



M&G Investment Funds (10)

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

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M&G Investment Funds (10)

Authorised Corporate Director's Report

The Authorised Corporate Director (ACD) of M&G Investment Funds (10) presents its Annual Long Report and audited Financial Statements for the year ended 31 March 2018.

The audited financial statements of M&G Investment Funds (10) and the investment report and audited financial statements and notes of each sub-fund are presented in their individual sections of this report as set out in the contents page.

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

Company information

M&G Investment Funds (10) is an umbrella Open-Ended Investment Company (OEIC) and contains three 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 26 August 2010, the M&G UK Inflation Linked Corporate Bond Fund was launched on 16 September 2010, the M&G Absolute Return Bond Fund was launched on 13 December 2016 and the M&G Global Listed Infrastructure Fund was launched on 5 October 2017.

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 March 2018, none of the funds held shares of the other funds within this OEIC.

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

Fund managers

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

M&G Absolute Return Bond Fund

Jim Leaviss & Wolfgang Bauer

M&G Global Listed Infrastructure Fund

Alex Araujo

M&G UK Inflation Linked Corporate Bond Fund

Ben Lord

ACD

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

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

Directors of the ACD

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

* Appointed 9 June 2017.

W J Nott resigned with effect from 31 December 2017.

Investment manager

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

(Authorised and regulated by the Financial Conduct Authority)

Registrar

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

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

Depositary

National Westminster Bank Plc, Trustee & Depositary Services,
Drummond House, 1 Redheughs Avenue, Edinburgh EH12 9RH, UK
(Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority)

Independent auditor

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

Important information

On 27 April 2018, the Euro Share Class 'Z-H' Accumulation was launched in the M&G Absolute Return Bond Fund.

M&G Investment Funds (10)

Authorised Corporate Director's Report

Investor information

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

Customer services and administration for UK clients:

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

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

Telephone: 0800 390 390 (UK only)

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

Customer services and administration for non-UK clients:

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

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

Telephone: +352 2605 9944

Email: csmandg@rbc.com

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

Austrian paying and information agent:

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

Belgian financial agent:

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

Danish representative agent:

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

French centralising agent:

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

German information agent:

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

Greek paying agent and distributor:

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

Irish facilities agent:

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

Italian paying agents:

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

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

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

BNP PARIBAS Securities Services,
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 operationel, 28-32, place de la Gare, 1616 Luxembourg,
Grand Duchy of Luxembourg

Portuguese distributor:

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

Spanish representative:

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

Swedish paying agent:

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

Swiss paying agent and representative:

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

M&G Investment Funds (10)

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.

G W MACDOWALL }
L J MUMFORD } Directors

15 May 2018

M&G Investment Funds (10)

Depository's Responsibilities and Report

Statement of the Depository's Responsibilities and Report of the Depository to the Shareholders of M&G Investment Funds (10) ('the Company') for the period ended 31 March 2018

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

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

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

The Depository must ensure that:

- the Company's cashflows are properly monitored (this requirement on the Depository applied from 18 March 2016) and that cash of the Company is booked into the cash accounts in accordance with the Regulations;
- the sale, issue, redemption and cancellation of shares are carried out in accordance with the Regulations;
- the value of shares in the Company is calculated in accordance with the Regulations;
- any consideration relating to transactions in the Company's assets is remitted to the Company within the usual time limits;
- the Company's income is applied in accordance with the Regulations; and
- the instructions of the Authorised Fund Manager ('the AFM') are carried out (unless they conflict with the Regulations).

The Depository also has a duty to take reasonable care to ensure that the Company is managed in accordance with the Regulations and the Scheme documents in relation to the investment and borrowing powers applicable to the Company.

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

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

Edinburgh
15 May 2018

National Westminster Bank Plc
Trustee and Depository Services

M&G Investment Funds (10)

Independent Auditor's Report

Independent Auditor's Report to the shareholders of M&G Investment Funds (10) ICVC

Opinion

We have audited the financial statements of M&G Investment Funds (10) ICVC ("the Company") for the year ended 31 March 2018 which comprise the Statement of Total Return and Statement of Change in Net Assets Attributable to Shareholders together with the Balance Sheet for each of the Company's funds, the accounting policies of the Company, the related notes for each fund and the Distribution tables, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 'The Financial Reporting Standard applicable to the UK and Republic of Ireland'.

In our opinion, the financial statements:

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

Basis for opinion

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

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

Use of our report

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

Conclusions relating to going concern

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

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

Other information

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

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

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

We have nothing to report in this regard.

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

In our opinion:

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

Matters on which we are required to report by exception

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

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

M&G Investment Funds (10)

Independent Auditor's Report

Independent Auditor's Report to the shareholders of M&G Investment Funds (10)

Responsibilities of the Authorised Corporate Director (ACD)

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Edinburgh
15 May 2018

Ernst & Young LLP
Statutory Auditor

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

M&G Investment Funds (10)

Financial statements and notes

The financial statements for M&G Investment Funds (10) comprise the individual financial statements for each fund and the notes below.

Notes to the financial statements

1 Statement of compliance

The financial statements of M&G Investment Funds (10) have been prepared in compliance with UK Financial Reporting Standard 102 (FRS 102) and in accordance with the Statement of Recommended Practice (SORP) for Authorised Funds issued by the Investment Association in May 2014.

2 Summary of significant accounting policies

a) Basis of preparation

The financial statements of M&G Investment Funds (10) are prepared on a going concern basis, under the historical cost convention as modified by the revaluation of certain financial assets and liabilities measured at fair value through profit or loss.

b) Functional and presentational currency

The functional and presentational currency of M&G Investment Funds (10) is UK sterling.

c) Exchange rates

Transactions in currencies other than each fund's functional currency are translated at the rate of exchange ruling on the date of the transaction and where applicable assets and liabilities are translated into the fund's functional currency at the rate of exchange ruling as at 12 noon on 29 March 2018 being the last business day of the accounting period.

d) Investments - recognition and valuation

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

At the end of the reporting period all investments have been measured at their fair value using the prices and the portfolio holdings determined at 12 noon on 29 March 2018, being the last valuation point of the accounting period, as this is not materially different from a valuation carried out at close of business on the balance sheet date.

Where separate bid and offer prices are available, the bid price is used for investment assets and the offer price for investment liabilities. Otherwise, the single price or most recent transaction price is used. Interest accrued is not included in the fair value. The methods of determining fair value for the principal classes of investment are:

- Equities and debt securities which are traded on an active market are included at the quoted price, which is normally the bid price, excluding any accrued interest in respect of bonds.
- Equities traded on the Alternative Investment Market (AIM), whose liquidity cannot be guaranteed, are included at their quoted bid price as this represents the most objective and appropriate method of valuation.

- Collective investment schemes operated by the ACD are included at either their cancellation price for dual priced funds or their single price for single priced funds.
- Collective investment schemes operated by another manager are included at either their bid price for dual priced funds or their single price for single priced funds.
- Other equities and debt securities which are unquoted or not actively traded on a quoted market are included at a value estimated by the ACD using an appropriate valuation technique, excluding any accrued interest in respect of bonds.
- Exchange traded futures and options are included at the cost of closing out the contract at the balance sheet date.
- Over the counter equity options, credit default swaps, interest rate swaps, asset swaps and inflation swaps are included at a value provided by Markit Valuations Limited, an independent credit derivative price provider. Their fair value excludes any accrued interest in respect of derivatives where the income is revenue in nature.
- Forward currency contracts, for share class hedging and investment, are included at a value determined by reference to current forward exchange rates for contracts with similar maturity profiles.

e) Recognition of income and expenses

- Dividends, including ordinary stock dividends, from equity investments are recognised when the security is quoted ex-dividend.
- Distributions from collective investment schemes are recognised when the scheme is priced ex-distribution.
- Interest income, including coupons from debt securities and bank interest is recognised on an accruals basis.
- Underwriting commission is recognised when the issue takes place.
- Revenue from derivatives is recognised on an accruals basis.
- Fee rebates from investing in other collective investment schemes are recognised on an accruals basis.
- Expenses are recognised on an accruals basis.

f) Treatment of income and expenses

- Any increases or decreases in the fair value of investments and gains and losses realised on sales of investments are treated as capital and recognised in net capital gains / (losses).
- The value of any enhancement to a stock dividend is treated as capital.
- Ordinary equity dividends, including ordinary stock dividends are treated as revenue.
- Special dividends, share buy backs or additional share issues may be treated as revenue or capital depending on the facts of each particular case.
- Distributions from collective investment schemes are treated as revenue in nature, except for any element of equalisation, which represents the average amount of income included in the price paid for the collective investment scheme, which is treated as capital.

M&G Investment Funds (10)

Financial statements and notes

Notes to the financial statements

2 Summary of significant accounting policies (continued)

f) Treatment of income and expenses (continued)

- Debt security interest comprises the coupon interest and the difference between the purchase price and the expected maturity price spread over its expected remaining life. This is treated as revenue with the difference adjusting the cost of the shares and treated as capital.
- Other interest income, such as bank interest is treated as revenue.
- Underwriting commission is treated as revenue, except where the fund is required to take up all or some of the shares underwritten, in which case a proportion of the commission received is deducted from the cost of the shares and treated as capital.
- The treatment of the income on derivative contracts depends upon the nature of the transaction. Both motive and circumstances are used to determine whether the returns should be treated as capital or revenue. Where positions are undertaken to protect or enhance capital, and the circumstances support this, the returns are recognised in net capital gains; similarly where the motives and circumstances are to generate or protect revenue, and the circumstances support this, the returns are included within net revenue before taxation. Where positions generate total returns it will generally be appropriate to apportion such returns between capital and revenue to properly reflect the nature of the transaction.
- Expenses relating to the purchase and sale of investments are treated as capital; all other expenses are treated as revenue.
- Rebates of charges from holdings in collective investment schemes are treated as revenue or capital in accordance with the underlying scheme's distribution policy.

g) Tax

Dividends and similar income receivable are recognised at an amount that includes any withholding tax but excludes irrecoverable tax credits. Any withholding tax suffered is shown as part of the tax charge.

Tax is accounted for at the appropriate rate of corporation tax with relief for double taxation taken where appropriate. The tax accounting treatment follows the principal amounts involved.

Deferred tax is recognised in respect of temporary timing differences that have originated but not reversed by the balance sheet date. Deferred tax is measured on a non-discounted basis, at the average rate of tax expected to apply in the period in which it expects the deferred tax to be realised or settled. A deferred tax asset is only recognised to the extent that it is more likely than not that the asset will be recovered.

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

h) Allocation of returns to share classes

The annual management charge, any share class hedging returns and associated share class hedging charge are directly attributable to individual share classes. All other returns are apportioned to each fund's share classes pro-rata to the value of the net assets of the relevant share class on the day that the income or expenses are recognised.

All available net revenue accounted for in accordance with the above policies and adjusted where relevant by any specific distribution policies set out in the notes to that fund's financial statements, is distributed to holders of Income shares or retained and reinvested for holders of Accumulation shares. Should expenses and taxation together exceed revenue, there will be no distribution and the shortfall will be met from capital.

Distributions which have remained unclaimed by shareholders for more than six years are credited to the capital property of the fund.

3 Risk management policies

The ACD is responsible for establishing, implementing and maintaining an adequate and documented risk management policy for identifying, measuring and managing all risks to which funds are or might be exposed.

The Company's investment activities expose it to various types of risk which are associated with the financial instruments and markets in which it invests; market risk, credit risk and liquidity risk.

These financial statements are designed to enable users to evaluate the nature and extent of those risks and how they are managed.

The following risk management policies are applicable to the funds, with specific risk disclosures set out in the notes to the financial statements of each fund.

Market risk

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

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

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

Commitment approach

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

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

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

M&G Investment Funds (10)

Financial statements and notes

Notes to the financial statements

3 Risk management policies (continued)

Commitment approach (continued)

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

Value at Risk approach

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

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

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

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

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

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

Fund	Global exposure approach
M&G Absolute Return Bond Fund	VaR
M&G Global Listed Infrastructure Fund	Commitment
M&G UK Inflation Linked Corporate Bond Fund	VaR

Liquidity risk

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

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

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

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

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

Credit risk

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

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

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

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

M&G Investment Funds (10)

Financial statements and notes

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M&G Absolute Return Bond Fund

Authorised Corporate Director's Report

Investment objective

The fund aims to achieve a total return (the combination of income and capital growth) of at least 2.5% per annum above the 3-month GBP LIBOR rate, before any charges are taken, in any market conditions and over any three year period. LIBOR is the rate at which banks borrow money from each other.

The fund aims to achieve this while seeking to minimise the degree to which the value of the fund fluctuates over time (volatility), while also seeking to limit monthly losses. Managing the fund in this way reduces its ability to achieve returns significantly above 3-month GBP LIBOR plus 2.5%.

There is no guarantee that the fund will achieve a positive return over three years, or any other period, and investors may not get back the original amount they invested.

Investment policy

The fund invests at least 70% in fixed and variable rate securities (including, but not limited to, corporate bonds and government and public securities), currencies, cash, near cash and deposits. These may be from anywhere in the world and denominated in any currency.

The fund's exposure to these investments may also be gained through the use of derivatives, which are financial contracts whose value is derived from an underlying asset. The fund may take short positions (holding derivatives with the aim of delivering a positive return when the assets they are linked to fall in value) in markets, currencies, securities, and groups of securities. The fund also has the flexibility to gain exposure to investments exceeding the net asset value of the fund in order to increase potential returns in both rising and falling markets.

Derivatives may be used to meet the fund's objective and for efficient portfolio management purposes. The fund may also invest in other funds.

Investment approach

The fund managers take a flexible approach, investing across a broad range of fixed income and currency markets according to where they identify value. A dynamic investment approach is followed, allowing the fund managers to change the blend of duration, credit and currency exposures based on their outlook. The fund will typically aim to have a high level of diversification in individual credit selection and across investment themes and sources of return. The managers will aim to achieve the performance objective while managing the fund's volatility and limiting losses during difficult market conditions.

Risk profile

The fund is a flexible bond fund which invests in a range of fixed income securities and in currencies. The fund is therefore subject to the price volatility of global bond markets and fluctuations in currency exchange rates.

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

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



The above number:

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

Investment review

As at 3 April 2018, for the year ended 31 March 2018

Performance against objective

Between 3 April 2017 (the start of the review period) and 3 April 2018, the M&G Absolute Return Bond Fund delivered a positive total return (the combination of capital growth and income), albeit slightly less than 3-month GBP LIBOR + 2.5%. The fund's objective is to achieve a total return of at least 2.5% per annum above the 3-month GBP LIBOR rate, before any charges are taken, in any market conditions and over any three-year period.*

The M&G Absolute Return Bond Fund is a flexible, multi-strategy bond fund that targets steady positive returns, with a specific focus on minimising volatility and monthly losses in difficult market conditions. As a highly diversified portfolio, the fund provides exposure to a broad range of fixed income strategies across global corporate bond, government bond and currency markets. (Bonds are loans that are

M&G Absolute Return Bond Fund

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Investment review

Performance against objective (continued)

extended by an investor to an issuing entity – such as a company or government – in exchange for regular interest payments. Bonds issued by companies are referred to as 'corporate bonds', while those issued by governments are called 'government bonds'.)

The fund draws on the best ideas of M&G's Retail Fixed Interest team, giving investors access to an extensive range of investment knowledge across global bond markets. The team has long-running experience in managing flexible bond strategies, and has demonstrated the ability to manage risk during periods of heightened volatility, such as during the global financial crisis and the eurozone debt crisis. (Volatility is the extent to which asset prices fluctuate over time.) A disciplined investment process, combining macroeconomic analysis, stock selection and robust risk management, is adopted.

The fund also holds a modest allocation to asset-backed securities (ABS), a type of bond whose income is derived from a pool of underlying assets, such as mortgages, credit cards or student loans. ABS typically pay a variable rate of income and therefore provide an element of protection against rising interest rates.

* 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

After an extended period of calm, volatility returned to financial markets in early 2018. The previous year saw strong performance for higher risk assets such as corporate bonds, as the global economy continued to deliver positive growth surprises. However, this appears to have led to fears of inflationary pressures in the US, where markets appear sensitive to the idea that the US central bank could raise interest rates faster than previously indicated.

Prospective returns on US government bonds subsequently rose to their highest levels in several years in February, which influenced price movements across many other types of asset. Corporate bond prices generally fell sharply. Markets also appear to have regained sensitivity to political developments after a resilient prior year. Towards the end of the review period, government bond yields reversed slightly, as further volatility prompted investors to retreat to perceived safe-haven assets.

Against this backdrop, the fund's cautious positioning helped to mitigate some of the effects of recent market volatility, which resulted in overall performance remaining positive for the review period.

Investment activities

The fund is currently positioned cautiously with a low sensitivity to movements in interest rates, as we believe that expected moves by central banks towards 'normal' monetary policy for the first time since the global financial crisis pose a medium-term threat to government bonds.

We have continued to find what we believe are attractive opportunities in selected corporate bonds. We have also invested in bonds with shorter maturities, as these assets are typically less sensitive to interest rate movements. (Maturity is the length of time until the initial investment amount – the 'principal' of a fixed income security – is due to be repaid to the holder.)

The fund has held modest exposure to traditional 'safe-haven' currencies such as the US dollar, Swiss franc and Japanese yen. Recently, we also added some exposure to emerging market currencies from Colombia, Mexico and Russia, as we believe these assets offer attractive value.

Outlook

We believe that market volatility is likely to remain higher in 2018, as business and financial cycles mature and asset prices that have been supported by the low interest rate environment potentially correct. In Europe, we also expect the European Central Bank to take further steps towards normalising monetary policy if the eurozone economy continues to strengthen. As such, we will continue to position the portfolio cautiously with a view to minimising the effects of further potential market volatility and rate rises.

Jim Leaviss & Wolfgang Bauer

Co-fund managers

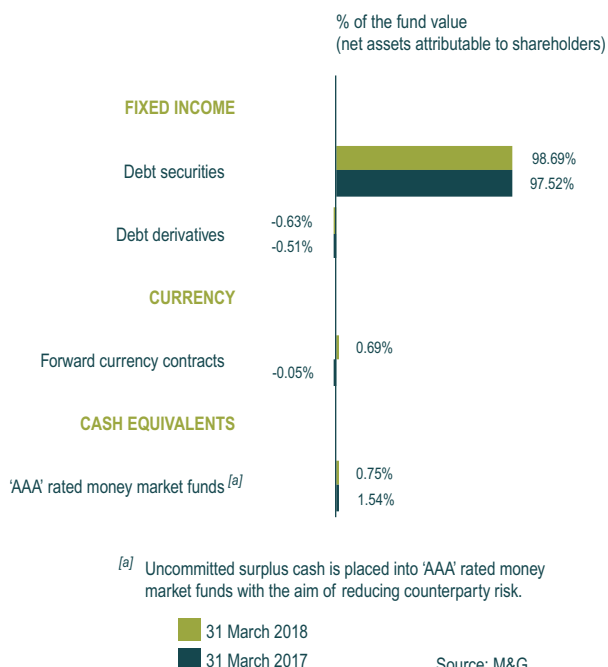
Employees of M&G Limited which is an associate of M&G Securities Limited.

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

M&G Absolute Return Bond Fund

Authorised Corporate Director's Report

Classification of investments



Investments

Portfolio statement

as at 31 March Holding	2018 £'000	2018 %	2017 %
FIXED INCOME	32,913	98.06	97.01
Debt securities	33,126	98.69	97.52
'AAA' credit rated bonds	3,352	9.99	16.45
€250,000 Avoca CLO FRN 2030	220	0.66	
£162,405 Dukinfield FRN 2052	164	0.49	
£483,000 European Investment Bank 0.625% 2020	481	1.43	
€203,000 Harvest CLO FRN 2031	178	0.53	
£158,683 Hawksmoor Mortgages FRN 2053	160	0.48	
£300,000 KfW 1.125% 2019	301	0.90	
£196,700 Paragon Mortgages No.14 FRN 2039	191	0.57	
£278,624 Residential Mortgage Securities FRN 2050	279	0.83	
£294,297 Residential Mortgage Securities No.29 FRN 2046	296	0.88	
£183,201 Ripon Mortgages FRN 2056	185	0.55	
£300,000 Santander UK FRN 2022	300	0.89	
£83,646 THRONES 2015-1 FRN 2050	84	0.25	
£372,480 Towd Point Mortgage Funding FRN 2045	374	1.12	
£136,305 Warwick Finance Residential Mortgage FRN 2049	139	0.41	

Investments

Portfolio statement (continued)

as at 31 March Holding	2018 £'000	2018 %	2017 %
'AA' credit rated bonds	2,956	8.80	23.09
£193,660 First Flexible No 6 FRN 2035	192	0.57	
£226,000 New York Life Global Fund 1% 2021	223	0.66	
£243,000 Towd Point Mortgage Funding FRN 2046	245	0.73	
£600,000 Treasury 0% 2018	599	1.78	
£215,000 Treasury 1.875% IL 2022	343	1.02	
£300,000 Treasury 2% 2020	308	0.92	
\$250,000 US Treasury 0.125% IL 2021	184	0.55	
\$325,000 US Treasury 0.125% IL 2026	229	0.68	
\$900,000 US Treasury 1.5% 2019	633	1.89	
'A' credit rated bonds	5,383	16.04	14.45
£200,000 ABN AMRO Bank 1.375% 2022	197	0.59	
£176,032 Alba FRN 2038	170	0.51	
\$121,000 Anheuser-Busch InBev Worldwide 4% 2028	87	0.26	
€286,000 Axa Var. Rate 2049 (3.25%)	253	0.75	
€500,000 Banco Santander Var. Rate Perp. (6.25%)	455	1.36	
€200,000 Bank of America FRN 2023	177	0.53	
\$300,000 Bank of America FRN 2026	208	0.62	
£200,000 Banque Fed Cred Mutuel 0.875% 2020	197	0.59	
€200,000 Belfius Bank Var. Rate 2028 (1.625%)	175	0.52	
£200,000 BMW International FRN 2019	200	0.60	
£200,000 BMW International Investment 1% 2021	196	0.58	
€236,000 BNP Paribas FRN 2024	209	0.62	
£351,887 Greene King Finance FRN 2033	349	1.04	
€200,000 HSBC Holdings FRN 2023	175	0.52	
£119,000 HSBC Holdings Var. Rate 2026 (2.256%)	116	0.35	
£184,000 LVMH Moët Hennessy Louis Vuitton 1% 2022	181	0.54	
MXN3,570,000 Mexico (United Mexican States) 10% 2024	159	0.47	
\$68,451 Mitchells & Butlers Finance FRN 2030	45	0.13	
£450,000 Munich Re Finance Var. Rate 2028 (7.625%)	456	1.36	
£400,000 Newgate Fund FRN 2050	376	1.12	
€116,000 Richemont International 1% 2026	101	0.30	
£156,685 RMAC 2003-Ns4 FRN 2044	152	0.45	
\$240,278 S-JETS 2017-1 3.967% 2042	171	0.51	
£200,000 UBS 1.25% 2020	199	0.59	
£389,000 Wells Fargo & Company 1.375% 2022	379	1.13	
'BBB' credit rated bonds	11,362	33.85	29.58
£200,000 AA Bond Company 2.875% 2043	193	0.57	
£149,000 Akelius Residential Property 2.375% 2025	143	0.43	
€100,000 Allergan Funding 2.125% 2029	86	0.26	
€250,000 American International Group Var. Rate 2067 (1.403%)	209	0.62	
\$200,000 Anglo American Capital 4.5% 2028	141	0.42	
€262,000 Arion Bank 1% 2023	228	0.68	
£100,000 Aroundtown Property 3% 2029	97	0.29	
\$157,000 AT&T 5.25% 2037	116	0.34	
\$300,000 AT&T 5.3% 2058	214	0.64	
€200,000 Banco Bilbao Vizcaya Argentaria Var. Rate Perp. (7%)	184	0.55	
€100,000 Banco Santander 2.125% 2028	86	0.26	
£250,000 Barclays Bank 3.125% 2024	253	0.75	
£137,000 Barclays Var. Rate 2023 (2.375%)	136	0.41	

M&G Absolute Return Bond Fund

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Investments

Portfolio statement (continued)				
as at 31 March Holding	2018 £'000	2018 %	2017 %	
'BBB' credit rated bonds (continued)				
\$150,000 Bat Capital Corp 4.54% 2047	104	0.31		
€100,000 Bayer Var. Rate 2075 (2.375%)	89	0.26		
€160,000 Beni Stabili 2.375% 2028	139	0.41		
COP200,000,000 Bogota Distrio Capital 9.75% 2028	55	0.16		
\$250,000 BPCE 3.5% 2027	168	0.50		
€300,000 BPCE FRN 2026	262	0.78		
\$150,000 Capital One Financial FRN 2022	107	0.32		
€150,000 Channel Link Enterprises Finance Vat. Rate 2050 (1.761%)	134	0.40		
\$100,000 Citigroup FRN 2024	72	0.21		
£200,000 Credit Suisse Group Funding Var. Rate 2025 (2.125%)	194	0.58		
\$96,000 CVS Health FRN 2021	69	0.21		
£200,000 Digital Stout Holding 2.75% 2024	201	0.60		
€300,000 ELM 3.375% 2047	272	0.81		
£150,000 Enel Var. Rate 2076 (6.625%)	169	0.50		
\$145,000 Energy Transfer Partners 6.125% 2045	106	0.32		
€100,000 Esselunga 1.875% 2027	89	0.26		
\$100,000 Express Scripts 4.8% 2046	72	0.21		
€185,000 Fairfax Financial Holdings 2.75% 2028	160	0.48		
€100,000 Fastighets AB Balder 1.875% 2026	86	0.26		
\$250,000 Ford Motor Credit FRN 2022	178	0.53		
£100,000 GKN Holdings 3.375% 2032	100	0.30		
€200,000 Goldman Sachs Group FRN 2023	175	0.52		
\$200,000 Goldman Sachs Group FRN 2027	148	0.44		
\$100,000 HCA 5.5% 2047	68	0.20		
€200,000 ING Groep Var. Rate 2030 (2%)	176	0.52		
€300,000 Intesa Sanpaolo 1.75% 2028	261	0.78		
£100,000 LafargeHolcim Sterling Finance (Netherlands) 3% 2032	96	0.29		
£100,000 Liberty Living 2.625% 2024	100	0.30		
€100,000 Lloyds Bank FRN 2024	88	0.26		
€200,000 Lloyds Bank Var. Rate 2028 (1.75%)	174	0.52		
€221,181 Lusitano Mortgages No.5 FRN 2059	186	0.55		
£400,000 Marston's Issuer PLC	439	1.31		
\$200,000 Morocco (Kingdom of) 5.5% 2042	151	0.45		
\$65,000 MPLX LP 4.125% 2027	46	0.14		
\$200,000 Mylan 5.4% 2043	148	0.44		
€240,000 Nationwide Building Society Var. Rate 2026 (1.5%)	211	0.63		
€200,000 Orange Var. Rate Perp. (5%)	200	0.60		
€200,000 RCI Banque FRN 2023	175	0.52		
£99,015 ResLoC UK FRN 2043	95	0.28		
€150,000 Romania (Republic of) 3.875% 2035	141	0.42		
£350,000 Royal Bank of Scotland 6.625% 2018	359	1.07		
€158,000 Royal Bank of Scotland Var. Rate Mar 2026 (1.75%)	139	0.41		
£300,000 Royal Bank of Scotland Var. Rate Sep 2026 (2.875%)	298	0.89		
RUB15,000,000 Russia (Federation of) 8.15% 2027	201	0.60		
€100,000 Ryanair 1.125% 2023	89	0.27		
€100,000 Santander UK FRN 2023	88	0.26		
€259,000 Santander UK Group Holdings FRN 2024	227	0.68		
£200,000 Sky 2.875% 2020	207	0.62		
€200,000 Société Générale FRN 2024	177	0.53		
£200,000 Student Finance 2.6663% 2024	199	0.59		
€200,000 Telefónica (Europe) 3% Perp.	173	0.51		

Portfolio statement (continued)

as at 31 March Holding	2018 £'000	2018 %	2017 %
'BBB' credit rated bonds (continued)			
£100,000 Thames Water Utilities Cayman 2.375% 2023	98	0.29	
€100,000 Thermo Fisher Scientific 2.875% 2037	89	0.27	
€200,000 Unicredit Var. Rate Perp. (5.375%)	175	0.52	
\$67,961 US Bancorp Var. Rate Perp. (5.3%)	49	0.15	
€300,000 Verizon Communications 2.875% 2038	262	0.78	
\$160,000 Verizon Communications 4.672% 2022	107	0.32	
€203,000 Vodafone Group 1.125% 2025	174	0.52	
€100,000 Vonovia Finance 1.5% 2028	85	0.25	
\$100,000 Western Gas Partner 4.65% 2026	72	0.21	
€119,000 WPC Eurobond 2.125% 2027	104	0.31	
'BB' credit rated bonds			
	3,969	11.82	9.04
€150,000 Arrow Global Finance FRN 2025	128	0.38	
€300,000 Barclays Bank Var. Rate 2028 (2%)	259	0.77	
€229,000 Belden 3.375% 2027	195	0.58	
€100,000 Casino Guichard Perrachon 4.498% 2024	93	0.28	
\$100,000 CCO Holdings Capital 5.125% 2027	67	0.20	
€300,000 Credit Agricole Var. Rate Perp (6.5%)	294	0.88	
\$200,000 CSC Holdings 5.5% 2047	136	0.41	
\$50,000 Energy Transfer Partners FRN 2066	31	0.09	
€215,000 Equinix 2.875% 2024	187	0.56	
€147,000 IQVIA 3.25% 2025 (formerly QuintilesIMS 3.25% 2025)	129	0.38	
€500,000 KBC Groep Var. Rate Perp. (5.625%)	453	1.35	
€250,000 Leonardo 1.5% 2024	213	0.63	
£400,000 Lloyds Bank Var. Rate Perp. (7%)	420	1.25	
€100,000 Nomad Foods 3.25% 2024	89	0.26	
\$300,000 Olin 5% 2030	203	0.60	
\$350,000 Petrobras Global Finance 5.75% 2029	239	0.71	
£100,000 Petrobras Global Finance 6.625% 2034	106	0.32	
\$99,000 Sirius XM Holdings 5% 2027	66	0.20	
€111,000 Stora Enso 2.5% 2028	96	0.29	
€100,000 Telecom Italia 2.375% 2027	86	0.26	
\$106,000 Tenet Healthcare 4.625% 2024	72	0.21	
€150,000 Teva Pharmaceutical Finance 1.125% 2024	109	0.32	
\$200,000 United Rentals North America 4.875% 2028	136	0.41	
€200,000 Wind Tre FRN 2024	162	0.48	
'B' credit rated bonds			
	1,492	4.45	4.06
€200,000 Altice Finco 4.75% 2028	154	0.46	
\$100,000 Argentina (Republic of) 4.625% 2023	68	0.20	
€100,000 Argentina (Republic of) 5% 2027	85	0.25	
\$69,000 Argentina (Republic of) 5.875% 2028	46	0.14	
\$50,000 Argentina (Republic of) 6.875% 2048	32	0.10	
£100,000 Aston Martin Capital 5.75% 2022	105	0.31	
€170,000 Cabot Financial Luxembourg FRN 2021	150	0.45	
\$50,000 Community Health Systems 5.125% 2021	33	0.10	
£16,913 Iceland Bondco FRN 2020	17	0.05	
€30,714 Matterhorn Telecom FRN 2023	27	0.08	
\$200,000 MHP 6.95% 2026	142	0.42	
€272,000 Picard Groupe FRN 2023	237	0.71	
€199,000 Selecta Group FRN 2024	174	0.52	
€250,000 SFR Group 5.625% 2024	222	0.66	

M&G Absolute Return Bond Fund

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Investments

Portfolio statement (continued)				
as at 31 March Holding	2018 £'000	2018 %	2017 %	
Bonds with no credit rating	4,612	13.74	0.85	
€200,000 Altarea 2.25% 2024	175	0.52		
€100,000 Cote d'Ivoire 5.125% 2025	92	0.27		
£300,000 Coventry Building Society 1.875% 2023	295	0.88		
£500,000 Deutsche Pfandbriefbank FRN 2020	502	1.50		
\$100,000 DP World 6.85% 2037	86	0.26		
£100,000 Finsbury Square FRN 2065	100	0.30		
£152,469 Finsbury Square FRN 2065 2A	153	0.46		
€300,000 Groupe Bruxelles Lambert 1.375% 2024	264	0.79		
£500,000 Inter-American Development Bank 0.625% 2021	490	1.46		
€200,000 Lagardère 1.625% 2024	172	0.51		
£345,641 London Wall Mortgage Capital FRN 2049	347	1.03		
\$116,000 Mylan 4.55% 2028	82	0.24		
£200,000 Newday Partnership Funding FRN 2027	201	0.60		
£476,374 Oat Hill No1 FRN 2046	475	1.41		
£146,000 Old Mutual 8% 2021	165	0.49		
£114,000 PCL Funding FRN 2023	114	0.34		
£100,000 PCL Funding II FRN 2022	101	0.30		
\$200,000 Puma International 5.125% 2024	141	0.42		
\$200,000 Puma International Financing 5% 2026	136	0.40		
€100,000 SELP Finance Sarl 1.5% 2025	86	0.26		
£107,000 Shaftesbury 2.348% 2027	103	0.31		
€100,000 Suez Var.Rate.Perp. (2.875%)	90	0.27		
\$200,000 Vrio Finco 1 LLC / Vrio Finco 2 6.25% 2023	139	0.41		
£100,000 Yorkshire Building Society Var. Rate 2024 (4.125%)	103	0.31		
Debt derivatives	(213)	(0.63)	(0.51)	
Credit default swaps	(153)	(0.45)	(0.49)	
€(250,000) Anglo American Capital Jun 2022	39	0.12		
€(200,000) Anheuser-busch Inbev Dec 2021	5	0.01		
€(200,000) Glencore Finance Europe Dec 2021	27	0.08		
€(100,000) Glencore Finance Europe Jun 2022	15	0.04		
\$ (150,000) Italy (Republic of) Dec 2022	0	0.00		
\$3,400,000 Markit CDX North American Investment Grade Series 29 5 Year Dec 2022	(46)	(0.14)		
€(550,000) Markit iTraxx Europe Series 27 10 Year Jun 2027	5	0.01		
€2,350,000 Markit iTraxx Europe Series 27 5 Year Jun 2022	(52)	(0.16)		
€(400,000) Markit iTraxx Europe Series 28 10 Year Dec 2027	1	0.00		
€3,075,000 Markit iTraxx Europe Series 28 5 Year Dec 2022	(62)	(0.18)		
€500,000 Markit iTraxx Europe Snr Fin Series 28 5 Year Dec 2022	(11)	(0.03)		
€1,375,000 Markit iTraxx Europe Sub Fin Series 28 5 Year Dec 2022	7	0.02		
€500,000 Markit iTraxx Europe Xover Series 26 5 Year Dec 2021	(50)	(0.14)		
€250,000 Markit iTraxx Europe Xover Series 27 5 Year Jun 2022	(26)	(0.07)		
\$200,000 Pfizer Jun 2022	(5)	(0.01)		

Portfolio statement (continued)

as at 31 March Holding	2018 £'000	2018 %	2017 %
Interest rate swaps	17	0.05	0.01
£150,000 Pay 0.649% Receive VAR Jun 2022	4	0.01	
£150,000 Pay 0.786% Receive VAR Feb 2022	3	0.01	
£150,000 Pay 0.7975% Receive VAR Mar 2022	3	0.01	
£200,000 Pay 0.799% Receive VAR May 2022	4	0.01	
£300,000 Pay 1.0845% Receive VAR Oct 2022	3	0.01	
Interest rate futures	(77)	(0.23)	(0.03)
(3) 5 Year US Treasury Note Jun 2018	(1)	0.00	
(4) 10 Year US Treasury Note Jun 2018	(3)	(0.01)	
(10) Euro Bobl Jun 2018	(7)	(0.02)	
(14) Euro Bund Jun 2018	(26)	(0.08)	
(1) Euro Buxl 30 Jun 18	(4)	(0.01)	
(8) Euro Schatz Jun 2018	(1)	0.00	
(3) US Long Bond Jun 2018	(9)	(0.03)	
(6) US Ultra Long Treasury Bond Jun 2018	(26)	(0.08)	
CURRENCY	233	0.69	(0.05)
Forward currency contracts	233	0.69	(0.05)
€220,000 Bought for £193,925 (expires 04.04.18)	(1)	0.00	
€(13,980,075) Sold for £12,431,790 (expires 04.04.18)	180	0.53	
¥98,500,000 Bought for £675,130 (expires 04.04.18)	(18)	(0.05)	
CHF200,000 Bought for £154,681 (expires 04.04.18)	(6)	(0.02)	
\$456,000 Bought for £326,260 (expires 04.04.18)	(2)	(0.01)	
\$224,187 Bought for CNY1,420,000 (expires 02.05.18)	(1)	0.00	
\$(7,243,977) Sold for £5,232,467 (expires 04.04.18)	81	0.24	
Portfolio of investments	33,146	98.75	96.96
CASH EQUIVALENTS	252	0.75	1.54
'AAA' rated money market funds [a]	252	0.75	1.54
252,000 Northern Trust Global Fund - Sterling	252	0.75	
Total portfolio (notes 2c & 2d on page 7)	33,398	99.50	98.50
Net other assets / (liabilities)	167	0.50	1.50
Net assets attributable to shareholders	33,565	100.00	100.00

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

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

M&G Absolute Return 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 show the performance for two of the fund's share classes – Sterling Class 'A' (Accumulation) shares and Sterling Class 'I' (Accumulation) shares.

We show performance for these two share classes because:

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

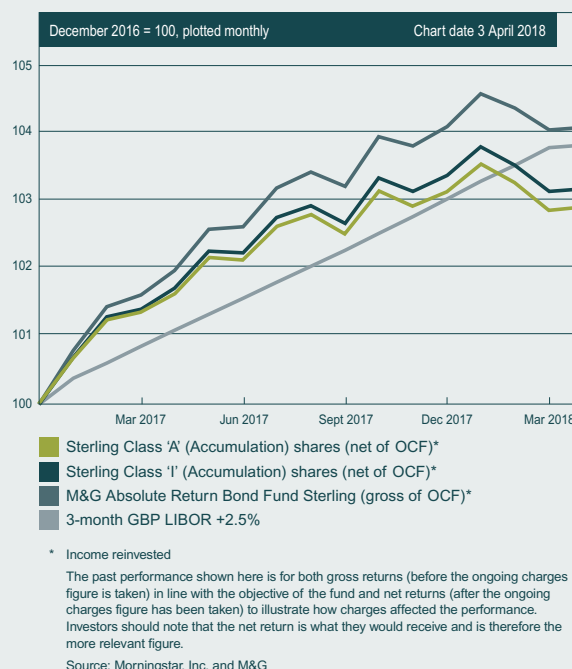
The fund is available for investment in different share classes, each with varying levels of charges and minimum investments; please refer to the Prospectus for M&G Investment Funds (10), which is available free of charge either from our website at www.mandg.co.uk/prospectuses or by calling M&G Customer Relations.

Fund level performance

Fund net asset value		
	2018	2017
as at 31 March	£'000	£'000
Fund net asset value (NAV)	33,565	17,126

Performance since launch

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



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

Long-term performance by share class				
	One year 03.04.17 % [a]	Three years 02.04.15 % p.a.	Five years 03.04.13 % p.a.	Since launch % p.a.
Sterling [b]				
Class 'A'	+1.5	n/a	n/a	+2.2 [c]
Class 'I'	+1.8	n/a	n/a	+2.4 [c]
Class 'L'	+1.9	n/a	n/a	+2.5 [c]

[a] Absolute basis.

[b] Price to price with income reinvested.

[c] 13 December 2016, the launch date of the fund.

M&G Absolute Return Bond Fund

Financial highlights

Operating charges and portfolio transaction costs

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

Operating charges

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

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

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

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

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

Portfolio transaction costs

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

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

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

To protect existing investors, portfolio transaction costs incurred as a result of investors buying and selling shares in the fund are recovered from those investors through a 'dilution adjustment' to the price they pay or receive. 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 March	2018	2017	Average ^[a]
Indirect portfolio transaction costs	%	%	%
Average portfolio dealing spread	0.50	0.46	0.48

^[a] Average of first two columns.

M&G Absolute Return Bond Fund

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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 December 2016.

for the year to 31 March Change in NAV per share	2018 UK p	2017 UK p
Opening NAV	100.35	100.00
Return before operating charges and after direct portfolio transaction costs	2.56	1.18
Operating charges	(0.82)	(0.31)
Return after operating charges	1.74	0.87
Distributions	(2.21)	(0.52)
Closing NAV	99.88	100.35
Direct portfolio transaction costs	UK p	UK p
Costs before dilution adjustments	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00
Performance and charges	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00
Operating charges	0.81	1.10*
Return after operating charges	+1.73	+0.87
Distribution yield	2.42	2.26
Effect on yield of charges offset against capital	0.80	0.80
Other information		
Closing NAV (£'000)	362	211
Closing NAV percentage of total fund NAV (%)	1.08	1.23
Number of shares	362,389	210,000
Highest share price (UK p)	102.28	101.37
Lowest share price (UK p)	100.80	99.89

* The operating charge shown is an estimate of the charges, as the share class has not been in existence for a full financial year.

Sterling Class 'A' Accumulation share performance

The share class was launched on 13 December 2016.

for the year to 31 March Change in NAV per share	2018 UK p	2017 UK p
Opening NAV	100.87	100.00
Return before operating charges and after direct portfolio transaction costs	2.57	1.18
Operating charges	(0.86)	(0.31)
Return after operating charges	1.71	0.87
Distributions	(1.40)	(0.28)
Retained distributions	1.40	0.28
Closing NAV	102.58	100.87
Direct portfolio transaction costs	UK p	UK p
Costs before dilution adjustments	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00
Performance and charges	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00
Operating charges	0.85	1.04*
Return after operating charges	+1.70	+0.87
Distribution yield	1.59	1.40
Effect on yield of charges offset against capital	0.00	0.00
Other information		
Closing NAV (£'000)	258	20
Closing NAV percentage of total fund NAV (%)	0.77	0.12
Number of shares	251,544	20,000
Highest share price (UK p)	103.61	101.38
Lowest share price (UK p)	101.32	99.89

* The operating charge shown is an estimate of the charges, as the share class has not been in existence for a full financial year.

Sterling Class 'I' Income share performance

The share class was launched on 13 December 2016.

for the year to 31 March Change in NAV per share	2018 UK p	2017 UK p
Opening NAV	100.41	100.00
Return before operating charges and after direct portfolio transaction costs	2.50	1.18
Operating charges	(0.61)	(0.25)
Return after operating charges	1.89	0.93
Distributions	(2.18)	(0.52)
Closing NAV	100.12	100.41
Direct portfolio transaction costs	UK p	UK p
Costs before dilution adjustments	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00
Performance and charges	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00
Operating charges	0.61	0.89*
Return after operating charges	+1.88	+0.93
Distribution yield	2.38	2.26
Effect on yield of charges offset against capital	0.60	0.60
Other information		
Closing NAV (£'000)	4,542	186
Closing NAV percentage of total fund NAV (%)	13.53	1.08
Number of shares	4,535,836	185,000
Highest share price (UK p)	102.43	101.42
Lowest share price (UK p)	100.86	99.89

* The operating charge shown is an estimate of the charges, as the share class has not been in existence for a full financial year.

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Specific share class performance

Sterling Class 'I' Accumulation share performance

The share class was launched on 13 December 2016.

for the year to 31 March Change in NAV per share	2018 UK p	2017 UK p
Opening NAV	100.93	100.00
Return before operating charges and after direct portfolio transaction costs	2.57	1.18
Operating charges	(0.64)	(0.25)
Return after operating charges	1.93	0.93
Distributions	(1.63)	(0.34)
Retained distributions	1.63	0.34
Closing NAV	102.86	100.93
Direct portfolio transaction costs	UK p	UK p
Costs before dilution adjustments	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00
Performance and charges	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00
Operating charges	0.63	0.85*
Return after operating charges	+1.91	+0.93
Distribution yield	1.79	1.60
Effect on yield of charges offset against capital	0.00	0.00
Other information		
Closing NAV (£'000)	26,443	16,669
Closing NAV percentage of total fund NAV (%)	78.78	97.33
Number of shares	25,708,589	16,516,155
Highest share price (UK p)	103.86	101.42
Lowest share price (UK p)	101.38	99.89

* The operating charge shown is an estimate of the charges, as the share class has not been in existence for a full financial year.

Sterling Class 'L' Income share performance

The share class was launched on 13 December 2016.

for the year to 31 March Change in NAV per share	2018 UK p	2017 UK p
Opening NAV	100.44	100.00
Return before operating charges and after direct portfolio transaction costs	2.52	1.18
Operating charges	(0.51)	(0.22)
Return after operating charges	2.01	0.96
Distributions	(2.20)	(0.52)
Closing NAV	100.25	100.44
Direct portfolio transaction costs	UK p	UK p
Costs before dilution adjustments	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00
Performance and charges	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00
Operating charges	0.51	0.74*
Return after operating charges	+2.00	+0.96
Distribution yield	2.39	2.26
Effect on yield of charges offset against capital	0.50	0.50
Other information		
Closing NAV (£'000)	1,939	20
Closing NAV percentage of total fund NAV (%)	5.78	0.12
Number of shares	1,934,436	20,000
Highest share price (UK p)	102.50	101.45
Lowest share price (UK p)	100.89	99.89

* The operating charge shown is an estimate of the charges, as the share class has not been in existence for a full financial year.

Sterling Class 'L' Accumulation share performance

The share class was launched on 13 December 2016.

for the year to 31 March Change in NAV per share	2018 UK p	2017 UK p
Opening NAV	100.96	100.00
Return before operating charges and after direct portfolio transaction costs	2.60	1.18
Operating charges	(0.55)	(0.22)
Return after operating charges	2.05	0.96
Distributions	(1.75)	(0.37)
Retained distributions	1.75	0.37
Closing NAV	103.01	100.96
Direct portfolio transaction costs	UK p	UK p
Costs before dilution adjustments	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00
Performance and charges	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00
Operating charges	0.54	0.74*
Return after operating charges	+2.03	+0.96
Distribution yield	1.88	1.70
Effect on yield of charges offset against capital	0.00	0.00
Other information		
Closing NAV (£'000)	21	20
Closing NAV percentage of total fund NAV (%)	0.06	0.12
Number of shares	20,000	20,000
Highest share price (UK p)	103.99	101.45
Lowest share price (UK p)	101.41	99.89

* The operating charge shown is an estimate of the charges, as the share class has not been in existence for a full financial year.

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

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

M&G Absolute Return Bond Fund

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Statement of total return					
for the year to 31 March	Note	2018		2017	
		£'000	£'000	£'000	£'000
Income					
Net capital gains / (losses)	3		(87)		82
Revenue	5	585		92	
Expenses	6	(153)		(38)	
Net revenue / (expense) before taxation		432		54	
Taxation	7	(1)		0	
Net revenue / (expense) after taxation			431		54
Total return before distributions			344		136
Distributions	8		(446)		(53)
Change in net assets attributable to shareholders from investment activities			(102)		83

Statement of change in net assets attributable to shareholders				
	2018		2017	
for the year to 31 March	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		17,126		0
Amounts received on issue of shares	17,026		16,983	
Amounts paid on cancellation of shares	<u>(894)</u>		<u>0</u>	
		16,132		16,983
Dilution adjustments		22		4
Change in net assets attributable to shareholders from investment activities (see above)		(102)		83
Retained distributions on Accumulation shares		387		56
Closing net assets attributable to shareholders		33,565		17,126

Balance sheet			
as at 31 March	Note	2018	2017
		£'000	£'000
Assets			
Fixed assets			
Investments		33,755	17,007
Current assets			
Debtors	9	425	257
Cash and bank balances	10	300	107
Total assets		34,480	17,371
Liabilities			
Investment liabilities		(357)	(138)
Creditors			
Bank overdrafts		0	(86)
Overdrawn positions at futures clearing houses and collateral manager		(4)	0
Distribution payable		(83)	(2)
Other creditors	11	(471)	(19)
Total liabilities		(915)	(245)
Net assets attributable to shareholders		33,565	17,126

Notes to the financial statements

1 Accounting policies

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

2 Distribution policy

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

3 Net capital gains / (losses)

for the year to 31 March	2018	2017
	£'000	£'000
Non-derivative securities	(341)	205
Derivative contracts	(60)	(111)
Currency gains / (losses)	324	(11)
Transaction charges	(10)	(1)
Net capital gains / (losses)	(87)	82

4 Portfolio transactions and associated costs

The following tables show portfolio transactions and their associated transaction costs. For more information about the nature of the costs please see the section on 'Operating charges and portfolio transaction costs' on pages 17.

for the year to 31 March	2018 £'000	2017 £'000		
a) Purchases				
Debt securities ^[a]	38,364	18,069		
Other transaction types				
Corporate actions	528	0		
Total purchases after transaction costs	38,892	18,069		
b) Sales				
Debt securities ^[a]	22,096	1,561		
c) Direct portfolio transaction costs	2018 £'000	% of average NAV	2017 £'000	% of average NAV
There were no direct portfolio transaction costs				
d) Indirect portfolio transaction costs		%		%
Portfolio dealing spread ^[b]		0.50		0.46

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

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

5 Revenue

for the year to 31 March	2018	2017
	£'000	£'000
Derivative revenue	(13)	(4)
Interest distributions	2	1
Interest on debt securities	596	95
Total revenue	585	92

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6 Expenses

for the year to 31 March	2018 £'000	2017 £'000
Payable to the ACD or associate		
Annual management charge	116	21
Administration charge	39	7
	155	28
Payable to the Depositary or associate		
Depositary's charge (including VAT)	3	0
Other expenses		
Audit fee (including VAT)	3	10
Audit fee paid by M&G Securities Limited (including VAT) ^[a]	(10)	0
Safe custody charge	2	0
	(5)	10
Total expenses	153	38

^[a] Audit fee of £7,116 including VAT (2017: £6,840 including VAT) were borne by M&G Securities Limited.

7 Taxation

for the year to 31 March	2018 £'000	2017 £'000
a) Analysis of charge in the year		
Corporation tax	0	0
Withholding tax	1	0
Deferred tax (note 7c)	0	0
Total taxation	1	0
b) Factors affecting taxation charge for the year		
Net revenue / (expense) before taxation	432	54
Corporation tax at 20%	86	11
Effects of:		
Interest distributions	(84)	(11)
Withholding tax	1	0
Retail Prices Index adjustments to gilts	(2)	0
Total tax charge (note 7a)	1	0
c) Provision for deferred taxation		
Provision at the start of the year	0	0
Deferred tax in profit and loss account (note 7a)	0	0
Provision at the end of the year	0	0

The fund does not have an unrecognised deferred tax asset at the year end (2017: same).

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

8 Distributions

	2018		2017	
for the year to 31 March	Inc ^[a] £'000	Acc ^[b] £'000	Inc ^[a] £'000	Acc ^[b] £'000
Interest distributions				
Interim	45	148	n/a	n/a
Final	83	239	2	56
Total net distributions		515		58
Interest distributions		515		58
Income deducted on cancellation of shares		5		0
Income received on issue of shares		(74)		(5)
Distributions		446		53
Net revenue / (expense) per statement of total return		431		54
Expenses offset against capital		24		0
Effective yield adjustments not distributed		(9)		0
Undistributed income carried forward		0		(1)
Distributions		446		53

^[a] Distributions payable on Income shares.

^[b] Retained distributions on Accumulation shares.

9 Debtors

as at 31 March	2018 £'000	2017 £'000
Amounts receivable on issues of shares	108	149
Debt security interest receivable	222	107
Derivative revenue receivable	1	0
Due from M&G Securities Limited	7	0
Sales awaiting settlement	87	0
Withholding tax recoverable	0	1
Total debtors	425	257

10 Cash and bank balances

as at 31 March	2018 £'000	2017 £'000
Amounts held at futures clearing houses and collateral manager	150	92
Cash held as bank balances	150	15
Total cash and bank balances	300	107

11 Other creditors

as at 31 March	2018 £'000	2017 £'000
ACD's annual management charge payable	7	4
Administration charge payable	2	1
Derivative expense payable	3	3
Expenses payable	7	11
Purchases awaiting settlement	452	0
Total other creditors	471	19

12 Contingent assets, liabilities and outstanding commitments

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

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Notes to the financial statements

13 Shares in issue

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

Share class	Opening 01.04.17	Movements		Closing 31.03.18
		Issued	Cancelled	
Sterling				
Class 'A' Income	210,000	556,837	(404,448)	362,389
Class 'A' Accumulation	20,000	412,088	(180,544)	251,544
Class 'I' Income	185,000	4,390,988	(40,152)	4,535,836
Class 'I' Accumulation	16,516,155	9,411,277	(218,843)	25,708,589
Class 'L' Income	20,000	1,947,970	(33,534)	1,934,436
Class 'L' Accumulation	20,000	0	0	20,000

14 Charging structure

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

Share class	Entry charge %	Exit charge %	Annual management charge %
Sterling			
Class 'A'	nil	n/a	0.65
Class 'I'	nil	n/a	0.45
Class 'L'	nil	n/a	0.35

15 Related parties

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

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

At the balance sheet date, shareholders from within Prudential plc, of which M&G Securities Limited is a wholly owned subsidiary, have holdings totalling 45.71% (2017: nil) of the fund's shares.

16 Events after the balance sheet date

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

17 Fair value analysis

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

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

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

Level 2: Valuation technique using observable market data

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

Level 3: Valuation technique using unobservable inputs

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

as at 31 March	Assets	Liabilities	Assets	Liabilities
Basis of valuation	2018	2018	2017	2017
	£'000	£'000	£'000	£'000
Level 1	2,296	(77)	3,048	(11)
Level 2	31,459	(280)	13,959	(127)
Level 3	0	0	0	0
	33,755	(357)	17,007	(138)

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

18 Risk management policies

The general risk management policies for the fund are set out in note 3 to the financial statements on pages 8 and 9.

19 Market risk sensitivity and exposure

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

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

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

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19 Market risk sensitivity and exposure (continued)

for the year to 31 March	2018 %	2017 %
Lowest	1.13	1.25
Highest	1.68	1.80
Average	1.34	1.57

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

for the year to 31 March	2018 % of VaR	2018 Utilisation of upper limit VaR [a] 6%	2017 % of VaR	2017 Utilisation of upper limit VaR [a] 6%
Lowest	1.13	18.75	1.25	20.80
Highest	1.68	27.93	1.80	29.96
Average	1.34	22.40	1.57	26.22

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

20 Credit risk

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

as at 31 March	2018 £'000	2017 £'000
Investment grade securities	23,053	14,312
Below investment grade securities	5,461	2,244
Unrated securities	4,612	145
Other investments	272	168
Total	33,398	16,869

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

as at 31 March 2018	Swaps £'000	Forward currency contracts £'000	Futures £'000
Bank of America Merrill Lynch	0	0	(77)
Citigroup	(42)	169	0
Goldman Sachs	21	0	0
J.P.Morgan	(122)	77	0
State Street Bank	0	1	0
UBS	7	(14)	0
Total	(136)	233	(77)

as at 31 March 2017	Swaps £'000	Forward currency contracts £'000	Futures £'000
Bank of America Merrill Lynch	0	0	(5)
Citigroup	(26)	4	0
Goldman Sachs	(58)	(16)	0
J.P.Morgan	1	0	0
UBS	1	4	0
Total	(82)	(8)	(5)

Net exposure represents the mark-to-market value of derivative contracts less any cash collateral held. Positive exposure represents the fund's exposure to that counterparty. Negative amounts are not an exposure to the fund.

21 Leverage risk

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

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

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

for the year to 31 March	2018 [a] £'000	2018 [a] %	2017 [a] £'000	2017 [a] %
Lowest	22,910	96	20,785	136
Highest	54,786	165	32,555	193
Average	33,890	113	27,950	173

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

22 Interest distribution tables

This fund pays semi-annual interest distributions and the following table sets out the distribution periods.

Semi-annual distribution periods				
	Start	End	Xd	Payment
Interim	01.04.17	30.09.17	02.10.17	30.11.17
Final	01.10.17	31.03.18	03.04.18	31.05.18

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

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

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

Sterling Class 'A' Income shares

Interest distributions for the year to 31 March	Group 2 Income 2018	Group 2 Equalisation 2018	Group 1 & 2 Distribution 2018	Group 1 & 2 Distribution 2017
	p	p	p	p
Interim	0.3967	0.5987	0.9954	n/a
Final	0.6327	0.5815	1.2142	0.5163

Sterling Class 'A' Accumulation shares

Interest distributions for the year to 31 March	Group 2 Income 2018	Group 2 Equalisation 2018	Group 1 & 2 Distribution 2018	Group 1 & 2 Distribution 2017
	p	p	p	p
Interim	0.2182	0.3732	0.5914	n/a
Final	0.2540	0.5579	0.8119	0.2820

M&G Absolute Return Bond Fund

Financial statements and notes

Notes to the financial statements

22 Interest distribution tables (continued)

Sterling Class 'I' Income shares				
Interest distributions for the year to 31 March	Group 2		Group 1 & 2	
	Income 2018	Equalisation 2018	Distribution 2018	2017
	p	p	p	p
Interim	0.2811	0.6874	0.9685	n/a
Final	0.7565	0.4595	1.2160	0.5162

Sterling Class 'I' Accumulation shares				
Interest distributions for the year to 31 March	Group 2		Group 1 & 2	
	Income 2018	Equalisation 2018	Distribution 2018	2017
	p	p	p	p
Interim	0.5282	0.1783	0.7065	n/a
Final	0.4984	0.4210	0.9194	0.3389

Sterling Class 'L' Income shares				
Interest distributions for the year to 31 March	Group 2		Group 1 & 2	
	Income 2018	Equalisation 2018	Distribution 2018	2017
	p	p	p	p
Interim	0.4803	0.5000	0.9803	n/a
Final	1.2176	0.0000	1.2176	0.5181

Sterling Class 'L' Accumulation shares				
Interest distributions for the year to 31 March	Group 2		Group 1 & 2	
	Income 2018	Equalisation 2018	Distribution 2018	2017
	p	p	p	p
Interim	0.7669	0.0000	0.7669	n/a
Final	0.9784	0.0000	0.9784	0.3730

M&G Global Listed Infrastructure Fund

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Investment objective

The fund has two aims:

- to deliver a higher total return (the combination of income and growth of capital), net of the ongoing charges figure, than that of the MSCI ACWI Index over any five-year period and;
- to deliver an income stream that increases every year in sterling terms.

Investment policy

At least 80% of the fund is invested in publicly-listed equity securities issued by infrastructure companies, investment trusts and real estate investment trusts across any market capitalisation that is domiciled in any country. The minimum 80% allocation may include ordinary shares, preference shares and convertible bonds (the fund may hold up to a maximum of 20% in convertible bonds). Infrastructure companies include those involved in the following business activities: utilities, energy, transport, health, education, security, communications and transactions. The fund is expected to exhibit lower volatility and offer a higher dividend yield than the MSCI ACWI Index which is consistent with the characteristics of infrastructure securities. The Fund usually holds fewer than 50 companies.

The fund manager seeks to invest in companies with excellent capital discipline and the potential for long-term dividend growth. The fund manager believes rising dividends create upward pressure on the value of shares.

Sustainability considerations play an important role in assessing business models. Companies that derive more than 30% of their revenue from coal-fired and nuclear power are excluded from the investment universe. Industries including tobacco, alcohol, adult entertainment, gambling, and controversial weapons are also excluded. United Nations Global Compact principles on human rights, labour, environment and anti-corruption are also considered in the analysis of companies.

The fund may also invest in collective investment schemes, other transferable securities, cash, near cash, other money market securities and warrants. Derivatives may be used for hedging and efficient portfolio management.

Investment approach

The fund employs a bottom-up stockpicking approach, driven by the fundamental analysis of individual companies. Dividend yield is not the primary consideration for stock selection.

The fund manager aims to create a portfolio with exposure to a broad range of countries and sectors. Stocks with different drivers of dividend growth are selected to construct a portfolio that has the potential to cope in a variety of market conditions.

Sustainability considerations encompassing Environmental, Social and Governance issues are fully integrated into the investment process with a focus on risks specific to infrastructure companies. The monitoring of these risks involves regular engagement with company management.

Risk profile

The fund invests globally in the shares of infrastructure companies, including emerging markets, and is, therefore, subject to the price volatility of the global stockmarket and the performance of individual companies.

The fund may also be subject to fluctuations in currency exchange rates.

The fund's focus is on 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.

The fund usually invests in fewer than 50 companies, but is mainly invested in the shares of large and medium-sized companies, which are normally traded with relative ease. Diversification across industry, geography, infrastructure class and market capitalisation is key in managing liquidity risk and reducing market risk. The fund's risks are measured and managed as an integral part of the investment process.

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



The above number:

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

Investment review

As at 3 April 2018, for the period ended 31 March 2018

Introduction to the fund

The M&G Global Listed Infrastructure Fund was launched in October 2017 and invests in listed companies that own or control critical physical infrastructure across the world. The fund invests in different types of infrastructure businesses, which we categorise into: 'economic' (utilities, energy, and transport), 'social' (health, education and civic) and 'evolving' (communications, transactional and royalty).

Global stockmarkets enjoyed a calm environment during the fund's first three and a half months of existence, with many equity indices reaching new highs. However, subsequently, volatility returned to the market, driven by concerns around central bank policy and latterly by geopolitical threats including the potential for trade wars.

The concerns around central bank policy caused short-term weakness in certain listed infrastructure sectors. As such, some of the fund's holdings in the 'economic' class of infrastructure – such as National Grid – and those structured as real estate investment trusts (REITs) – Ventas, for example – lagged during the review period.

M&G Global Listed Infrastructure Fund

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Investment review

Introduction to the fund (continued)

Some stock-specific growth offset the downward pressure of the market environment. Ørsted, the Danish renewables company, led the pack as the business continued to capitalise on the structural growth of offshore wind power. In the 'evolving' segment of the portfolio, transactional infrastructure companies CME Group and MasterCard twice reported results that surpassed the market's expectations.

Shares in Ørsted were purchased in December following the sale of Innergex Renewable Energy. The latter business was sold after it announced takeover plans that we did not believe to be financially sensible. The fund consequently ended the period with 43 holdings. The weighting in the 'economic' infrastructure class stands at 66%, the weighting of the 'social' sphere 11%, and the weighting of the 'evolving' segment 22%.

There was robust dividend growth throughout the portfolio during the period, with double-digit increases from stocks in each class of infrastructure. Ørsted led the pack with a 50% raise in its payment, showcasing the extent of the growth the renewables business is experiencing. In addition to the fast growers, it was pleasing to see many of the fund's more defensive holdings in the 'economic' and 'social' categories of infrastructure announcing increases that were between the inflation rate (as represented by the UK Consumer Prices Index, which was 2.7% in February 2018) and 10%. In all, the nature of the dividend growth in the portfolio gives us confidence in the health of the underlying businesses.

Alex Araujo

Fund manager

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

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

Investments

Portfolio statement

as at 31 March Holding	2018 £'000	2018 %
EQUITIES	9,484	98.60
Oil, gas & consumable fuels	1,697	17.64
United States	271	2.82
6,847 ONEOK	271	
Canada	1,426	14.82
12,997 Enbridge	280	2.91
34,775 Gibson Energy	310	3.22
15,502 Keyera	277	2.88
18,455 PrairieSky Royalty	281	2.92
9,708 TransCanada	278	2.89
Metals & mining	309	3.21
Canada	309	3.21
6,470 Franco Nevada	309	3.21
Construction & engineering	688	7.15
France	369	3.83
5,285 Vinci	369	3.83
Spain	319	3.32
21,604 Ferrovial	319	3.32
Commercial services & supplies	167	1.74
United States	167	1.74
3,574 Republic Services	167	1.74
Road & rail	454	4.72
United States	265	2.76
2,856 Union Pacific	265	2.76
Hong Kong	189	1.96
49,500 MTR	189	1.96
Transportation infrastructure	734	7.63
Australia	404	4.20
48,266 Sydney Airport	177	1.84
36,576 Transurban	227	2.36
Switzerland	122	1.27
777 Flughafen Zurich	122	1.27
Brazil	57	0.59
22,057 CCR	57	0.59
Cayman Islands	151	1.57
347,500 Hopewell Highway Infrastructure	151	1.57
Capital markets	426	4.43
United States	278	2.89
1,744 CME Group	197	2.05
1,604 Intercontinental Exchange	81	0.84
Guernsey	148	1.54
109,527 HICL Infrastructure	148	1.54
IT services	136	1.42
United States	136	1.42
582 MasterCard	70	0.73
788 Visa	66	0.69
Diversified telecommunication services	347	3.61
Italy	115	1.20
20,294 Infrastrutture Wireless Italiane	115	1.20
Singapore	232	2.41
524,800 NetLink NBN	232	2.41
Electric utilities	1,727	17.95
Belgium	277	2.88
6,197 Elia System Operator	277	2.88

M&G Global Listed Infrastructure Fund

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Investments

Portfolio statement (continued)		
as at 31 March	2018	2018
Holding	£'000	%
Denmark	343	3.57
7,445 Ørsted	343	3.57
United States	584	6.07
7,674 Edison International	344	3.58
2,079 NextEra Energy	240	2.49
Canada	209	2.17
18,093 Hydro One	209	2.17
Bermuda	314	3.26
54,000 CK Infrastructure	314	3.26
Gas utilities	560	5.82
Spain	222	2.31
12,979 Gas Natural	222	2.31
United States	338	3.51
5,683 Atmos Energy	338	3.51
Multi-utilities	265	2.76
United Kingdom	265	2.76
32,774 National Grid	265	2.76
Water utilities	182	1.89
United States	182	1.89
3,151 American Water Works	182	1.89
Independent power and renewable electricity producers	171	1.78
Guernsey	171	1.78
161,265 The Renewables Infrastructure Group	171	1.78
Equity real estate investment trusts (REITs)	1,248	12.97
United Kingdom	265	2.75
33,473 UNITE Group	265	2.75
United States	983	10.22
1,415 American Tower	145	1.51
2,488 CoreSite Realty	180	1.87
2,409 Crown Castle International	190	1.97
816 Equinix	242	2.52
6,295 Ventas	226	2.35
Equity investment instruments	373	3.88
Guernsey	373	3.88
112,653 International Public Partnerships	156	1.62
194,664 John Laing Infrastructure Fund	217	2.26
Portfolio of investments	9,484	98.60
CASH EQUIVALENTS	48	0.50
'AAA' rated money market funds [a]	48	0.50
48,000 Northern Trust Global Fund - Sterling	48	0.50
Total portfolio (notes 2c & 2d on page 7)	9,532	99.10
Net other assets / (liabilities)	87	0.90
Net assets attributable to shareholders	9,619	100.00

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

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

Top ten portfolio transactions

for the period to 31 March 2018

Largest purchases	£'000
Vinci	387
Edison International	387
Franco Nevada	366
Atmos Energy	362
Gibson Energy	355
Enbridge	352
CK Infrastructure	351
Ferrovial	350
Keyera	343
TransCanada	341
Other purchases	6,885
Total purchases	10,479
Sales	£'000
Innervex Renewable	165
Ferrovial	5
Total sales	170

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

M&G Global Listed Infrastructure Fund

Financial highlights

Fund performance

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

The fund is available for investment in different share classes, each with varying levels of charges and minimum investments; please refer to the Prospectus for M&G Investment Funds (10), 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	
	2018 £'000
as at 31 March	
Fund net asset value (NAV)	9,619

Performance since launch

As the fund has not yet operated for a 12 month period, the performance since launch graph and long-term performance figures have not been calculated.

Operating charges and portfolio transaction costs

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

Operating charges

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

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

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

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

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

Portfolio transaction costs

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

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

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

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

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

Portfolio transaction costs	
for the period to 31 March	
Direct portfolio transaction costs ^[a]	2018 %
Broker commission	0.11
Taxes	0.13
Costs before dilution adjustments	0.24
Dilution adjustments ^[b]	(0.14)
Total direct portfolio transaction costs	0.10
as at 31 March	
Indirect portfolio transaction costs	2018 %
Average portfolio dealing spread	0.12

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

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

M&G Global Listed Infrastructure Fund

Financial highlights

Specific share class performance

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

Historic yields for the current period are calculated as at 13 April 2018.

Sterling Class 'A' Income share performance

The share class was launched on 5 October 2017.

for the period to 31 March Change in NAV per share	2018 UK p
Opening NAV	100.00
Return before operating charges and after direct portfolio transaction costs	(8.23)
Operating charges	(0.68)
Return after operating charges	(8.91)
Distributions	(1.18)
Closing NAV	89.91
Direct portfolio transaction costs	UK p
Costs before dilution adjustments	0.11
Dilution adjustments ^[a]	(0.07)
Total direct portfolio transaction costs	0.04
Performance and charges	%
Direct portfolio transaction costs ^[b]	0.10
Operating charges	1.36
Return after operating charges	-8.91
Historic yield	3.70
Effect on yield of charges offset against capital	1.10
Other information	
Closing NAV (£'000)	60
Closing NAV percentage of total fund NAV (%)	0.62
Number of shares	66,837
Highest share price (UK p)	101.11
Lowest share price (UK p)	88.92

Sterling Class 'A' Accumulation share performance

The share class was launched on 5 October 2017.

for the period to 31 March Change in NAV per share	2018 UK p
Opening NAV	100.00
Return before operating charges and after direct portfolio transaction costs	(8.29)
Operating charges	(0.70)
Return after operating charges	(8.99)
Distributions	(0.66)
Retained distributions	0.66
Closing NAV	91.01
Direct portfolio transaction costs	UK p
Costs before dilution adjustments	0.11
Dilution adjustments ^[a]	(0.06)
Total direct portfolio transaction costs	0.05
Performance and charges	%
Direct portfolio transaction costs ^[b]	0.10
Operating charges	1.43
Return after operating charges	-8.99
Historic yield	2.57
Effect on yield of charges offset against capital	0.00
Other information	
Closing NAV (£'000)	56
Closing NAV percentage of total fund NAV (%)	0.58
Number of shares	61,211
Highest share price (UK p)	101.12
Lowest share price (UK p)	89.49

Sterling Class 'I' Income share performance

The share class was launched on 5 October 2017.

for the period to 31 March Change in NAV per share	2018 UK p
Opening NAV	100.00
Return before operating charges and after direct portfolio transaction costs	(8.23)
Operating charges	(0.60)
Return after operating charges	(8.83)
Distributions	(1.17)
Closing NAV	90.00
Direct portfolio transaction costs	UK p
Costs before dilution adjustments	0.11
Dilution adjustments ^[a]	(0.06)
Total direct portfolio transaction costs	0.05
Performance and charges	%
Direct portfolio transaction costs ^[b]	0.10
Operating charges	1.20
Return after operating charges	-8.83
Historic yield	3.70
Effect on yield of charges offset against capital	0.90
Other information	
Closing NAV (£'000)	1,285
Closing NAV percentage of total fund NAV (%)	13.36
Number of shares	1,428,209
Highest share price (UK p)	101.14
Lowest share price (UK p)	89.01

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Financial highlights

Specific share class performance

Sterling Class 'I' Accumulation share performance

The share class was launched on 5 October 2017.

for the period to 31 March Change in NAV per share	2018 UK p
Opening NAV	100.00
Return before operating charges and after direct portfolio transaction costs	(8.32)
Operating charges	(0.58)
Return after operating charges	(8.90)
Distributions	(0.75)
Retained distributions	0.75
Closing NAV	91.10
Direct portfolio transaction costs	UK p
Costs before dilution adjustments	0.11
Dilution adjustments ^[a]	(0.07)
Total direct portfolio transaction costs	0.04
Performance and charges	%
Direct portfolio transaction costs ^[b]	0.10
Operating charges	1.14
Return after operating charges	-8.90
Historic yield	2.77
Effect on yield of charges offset against capital	0.00
Other information	
Closing NAV (£'000)	8,182
Closing NAV percentage of total fund NAV (%)	85.06
Number of shares	8,981,662
Highest share price (UK p)	101.13
Lowest share price (UK p)	89.57

Sterling Class 'L' Income share performance

The share class was launched on 5 October 2017.

for the period to 31 March Change in NAV per share	2018 UK p
Opening NAV	100.00
Return before operating charges and after direct portfolio transaction costs	(8.27)
Operating charges	(0.45)
Return after operating charges	(8.72)
Distributions	(1.18)
Closing NAV	90.10
Direct portfolio transaction costs	UK p
Costs before dilution adjustments	0.11
Dilution adjustments ^[a]	(0.07)
Total direct portfolio transaction costs	0.04
Performance and charges	%
Direct portfolio transaction costs ^[b]	0.10
Operating charges	0.86
Return after operating charges	-8.72
Historic yield	3.70
Effect on yield of charges offset against capital	0.65
Other information	
Closing NAV (£'000)	18
Closing NAV percentage of total fund NAV (%)	0.19
Number of shares	20,000
Highest share price (UK p)	101.16
Lowest share price (UK p)	89.11

Sterling Class 'L' Accumulation share performance

The share class was launched on 5 October 2017.

for the period to 31 March Change in NAV per share	2018 UK p
Opening NAV	100.00
Return before operating charges and after direct portfolio transaction costs	(8.34)
Operating charges	(0.45)
Return after operating charges	(8.79)
Distributions	(0.87)
Retained distributions	0.87
Closing NAV	91.21
Direct portfolio transaction costs	UK p
Costs before dilution adjustments	0.11
Dilution adjustments ^[a]	(0.07)
Total direct portfolio transaction costs	0.04
Performance and charges	%
Direct portfolio transaction costs ^[b]	0.10
Operating charges	0.86
Return after operating charges	-8.79
Historic yield	3.03
Effect on yield of charges offset against capital	0.00
Other information	
Closing NAV (£'000)	18
Closing NAV percentage of total fund NAV (%)	0.19
Number of shares	20,000
Highest share price (UK p)	101.16
Lowest share price (UK p)	89.68

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

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

M&G Global Listed Infrastructure Fund

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Financial statements

Statement of total return

for the period to 31 March	Note	2018 £'000	£'000
Income			
Net capital gains / (losses)	3		(846)
Revenue	5	110	
Expenses	6	(33)	
Net revenue / (expense) before taxation		77	
Taxation	7	(13)	
Net revenue / (expense) after taxation			64
Total return before distributions			(782)
Distributions	8		(68)
Change in net assets attributable to shareholders from investment activities			(850)

Statement of change in net assets attributable to shareholders

for the period to 31 March	2018 £'000	£'000
Opening net assets attributable to shareholders		0
Amounts received on issue of shares	10,456	
Amounts paid on cancellation of shares	(54)	
		10,402
Dilution adjustments		9
Change in net assets attributable to shareholders from investment activities (see above)		(850)
Retained distributions on Accumulation shares		58
Closing net assets attributable to shareholders		9,619

Balance sheet

as at 31 March	Note	2018 £'000
Assets		
Fixed assets		
Investments		9,532
Current assets		
Debtors	9	129
Cash and bank balances	10	30
Total assets		9,691
Liabilities		
Creditors		
Bank overdrafts		(29)
Distribution payable		(8)
Other creditors	11	(35)
Total liabilities		(72)
Net assets attributable to shareholders		9,619

Notes to the financial statements

1 Accounting policies

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

2 Distribution policy

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

3 Net capital gains / (losses)

for the period to 31 March	2018 £'000
Non-derivative securities	(825)
Currency gains / (losses)	(15)
Transaction charges	(6)
Net capital gains / (losses)	(846)

4 Portfolio transactions and associated costs

The following tables show portfolio transactions and their associated transaction costs. For more information about the nature of the costs please see the section on 'Operating charges and portfolio transaction costs' on page 28.

for the period to 31 March	2018 £'000	% of transaction
a) Purchases		
Equities		
Equities before transaction costs	9,875	
Commissions	4	0.04
Taxes	5	0.05
Equities after transaction costs	9,884	
Collective investment schemes		
Collective investment schemes before transaction costs	595	
Collective investment schemes after transaction costs	595	
Total purchases after transaction costs	10,479	
b) Sales		
Equities		
Equities before transaction costs	170	
Total sales after transaction costs	170	
c) Direct portfolio transaction costs	2018 £'000	% of average NAV
Commissions paid		
Equities	4	0.11
Taxes paid		
Equities	5	0.13
Total direct portfolio transaction costs [a]	9	0.24
d) Indirect portfolio transaction costs		%
Portfolio dealing spread [b]		0.12

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

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

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Notes to the financial statements

5 Revenue

for the period to 31 March	2018 £'000
Dividends from equity investments: non-taxable	92
Dividends from equity investments: taxable	18
Total revenue	110

6 Expenses

for the period to 31 March	2018 £'000
Payable to the ACD or associate	
Annual management charge	27
Administration charge	5
	32
Payable to the Depositary or associate	
Depositary's charge (including VAT)	1
	1
Total expenses	33

Audit fee of £6,840 (including VAT) for the first year of the fund was paid by M&G.

7 Taxation

for the period to 31 March	2018 £'000
a) Analysis of charge in the period	
Corporation tax	0
Withholding tax	13
Deferred tax (note 7c)	0
Total taxation	13
b) Factors affecting taxation charge for the period	
Net revenue / (expense) before taxation	77
Corporation tax at 20%	15
Effects of:	
Dividends from equity investments: non-taxable	(18)
Current year expenses not utilised	3
Withholding tax	13
Total tax charge (note 7a)	13
c) Provision for deferred taxation	
Provision at the start of the period	0
Deferred tax in profit and loss account (note 7a)	0
Provision at the end of the period	0

The fund has not recognised a deferred tax asset of £3,000 arising as a result of having excess management expenses. We do not expect this asset to be utilised in the foreseeable future.

8 Distributions

for the period to 31 March	2018	
Dividend distributions	Inc ^[a] £'000	Acc ^[b] £'000
Third interim	8	28
Final	8	30
Total net distributions		74
Income received on issue of shares		(6)
Distributions		68
Net revenue / (expense) per statement of total return		64
Expenses offset against capital		4
Distributions		68

[a] Distributions payable on Income shares.

[b] Retained distributions on Accumulation shares.

9 Debtors

as at 31 March	2018 £'000
Amounts receivable on issues of shares	111
Dividends receivable	17
Withholding tax recoverable	1
Total debtors	129

10 Cash and bank balances

as at 31 March	2018 £'000
Cash held as bank balances	30
Total cash and bank balances	30

11 Other creditors

as at 31 March	2018 £'000
ACD's annual management charge payable	3
Administration charge payable	1
Expenses payable	3
Purchases awaiting settlement	28
Total other creditors	35

12 Contingent assets, liabilities and outstanding commitments

There were no contingent assets, liabilities or outstanding commitments at the balance sheet date.

13 Shares in issue

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

Share class	Opening 05.10.17	Movements		Closing 31.03.18
Sterling		Issued	Cancelled	
Class 'A' Income	0	108,905	(42,068)	66,837
Class 'A' Accumulation	0	61,211	0	61,211
Class 'I' Income	0	1,444,002	(15,793)	1,428,209
Class 'I' Accumulation	0	8,981,662	0	8,981,662
Class 'L' Income	0	20,000	0	20,000
Class 'L' Accumulation	0	20,000	0	20,000

14 Charging structure

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

Share class	Entry charge %	Exit charge %	Annual management charge %
Sterling			
Class 'A'	nil	n/a	0.95
Class 'I'	nil	n/a	0.75
Class 'L'	nil	n/a	0.50

M&G Global Listed Infrastructure Fund

Financial statements and notes

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15 Related parties

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

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

At the balance sheet date, shareholders from within Prudential plc, of which M&G Securities Limited is a wholly owned subsidiary, have holdings totalling 47.27% of the fund's shares.

16 Events after the balance sheet date

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

17 Fair value analysis

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

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

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

Level 2: Valuation technique using observable market data

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

Level 3: Valuation technique using unobservable inputs

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

as at 31 March Basis of valuation	Assets 2018 £'000	Liabilities 2018 £'000
Level 1	9,484	0
Level 2	48	0
Level 3	0	0
	9,532	0

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

18 Risk management policies

The general risk management policies for the fund are set out in note 3 to the financial statements on pages 8 and 9.

19 Market risk sensitivity

A five per cent increase in the value of the fund's investment portfolio would have the effect of increasing the return and net assets by £474,000. A five per cent decrease would have an equal and opposite effect.

20 Currency risk sensitivity and exposure

A five per cent increase in the value of the fund's currency exposure would have the effect of increasing the return and net assets by £481,000. A five per cent decrease would have an equal and opposite effect.

as at 31 March	2018 £'000
Currency exposure in respect of the fund	
Australian dollar	404
Brazilian real	57
Canadian dollar	1,398
Danish krone	344
Euro	1,302
Hong Kong dollar	653
Singapore dollar	232
Sterling	1,337
Swiss franc	122
US dollar	3,770
Total	9,619

21 Dividend distribution tables

This fund pays quarterly ordinary distributions and the following table sets out the distribution periods since the launch of the fund.

Quarterly distribution periods				
	Start	End	Xd	Payment
Third interim	05.10.17	31.12.17	02.01.18	28.02.18
Final	01.01.18	31.03.18	03.04.18	31.05.18

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

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

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

M&G Global Listed Infrastructure Fund

Financial statements and notes

Notes to the financial statements

21 Dividend distribution tables (continued)

Sterling Class 'A' Income shares			
Ordinary distributions for the period to 31 March	Income 2018	Group 2 Equalisation 2018	Group 1 & 2 Distribution 2018
	p	p	p
Third interim	0.4852	0.1385	0.6237
Final	0.3950	0.1607	0.5557

Sterling Class 'A' Accumulation shares			
Ordinary distributions for the period to 31 March	Income 2018	Group 2 Equalisation 2018	Group 1 & 2 Distribution 2018
	p	p	p
Third interim	0.2037	0.1768	0.3805
Final	0.2798	0.0000	0.2798

Sterling Class 'I' Income shares			
Ordinary distributions for the period to 31 March	Income 2018	Group 2 Equalisation 2018	Group 1 & 2 Distribution 2018
	p	p	p
Third interim	0.2860	0.3376	0.6236
Final	0.4191	0.1317	0.5508

Sterling Class 'I' Accumulation shares			
Ordinary distributions for the period to 31 March	Income 2018	Group 2 Equalisation 2018	Group 1 & 2 Distribution 2018
	p	p	p
Third interim	0.3295	0.0932	0.4227
Final	0.2961	0.0318	0.3279

Sterling Class 'L' Income shares			
Ordinary distributions for the period to 31 March	Income 2018	Group 2 Equalisation 2018	Group 1 & 2 Distribution 2018
	p	p	p
Third interim	0.6253	0.0000	0.6253
Final	0.5500	0.0000	0.5500

Sterling Class 'L' Accumulation shares			
Ordinary distributions for the period to 31 March	Income 2018	Group 2 Equalisation 2018	Group 1 & 2 Distribution 2018
	p	p	p
Third interim	0.4816	0.0000	0.4816
Final	0.3890	0.0000	0.3890

M&G UK Inflation Linked Corporate Bond Fund

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Investment objective

The fund aims to protect the value of capital and income from inflation by generating a return consistent with or greater than UK inflation over a rolling three to five year period. There is no guarantee that the fund will achieve its objective over this, or any other, period. The income distributions and the value of your investment may rise and fall and investors may not recoup the original amount they invested.

Investment policy

The fund invests mainly in investment grade corporate bonds, including inflation-linked corporate bonds, floating rate notes (including asset backed securities) and other fixed income instruments (including bonds not linked to inflation). Derivatives may be used in pursuit of the fund objective and for efficient portfolio management purposes. Corporate bond exposure may be achieved either directly or by investing in a combination of assets, including government securities and credit derivatives. Inflation strategies may, at times, result in a return profile different to that of corporate bonds not linked to inflation. If deemed appropriate by the investment manager, the associated currency risks may be hedged.

The fund may also invest in other assets including collective investment schemes, other transferable securities and debt instruments (including high yield debt, convertible and preference stocks), cash and near cash, deposits, warrants and money market instruments.

Investment approach

The M&G UK Inflation Linked Corporate Bond Fund invests in a range of fixed interest securities that should perform well when inflation is high or rising. The fund will be mainly exposed to investment grade credit but can also invest in inflation-linked government bonds, floating rate notes (FRNs), senior secured loans, conventional corporate and government bonds, cash and derivatives such as credit default swaps (CDS). The fund manager may also form assets out of a combination of government bonds and derivatives, whose returns behave in a similar way to inflation-linked corporate bonds. The aim of the fund is to provide returns that are consistent with or exceed inflation, as measured by the Consumer Prices Index (CPI) over a rolling three- to five-year period.

Risk profile

The fund invests in fixed interest assets that would be expected to perform well in an inflationary environment, such as inflation-linked bonds issued by companies and governments. It is therefore subject to the price volatility of the global bond market as well as the performance of individual issuers.

The fund's focus is on investment grade, or high-quality corporate bonds, which are securities that are normally traded with relative ease. The fund's exposure to index-linked bonds may be achieved either directly or by investing in a combination of assets, including government securities and credit 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 3 April 2018, for the year ended 31 March 2018

Performance against objective

Between 3 April 2017 (the start of the review period) and 3 April 2018, the M&G UK Inflation Linked Corporate Bond Fund delivered a positive total return (the combination of income and growth of capital) of around 1.0%, although this varied slightly between different share classes. This compares with the change in the UK Consumer Prices Index (CPI), which the fund seeks to match or exceed over a rolling three- to five-year period, of 2.7% over the same one-year period.* Over three and five years, the fund's returns were broadly in line with the CPI.

* 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 invests in a range of instruments that can help to mitigate the potentially damaging effects of inflation. It is mainly invested in inflation-linked bonds issued by high-quality companies, where both the value of the loan and the interest payments are adjusted in line with inflation until they mature. 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. Bonds issued by companies are referred to as 'corporate bonds', while those issued by governments are called 'government bonds'.

Bond markets produced mixed returns over the 12-month review period. While the gradually improving global economic backdrop was generally supportive for corporate bonds, the prospect of a pick-up in global inflation and the withdrawal of central bank stimulus measures weighed on government bond prices for much of the period.

M&G UK Inflation Linked Corporate Bond Fund

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Investment review

Investment performance (continued)

However, the final weeks of the review period saw something of a reversal of this trend as concerns over rising US interest rates and fears of a trade war between the US and China weighed on investor sentiment. This led to a sell-off in global stockmarkets that later spilled over into corporate bond markets. In contrast, government bonds benefited from their perceived safe-haven qualities and delivered solid performance during this period.

UK inflation moved higher throughout much of 2017, with the Consumer Prices Index (CPI) increasing from 2.3% in February to a peak of 3.1% in November. However, we then saw an easing of inflationary pressures, with CPI falling back to 2.7% by February 2018. This modest pullback was in line with our expectations, and mainly because of the earlier weakness in sterling (which had pushed up the cost of imported goods) starting to drop out of the year-on-year inflation numbers.

The fund delivered a modest positive total return over the review period. This was mainly driven by positive contributions from its corporate bond exposure, although the market weakness towards the end of the review period meant that some of these earlier gains were reversed. Returns were also slightly held back by a dip in UK inflation expectations over the 12-month period, which weighed on inflation-linked bonds.

Investment activities

We continue to see attractive opportunities in corporate bond markets, and we took the opportunity to invest in a wide range of businesses over the 12-month period, including global insurance company MetLife and utility providers Anglian Water and National Grid. We also increased our position in an index-linked issue from Tesco that we believe offers an attractive yield in light of the company's improving fundamentals.

Financials remain a key theme within the fund at present, as we believe banks are particularly well placed to benefit from an environment of rising inflation and higher government bond yields. Having previously built up a position in US banks, we now see better value in European banks and have been increasing the fund's exposure to names such as BNP Paribas, Barclays and Santander.

In terms of sales, we sold our positions in a number of US financials where valuations were starting to look slightly less compelling after such a strong run, including issues from J.P.Morgan, Bank of America and Goldman Sachs. On a similar basis, we sold some of our longer dated US corporate bonds following strong performance, such as Microsoft and Comcast.

Within the government bond portion of the portfolio, we have a preference for index-linked gilts with a short time to maturity, where we currently see good value. The fund also maintains a modest exposure to US inflation-linked government bonds, which we believe look attractively valued and well placed to benefit from the expected pick-up in US inflation. However, we sold the position in Italian index-linked government bonds towards the end of the period, given the still uncertain political situation.

The fund's sensitivity to movement in interest rates, otherwise known as duration, was slightly increased over the 12-month period, from around 0.7 years at the end March 2017 to around 1.1 years by the end of March 2018. It should be noted, however, this is still significantly shorter than a traditional index-linked gilt or corporate bond strategy, and should help minimise the impact on the fund of any future rise in gilt yields.

Outlook

Despite the recent increase in market volatility and ongoing geopolitical uncertainties, we believe the global economic recovery remains on track and we think the Federal Reserve will push ahead with further gradual rate rises. With company default rates expected to stay low, we remain positive on corporate bonds. However, we continue to be cautious on government bonds given the likelihood of further rate rises.

In terms of our inflation outlook, we think the UK CPI is likely to drift back towards its 2% target over the coming months as the earlier weakness in sterling starts to fade. Still, there are a number of risks to this view, not least any renewed weakness in sterling or a faster-than-expected increase in wages, and we maintain an exposure to UK index-linked bonds.

Overall, we think that inflationary pressures are likely to be more apparent in the US as the tightening labour market starts to put upward pressure on wages. In Europe, we think inflation will gradually rise from a low base as the economic recovery gathers momentum. However, with unemployment still elevated, the extent of any rise in European inflation should be limited for the time being.

By focusing on index-linked bonds issued by highly rated companies that are due to be repaid in a relatively short period of time, we believe the fund is well placed to capture an inflation-adjusted income stream while keeping a low sensitivity to movements in interest rates.

Ben Lord

Fund manager

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

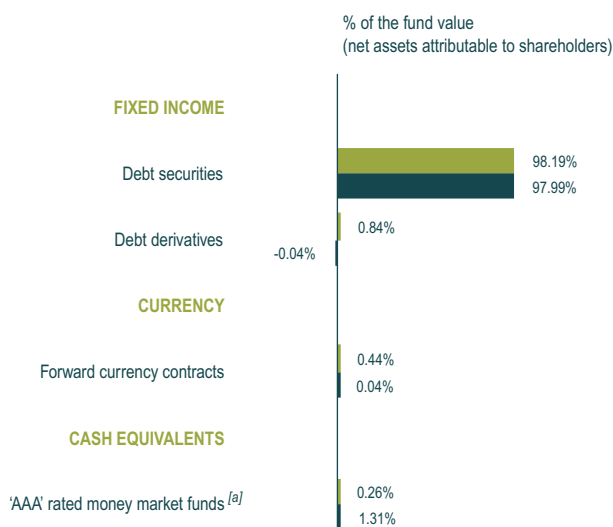
Please note that the views expressed in this Report should not be taken as a recommendation or advice on how the fund or any holding mentioned in the Report is likely to perform. If you wish to obtain financial advice as to whether an investment is suitable for your needs, you should consult a Financial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

M&G UK Inflation Linked Corporate Bond Fund

Authorised Corporate Director's Report

Investment review

Classification of investments



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

■ 31 March 2018
■ 31 March 2017

Source: M&G

Investments

Portfolio statement

as at 31 March Holding	2018 £'000	2018 %	2017 %
FIXED INCOME	1,180,650	99.03	97.95
Debt securities	1,170,632	98.19	97.99
'AAA' credit rated bonds	32,673	2.74	3.31
£2,727,595 Dukinfield FRN 2052	2,761	0.23	
€10,000,000 European Investment Bank 0.01% 2026	8,383	0.70	
£148,000 European Investment Bank 2.1% IL 2022	233	0.02	
£3,571,854 Residential Mortgage Securities FRN 2050	3,581	0.30	
£3,476,069 Residential Mortgage Securities FRN 2046	3,497	0.30	
£9,160,035 Ripon Mortgages FRN 2056	9,222	0.77	
£5,000,000 Santander UK FRN 2022	4,996	0.42	
'AA' credit rated bonds	819,386	68.73	63.00
£20,461 Baglan Moor Healthcare 3.92% IL 2029	42	0.00	
£6,104,000 Metropolitan Life Global Funding I 1.125% 2021	6,006	0.50	
€1,500,000 Réseau Ferré de France 2.45% IL 2023	1,911	0.16	
£9,300,000 Scotland Gas Network 2.966% IL 2022	15,203	1.28	
£7,220,000 Towd Point Mortgage Funding FRN 2046	7,278	0.61	
£36,850,000 Treasury 0.125% IL 2024	47,167	3.96	
£200,000 Treasury 0.14% IL 2026	247	0.02	
£200,000 Treasury 1.25% IL 2027	373	0.03	
£58,000,000 Treasury 1.75% 2019	58,762	4.93	
£17,903,000 Treasury 1.875% IL 2022	28,580	2.40	
£70,278,623 Treasury 2.5% IL 2020	254,392	21.34	
£57,775,000 Treasury 2.5% IL 2024	207,350	17.39	
\$47,775,000 US Treasury 0.125% IL 2021	35,209	2.95	
\$50,500,000 US Treasury 0.125% IL 2022 (15 Jan)	38,871	3.26	
\$110,000,000 US Treasury 0.125% IL 2022 (15 Jul)	83,372	6.99	
\$25,000,000 US Treasury 0.125% IL 2024	18,099	1.52	
\$15,000,000 US Treasury 0.625% IL 2021	11,863	1.00	
\$5,500,000 US Treasury 1.875% IL 2019	4,661	0.39	
'A' credit rated bonds	115,259	9.67	9.30
£1,350,000 Anglian Water Services 3.666% IL 2024	2,683	0.23	
£11,168,000 Anglian Water Services 4.125% IL 2020	20,648	1.73	
\$5,000,000 Bank of America FRN 2024	3,526	0.30	
\$17,500,000 Bank of America FRN 2026	12,161	1.02	
£920,000 Bank of Scotland 2.64% IL 2020	1,559	0.13	
€2,600,000 Belfius Bank Var. Rate 2028 (1.625%)	2,271	0.19	
£1,200,000 Eddystone Finance FRN 2021	1,201	0.10	
£3,346,050 Greene King Finance FRN 2033	3,318	0.28	
£5,000,000 Lloyds Bank FRN 2021	4,999	0.42	
£16,165,000 National Grid Electricity Transmission 2.983% IL 2018	25,790	2.16	
£2,199,000 National Grid Electricity Transmission 3.806% IL 2020	3,874	0.33	
£3,013,700 Nationwide Building Society 3.875% IL 2021	9,890	0.83	
£598,898 Nationwide Building Society 4.25% IL 2024	1,947	0.16	
£2,500,000 Newgate Funding FRN 2050 A3	2,352	0.20	
£150,184 Newgate Funding FRN 2050 A4	145	0.01	

M&G UK Inflation Linked Corporate Bond Fund

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Investments

Portfolio statement (continued)				
as at 31 March Holding	2018 £'000	2018 %	2017 %	
'A' credit rated bonds (continued)				
£2,126,000 Rabobank 2.25% IL 2022	3,243	0.27		
£2,506,960 RMAC 2003-Ns4 FRN 2044	2,440	0.20		
£1,452,000 Southern Water Services Finance 3.816% IL 2023	2,697	0.23		
£10,000,000 Spain (Kingdom of) 1.8% IL 2024	10,515	0.88		
'BBB' credit rated bonds				
	119,697	10.04	16.82	
\$6,000,000 ABN AMRO Bank Var. Rate 2028 (4.4%)	4,282	0.36		
€4,372,000 Arion Bank 1% 2023	3,810	0.32		
\$11,500,000 AT&T 5.25% 2037	8,499	0.71		
\$5,000,000 Bellsouth 4.973% 2021	3,559	0.30		
€7,500,000 BPCE FRN 2026	6,555	0.55		
£157,000 British Telecommunications 3.5% IL 2025	323	0.03		
€2,500,000 Channel Link Enterprises Finance Var. Rate 2050 (1.761%)	2,229	0.19		
\$3,205,000 CVS Health FRN 2021	2,291	0.19		
£1,826,000 GKN Holdings 3.375% 2032	1,829	0.15		
\$7,500,000 Goldman Sachs Group FRN 2023	5,490	0.46		
£1,067,000 LafargeHolcim Sterling Finance (Netherlands) 3% 2032	1,028	0.09		
£9,890,000 Lloyds Bank 7.625% 2025	12,839	1.08		
€7,500,000 Lloyds Bank Var. Rate 2028 (1.75%)	6,535	0.55		
\$5,000,000 Morgan Stanley FRN 2023	3,628	0.30		
\$7,500,000 Morgan Stanley FRN 2024	5,394	0.45		
\$2,500,000 Nationwide Building Society Var. Rate 2024 (3.766%)	1,772	0.15		
€4,506,000 Nationwide Building Society Var. Rate 2026 (1.5%)	3,958	0.33		
€2,287,000 Nationwide Building Society Var. Rate 2029 (2%)	2,003	0.17		
€4,000,000 Orange 3% IL 2018	3,938	0.33		
£4,900,000 Orange Var. Rate Perp. (5.75%)	5,378	0.45		
\$4,250,000 Royal Bank of Scotland 3.875% 2023	2,973	0.25		
£5,000,000 Royal Bank of Scotland Var. Rate Sep 2026 (2.875%)	4,964	0.42		
€4,324,000 Santander UK Group Holdings FRN 2024	3,795	0.32		
£1,950,000 Severn Trent 1.3% IL 2022	2,390	0.20		
£2,944,000 South Eastern Power Networks 4.2148% IL 2023	5,351	0.45		
€4,600,000 Telefónica (Europe) 3% Perp.	3,984	0.33		
£1,967,000 Thames Water Utilities Cayman 2.375% 2023	1,920	0.16		
£3,152,000 Thames Water Utilities Finance 3.375% IL 2021	5,616	0.47		
\$4,750,000 Verizon Communications 4.862% 2046	3,364	0.28		
'BB' credit rated bonds				
	18,910	1.59	1.95	
\$3,115,000 Barclays Bank 4.836% 2028	2,161	0.18		
£1,518,442 Catalyst Healthcare 3.42 % IL 2040	2,555	0.22		
\$3,000,000 Royal Bank of Scotland 6% 2023	2,260	0.19		
£3,500,000 Tesco 3.322% IL 2025	6,560	0.55		
€6,500,000 Teva Pharmaceutical Finance 1.125% 2024	4,734	0.40		
€730,000 Teva Pharmaceutical Finance 4.5% 2025	640	0.05		

Portfolio statement (continued)

as at 31 March Holding	2018 £'000	2018 %	2017 %
Bonds with no credit rating			
	64,707	5.42	3.61
€5,000,000 Altarea 2.25% 2024	4,370	0.37	
£500,000 Annes Gate Property 3.237% IL 2030	971	0.08	
€3,810,000 ATON 3.875% 2018	3,335	0.28	
£4,029,000 Coventry Building Society 1.875% 2023	3,962	0.33	
€2,000,000 Eirles Two FRN 2020	0	0.00	
£418,090 Exchequer Partnerships 3.582% IL 2035	944	0.08	
£3,823,373 Finsbury Square FRN 2065	3,834	0.32	
£5,567,000 Gosforth Funding FRN 2059	5,602	0.47	
\$5,565,164 Home Partners of America Trust HPA FRN 2016	3,971	0.33	
£716,584 HpC Kings College Hospital 3.443% IL 2036	1,545	0.13	
€2,000,000 Lagardère 1.625% 2024	1,723	0.14	
£4,937,730 London Wall Mortgage Capital FRN 2049	4,950	0.41	
£5,000,000 Newday Partnership Funding FRN 2027	5,028	0.42	
£1,497,000 Old Mutual 8% 2021	1,691	0.14	
£2,859,000 PCL Funding FRN 2023	2,868	0.24	
£3,889,000 Precise Mortgage Funding FRN 2055	3,891	0.33	
\$4,473,588 Progress Residential Trust FRN 2034	3,203	0.27	
£16 T.H.F.C 5.65% IL 2020	0	0.00	
£1,000,900 Tesco Personal Finance 1% IL 2019	1,179	0.10	
£2,045,884 The Hospital Company (Dartford) 3.003% IL 2031	3,988	0.34	
£2,707,052 Together Asset Backed Securitisation FRN 2049	2,720	0.23	
£2,674,000 TSB Bank Var. Rate 2026 (5.75%)	2,892	0.24	
\$2,939,000 Vrio Finco 1 LLC / Vrio Finco 2 6.25% 2023	2,040	0.17	
Debt derivatives			
	10,018	0.84	(0.04)
Credit default swaps			
	13,444	1.13	0.49
€(16,050,000) Ahold Finance USA Dec 2022	302	0.02	
\$(13,000,000) América Móvil Dec 2021	30	0.00	
\$(10,000,000) American International Jun 2027	(124)	(0.01)	
€(9,400,000) Anglo American Capital Dec 2022	1,501	0.13	
€(5,000,000) Aroundtown Dec 2022	(25)	0.00	
€(11,500,000) BAT International Finance Dec 2021	201	0.02	
\$(15,000,000) Berkshire Hathaway Dec 2022	204	0.03	
€(5,000,000) BNP Paribas Dec 2021	30	0.00	
\$5,000,000 Bristol-Myers Squibb Sep 2020	(75)	(0.01)	
\$(10,000,000) Citigroup Dec 2021	148	0.01	
€(5,000,000) Cooperatieve Rabobank Dec 2021	58	0.01	
€(12,500,000) Credit Agricole Dec 2021	72	0.00	
\$(11,250,000) CVS Health Dec 2022	144	0.01	
\$(15,000,000) CVS Health Dec 2027	(62)	0.00	
€(7,250,000) Deutsche Telekom Jun 2023	199	0.02	
€(10,000,000) Deutsche Telekom Mar 2023	267	0.02	
\$(13,000,000) Enbridge Energy Partners Dec 2021	3	0.00	
€(9,400,000) Enel Dec 2022	152	0.01	
\$(5,000,000) Ford Motor Credit Dec 2020	54	0.01	
\$(3,300,000) Ford Motor Credit Jun 2020	37	0.00	
€(11,700,000) Glencore Finance Europe Dec 2021	1,558	0.12	
€(7,000,000) Glencore Finance Europe Dec 2022	1,081	0.10	
€(7,500,000) Glencore Finance Europe Jun 2022	1,088	0.09	
€(2,500,000) Glencore International Jun 2021	18	0.00	

M&G UK Inflation Linked Corporate Bond Fund

Authorised Corporate Director's Report

Investments

Portfolio statement (continued)			
as at 31 March Holding	2018 £'000	2018 %	2017 %
Credit default swaps (continued)			
€(9,500,000) Imperial Brands Finance Dec 2021	146	0.01	
€(10,000,000) ING Groep Jun 2022	158	0.01	
€(7,500,000) Intesa Sanpaolo Dec 2021	82	0.01	
€(5,000,000) Intesa Sanpaolo Jun 2022	51	0.00	
\$(10,000,000) Kroger Dec 2022	21	0.00	
€(10,000,000) Leonardo Dec 2022	1,479	0.12	
€(129,000,000) Markit iTraxx Europe Series 27 10 Year Jun 2027	1,175	0.11	
€(13,500,000) Markit iTraxx Europe Series 28 10 Year Dec 2027	51	0.00	
€(23,700,000) Markit iTraxx Europe Series 28 5 Year Dec 2022	478	0.04	
€(32,000,000) Markit iTraxx Europe Snr Fin Series 26 5 Year Jun 2022	680	0.06	
€(27,100,000) Markit iTraxx Europe Snr Fin Series 28 5 Year Dec 2022	497	0.05	
€(12,500,000) Markit iTraxx Europe Sub Fin Series 27 5 Year Jun 2022	37	0.00	
€(25,300,000) Markit iTraxx Europe Sub Fin Series 28 5 Year Dec 2022	(142)	(0.02)	
\$(7,500,000) MetLife Dec 2022	99	0.01	
\$(10,000,000) Morgan Stanley Dec 2021	131	0.01	
€(5,000,000) Nationwide Building Society Dec 2022	4	0.00	
€(20,000,000) Reckitt Benckiser Treasury Services Jun 2022	426	0.04	
€(8,000,000) Royal Bank of Scotland Group Dec 2022	(206)	(0.02)	
\$(20,000,000) Simon Property Group Dec 2021	271	0.02	
€(7,500,000) Société Générale Jun 2022	17	0.00	
\$(10,000,000) Target Dec 2022	180	0.01	
\$(10,000,000) Target Jun 2022	184	0.02	
€(15,000,000) Telecom Italia Dec 2021	(9)	0.00	
€(7,500,000) Telefónica Emisiones Dec 2021	114	0.01	
\$(10,000,000) Verizon Communications Mar 2025	61	0.01	
\$(5,000,000) Verizon Communications Sep 2023	58	0.01	
€(10,000,000) Vodafone Group Dec 2022	151	0.01	
\$(19,000,000) Wal-mart Stores Dec 2021	389	0.03	
Interest rate swaps	249	0.02	(0.35)
£20,000,000 Pay 0.785% Receive VAR Feb 2022	373	0.03	
£20,000,000 Pay 0.832% Receive VAR Mar 2022	344	0.03	
£30,000,000 Pay 0.874% Receive VAR Sep 2047	568	0.04	
£45,000,000 Pay 0.96% Receive VAR Mar 2022	571	0.05	
£22,500,000 Pay 0.974% Receive VAR Nov 2046	202	0.02	
£17,500,000 Pay 1.08875% Receive VAR Oct 2022	137	0.01	
£30,000,000 Pay 1.316% Receive VAR Feb 2020	(177)	(0.02)	
£25,000,000 Pay 1.319% Receive VAR Jan 2020	(164)	(0.02)	
£35,000,000 Pay 1.38% Receive VAR Mar 2023	(94)	(0.01)	
£60,000,000 Pay 1.49% Receive VAR Feb 2020	(546)	(0.04)	
£75,000,000 Pay 1.71% Receive VAR Oct 2019	(1,174)	(0.10)	
£50,000,000 Pay 272.9% Receive 3.3475 Sep 2022	286	0.03	
£50,000,000 Pay 3.198% Receive 3.1975 Mar 2023	(77)	0.00	

Portfolio statement (continued)

as at 31 March Holding	2018 £'000	2018 %	2017 %
Interest rate futures	(3,675)	(0.31)	(0.18)
(624) 10 Year US Treasury Note Jun 2018	(438)	(0.04)	
(28) Euro Bobl Jun 2018	(19)	0.00	
(1,428) UK Long Gilt Bond Jun 2018	(2,961)	(0.25)	
(60) US Ultra Long Treasury Bond Jun 2018	(257)	(0.02)	
CURRENCY	5,233	0.44	0.04
Forward currency contracts	5,233	0.44	0.04
€52,531,552 Bought for £46,976,122 (expires 04.04.18)	(939)	(0.08)	
€(152,132,443) Sold for £135,290,515 (expires 04.04.18)	1,967	0.17	
\$3,104,759 Bought for £2,199,357 (expires 04.04.18)	9	0.00	
\$(370,340,189) Sold for £267,567,644 (expires 04.04.18)	4,196	0.35	
Portfolio of investments	1,185,883	99.47	97.99
CASH EQUIVALENTS	3,133	0.26	1.31
'AAA' rated money market funds [a]	3,133	0.26	1.31
3,133,000 Northern Trust Global Fund - Sterling	3,133	0.26	
Total portfolio (notes 2c & 2d on page 7)	1,189,016	99.73	99.30
Net other assets / (liabilities)	3,174	0.27	0.70
Net assets attributable to shareholders	1,192,190	100.00	100.00

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

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

M&G UK Inflation Linked 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 show the performance for two of the fund's share classes – Sterling Class 'A' (Accumulation) shares and Sterling Class 'I' (Accumulation) shares.

We show performance for these two share classes because:

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

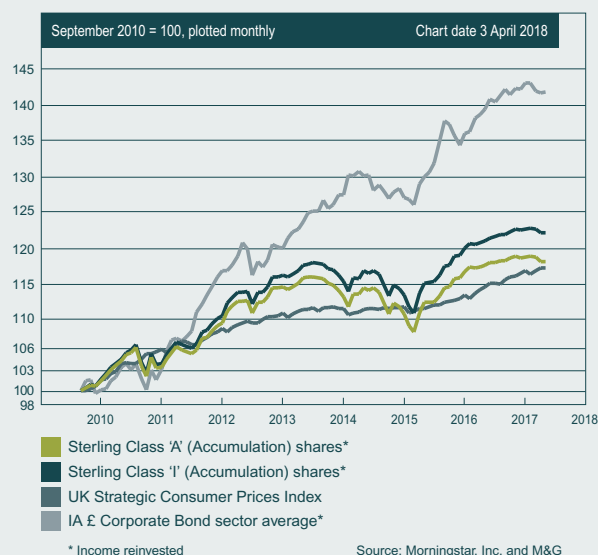
The fund is available for investment in different share classes, each with varying levels of charges and minimum investments; please refer to the Prospectus for M&G Investment Funds (10), which is available free of charge either from our website at www.mandg.co.uk/prospectuses or by calling M&G Customer Relations.

Fund level performance

Fund net asset value			
as at 31 March	2018 £'000	2017 £'000	2016 £'000
Fund net asset value (NAV)	1,192,190	1,085,121	670,808

Performance since launch

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



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

Long-term performance by share class				
	One year 03.04.17 % [a]	Three years 02.04.15 % p.a.	Five years 03.04.13 % p.a.	Since launch % p.a.
Sterling [b]				
Class 'A'	+0.6	+1.4	+0.9	+2.2 [c]
Class 'I'	+1.1	+1.9	+1.4	+2.7 [c]
Class 'R'	+0.8	+1.7	+1.2	+2.1 [d]

[a] Absolute basis.

[b] Price to price with income reinvested.

[c] 16 September 2010, the launch date of the fund.

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

M&G UK Inflation Linked 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:

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

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

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

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

Portfolio transaction costs

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

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

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

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

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

Portfolio transaction costs

for the year to 31 March	2018	2017	2016	Average ^[a]
Direct portfolio transaction costs ^[b]	%	%	%	%
Broker commission	0.00	0.01	0.01	0.01
Taxes	0.00	0.00	0.00	0.00
Costs before dilution adjustments	0.00	0.01	0.01	0.01
Dilution adjustments ^[c]	0.00	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.01	0.01	0.01
as at 31 March	2018	2017	2016	Average ^[a]
Indirect portfolio transaction costs	%	%	%	%
Average portfolio dealing spread	0.12	0.28	0.51	0.30

^[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 UK Inflation Linked 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 16 September 2010.

for the year to 31 March Change in NAV per share	2018 UK p	2017 UK p	2016 UK p
Opening NAV	114.15	109.23	111.51
Return before operating charges and after direct portfolio transaction costs	2.39	7.55	(1.00)
Operating charges	(1.33)	(1.31)	(1.28)
Return after operating charges	1.06	6.24	(2.28)
Distributions	(0.68)	(1.32)	0.00
Closing NAV	114.53	114.15	109.23
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.01	0.01
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.01	0.01
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.01	0.01
Operating charges	1.16	1.16	1.16
Return after operating charges	+0.93	+5.71	-2.04
Distribution yield ^[c]	0.61	0.91	0.67
Effect on yield of charges offset against capital	1.15	1.15	0.00
Other information			
Closing NAV (£'000)	131,816	91,542	71,177
Closing NAV percentage of total fund NAV (%)	11.06	8.44	10.61
Number of shares	115,089,107	80,196,352	65,164,076
Highest share price (UK p)	115.85	115.28	113.39
Lowest share price (UK p)	114.10	109.32	105.19

Sterling Class 'A' Accumulation share performance

The share class was launched on 16 September 2010.

for the year to 31 March Change in NAV per share	2018 UK p	2017 UK p	2016 UK p
Opening NAV	117.06	110.82	113.14
Return before operating charges and after direct portfolio transaction costs	2.44	7.67	(1.02)
Operating charges	(1.36)	(1.33)	(1.30)
Return after operating charges	1.08	6.34	(2.32)
Distributions	0.00	(0.57)	0.00
Retained distributions	0.00	0.47	0.00
Closing NAV	118.14	117.06	110.82
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.01	0.01
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.01	0.01
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.01	0.01
Operating charges	1.16	1.16	1.16
Return after operating charges	+0.92	+5.72	-2.05
Distribution yield	0.00	0.00	0.67
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (£'000)	48,328	53,420	42,205
Closing NAV percentage of total fund NAV (%)	4.05	4.92	6.29
Number of shares	40,906,802	45,636,252	38,084,903
Highest share price (UK p)	119.16	117.47	115.05
Lowest share price (UK p)	117.00	110.91	106.72

Sterling Class 'I' Income share performance

The share class was launched on 16 September 2010.

for the year to 31 March Change in NAV per share	2018 UK p	2017 UK p	2016 UK p
Opening NAV	115.69	110.39	112.59
Return before operating charges and after direct portfolio transaction costs	2.42	7.63	(1.00)
Operating charges	(0.77)	(0.76)	(0.74)
Return after operating charges	1.65	6.87	(1.74)
Distributions	(0.69)	(1.57)	(0.46)
Closing NAV	116.65	115.69	110.39
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.01	0.01
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.01	0.01
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.01	0.01
Operating charges	0.66	0.66	0.66
Return after operating charges	+1.43	+6.22	-1.55
Distribution yield ^[c]	0.61	0.91	1.17
Effect on yield of charges offset against capital	0.65	0.65	0.00
Other information			
Closing NAV (£'000)	553,103	494,005	304,524
Closing NAV percentage of total fund NAV (%)	46.39	45.53	45.40
Number of shares	474,150,953	427,021,439	275,864,080
Highest share price (UK p)	117.81	116.82	114.62
Lowest share price (UK p)	115.67	110.53	106.59

M&G UK Inflation Linked Corporate Bond Fund

Financial highlights

Specific share class performance

Sterling Class 'I' Accumulation share performance

The share class was launched on 16 September 2010.

for the year to 31 March Change in NAV per share	2018 UK p	2017 UK p	2016 UK p
Opening NAV	120.43	113.51	115.39
Return before operating charges and after direct portfolio transaction costs	2.52	7.86	(1.02)
Operating charges	(0.80)	(0.78)	(0.76)
Return after operating charges	1.72	7.08	(1.78)
Distributions	0.00	(1.17)	(0.48)
Retained distributions	0.00	1.01	0.38
Closing NAV	122.15	120.43	113.51
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.01	0.01
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.01	0.01
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.01	0.01
Operating charges	0.66	0.66	0.66
Return after operating charges	+1.43	+6.23	-1.54
Distribution yield	0.00	0.26	1.17
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (£'000)	457,560	444,839	251,572
Closing NAV percentage of total fund NAV (%)	38.39	40.99	37.50
Number of shares	374,593,898	369,378,412	221,630,006
Highest share price (UK p)	123.01	120.83	117.46
Lowest share price (UK p)	120.41	113.61	109.28

Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012.

for the year to 31 March Change in NAV per share	2018 UK p	2017 UK p	2016 UK p
Opening NAV	109.72	104.85	106.95
Return before operating charges and after direct portfolio transaction costs	2.29	7.24	(0.94)
Operating charges	(1.00)	(0.99)	(0.97)
Return after operating charges	1.29	6.25	(1.91)
Distributions	(0.65)	(1.38)	(0.19)
Closing NAV	110.36	109.72	104.85
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.01	0.01
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.01	0.01
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.01	0.01
Operating charges	0.91	0.91	0.91
Return after operating charges	+1.18	+5.96	-1.79
Distribution yield ^[c]	0.62	0.91	0.92
Effect on yield of charges offset against capital	0.90	0.90	0.00
Other information			
Closing NAV (£'000)	522	577	692
Closing NAV percentage of total fund NAV (%)	0.04	0.05	0.10
Number of shares	472,989	525,726	660,198
Highest share price (UK p)	111.52	110.79	108.83
Lowest share price (UK p)	109.68	104.98	101.11

Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012.

for the year to 31 March Change in NAV per share	2018 UK p	2017 UK p	2016 UK p
Opening NAV	111.34	105.18	107.10
Return before operating charges and after direct portfolio transaction costs	2.33	7.27	(0.93)
Operating charges	(1.02)	(0.99)	(0.97)
Return after operating charges	1.31	6.28	(1.90)
Distributions	0.00	(0.81)	(0.09)
Retained distributions	0.00	0.69	0.07
Closing NAV	112.65	111.34	105.18
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.01	0.01
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.01	0.01
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.01	0.01
Operating charges	0.91	0.91	0.91
Return after operating charges	+1.18	+5.97	-1.77
Distribution yield	0.00	0.01	0.92
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (£'000)	861	738	638
Closing NAV percentage of total fund NAV (%)	0.07	0.07	0.10
Number of shares	763,965	662,738	606,709
Highest share price (UK p)	113.51	111.71	108.98
Lowest share price (UK p)	111.30	105.27	101.26

^[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 UK Inflation Linked Corporate Bond Fund

Financial statements and notes

Financial statements

Statement of total return

for the year to 31 March	Note	2018 £'000	2017 £'000
Income			
Net capital gains / (losses)	3	(2,019)	27,353
Revenue	5	24,692	22,963
Expenses	6	(8,348)	(5,950)
Net revenue / (expense) before taxation		16,344	17,013
Taxation	7	(40)	(264)
Net revenue / (expense) after taxation		16,304	16,749
Total return before distributions		14,285	44,102
Distributions	8	(3,824)	(8,776)
Change in net assets attributable to shareholders from investment activities		10,461	35,326

Statement of change in net assets attributable to shareholders

for the year to 31 March	2018 £'000	2017 £'000
Opening net assets attributable to shareholders	1,085,121	670,808
Amounts received on issue of shares	248,364	452,035
Amounts paid on cancellation of shares	(152,060)	(76,945)
	96,304	375,090
Dilution adjustments	304	757
Change in net assets attributable to shareholders from investment activities (see above)	10,461	35,326
Retained distributions on Accumulation shares	0	3,140
Closing net assets attributable to shareholders	1,192,190	1,085,121

Balance sheet

as at 31 March	Note	2018 £'000	2017 £'000
Assets			
Fixed assets			
Investments		1,196,505	1,089,304
Current assets			
Debtors	9	8,236	10,767
Cash and bank balances	10	7,322	8,424
Total assets		1,212,063	1,108,495
Liabilities			
Investment liabilities		(7,489)	(11,737)
Creditors			
Bank overdrafts		(358)	(4,309)
Distribution payable		(1,959)	(3,778)
Other creditors	11	(10,067)	(3,550)
Total liabilities		(19,873)	(23,374)
Net assets attributable to shareholders		1,192,190	1,085,121

Notes to the financial statements

1 Accounting policies

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

2 Distribution policy

In determining the amount available for distribution, a transfer has been made between revenue and capital to disregard the change in the Retail Prices Index during the period in respect of interest from index-linked gilt-edged securities. This is to contribute to the preservation of the share value in real terms.

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

3 Net capital gains / (losses)

for the year to 31 March	2018 £'000	2017 £'000
Non-derivative securities	(42,359)	73,398
Derivative contracts	33,593	(40,768)
Currency gains / (losses)	6,761	(5,265)
Transaction charges	(14)	(12)
Net capital gains / (losses)	(2,019)	27,353

4 Portfolio transactions and associated costs

The following tables show portfolio transactions and their associated transaction costs. For more information about the nature of the costs please see the section on 'Operating charges and portfolio transaction costs' on page 41.

for the year to 31 March	2018 £'000	2017 £'000		
a) Purchases				
Debt securities ^[a]	1,163,940	1,102,750		
b) Sales				
Debt securities ^[a]	1,011,831	760,628		
Other transaction types				
Corporate actions	2,196	5,542		
Total sales after transaction costs	1,014,027	766,170		
c) Direct portfolio transaction costs				
Commissions paid	2018 £'000	% of average NAV	2017 £'000	% of average NAV
Derivatives	40	0.00	47	0.01
Total direct portfolio transaction costs ^[b]	40	0.00	47	0.01
d) Indirect portfolio transaction costs			%	%
Portfolio dealing spread ^[c]		0.12		0.28

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

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

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

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5 Revenue

	2018 £'000	2017 £'000
for the year to 31 March		
Bank interest	43	12
Derivative revenue	3,200	1,679
Interest distributions	88	48
Interest on debt securities	21,361	21,224
Total revenue	24,692	22,963

6 Expenses

	2018 £'000	2017 £'000
for the year to 31 March		
Payable to the ACD or associate		
Annual management charge	6,513	4,653
Administration charge	1,710	1,209
	8,223	5,862
Payable to the Depositary or associate		
Depositary's charge (including VAT)	58	48
Other expenses		
Audit fee (including VAT)	11	15
Interest payable	36	9
Safe custody charge	20	16
	67	40
Total expenses	8,348	5,950

7 Taxation

	2018 £'000	2017 £'000
for the year to 31 March		
a) Analysis of charge in the year		
Corporation tax	0	0
Withholding tax	40	257
Prior year adjustment	0	7
Deferred tax (note 7c)	0	0
Total taxation	40	264

b) Factors affecting taxation charge for the year

Net revenue / (expense) before taxation	16,344	17,013
Corporation tax at 20%	3,269	3,403
Effects of:		
Interest distributions	0	(265)
Withholding tax	40	257
Retail Prices Index adjustments to gilts	(3,561)	(2,019)
Current year expenses not utilised	292	0
Prior year adjustment	0	7
Prior year adjustment to expenses not utilised	0	(1,119)
Total tax charge (note 7a)	40	264

c) Provision for deferred taxation

Provision at the start of the year	0	0
Deferred tax in profit and loss account (note 7a)	0	0
Provision at the end of the year	0	0

The fund has not recognised a deferred tax asset of £292,000 (2017: nil) arising as a result of having excess management expenses and interest distributions. We do not expect this asset to be utilised in the foreseeable future.

Interest distributions have been made in respect of all distributions during the current and preceding periods. Income tax at 20% was accounted for on shareholders' behalf to HM Revenue & Customs up to 30 September 2017.

8 Distributions

	2018		2017	
	Inc ^[a] £'000	Acc ^[b] £'000	Inc ^[a] £'000	Acc ^[b] £'000
for the year to 31 March				
Interest distributions				
Interim	1,924	0	2,109	1,683
Final	1,959	0	3,778	1,457
Total net distributions		3,883		9,027
Income tax deducted at source		0		913
Interest distributions		3,883		9,940
Income deducted on cancellation of shares		70		238
Income received on issue of shares		(129)		(1,402)
Distributions		3,824		8,776
Net revenue / (expense) per statement of total return		16,304		16,749
Effective yield adjustments not distributed		(17,807)		(10,095)
Expenses offset against capital		4,793		2,121
Undistributed income brought forward		0		1
Income deficit transferred to capital		534		0
Distributions		3,824		8,776

^[a] Distributions payable on Income shares.

^[b] Retained distributions on Accumulation shares.

9 Debtors

	2018 £'000	2017 £'000
as at 31 March		
Amounts receivable on issues of shares	1,599	2,978
Debt security interest receivable	6,448	7,282
Derivative revenue receivable	184	188
Distributions receivable	5	3
Sales awaiting settlement	0	316
Total debtors	8,236	10,767

10 Cash and bank balances

	2018 £'000	2017 £'000
as at 31 March		
Amounts held at futures clearing houses and collateral manager	7,151	8,178
Cash held as bank balances	171	246
Total cash and bank balances	7,322	8,424

11 Other creditors

	2018 £'000	2017 £'000
as at 31 March		
ACD's annual management charge payable	323	305
Administration charge payable	84	80
Amounts payable on cancellation of shares	7,307	981
Derivative expense payable	242	568
Expenses payable	21	20
Purchases awaiting settlement	2,090	1,596
Total other creditors	10,067	3,550

12 Contingent assets, liabilities and outstanding commitments

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

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13 Shares in issue

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

Share class	Opening 01.04.17	Movements		Closing 31.03.18
		Issued	Cancelled	
Sterling				
Class 'A' Income	80,196,352	58,274,500	(23,381,745)	115,089,107
Class 'A' Accumulation	45,636,252	8,940,667	(13,670,117)	40,906,802
Class 'I' Income	427,021,439	72,270,306	(25,140,792)	474,150,953
Class 'I' Accumulation	369,378,412	70,310,794	(65,095,308)	374,593,898
Class 'R' Income	525,726	116,769	(169,506)	472,989
Class 'R' Accumulation	662,738	272,627	(171,400)	763,965

14 Charging structure

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

Share class	Entry charge %	Exit charge %	Annual management charge %
Sterling			
Class 'A'	nil	n/a	1.00
Class 'I'	nil	n/a	0.50
Class 'R'	nil	n/a	0.75

15 Related parties

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

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

At the balance sheet date, shareholders from within Prudential plc, of which M&G Securities Limited is a wholly owned subsidiary, have holdings totalling 0.12% (2017: nil) of the fund's shares.

16 Events after the balance sheet date

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

17 Fair value analysis

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

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

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

Level 2: Valuation technique using observable market data

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

Level 3: Valuation technique using unobservable inputs

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

as at 31 March Basis of valuation	Assets 2018 £'000	Liabilities 2018 £'000	Assets 2017 £'000	Liabilities 2017 £'000
Level 1	790,857	(3,675)	657,248	(2,682)
Level 2	405,648	(3,814)	432,056	(9,055)
Level 3	0	0	0	0
	1,196,505	(7,489)	1,089,304	(11,737)

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

18 Risk management policies

The general risk management policies for the fund are set out in note 3 to the financial statements on page 8 and 9.

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19 Market risk sensitivity and exposure

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

The VaR limit set during the financial year to 31 March 2018 was 10% (2017: 10%).

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

for the year to 31 March	2018 %	2017 %
Lowest	0.83	0.98
Highest	1.34	1.68
Average	1.07	1.31

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

for the year to 31 March	2018 % of VaR	2018 Utilisation of upper limit VaR [a] 6%	2017 % of VaR	2017 Utilisation of upper limit VaR [a] 6%
Lowest	0.83	8.32%	0.98	9.80%
Highest	1.34	13.41%	1.68	16.78%
Average	1.07	10.67%	1.31	13.08%

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

20 Credit risk

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

as at 31 March	2018 £'000	2017 £'000
Investment grade securities	1,087,015	1,002,988
Below investment grade securities	18,910	21,126
Unrated securities	64,707	39,185
Other investments	18,384	14,268
Total	1,189,016	1,077,567

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

as at 31 March 2018	Swaps £'000	Forward currency contracts £'000	Futures £'000
Bank of America Merrill Lynch	3,039	0	(3,675)
Barclays Bank	707	0	0
BNP Paribas	37	0	0
Citigroup	4,133	1,613	0
Credit Suisse	(121)	0	0
Goldman Sachs	1,091	0	0
HSBC	350	4,301	0
J.P.Morgan	3,976	0	0
National Australia Bank Limited	0	10	0
State Street Bank	0	(750)	0
UBS	481	59	0
Total	13,693	5,233	(3,675)

as at 31 March 2017	Swaps £'000	Forward currency contracts £'000	Futures £'000
Bank of America Merrill Lynch	(910)	0	(1,966)
Barclays Bank	(2,230)	0	0
BNP Paribas	1,004	(216)	0
Citigroup	3,547	0	0
Credit Suisse	(1,723)	0	0
Goldman Sachs	1,487	0	0
HSBC	(484)	(232)	0
J.P.Morgan	1,314	0	0
National Australia Bank Limited	0	(3)	0
State Street Bank	0	518	0
UBS	(480)	396	0
Total	1,525	463	(1,966)

Net exposure represents the mark-to-market value of derivative contracts less any cash collateral held. Positive exposure represents the fund's exposure to that counterparty. Negative amounts are not an exposure to the fund.

21 Leverage risk

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

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

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

for the year to 31 March	2018 [a] £'000	2018 [a] %	2017 [a] £'000	2017 [a] %
Lowest	1,511,268	127	2,046,084	273
Highest	3,595,540	234	3,337,803	393
Average	2,025,170	155	2,520,248	316

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

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22 Interest distribution tables

This fund pays semi-annual interest distributions and the following table sets out the distribution periods.

Semi-annual distribution periods				
	Start	End	Xd	Payment
Interim	01.04.17	30.09.17	02.10.17	30.11.17
Final	01.10.17	31.03.18	03.04.18	31.05.18

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

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

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

Sterling Class 'A' Income shares				
Interest distributions for the year to 31 March	Income 2018	Group 2 Equalisation 2018	Group 1 & 2 Distribution 2018	2017
	p	p	p	p
Interim	0.1962	0.1542	0.3504	0.4660
Final	0.2720	0.0557	0.3277	0.7347

Sterling Class 'A' Accumulation shares				
Interest distributions for the year to 31 March	Income 2018	Group 2 Equalisation 2018	Group 1 & 2 Distribution 2018	2017
	p	p	p	p
Interim	0.0000	0.0000	0.0000	0.3872
Final	0.0000	0.0000	0.0000	0.0820

Sterling Class 'I' Income shares				
Interest distributions for the year to 31 March	Income 2018	Group 2 Equalisation 2018	Group 1 & 2 Distribution 2018	2017
	p	p	p	p
Interim	0.1231	0.2323	0.3554	0.6596
Final	0.1861	0.1472	0.3333	0.7459

Sterling Class 'I' Accumulation shares				
Interest distributions for the year to 31 March	Income 2018	Group 2 Equalisation 2018	Group 1 & 2 Distribution 2018	2017
	p	p	p	p
Interim	0.0000	0.0000	0.0000	0.6280
Final	0.0000	0.0000	0.0000	0.3840

Sterling Class 'R' Income shares				
Interest distributions for the year to 31 March	Income 2018	Group 2 Equalisation 2018	Group 1 & 2 Distribution 2018	2017
	p	p	p	p
Interim	0.1218	0.2151	0.3369	0.5368
Final	0.1213	0.1943	0.3156	0.7061

Sterling Class 'R' Accumulation shares				
Interest distributions for the year to 31 March	Income 2018	Group 2 Equalisation 2018	Group 1 & 2 Distribution 2018	2017
	p	p	p	p
Interim	0.0000	0.0000	0.0000	0.4780
Final	0.0000	0.0000	0.0000	0.2143

M&G Investment Funds (10)

Other regulatory disclosures

Remuneration

In line with the requirements of the Undertakings for Collective Investments in Transferable Securities (UCITS) V, the UCITS Manager is subject to a remuneration policy which is consistent with the principles outlined in SYSC19E of the FCA Handbook (UCITS Remuneration Code).

The remuneration policies are designed to ensure that any relevant conflicts of interest can be managed appropriately at all times and that the remuneration of its staff is in line with the risk policies and objectives of the UCITS funds it manages. Further details of the remuneration policy applicable at an M&G Limited level can be found here www.mandg.com/en/corporate/about-mg/our-people. M&G's remuneration policy is reviewed on an annual basis, or more frequently where required, and approved by the M&G Remuneration Committee.

The UCITS management company is required under UCITS to make quantitative disclosures of remuneration. These disclosures are made in line with M&G's interpretation of currently available guidance on quantitative remuneration disclosures. As market or regulatory guidance evolves, M&G may consider it appropriate to make changes to the way in which quantitative disclosures are calculated. Members of staff and senior management typically provide both UCITS and non-UCITS related services and have a number of areas of responsibility. Therefore, only the portion of remuneration for those individuals' services which may be attributable to UCITS is included in the remuneration figures disclosed. Accordingly the figures are not representative of any individual's actual remuneration.

M&G Securities Limited does not directly employ any staff members. However, for the financial year ended 31 December 2017, aggregate remuneration of £39,245,473 (£4,916,933 in respect of fixed remuneration and £34,328,541 in respect of variable remuneration) was paid to individuals whose actions may have a material impact on the risk profile of the UCITS Manager, of which £1,812,300 related to senior management.

Accumulation shares: A type of share where distributions are automatically reinvested and reflected in the value of the shares.

Accumulation units: A type of unit where distributions are automatically reinvested and reflected in the value of the units.

Asset: Anything having commercial or exchange value that is owned by a business, institution or individual.

Asset allocation: Apportioning a portfolio's assets according to risk tolerance and investment goals.

Asset class: Category of assets, such as cash, company shares, fixed income securities and their sub-categories, as well as tangible assets such as real estate.

Bond: A loan in the form of a security, usually issued by a government or company, which normally pays a fixed rate of interest over a given time period, at the end of which the initial amount borrowed is repaid.

Bond issue: A set of fixed income securities offered for sale to the public by a company or government. If the bonds are sold for the first time, it is called a 'new issue'.

Bottom-up selection: Selecting stocks based on the attractiveness of a company.

Bunds: Fixed income securities issued by the German government.

Capital: Refers to the financial assets, or resources, that a company has to fund its business operations.

Capital growth: Occurs when the current value of an investment is greater than the initial amount invested.

Capital return: The term for the gain or loss derived from an investment over a particular period. Capital return includes capital gain or loss only and excludes income (in the form of interest or dividend payments).

Cash equivalents: Deposits or investments with similar characteristics to cash.

Comparative sector: A group of funds with similar investment objectives and/or types of investment, as classified by bodies such as the Investment Association (IA) or Morningstar™. Sector definitions are mostly based on the main assets a fund should invest in, and may also have a geographic focus. Sectors can be the basis for comparing the different characteristics of similar funds, such as their performance or charging structure.

Consumer Prices Index (CPI): An index used to measure inflation, which is the rate of change in prices for a basket of goods and services. The contents of the basket are meant to be representative of products and services we typically spend our money on.

Convertible bonds: Fixed income securities that can be exchanged for predetermined amounts of company shares at certain times during their life.

Corporate bonds: Fixed income securities issued by a company. They are also known as bonds and can offer higher interest payments than bonds issued by governments as they are often considered more risky.

Coupon: The interest paid by the government or company that has raised a loan by selling bonds.

Credit: The borrowing capacity of an individual, company or government. More narrowly, the term is often used as a synonym for fixed income securities issued by companies.

Credit default swaps (CDS): Are a type of derivative, namely financial instruments whose value, and price, are dependent on one or more underlying assets. CDS are insurance-like contracts that allow investors to transfer the risk of a fixed income security defaulting to another investor.

Credit rating: An independent assessment of a borrower's ability to repay its debts. A high rating indicates that the credit rating agency considers the issuer to be at low risk of default; likewise, a low rating indicates high risk of default. Standard & Poor's, Fitch and Moody's are the three most prominent credit rating agencies. Default means that a company or government is unable to meet interest payments or repay the initial investment amount at the end of a security's life.

Credit rating agency: A company that analyses the financial strength of issuers of fixed income securities and attaches a rating to their debt. Examples include Standard & Poor's and Moody's.

Credit risk: Risk that a financial obligation will not be paid and a loss will result for the lender.

Credit selection: The process of evaluating a fixed income security, also called a bond, in order to ascertain the ability of the borrower to meet its debt obligations. This research seeks to identify the appropriate level of default risk associated with investing in that particular bond.

Credit spread: The difference between the yield of a corporate bond, a fixed income security issued by a company, and a government bond of the same life span. Yield refers to the income received from an investment and is expressed as a percentage of the investment's current market value.

Default: When a borrower does not maintain interest payments or repay the amount borrowed when due.

Default risk: Risk that a debtholder will not receive interest and full repayment of the loan when due.

Derivatives: Financial instruments whose value, and price, are dependent on one or more underlying assets. Derivatives can be used to gain exposure to, or to help protect against, expected changes in the value of the underlying investments. Derivatives may be traded on a regulated exchange or traded over the counter.

Developed economy/market: Well-established economies with a high degree of industrialisation, standard of living and security.

Dilution adjustments: The dilution adjustment is used to protect ongoing investors against the transaction charges incurred in investing or divesting in respect of creations and cancellations. The dilution adjustment is made up of the direct and indirect transaction charges. In the financial statements the direct transaction charges as a percentage of average NAV will be disclosed. This percentage will take account of those direct transaction charges that have been recovered through the dilution adjustment leaving a percentage that just represents the costs incurred in portfolio management.

Distribution: Distributions represent a share in the income of the fund and are paid out to Income shareholders or reinvested for Accumulation shareholders at set times of the year (monthly, quarterly, half-yearly or annually). They may either be in the form of interest distributions or dividend distributions.

Distribution yield: Expresses the amount that is expected to be distributed by the fund over the next 12 months as a percentage of the share price as at a certain date. It is based on the expected gross income less the ongoing charges.

Glossary

Diversification: The practice of investing in a variety of assets. This is a risk management technique where, in a well-diversified portfolio, any loss from an individual holding should be offset by gains in other holdings, thereby lessening the impact on the overall portfolio.

Dividend: Dividends represent a share in the profits of a company and are paid out to the company's shareholders at set times of the year.

Duration: A measure of the sensitivity of a fixed income security, also called a bond, or bond fund to changes in interest rates. The longer a bond or bond fund's duration, the more sensitive it is to interest rate movements.

Duration risk: The longer a fixed income security, also called a bond, or bond fund's duration, the more sensitive and therefore at risk it is to changes in interest rates.

Emerging economy or market: Economies in the process of rapid growth and increasing industrialisation. Investments in emerging markets are generally considered to be riskier than those in developed markets.

Equities: Shares of ownership in a company.

Exchange traded: Usually refers to investments traded on an exchange, such as company shares on a stock exchange.

Ex-dividend, ex-distribution or XD date: The date on which declared distributions officially belong to underlying investors.

Exposure: The proportion of a fund invested in a particular share/fixed income security, sector/region, usually expressed as a percentage of the overall portfolio.

Fixed income security: A loan in the form of a security, usually issued by a government or company, which normally pays a fixed rate of interest over a given time period, at the end of which the initial amount borrowed is repaid. Also referred to as a bond.

Floating rate notes (FRNs): Securities whose interest (income) payments are periodically adjusted depending on the change in a reference interest rate.

Foreign exchange: The exchange of one currency for another, or the conversion of one currency into another currency. Foreign exchange also refers to the global market where currencies are traded virtually around the clock. The term foreign exchange is usually abbreviated as 'forex' and occasionally as 'FX'.

Foreign exchange (FX) strategy: Currencies can be an asset class in its own right, along with company shares, fixed income securities, property and cash. Foreign exchange strategy can therefore be a source of investment returns.

Forward contract: A contract between two parties to buy or sell a particular commodity or financial instrument at a pre-determined price at a future date. Examples include forward currency contracts.

Fundamentals (company): A basic principle, rule, law, or the like, that serves as the groundwork of a system. A company's fundamentals pertain specifically to that company, and are factors such as its business model, earnings, balance sheet and debt.

Fundamentals (economic): A basic principle, rule, law, or the like, that serves as the groundwork of a system. Economic fundamentals are factors such as inflation, employment, economic growth.

Futures: A futures contract is a contract between two parties to buy or sell a particular commodity or financial instrument at a pre-determined price at a future date. Futures are traded on a regulated exchange.

Gilts: Fixed income securities issued by the UK government.

Government bonds: Fixed income securities issued by governments, that normally pay a fixed rate of interest over a given time period, at the end of which the initial investment is repaid.

Hedging: A method of reducing unnecessary or unintended risk.

High water mark (HWM): The highest level that a fund's NAV (net asset value) has reached at the end of any 12-month accounting period.

High yield bonds: Fixed income securities issued by companies with a low credit rating from a recognised credit rating agency. They are considered to be at higher risk of default than better quality, ie higher-rated fixed income securities but have the potential for higher rewards. Default means that a company or government is unable to meet interest payments or repay the initial investment amount at the end of a security's life.

Historic yield: The historic yield reflects distributions declared over the past 12 months as a percentage of the share price, as at the date shown.

Income yield: Refers to the income received from an investment and is usually expressed annually as a percentage based on the investment's cost, its current market value or face value.

Index: An index represents a particular market or a portion of it, serving as a performance indicator for that market.

Income shares: A type of share where distributions are paid out as cash on the payment date.

Income units: A type of unit where distributions are paid out as cash on the payment date.

Index tracking: A fund management strategy that aims to match the returns from a particular index.

Index-linked bonds: Fixed income securities where both the value of the loan and the interest payments are adjusted in line with inflation over the life of the security. Also referred to as inflation-linked bonds.

Inflation: The rate of increase in the cost of living. Inflation is usually quoted as an annual percentage, comparing the average price this month with the same month a year earlier.

Inflation risk: The risk that inflation will reduce the return of an investment in real terms.

Initial public offering (IPO): The first sale of shares by a private company to the public.

Interest rate risk: The risk that a fixed income investment will lose value if interest rates rise.

Interest rate swap: An agreement between two parties to swap a fixed interest payment with a variable interest payment over a specified period of time.

Investment Association (IA): The UK trade body that represents fund managers. It works with investment managers, liaising with government on matters of taxation and regulation, and also aims to help investors understand the industry and the investment options available to them.

Glossary

Issuer: An entity that sells securities, such as fixed income securities and company shares.

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

Issuer: An entity that sells securities, such as fixed income securities and company shares.

Leverage: When referring to a company, leverage is the level of a company's debt in relation to its assets. A company with significantly more debt than capital is considered to be leveraged. It can also refer to a fund that borrows money or uses derivatives to magnify an investment position.

Liquidity: A company is considered highly liquid if it has plenty of cash at its disposal. A company's shares are considered highly liquid if they can be easily bought or sold since large amounts are regularly traded.

Long position: Refers to ownership of a security held in the expectation that the security will rise in value.

Macroeconomic: Refers to the performance and behaviour of an economy at the regional or national level. Macroeconomic factors such as economic output, unemployment, inflation and investment are key indicators of economic performance. Sometimes abbreviated to 'macro'.

Maturity: The length of time until the initial investment amount of a fixed income security is due to be repaid to the holder of the security.

Modified duration: A measure of the sensitivity of a fixed income security, called a bond, or bond fund to changes in interest rates. The longer a bond or bond fund's duration, the more sensitive it is to interest rate movements.

Monetary easing: When central banks lower interest rates or buy securities on the open market to increase the money in circulation.

Monetary policy: A central bank's regulation of money in circulation and interest rates.

Monetary tightening: When central banks raise interest rates or sell securities on the open market to decrease the money in circulation.

Morningstar™: A provider of independent investment research, including performance statistics and independent fund ratings.

Near cash: Deposits or investments with similar characteristics to cash.

Net asset value (NAV): A fund's net asset value is calculated by taking the current value of the fund's assets and subtracting its liabilities.

Open-ended investment company (OEIC): A type of managed fund, whose value is directly linked to the value of the fund's underlying investments.

Options: Financial contracts that offer the right, but not the obligation, to buy or sell an asset at a given price on or before a given date in the future.

Over-the-counter (OTC): Whereby financial assets are traded directly between two parties. This is in contrast to exchange trading, which is carried out through exchanges set up specifically for the purpose of trading. OTC is also known as off-exchange trading.

Overweight: If a fund is 'overweight' a stock, it holds a larger proportion of that stock than the comparable index or sector.

Payment date: The date on which distributions will be paid by the fund to investors, usually the last business day of the month.

Physical assets: An item of value that has tangible existence, for example, cash, equipment, inventory or real estate. Physical assets can also refer to securities, such as company shares or fixed income securities.

Portfolio transaction cost: The cost of trading, such as brokerage, clearing, exchange fees and bid-offer spread as well as taxes such as stamp duty.

Preference shares: Preference shares are a loan to a company that may be traded in the same way as ordinary shares, but generally have a higher yield and pay dividends on fixed dates. Preference shares have varying characteristics as to the treatment of the principal and the dividend payment, which includes ranking them above ordinary shares when it comes to dividend payments.

Principal: The face value of a fixed income security, which is the amount due back to the investor by the borrower when the security reaches the end of its life.

Private placement: An offer of sale of securities to a relatively small number of investors selected by the company, generally investment banks, mutual funds, insurance companies or pension funds.

Property Expense Ratio (PER): Property expenses are the operating expenses that relate to the management of the property assets in the portfolio. These include: insurance and rates, rent review and lease renewal costs and maintenance and repairs, but not improvements. They depend on the level of activity taking place within the fund. The Property Expense Ratio is the ratio of property expenses to the fund's net asset value.

Real yield: The return of an investment, adjusted for changes in prices in an economy.

Retail Prices Index (RPI): A UK inflation index that measures the rate of change in prices for a basket of goods and services in the UK, including mortgage payments and council tax.

Risk: The chance that an investment's return will be different to what is expected. Risk includes the possibility of losing some or all of the original investment.

Risk management: The term used to describe the activities the fund manager undertakes to limit the risk of a loss in a fund.

Risk premium: The difference between the return from a risk-free asset, such as a high-quality government bond or cash, and the return from an investment in any other asset. The risk premium can be considered the 'price' or 'pay-off' for taking on increased risk. A higher risk premium implies higher risk.

Risk-free asset: An asset that notionally carries no risk of non-payment by the borrower such as a high-quality fixed income security issued by a government or cash.

Glossary

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

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

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

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

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

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

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

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

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

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

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

Top-down investing: An investment approach that analyses economic factors, ie surveys the 'big picture', before selecting which companies to invest in. The top-down investor will look at which industries are likely to generate the best returns in certain economic conditions and limit the search to that area.

Total return: The term for the gain or loss derived from an investment over a particular period. Total return includes income (in the form of interest or dividend payments) and capital gains.

Treasuries: Fixed income securities issued by the US government.

Triple A or AAA rated: The highest possible rating a fixed income security, also called a bond, can be assigned by credit rating agencies. Bonds that are rated AAA are perceived to have the lowest risk of default. Default means that a company or government is unable to meet interest payments or repay the initial investment amount at the end of a security's life.

UCITS: Stands for Undertakings for Collective Investment in Transferable Securities. This is the European regulatory framework for an investment vehicle that can be marketed across the European Union and is designed to enhance the single market in financial assets while maintaining high levels of investor protection.

Unconstrained: The term used to describe the mandate of a fund whereby the manager has the freedom to invest according to his or her own strategy, not being obliged to allocate capital according to the weightings of any index, for example.

Underlying value: The fundamental value of a company, reflecting both tangible and intangible assets, rather than the current market value.

Underlying yield: Refers to the income received by a managed fund, and is usually expressed annually as a percentage based on the fund's current value.

Underweight: If a portfolio is 'underweight' a stock, it holds a smaller proportion of that stock than the comparable index or sector.

Unit trust: A type of managed fund, whose value is directly linked to the value of the fund's underlying investments.

Unit/share type: Type of units/shares held by investors in a trust or fund (unit/share types differ by features such as whether income is to be paid out as cash or reinvested on the payment date).

Valuation: The worth of an asset or company based on its current price.

Volatile: When the value of a particular share, market or sector swings up and down fairly frequently and/or significantly, it is considered volatile.

Volatility: The degree to which a given security, fund, or index rapidly changes. It is calculated as the degree of deviation from the norm for that type of investment over a given time period. The higher the volatility, the riskier the security tends to be.

Warrant: A security issued by a company that gives the holder the right to buy shares in that company at a specified price and within a certain timeframe.

Yield: This refers to either the interest received from a fixed income security or to the dividends received from a share. It is usually expressed as a percentage based on the investment's costs, its current market value or its face value. Dividends represent a share in the profits of the company and are paid out to a company's shareholders at set times of the year.

Yield (equity): Refers to the dividends received by a holder of company shares and is usually expressed annually as a percentage based on the investment's cost, its current market value or face value. Dividends represent a share in the profits of the company and are paid out to a company's shareholders at set times of the year.

Yield (bonds): This refers to the interest received from a fixed income security and is usually expressed annually as a percentage based on the investment's cost, its current market value or its face value.

Yield (income): Refers to the income received from an investment and is usually expressed annually as a percentage based on the investment's cost, its current market value or face value.

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