Ongoing Charge figure represents the operating costs you can reasonably expect to pay under normal circumstances.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Glossary

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

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

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

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

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

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

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

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

Suspended: Temporarily halting the trading of a listed security on the stock exchange. It can be voluntary (requested by the issuing company) or imposed by regulators. Typically, trading suspensions are introduced ahead of important news announcements, following technical glitches, or due to regulatory concerns.

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

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

Treasuries: Fixed income securities issued by the US government.

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

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

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

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

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

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

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

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

Unlisted/unquoted stocks: Shares of ownership in companies that are not listed on a public exchange, known as private companies.

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

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

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

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

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

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

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

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

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