



M&G Investment Funds (7)

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

Contents

M&G Investment Funds (7)

Authorised Corporate Director's Report	Page	1
Directors' statement	Page	3
Financial statements and notes	Page	4
Authorised Corporate Director's Reports, including the financial highlights and financial statements and notes for:		
M&G European Strategic Value Fund (closed)	Page	5
M&G Global Convertibles Fund	Page	7
M&G Global Emerging Markets Fund	Page	19
M&G Global Floating Rate High Yield Fund	Page	29
M&G Pan European Dividend Fund (closed)	Page	39
Other regulatory disclosures	Page	40
Glossary	Page	41

M&G Investment Funds (7)

Authorised Corporate Director's Report

The Authorised Corporate Director (ACD) of M&G Investment Funds (7) presents its Interim Long Report and unaudited Financial Statements for the six months ended 31 July 2019.

The unaudited financial statements of M&G Investment Funds (7) and the investment report and unaudited financial statements and notes of each sub-fund are presented in their individual sections of this report as set out in the contents page.

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

Company information

M&G Investment Funds (7) is an umbrella Open-Ended Investment Company (OEIC) and contains five 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 29 June 2007. The M&G Global Convertibles Fund was launched on 13 July 2007, the M&G European Strategic Value Fund was launched on 1 February 2008, the M&G Pan European Dividend Fund was launched on 18 July 2008, the M&G Global Emerging Markets Fund was launched on 5 February 2009 and the M&G Global Floating Rate High Yield Fund was launched on 11 September 2014.

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 July 2019, none of the funds held shares of the other funds within this OEIC.

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

Fund managers

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

M&G European Strategic Value Fund

Richard Halle

M&G Global Convertibles Fund

Léonard Vinville

M&G Global Emerging Markets Fund

Michael Bourke

M&G Global Floating Rate High Yield Fund

James Tomlins

M&G Pan European Dividend Fund

Phil Cliff

ACD

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

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

Directors of the ACD

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

Investment manager

M&G Investment Management Limited,
10 Fenchurch Avenue, London EC3M 5AG, UK
Telephone: +44 (0)20 7626 4588

(Authorised and regulated by the Financial Conduct Authority)

Registrar

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

Depositary

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

Independent auditor

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

Important information

The M&G European Strategic Value Fund and M&G Pan European Dividend Fund commenced termination on 7 December 2018 and are not available for investment. The funds will be formally terminated when all outstanding assets and liabilities have been settled.

On 1 March 2019 the investment objective and policy of the M&G Global Convertibles Fund were changed.

On 8 April 2019 M&G Global Convertibles Fund and M&G Global Emerging Markets Fund launched Sterling Class 'PP' Accumulation shares. On 8 April 2019 M&G Global Floating Rate High Yield Fund launched Sterling Class 'PP-H' Accumulation shares.

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

M&G Investment Funds (7)

Authorised Corporate Director's Report

Investor information

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

Customer services and administration for UK clients:

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

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

Telephone: 0800 390 390 (UK only)

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

Customer services and administration for non-UK clients:

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

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

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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

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Postbox 850, Reg.no.6428. HH. 6.1., 0900 København C, Denmark

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105 rue Réaumur, 75002 Paris, France

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

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Eurobank Ergasias S.A.,
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Piraeus Bank S.A.,
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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.,
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BNP PARIBAS Securities Services,
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CACEIS Bank Luxembourg,
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RBC Investor Services Bank S.A., Milan Branch
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State Street Bank S.p.A.,
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Luxembourg paying and information agent:

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

Portuguese distributor:

Best - Banco Electrónico de Serviço Total, S.A.,
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Spanish representative:

Allfunds Bank, S.A.,
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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 (7)

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 N COTTON

L J MUMFORD

} Directors

12 September 2019

M&G Investment Funds (7)

Financial statements and notes

The financial statements for M&G Investment Funds (7) comprise the individual financial statements for each fund and the notes below.

Notes to the financial statements

Accounting policies

The interim financial statements have been prepared on the same basis as the audited financial statements for the year ended 31 January 2019. They are prepared under the historical cost convention, as modified by the revaluation of investments, and in accordance with the Statement of Recommended Practice (SORP) for Authorised Funds issued by the Investment Association in May 2014.

M&G European Strategic Value Fund (closed)

Financial statements and notes

Important information

On 7 December 2018 the M&G European Strategic Value Fund merged into the equivalent sub-fund in M&G (Lux) Investment Funds 1 and is therefore no longer available for investment. The fund will be formally terminated when all its outstanding assets and liabilities have been settled.

Notes to the financial statements

Accounting policies

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

Financial statements

Statement of total return

for the six months to 31 July	2019		2018	
	€'000	€'000	€'000	€'000
Income				
Net capital gains / (losses)		0		(10,929)
Revenue	0		67,246	
Expenses	0		(13,239)	
Net revenue / (expense) before taxation	0		54,007	
Taxation	0		(3,947)	
Net revenue / (expense) after taxation		0		50,060
Total return before equalisation		0		39,131
Equalisation		0		(4,620)
Change in net assets attributable to shareholders from investment activities		0		34,511

Statement of change in net assets attributable to shareholders

for the six months to 31 July	2019		2018	
	€'000	€'000	€'000	€'000
Opening net assets attributable to shareholders		0		2,589,772
Amounts received on issue of shares	0		387,087	
Amounts paid on cancellation of shares	0		(490,676)	
		0		(103,589)
Dilution adjustments		0		1,583
Change in net assets attributable to shareholders from investment activities (see above)		0		34,511
Closing net assets attributable to shareholders		0		2,522,277

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

Balance sheet

as at	31 July 2019	31 January 2019
	€'000	€'000
Assets		
Fixed assets		
Investments	0	0
Current assets		
Debtors	2,153	2,174
Cash and bank balances	104	132
Total assets	2,257	2,306
Liabilities		
Creditors		
Other creditors	(2,257)	(2,306)
Total liabilities	(2,257)	(2,306)
Net assets attributable to shareholders	0	0

M&G European Strategic Value Fund ^(closed)

Financial statements and notes

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M&G Global Convertibles Fund

Authorised Corporate Director's Report

Investment objective up to 28 February 2019

The fund aims to maximise long term total return (the combination of income and growth of capital) to investors by investing mainly in global convertible assets.

Investment policy up to 28 February 2019

The fund seeks to maximise the risk-reward profile through investment in convertible assets whose issuers may be in any country, including emerging markets. Global convertible assets includes all assets that either directly or via a combination of instruments achieve exposure of a convertible bond nature. Such exposure can be achieved by investing directly or through the use of derivative instruments. Additionally, derivative instruments may be used to manage the risk characteristics of the fund. The remainder of the fund may be invested in securities in support of the fund objective, such as, equities, bonds, collective investment schemes, derivative instruments, money market instruments, cash and near cash.

Investment approach up to 28 February 2019

Convertibles are investments that share the characteristics of both shares and fixed income securities issued by companies. They are initially issued as a fixed interest instrument, usually with regular interest payments and a fixed date when they will be repaid. Importantly, however, they also give the holder the opportunity to convert into a set number of company shares. This means that convertibles have the potential to participate when share prices are rising but can also provide a degree of protection against share price falls since they will eventually be repaid.

The fund manager aims to take advantage of the special characteristics of convertibles, which can mean they participate to a greater extent in share price rises than in share price falls. The fund manager invests in convertibles that he expects will provide the best combination of risk and reward, giving the maximum potential gains in the event of higher share prices while minimising the potential losses if share prices fall.

The fund has no set geographical or industry sector guidelines and no target return. The fund manager takes a global approach to selecting his investments, based on a thorough assessment of the individual characteristics of each convertible, rather than an overall view of the economic background. The fund is diversified in terms of region, industry and currency. At least 70% of the fund will be held in convertibles, although it can also hold company shares, fixed income investments and derivatives, which are financial instruments whose value is linked to the expected future price movements of an underlying asset.

Investment objective from 1 March 2019

The fund aims to provide a higher total return (the combination of capital growth and income), net of the Ongoing Charge Figure, than the Thomson Reuters Global Focus Convertible Bond Index over any five-year period.

Investment policy from 1 March 2019

At least 70% of the fund is invested in the convertible securities of companies across any sector and market capitalisations that are domiciled in any country, including emerging markets. Exposure to these securities is achieved, either directly or indirectly, through various combinations of corporate bonds, equities and derivatives.

The convertible securities may be denominated in any currency.

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

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

Derivatives may be used for investment purposes, efficient portfolio management and hedging.

Investment approach from 1 March 2019

The fund employs a disciplined approach to investment which concentrates on the selection of convertible securities based upon fundamental analysis of individual companies, and their bond and equity characteristics.

The fund manager focuses on convertible securities that provide the best risk-reward features in their view. For these convertible securities, the fund manager expects that the potential gain from the option on the underlying share price exceeds the potential loss from the share price falling.

M&G Global Convertibles Fund

Authorised Corporate Director's Report

Risk profile

The fund invests globally in a diversified portfolio of convertible bonds. These are a form of debt issued by companies that can be converted into shares, either of the issuer or another company. It is, therefore, subject to the price volatility of the global stocks and fixed income markets as well as the performance of individual issuers. The fund is also subject to fluctuations in currency exchange rates.

The fund may use derivatives to achieve the manager's desired exposure to convertibles. Additionally, derivative instruments may be used to manage the risk characteristics of the fund. 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 1 August 2019, for the six months ended 31 July 2019

Performance against objective

Between 1 February 2019 (the start of the review period) and 1 August 2019, the unhedged and currency hedged sterling share classes of the M&G Global Convertibles Fund produced positive total returns (the combination of income and growth of capital).^{*} Significant weakness in sterling against all other major currencies during the period improved returns for the unhedged share classes, as assets denominated in currencies other than sterling make up the vast majority of the universe for convertible bonds (convertibles). Convertibles are fixed income securities (essentially, loans) that can be exchanged for predetermined amounts of company shares (equities) at certain times during their life. The hedged share classes are designed to minimise the effect of currency movements.

The fund's returns were ahead of its benchmark, the Thomson Reuters Global Focus Convertible Bond Index. Over the six months, returns for the index in sterling terms were +10.9% (hedged +3.3%).

During the period under review, the fund continued to invest mainly in global convertibles, with the aim of providing a combination of capital growth and income (total return), net of the ongoing charges figure, that is higher than the Thomson Reuters Global Focus Convertible Bond Index over any five-year period. In the five-year period to 1 August 2019 the fund delivered a positive performance in terms of total return across all its share classes, but was behind the benchmark which returned 8.3% on an unhedged basis, and 2.8% on a hedged basis.

^{*} 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

Investor sentiment was generally, but by no means exclusively, positive throughout the review period, which resulted in robust gains for most stockmarkets. The overriding driver for performance was the growing 'dovishness' of the world's central banks, who responded to concern about slower global economic growth by pledging to keep interest rates at very low levels or even reduce them further. An indication of how the outlook for interest rates changed is that, at the beginning of the period, the chairman of the US Federal Reserve (Fed) was assuring investors that the pace of interest rate increases would be 'prudent', while by the end, he actually started reducing borrowing costs. The first reduction in US interest rates since 2008 took place right at the end of July, but was accompanied by a statement that it was not the beginning of a long series of cuts, to the disappointment of many investors.

The other major influence on company share (equity) prices was the perceived progress of negotiations on trade between the US and China. Whenever it appeared that a deal might be agreed, share prices rose, led by trade-sensitive sectors such as technology. However, when President Trump threatened to impose further tariffs on Chinese imports, or to extend trade constraints to Europe, Mexico or India, shares suffered steep falls. This was the case in May, when investors began to fret over the possible effect of less trade on global economies, leading to a bout of almost panic selling of equities. Promises by central banks to take appropriate action to support economic activity in the face of trade tension led to a swift recovery in share prices. Indeed, stockmarkets in the US reached record highs. Many European markets also performed well during the period, although shares in Japan and Hong Kong lagged.

The realisation that interest rates were more likely to fall than rise not only led to strong rallies in equity prices around the world, but also prompted large upward moves in bond markets. Bonds are loans in the form of a security, usually issued by a government (government bonds) or company (corporate bonds), which normally pay a fixed rate of interest over a given period of time, at the end of which the initial amount borrowed is repaid. The yields (measures of return that move inversely to bond prices) on many government bonds became increasingly negative, meaning that an investor lending money to, for example, Germany, would be guaranteed a loss if they held the bond until it was repaid.

M&G Global Convertibles Fund

Authorised Corporate Director's Report

Investment review

Investment performance (continued)

Since convertibles share the characteristics of both equities and bonds, they were supported by the rallies in both underlying markets and also delivered healthy returns. They did, however, lag the returns of equities and those of other corporate bonds.

The convertibles market was also affected by movements in the foreign exchange markets. The increasing likelihood of a 'no-deal' withdrawal of the UK from the European Union weighed heavily on sterling, which fell sharply against other currencies. This boosted the returns to sterling investors of convertibles denominated in other currencies – almost the entire market. In particular, the strength of the US dollar helped convertible returns, since the majority of the market is denominated in that currency. Hedged currency share classes aim to mitigate the impact of currency movements on holdings of the fund that are denominated in currencies other than the currency of the hedged share class, and therefore did not benefit from the effect of the strength in other currencies.

Lower volatility (or variability in returns) relative to shares is a basic feature of convertibles. When share prices rise, as they did for much of the review period, convertible prices increase due to the rise in value of the shares that would be received on conversion. They do, however, rise at a slower rate. Conversely, when share prices are weak, as they were in May, convertibles are supported by the value of their regular interest payments and potential repayment, known as the bond value, meaning their prices should not fall as far.

The fund generated positive returns during the six months under consideration, solidly ahead of its benchmark. Positive contributions were delivered by a variety of holdings from all around the world and in various sectors, although it was notable that several convertibles issued by US technology groups performed well.

Not only were US software groups helped by hopes of a trade agreement between the US and China, but many reported financial results that beat analysts' expectations, resulting in higher share prices that were reflected in their convertibles. Among the holdings that added value were convertibles from internet service provider Akamai Technologies, cloud-based communications software developer RingCentral, microchip manufacturer ON Semiconductor and data storage group Western Digital. Other US convertibles to generate good returns for the fund included those from real estate investment trust Extra Space Storage and healthcare group Exact Sciences, both of which announced better-than-expected earnings, as well as a bond that converts into financial group Voya.

Elsewhere, better-than-expected financial results prompted improvement in the prices of convertibles from French construction group Vinci, German sportswear manufacturer Adidas and Japanese consumer electronics conglomerate Sony, some of the larger holdings in the fund. Meanwhile, the prospect that global trade might not be derailed supported a bond convertible into the shares of Russian steel producer Severstal.

Even though a small number of our holdings fell in local terms, a strong currency reduced the effect in sterling terms. Among the few convertibles that detracted from performance were some that

released results perceived to be disappointing. This included convertibles from Mexican building products group Cemex and two US groups, technology business Pure Storage and drug developer Supernus Pharmaceuticals. We remain comfortable with holding Pure and Supernus but, since the fundamental outlook for Cemex appears to have deteriorated, we reduced exposure. Chinese train manufacturer CRRC also weighed on returns, declining on concern that the Chinese government may not spend as much as hoped on the country's infrastructure. The fall reduced the sensitivity of the convertible to moves in the underlying equity to below the desired level, prompting us to sell part of our holding. Finally, generic drug developer Teva Pharmaceuticals cost value, with the company caught up in scandals about drug price fixing and opioid supply. We cut exposure to the group.

In terms of performance relative to the fund's benchmark, not owning a convertible can have a significant effect if that bond performs particularly well, or badly. During the review period, convertibles from Argentine e-commerce business MercadoLibre, US semiconductor manufacturer Microchip Technology and US retailer Wayfair all rallied in price, to the detriment of the fund's performance in comparison to the Thomson Reuters Global Focus Convertible Bond Index. On the other hand, not owning convertibles from nutrition group Herbalife and electric vehicle makers Nio and Tesla, all in the US, proved beneficial.

Investment activities

As well as purchasing convertibles that we had identified as offering the required combination of likely asymmetric returns, – that is, participating more in upward share price moves than in falls – much of the portfolio activity undertaken was to ensure that the portfolio reflected changes in the breakdown of the convertibles universe. For example, the importance of the US software sector increased during the review period due to new issuance and robust performance, and it was crucial that the fund reflected the change. We also had to make sure that the equity sensitivity of our holdings in the sector was in line with that in the benchmark, which entailed trimming some of the positions that did not have the desired risk/reward profile. We bought convertibles from online security provider Palo Alto Networks, social media platform Twitter and medical software developer Tabula Rasa, as well as initiating smaller positions in several strongly positioned companies in fast growing segments of the market, such as Coupa Software, Vonage and DocuSign.

Demonstrating the diversity of opportunities that are available in the convertibles market, some of the larger additions to the fund during the period included convertibles from travel services provider Ctrip.com and social media platform Momo, in China US medical devices company Nuvasive and Danish hearing aid manufacturer GN Store Nord.

We adjusted our exposure to certain companies by purchasing more attractively valued convertibles and selling existing holdings. For instance, we bought a newly issued convertible from US healthcare group Exact Sciences, while selling an older bond already held in the fund, as the newer bond appeared lower risk. Similarly, we acquired a bond issued by JPMorgan that converts into German engineering conglomerate Siemens as it extended the term of our exposure to a company that we think has good upside potential. We sold the Siemens convertible that was already in the fund.

M&G Global Convertibles Fund

Authorised Corporate Director's Report

Investment review

Investment activities (continued)

Another bond issued by JPMorgan but which converts into Ping An insurance joined the portfolio, giving us equity exposure to the insurance and financial technology (fintech) activities of the Hong Kong-based personal financial services group, but with less credit risk.

At the same time, we disposed of holdings that had become less sensitive to share price moves and were trading on or near to their bond support levels, since we believed that they would be unlikely to participate in any potential share price recovery. This included bonds convertible into Mitsubishi Chemicals in Japan, Swiss duty free store operator Dufry and US oil services provider Oil States International. We also made significant reductions in the size of our holdings in convertibles from global port operator DP World and Chinese toll road operator Zhejiang Expressway for the same reason. Conversely, we sold a convertible from German pharmaceutical group Bayer as the bond's high equity sensitivity had left it vulnerable to potential share price falls, given the increasing regulatory risks surrounding the company following its acquisition of Monsanto.

Other convertibles left the fund through corporate action or redemption, including those from US internet service provider Akamai Technologies and Hong Kong-based motor manufacturer Johnson Electric, which were repaid, and global steel maker Aperam, which was bought back by the issuer.

Outlook

The current investment environment appears to be one in which convertibles should be considered by most investors. Although recent months have proved positive for global stockmarkets, we saw in May – and since the end of the review period – how quickly investor sentiment can change. There are all manner of events that can lead to falls in equity prices, from unexpectedly poor economic data to an escalation in trade rhetoric. There is also the possibility of unforeseen geopolitical developments, with tension between the US and Iran being a possible flashpoint, but with uncertainty about Brexit, Argentina or Italy providing other potential pitfalls.

Typically, convertibles benefit as volatility increases in the markets, with their debt characteristics providing some support when share prices are falling. We think that the asymmetric risk/reward profile of convertibles, participating when share prices rise but receiving some protection when shares fall, should be attractive to investors if the rest of 2019 proves to be as turbulent as parts of the year so far.

The issuance of convertibles slowed towards the end of the review period as it appeared that interest rates were likely to be reduced, increasing the attractions of traditional corporate bonds to companies seeking to raise finance. Encouragingly, there has been some pick-up in primary activity since the end of the period, in what is a traditionally quiet time. We were still able to identify plenty of attractively valued new convertibles, particularly in the US technology sector and from Asia.

The period under review was encouraging, both for the fund and for the broader convertibles market, and we are hopeful that this can be maintained. We believe the convertibles universe offers compelling opportunities for stockpicking that should enable us to gain exposure

to under-researched companies in a wide variety of countries and sectors. We will continue to search for those convertibles that offer the best balance of risk and reward by focusing on the basic characteristics of the issuing companies and by developing a deep understanding of the underlying business. We also rigorously analyse the technical qualities of each potential investment. We believe this approach has the potential to deliver healthy returns to investors over time.

Léonard Vinville

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	31.07.19	31.07.19	31.01.19
Holding ^[a]	\$'000	%	%
EQUITIES	6,019	1.62	5.04
Europe	3,499	0.94	1.74
European equities	3,499	0.94	1.74
50,057 APERAM	1,251	0.34	
142,032 Eni	2,248	0.60	
North America	1,543	0.42	1.86
North American equities	1,540	0.42	1.82
10,861 Electronic Arts	962	0.26	
17,338 Supernus Pharmaceuticals	578	0.16	
North American equity options	3	0.00	0.04
835,000 Glencore Dec 2019 Call	3	0.00	
Japan	977	0.26	0.69
Japanese equities	977	0.26	0.69
68,000 Orix	977	0.26	
Asia Pacific (ex Japan)	0	0.00	0.31
Asia Pacific equities	0	0.00	0.31
Other	0	0.00	0.44
Other equities	0	0.00	0.44
FIXED INCOME	351,324	94.67	94.11
United Kingdom	538	0.15	0.28
UK below investment grade corporate bonds	538	0.15	0.28
\$513,000 Inmarsat Finance 6.5% 01/10/2024	538	0.15	
Europe	96,552	26.01	34.02
European investment grade corporate bonds	46,291	12.47	18.52
€500,000 ADO Properties 1.25% 23/11/2023 (ADO Properties)	561	0.15	
€5,400,000 Airbus 0% 14/06/2021 (Dassault)	6,651	1.79	
€2,200,000 Eni 0% 13/04/2022 (Eni)	2,567	0.69	
€1,800,000 Fresenius Medical Care 1.125% 31/01/2020 (Fresenius Medical Care)	2,061	0.56	
€4,000,000 Grand City Properties 0.25% 02/03/2022 (Grand City Properties)	4,752	1.28	
\$6,800,000 STMicroelectronics 0% 03/07/2022 (STMicroelectronics)	7,827	2.11	
\$10,000,000 Total 0.5% 02/12/2022 (Total)	10,515	2.83	
\$9,600,000 Vinci 0.375% 16/02/2022 (Vinci)	11,357	3.06	

M&G Global Convertibles Fund

Authorised Corporate Director's Report

Investments

Portfolio statement (continued)				
as at Holding ^[a]	31.07.19 \$'000	31.07.19 %	31.01.19 %	
European below investment grade corporate bonds				
€3,400,000 Almirall 0.25% 14/12/2021 (Almirall)	4,085	1.10		
\$7,438,000 NXP Semiconductors 1% 01/12/2019 (NXP Semiconductors)	8,051	2.17		
European corporate bonds with no credit rating				
\$5,800,000 Abigrove 0% 16/02/2022 (Severstal)	6,902	1.86		
€5,800,000 adidas 0.05% 12/09/2023 (adidas)	7,816	2.10		
€1,200,000 ams 0% 05/03/2025 (ams)	995	0.27		
\$3,200,000 ELM 3.25% 13/06/2024 (ELM)	3,383	0.91		
€2,700,000 Fugro 4% 26/10/2021 (Fugro)	2,522	0.68		
€1,900,000 GN Store Nord 0% 21/05/2024 (GN Store Nord)	2,203	0.59		
\$6,000,000 Michelin 0% 10/11/2023 (Michelin)	5,604	1.51		
€2,300,000 Outokumpu 3.25% 26/02/2020 (Outokumpu)	2,590	0.70		
\$2,000,000 Qiagen 0.5% 13/09/2023 (Qiagen)	2,221	0.60		
\$3,600,000 Qiagen 1% 13/11/2024 (Qiagen)	3,889	1.05		
North America				
	182,126	49.08	38.44	
North American investment grade corporate bonds				
\$9,208,000 Booking 0.9% 15/09/2021 (Booking)	10,622	2.86		
\$2,808,000 Citrix Systems 4.5% 01/12/2027	2,913	0.78		
\$7,179,000 Extra Space Storage 3.125% 01/10/2035	8,877	2.39		
€3,800,000 JPMorgan Chase Bank 0% 24/05/2022 (Siemens)	4,484	1.21		
\$3,600,000 JPMorgan Chase Bank 0% 30/12/2020 (Ping an insurance)	4,212	1.14		
\$1,452,000 QVC 4.375% 15/03/2023	1,476	0.40		
North American below investment grade corporate bonds				
\$6,120,000 Cemex 3.72% 15/03/2020 (Cemex)	6,112	1.65		
\$4,931,000 Cemex Sub. 3.72% 15/03/2020 (Cemex)	4,919	1.33		
\$3,906,000 Horizon Pharma 2.5% 15/03/2022 (Horizon Pharma)	4,407	1.19		
\$4,183,000 II-VI 0% 01/09/2022 (II-VI)	4,605	1.24		
\$9,372,000 Jazz Investments I 1.875% 15/08/2021 (Jazz Pharma)	9,554	2.57		
\$4,110,000 Live Nation Entertainment 2.5% 15/03/2023 (Live Nation Entertainment)	5,101	1.37		
\$3,154,000 Nuance Communication 1.25% 01/04/2025 (Nuance Communication)	3,161	0.85		
\$3,492,000 Nuance Communication 1.5% 01/11/2035	3,505	0.95		
\$5,841,000 ON Semiconductor 1% 01/12/2020 (ON Semiconductor)	7,566	2.04		
\$5,820,000 Teva Pharmaceutical Finance 0.25% 01/02/2026	5,313	1.43		
\$6,036,000 Western Digital 1.5% 01/02/2024 (Western Digital)	5,613	1.51		
North American corporate bonds with no credit rating				
\$7,290,000 Akamai Technologies 0.125% 01/05/2025 (Akamai Technologies)	7,987	2.15		
\$2,215,000 Altair Engineering 0.25% 01/06/2024 (Altair Engineering)	2,439	0.66		
\$3,298,000 Chegg 0.125% 15/03/2025 (Chegg)	3,712	1.00		
\$2,380,000 Coupa Software 0.125% 15/06/2025 (Coupa Software)	2,699	0.73		

Portfolio statement (continued)

as at Holding ^[a]	31.07.19 \$'000	31.07.19 %	31.01.19 %	
North American corporate bonds with no credit rating (continued)				
\$2,750,000 DocuSign 0.5% 15/09/2023 (DocuSign)	2,924	0.79		
\$3,685,000 Exact Sciences 0.375% 15/03/2027 (Exact Sciences)	4,611	1.24		
\$770,000 Five9 0.125% 01/05/2023 (Five9)	1,046	0.28		
\$1,853,000 Guidewire Software 1.25% 15/03/2025 (Guidewire Software)	2,086	0.56		
\$2,316,000 Helix Energy Solutions 4.25% 01/05/2022 (Helix Energy Solutions)	2,351	0.63		
\$2,200,000 InterDigital 2% 01/06/2024 (InterDigital)	2,232	0.60		
\$3,199,000 Jazz Investments I 1.5% 15/08/2024 (Jazz Pharma)	3,157	0.85		
\$7,457,000 JPMorgan Chase Financial 0.25% 01/05/2023 (Voya Financial)	7,780	2.10		
\$4,160,000 Ligand Pharmaceuticals 0.75% 15/05/2023 (Ligand Pharmaceuticals)	3,456	0.93		
\$3,140,000 NuVasive 2.25% 15/03/2021 (NuVasive)	3,568	0.96		
\$1,197,000 OSI Systems 1.25% 01/09/2022 (OSI Systems)	1,421	0.38		
CAD3,113,000 Osisko Gold Royalties 4% 31/12/2022 (Osisko Gold Royalties)	2,467	0.67		
\$7,637,000 Palo Alto Networks 0.75% 01/07/2023 (Palo Alto Networks)	8,431	2.27		
\$2,755,000 Pure Storage 0.125% 15/04/2023 (Pure Storage)	2,655	0.72		
\$1,273,000 RingCentral 0% 15/03/2023 (RingCentral)	2,259	0.61		
\$1,123,000 SSR Mining 2.5% 01/04/2039	1,339	0.36		
\$8,086,000 Supernus Pharmaceuticals 0.625% 01/04/2023 (Supernus Pharmaceuticals)	7,941	2.14		
\$2,346,000 Tabula Rasa HealthCare 1.75% 15/02/2026 (Tabula Rasa HealthCare)	2,597	0.70		
\$7,730,000 Twitter 0.25% 15/06/2024 (Twitter)	8,147	2.20		
\$2,240,000 Vonage 1.75% 01/06/2024 (Vonage)	2,381	0.64		
Japan				
	23,427	6.31	6.61	
Japanese investment grade corporate bonds				
¥948,000,000 Sony 0% 30/09/2022 (Sony)	11,811	3.18	2.53	
Japanese corporate bonds with no credit rating				
¥140,000,000 MinebeaMitsumi 0% 03/08/2022	1,490	0.40		
¥650,000,000 Mitsubishi Chemical 0% 29/03/2024 (Mitsubishi Chemical)	6,018	1.62		
¥400,000,000 Ship Healthcare 0% 13/12/2023 (Ship Healthcare)	4,108	1.11		
Asia Pacific (ex Japan)				
	47,112	12.70	11.54	
Asia Pacific investment grade corporate bonds				
\$5,250,000 CRRC 0% 05/02/2021	5,125	1.38		
\$4,800,000 LG Chemical 0% 16/04/2021 (LG Chemical)	4,748	1.28		
HKD23,000,000 Link 2019 CB 1.6% 03/04/2024	2,956	0.80		
\$3,217,000 Weibo 1.25% 15/11/2022 (Weibo)	3,009	0.81		
Asia Pacific corporate bonds with no credit rating				
\$1,848,000 Bilibili 1.375% 01/04/2026	1,738	0.47		
HKD20,000,000 China Education 2% 28/03/2024	2,798	0.75		
\$3,990,000 Ctrip.com International 1.99% 01/07/2025	4,430	1.19		
\$3,152,000 Lenovo 3.375% 24/01/2024	3,617	0.98		
\$1,066,000 Luye Pharma 1.5% 09/07/2024	1,134	0.31		
\$3,900,000 Momo 1.25% 01/07/2025	3,655	0.99		
SGD6,750,000 Suntec REIT 1.75% 30/11/2024	4,903	1.32		

M&G Global Convertibles Fund

Authorised Corporate Director's Report

Investments

Portfolio statement (continued)				
as at		31.07.19	31.07.19	31.01.19
Holding ^[a]		\$'000	%	%
Asia Pacific corporate bonds with no credit rating (continued)				
\$2,228,000 Xero Investments 2.375% 04/10/2023 (Xero Investments)		2,644	0.71	
€1,900,000 Zhejiang Expressway 0% 21/04/2022		2,095	0.56	
HKD32,000,000 Zhongsheng 0% 23/05/2023		4,260	1.15	
Other		1,569	0.42	3.22
Other corporate bonds with no credit rating				
\$1,600,000 DP World 1.75% 19/06/2024		1,569	0.42	3.22
CURRENCY		107	0.03	0.39
Forward currency contracts				
¥2,397,849,840 Bought for \$21,999,779 (expires 14.08.19)		107	0.03	0.39
Portfolio of investments		357,450	96.32	99.54
CASH EQUIVALENTS				
'AAA' rated money market funds ^[b]		16,873	4.55	1.27
16,873,000 Northern Trust Global Fund - US dollar		16,873	4.55	
SHARE CLASS HEDGING				
Forward currency contracts for share class hedging				
		(519)	(0.14)	0.21
CAD2 Bought for £1 (expires 28.08.19)		0	0.00	
€669 Bought for £611 (expires 28.08.19)		0	0.00	
HKD186 Bought for £19 (expires 28.08.19)		0	0.00	
¥65,858 Bought for £496 (expires 28.08.19)		0	0.00	
£1 Bought for CHF1 (expires 28.08.19)		0	0.00	
£108,564 Bought for CAD178,309 (expires 28.08.19)		(3)	0.00	
£214,443 Bought for SGD365,961 (expires 28.08.19)		(6)	0.00	
£435,527 Bought for HKD4,256,632 (expires 28.08.19)		(14)	0.00	
£2,006,185 Bought for ¥270,987,294 (expires 28.08.19)		(55)	(0.02)	
£1,978,874 Bought for €2,217,037 (expires 28.08.19)		(66)	(0.02)	
£11,209,531 Bought for \$14,028,708 (expires 28.08.19)		(375)	(0.10)	
SGD983 Bought for £576 (expires 28.08.19)		0	0.00	
CHF244 Bought for £199 (expires 28.08.19)		0	0.00	
Total portfolio		373,804	100.73	101.02
Net other assets / (liabilities)		(2,713)	(0.73)	(1.02)
Net assets attributable to shareholders		371,091	100.00	100.00

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

^[a] The underlying stock for each convertible bond is shown in brackets.

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

Portfolio transactions		
for the six months to 31 July	2019	2018
Portfolio transactions	\$'000	\$'000
Total purchases	100,516	360,971
Total sales	124,686	645,851

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

M&G Global Convertibles 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 (7), 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	31.07.19 \$'000	31.01.19 \$'000	31.01.18 \$'000
Fund net asset value (NAV)	371,091	367,330	2,452,079

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

	Six months 01.02.19 % [a]	Three years 01.08.16 % p.a.	Five years 01.08.14 % p.a.	Since launch % p.a.
Sterling [b]				
Class 'A'	+12.0	+4.2	+7.5	+6.8 [c]
Class 'A-H'	+3.6	+0.4	+1.5	+3.7 [d]
Class 'I'	+12.5	+5.0	+8.2	+7.5 [c]
Class 'I-H'	+4.1	+1.3	+2.2	+4.4 [d]
Class 'PP'	n/a	n/a	n/a	+10.3 [e]
Class 'R'	+12.3	+4.7	+8.0	+7.8 [f]
Class 'R-H'	+4.0	+1.1	+2.1	+4.3 [d]

[a] Absolute basis.

[b] Price to price with income reinvested.

[c] 13 July 2007, the launch date of the fund.

[d] 28 September 2012, the launch date of the share class.

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

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

M&G Global Convertibles Fund

Financial highlights

Fund performance

Operating charges and portfolio transaction costs

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

Operating charges

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

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

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

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

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

Portfolio transaction costs

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

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

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

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

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

Portfolio transaction costs

	Six months to 31.07.19	Year to 31.01.19	Year to 31.01.18	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	31.07.19	31.01.19	31.01.18	Average ^[a]
Indirect portfolio transaction costs	%	%	%	%
Average portfolio dealing spread	0.67	0.71	0.54	0.64

^[a] Average of first three columns.

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

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

M&G Global Convertibles Fund

Financial highlights

Specific share class performance

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

Sterling Class 'A' Income share performance

The share class was launched on 13 July 2007.

	Six months to 31.07.19 UK p	Year to 31.01.19 UK p	Year to 31.01.18 UK p
Change in NAV per share			
Opening NAV	159.15	168.06	178.89
Return before operating charges and after direct portfolio transaction costs	21.58	(1.24)	(3.34)
Operating charges	(1.38)	(2.81)	(3.01)
Return after operating charges	20.20	(4.05)	(6.35)
Distributions	n/a	(4.86)	(4.48)
Closing NAV	179.35	159.15	168.06
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.01	0.02
Dilution adjustments ^[a]	0.00	0.00	(0.01)
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	1.67	1.67	1.67
Return after operating charges	+12.69	-2.41	-3.55
Distribution yield	3.48	3.10	2.60
Effect on yield of charges offset against capital	1.65	1.65	1.65
Other information			
Closing NAV (\$'000)	237,679	211,839	198,691
Closing NAV percentage of total fund NAV (%)	64.05	57.67	8.10
Number of shares	108,937,497	101,378,719	83,487,897
Highest share price (UK p)	180.53	177.12	186.18
Lowest share price (UK p)	159.92	161.53	172.30

Sterling Class 'A' Accumulation share performance

The share class was launched on 13 July 2007.

	Six months to 31.07.19 UK p	Year to 31.01.19 UK p	Year to 31.01.18 UK p
Change in NAV per share			
Opening NAV	194.45	199.28	206.63
Return before operating charges and after direct portfolio transaction costs	26.34	(1.46)	(3.86)
Operating charges	(1.69)	(3.37)	(3.49)
Return after operating charges	24.65	(4.83)	(7.35)
Distributions	n/a	(2.42)	(2.03)
Retained distributions	n/a	2.42	2.03
Closing NAV	219.10	194.45	199.28
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.01	0.02
Dilution adjustments ^[a]	0.00	0.00	(0.01)
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	1.67	1.66	1.67
Return after operating charges	+12.68	-2.42	-3.56
Distribution yield	1.84	1.47	0.96
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	10,547	10,623	279,136
Closing NAV percentage of total fund NAV (%)	2.84	2.89	11.38
Number of shares	3,957,180	4,161,169	98,914,572
Highest share price (UK p)	220.54	210.00	215.03
Lowest share price (UK p)	195.36	191.52	199.00

Sterling Class 'A-H' Accumulation share performance

The share class was launched on 28 September 2012.

	Six months to 31.07.19 UK p	Year to 31.01.19 UK p	Year to 31.01.18 UK p
Change in NAV per share			
Opening NAV	122.91	133.43	129.40
Return before operating charges and after direct portfolio transaction costs	6.07	(8.35)	6.28
Operating charges	(1.06)	(2.17)	(2.25)
Return after operating charges	5.01	(10.52)	4.03
Distributions	n/a	(1.52)	(1.30)
Retained distributions	n/a	1.52	1.30
Closing NAV	127.92	122.91	133.43
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	1.69	1.68	1.69
Return after operating charges	+4.08	-7.88	+3.10
Distribution yield	1.88	1.43	0.93
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	234	299	446
Closing NAV percentage of total fund NAV (%)	0.06	0.09	0.02
Number of shares	150,593	185,593	235,900
Highest share price (UK p)	128.76	134.39	135.32
Lowest share price (UK p)	122.79	118.89	128.63

M&G Global Convertibles Fund

Financial highlights

Specific share class performance

Sterling Class 'I' Income share performance

The share class was launched on 3 August 2012.

	Six months to 31.07.19 UK p	Year to 31.01.19 UK p	Year to 31.01.18 UK p
Change in NAV per share			
Opening NAV	1,325.15	1,388.71	1,466.99
Return before operating charges and after direct portfolio transaction costs	180.14	(10.42)	(27.71)
Operating charges	(6.34)	(12.87)	(13.66)
Return after operating charges	173.80	(23.29)	(41.37)
Distributions	n/a	(40.27)	(36.91)
Closing NAV	1,498.95	1,325.15	1,388.71
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.03	0.09	0.15
Dilution adjustments ^[a]	0.00	(0.03)	(0.05)
Total direct portfolio transaction costs	0.03	0.06	0.10
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.01	0.01
Operating charges	0.92	0.92	0.92
Return after operating charges	+13.12	-1.68	-2.82
Distribution yield	3.48	3.10	2.60
Effect on yield of charges offset against capital	0.90	0.90	0.90
Other information			
Closing NAV (\$'000)	41,469	66,182	85,282
Closing NAV percentage of total fund NAV (%)	11.18	18.02	3.48
Number of shares	2,274,157	3,803,843	4,336,628
Highest share price (UK p)	1,508.83	1,469.23	1,528.15
Lowest share price (UK p)	1,332.32	1,336.79	1,423.42

Sterling Class 'I' Accumulation share performance

The share class was launched on 13 July 2007.

	Six months to 31.07.19 UK p	Year to 31.01.19 UK p	Year to 31.01.18 UK p
Change in NAV per share			
Opening NAV	208.89	212.46	218.65
Return before operating charges and after direct portfolio transaction costs	28.34	(1.60)	(4.15)
Operating charges	(1.00)	(1.97)	(2.04)
Return after operating charges	27.34	(3.57)	(6.19)
Distributions	n/a	(4.21)	(3.68)
Retained distributions	n/a	4.21	3.68
Closing NAV	236.23	208.89	212.46
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.01	0.02
Dilution adjustments ^[a]	0.00	0.00	(0.01)
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	0.92	0.92	0.92
Return after operating charges	+13.09	-1.68	-2.83
Distribution yield	2.59	2.21	1.70
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	61,155	58,483	78,683
Closing NAV percentage of total fund NAV (%)	16.48	15.92	3.21
Number of shares	21,280,137	21,323,944	26,151,460
Highest share price (UK p)	237.80	224.76	227.75
Lowest share price (UK p)	209.98	204.51	212.14

Sterling Class 'I-H' Accumulation share performance

The share class was launched on 28 September 2012.

	Six months to 31.07.19 UK p	Year to 31.01.19 UK p	Year to 31.01.18 UK p
Change in NAV per share			
Opening NAV	127.89	137.78	132.21
Return before operating charges and after direct portfolio transaction costs	6.46	(8.65)	6.90
Operating charges	(0.61)	(1.24)	(1.33)
Return after operating charges	5.85	(9.89)	5.57
Distributions	n/a	(2.57)	(2.38)
Retained distributions	n/a	2.57	2.38
Closing NAV	133.74	127.89	137.78
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	0.94	0.94	0.94
Return after operating charges	+4.57	-7.18	+4.21
Distribution yield	2.64	2.16	1.66
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	19,047	19,056	17,912
Closing NAV percentage of total fund NAV (%)	5.13	5.19	0.73
Number of shares	11,707,597	11,348,633	9,180,780
Highest share price (UK p)	134.62	138.74	139.71
Lowest share price (UK p)	128.11	123.63	132.25

Sterling Class 'PP' Accumulation share performance

The share class was launched on 8 April 2019.

	Six months to 31.07.19 UK p	Year to 31.01.19 UK p	Year to 31.01.18 UK p
Change in NAV per share			
Opening NAV	100.00	n/a	n/a
Return before operating charges and after direct portfolio transaction costs	9.57	n/a	n/a
Operating charges	(0.26)	n/a	n/a
Return after operating charges	9.31	n/a	n/a
Distributions	n/a	n/a	n/a
Retained distributions	n/a	n/a	n/a
Closing NAV	109.31	n/a	n/a
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	n/a	n/a
Dilution adjustments ^[a]	0.00	n/a	n/a
Total direct portfolio transaction costs	0.00	n/a	n/a
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	n/a	n/a
Operating charges	0.77*	n/a	n/a
Return after operating charges	+9.31	n/a	n/a
Distribution yield	2.72	n/a	n/a
Effect on yield of charges offset against capital	0.00	n/a	n/a
Other information			
Closing NAV (\$'000)	27	n/a	n/a
Closing NAV percentage of total fund NAV (%)	0.01	n/a	n/a
Number of shares	20,000	n/a	n/a
Highest share price (UK p)	110.04	n/a	n/a
Lowest share price (UK p)	99.09	n/a	n/a

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

M&G Global Convertibles Fund

Financial highlights

Specific share class performance

Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012.

	Six months to 31.07.19 UK p	Year to 31.01.19 UK p	Year to 31.01.18 UK p
Change in NAV per share			
Opening NAV	131.69	138.35	146.52
Return before operating charges and after direct portfolio transaction costs	17.88	(1.02)	(2.75)
Operating charges	(0.80)	(1.63)	(1.74)
Return after operating charges	17.08	(2.65)	(4.49)
Distributions	n/a	(4.01)	(3.68)
Closing NAV	148.77	131.69	138.35
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	1.17	1.17	1.17
Return after operating charges	+12.97	-1.92	-3.06
Distribution yield	3.48	3.10	2.60
Effect on yield of charges offset against capital	1.15	1.15	1.15
Other information			
Closing NAV (\$'000)	410	376	433
Closing NAV percentage of total fund NAV (%)	0.11	0.10	0.02
Number of shares	226,676	217,374	221,146
Highest share price (UK p)	149.75	146.19	152.59
Lowest share price (UK p)	132.37	133.11	141.82

Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012.

	Six months to 31.07.19 UK p	Year to 31.01.19 UK p	Year to 31.01.18 UK p
Change in NAV per share			
Opening NAV	148.89	151.81	156.62
Return before operating charges and after direct portfolio transaction costs	20.18	(1.14)	(2.96)
Operating charges	(0.91)	(1.78)	(1.85)
Return after operating charges	19.27	(2.92)	(4.81)
Distributions	n/a	(2.62)	(2.27)
Retained distributions	n/a	2.62	2.27
Closing NAV	168.16	148.89	151.81
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.01	0.02
Dilution adjustments ^[a]	0.00	0.00	(0.01)
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	1.17	1.17	1.17
Return after operating charges	+12.94	-1.92	-3.07
Distribution yield	2.34	1.96	1.46
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	472	419	397
Closing NAV percentage of total fund NAV (%)	0.13	0.11	0.02
Number of shares	230,689	214,548	184,688
Highest share price (UK p)	169.27	160.39	163.20
Lowest share price (UK p)	149.64	146.04	151.58

Sterling Class 'R-H' Accumulation share performance

The share class was launched on 28 September 2012.

	Six months to 31.07.19 UK p	Year to 31.01.19 UK p	Year to 31.01.18 UK p
Change in NAV per share			
Opening NAV	127.28	137.87	132.02
Return before operating charges and after direct portfolio transaction costs	6.42	(9.02)	7.48
Operating charges	(0.78)	(1.57)	(1.63)
Return after operating charges	5.64	(10.59)	5.85
Distributions	n/a	(2.24)	(2.04)
Retained distributions	n/a	2.24	2.04
Closing NAV	132.92	127.28	137.87
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	1.19	1.18	1.19
Return after operating charges	+4.43	-7.68	+4.43
Distribution yield	2.39	1.92	1.42
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	51	53	76
Closing NAV percentage of total fund NAV (%)	0.01	0.01	0.00
Number of shares	31,630	31,630	39,116
Highest share price (UK p)	133.80	138.83	139.79
Lowest share price (UK p)	127.38	123.07	132.07

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

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

M&G Global Convertibles Fund

Financial statements and notes

Financial statements

Statement of total return

for the six months to 31 July	2019 \$'000	2018 \$'000
Income		
Net capital gains / (losses)	10,288	(155,914)
Revenue	7,002	31,109
Expenses	(2,552)	(14,036)
Net revenue / (expense) before taxation	4,450	17,073
Taxation	(9)	(439)
Net revenue / (expense) after taxation	4,441	16,634
Total return before equalisation	14,729	(139,280)
Equalisation	(5)	(2,074)
Change in net assets attributable to shareholders from investment activities	14,724	(141,354)

Statement of change in net assets attributable to shareholders

for the six months to 31 July	2019 \$'000	2018 \$'000
Opening net assets attributable to shareholders	367,330	2,452,079
Amounts received on issue of shares	27,663	193,421
Amounts paid on cancellation of shares	(38,834)	(469,639)
	(11,171)	(276,218)
Dilution adjustments	208	1,556
Change in net assets attributable to shareholders from investment activities (see above)	14,724	(141,354)
Closing net assets attributable to shareholders	371,091	2,036,063

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

Balance sheet

as at	31 July 2019 \$'000	31 January 2019 \$'000
Assets		
Fixed assets		
Investments	357,450	366,404
Current assets		
Debtors	1,655	2,267
Cash and bank balances	825	8,060
Cash equivalents	16,873	4,680
Total assets	376,803	381,411
Liabilities		
Investment liabilities	(519)	(23)
Creditors		
Bank overdrafts	(3,166)	0
Overdrawn positions at futures clearing houses and collateral manager	0	(1,147)
Distribution payable	0	(9,543)
Other creditors	(2,027)	(3,368)
Total liabilities	(5,712)	(14,081)
Net assets attributable to shareholders	371,091	367,330

Notes to the financial statements

Accounting policies

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

Distribution policy

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

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

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

M&G Global Emerging Markets Fund

Authorised Corporate Director's Report

Investment objective

The fund aims to maximise long term total return (the combination of capital growth and income) by investing in emerging market countries.

Investment policy

The fund will invest mainly in the securities of companies domiciled in or conducting the major part of their economic activity in emerging market countries*. Exposure to these securities may be gained through the use of derivatives. The fund may invest across a wide range of geographies, sectors and market capitalisations. The fund may also invest in other assets including collective investment schemes, other transferable securities, cash and near cash, deposits, warrants, money market instruments and derivatives.

* The current reference point for defining emerging market countries are those included within the MSCI Emerging Markets Index and/or those included in the World Bank definition of developing economies as updated from time to time.

Investment approach

The M&G Global Emerging Markets Fund employs a bottom-up stockpicking approach to identify companies whose ability to improve their profitability or sustain high levels of profitability over time is, in the fund manager's opinion, being undervalued.

It is the core belief of the fund manager that company-specific factors, not economic growth levels, drive share prices over the long run. Consequently, investment decisions are determined by fundamental analysis of individual companies with a specific focus on their use of capital and profitability. The fund manager applies a strict valuation discipline and looks for companies whose future profitability is, in his opinion, being under-appreciated by the market. He also assesses their corporate governance practices to find companies that are run for the benefit of their shareholders. The fund's country and sector exposure is not influenced by top-down views.

The fund invests in two specific types of company. The first comprises firms with the potential to improve their profitability, either through external change or internal change. The fund also invests in businesses with high levels of profitability where the market does not believe these levels of returns are sustainable over time; we define these as asset growth and quality companies. Investing in these different types of company is designed to create a balanced portfolio that has the potential to perform in a variety of market conditions.

The fund manager aims to hold between 50 and 70 stocks, with a typical holding period of three to five years. Taking a long-term view enables the manager to align his interest with the strategic value-creating decisions of company management. It also enables him to take advantage of valuation anomalies created by the short-term nature of emerging market investors.

Risk profile

The fund invests mainly in company shares issued by companies located in emerging markets. It is, therefore, subject to the price volatility of the global stockmarket and the performance of individual issuers. The fund is also subject to fluctuations in currency exchange rates.

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

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 1 August 2019, for the six months ended 31 July 2019

Performance against objective

Between 1 February 2019 (the start of the review period) and 1 August 2019, all share classes of the M&G Global Emerging Markets Fund produced a positive total return (the combination of income and growth of capital).*

The fund's returns were ahead of a comparative index, the MSCI Emerging Markets Index, which returned 7.2% over the six-month period.

Over the longer term of five years, the fund has achieved its performance objective of maximising long-term total return. All share classes have produced healthy positive returns over this time period.

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

M&G Global Emerging Markets Fund

Authorised Corporate Director's Report

Investment review

Investment performance

Financial markets were turbulent during the review period as investor sentiment was influenced by developments in the ongoing trade war between the US and China and fears about the potential knock-on effect on the global economy. Despite this uncertain backdrop, share prices of emerging market companies rose. However, they lagged developed market companies, particularly those in the US, where stockmarkets climbed to new record peaks.

The period began positively with stockmarkets around the world rebounding from the declines at the end of 2018 amid hopes that the US and China might reach a deal to resolve their dispute. However, this optimism was dashed. Share prices fell in May, when US President Donald Trump announced that tariffs on US\$200 billion worth of Chinese goods would increase from 10% to 25%.

Worries about the impact that the year-long tariff war between the world's two largest economies was having on the global economy increased during the period. As a result, demand for assets such as government bonds and gold, which are considered to be relatively safe in times of uncertainty, soared. The US dollar, which is also often favoured in periods of risk aversion, appreciated against major currencies over the six months.

Amid fears of a slowdown in global economic growth, in July the US Federal Reserve (Fed) cut interest rates for the first time since the financial crisis of 2008/9. Policymakers in Indonesia, South Africa, South Korea and Turkey also cut rates during the period, attempting to support their economies.

However, investors' initial enthusiasm about the prospect of renewed economic support from central banks was short-lived. Stockmarkets fell at the end of the period as investors were disappointed that the Fed's rate cut would not necessarily be followed by others.

Over the six months, Russia's stockmarket was one of the leading performers, supported by rising oil prices towards the beginning of the period. Russia, along with the Philippines, which outperformed, is also considered to be relatively insulated from the trade tensions, given limited reliance on exports. India's stockmarket performed well as investors welcomed a decisive election victory for Prime Minister Narendra Modi. Taiwan and Thailand were among the best performing markets too.

In contrast, South Korea was one of the weakest markets, dragged down by the US-China trade tensions as well as a trade dispute with Japan. Share prices in Chile and Pakistan also declined, with underperformance from Mexico and Peru as well.

At the sector level, information technology led the way. Worries about the economic outlook led investors to favour consumer staples stocks, which are considered to be resilient in challenging economic conditions. Consumer discretionary and utilities also outperformed.

In contrast, healthcare stocks declined, while industrials and materials, two sectors that are closely linked to economic activity, were notable laggards.

The fund's performance was supported by significant gains from a number of our Chinese stocks, in particular sportswear retailer Li Ning. The company has been undergoing a turnaround strategy recently, making operational improvements, including closing down or reforming unprofitable stores, improving its product range and increasing e-commerce activities. This year, as the company's profits have increased, market participants have become enthusiastic about Li Ning's prospects and the share price doubled in value during the review period (in sterling terms).

Our holding in plastic pipe and building materials company China Lesso also added value. Lesso's shares climbed on good results and optimism about the company's potential to benefit from new infrastructure projects and any improvement in the property sector.

Chinese online travel company Ctrip.com was another notable contributor. The company is experiencing healthy revenue growth and its international business is expanding – Ctrip recently increased its stake in an Indian travel company which could offer opportunities in a huge new market.

In Brazil, our holdings in conglomerate Cosan and housebuilders Cyrela Brazil Realty and MRV Engenharia made positive contributions. Optimism about reform of Brazil's pension system, which could improve the country's financial position, has boosted the country's stockmarket recently and the stocks rallied during the period.

In contrast, our holdings in Mexican companies Alfa, a conglomerate, and chemicals firm Mexichem held back relative performance. Mexico's stockmarket struggled during the period as the unexpected resignation of the country's finance minister raised concerns about economic policy. Shares in Alfa, which has automotive, food packaging and energy businesses, came under further pressure when it reported a steep fall in quarterly profits.

Chinese internet search company Baidu was a leading detractor as the company's shares declined after the company reported its first quarterly loss since becoming a publicly listed company in 2005. The company also said a weak economic environment and tighter advertising regulations could have a negative impact on performance.

As South Korea's stockmarket declined amid worries about the macroeconomic environment, our relatively large position in financial group Hana Financial cost some performance. South African bank Absa (formerly Barclays Africa) and Imperial Logistics, a South African logistics company, were notable detractors, too. Imperial's shares fell when it forecast South Africa's weak economic growth and lower consumer demand would cause its profits to fall.

Investment activities

During the review period, we sold a number of holdings on valuation grounds after good share price performance and reinvested the proceeds in new opportunities. We also disposed of some smaller positions in companies in which we have lost confidence.

We sold our entire stakes in Chinese sportswear retailer Li Ning and Brazilian software company TOTVS following impressive share price gains. We also took some profits by reducing the holdings in Brazilian holdings Cosan and MRV Engenharia, which rallied during the period.

M&G Global Emerging Markets Fund

Authorised Corporate Director's Report

Investment review

Investment activities (continued)

In Taiwan, the stakes in Casetek, a manufacturer of casings for tablets, and financial services firm Cathay Financial were sold as we saw better opportunities elsewhere. Oil company Ophir Energy left the portfolio following a takeover bid.

In contrast, we started positions in Habib Bank and United Bank, two financial companies from Pakistan. In our view, these banks are operating in a structurally attractive market that has considerable growth potential. We believe they are currently attractively valued as investors' concerns about Pakistan's economic situation have weighed on their share prices.

In the Philippines, we invested in conglomerate Metro Pacific, which is focused on infrastructure activities, such as energy, water and toll roads. In our view, the stock is trading at a depressed valuation and we should see an improvement in profitability once a period of substantial capital investment comes to an end.

Another newcomer was Dubai-based ports operator DP World. The market is concerned about a potential decline in container shipping volumes, but in our view, the company is a quality operator and recent acquisitions should contribute to revenue growth.

We have been increasing our allocation to Mexico in recent quarters, and it is now one of the fund's biggest positions. The Mexican market has historically been expensive but concerns about US tariffs and domestic economic policies have created opportunities to buy stocks at attractive levels, in our view. During the period, we bought a stake in Mexichem, a Mexican chemicals firm.

In addition, we continued to build our stakes in some recent purchases – notably Russian food retailer X5 and Silicon Motion Technology, a leading developer of controllers for NAND memory used in smartphones and PCs.

Outlook

We remain optimistic about the prospects for emerging market companies. However, we recognise that investor sentiment towards emerging markets is frequently influenced by macroeconomic developments. The major risk today is arguably the introduction of tariffs and the impact this may have on global trade and economic growth.

With fears of a global economic slowdown rising, the current outlook appears challenging. But, as long-term investors, we are able to take the long view and look beyond sentiment-driven stockmarket turbulence. We believe we can find opportunities when share prices move in response to macroeconomic fears, but the impact at a 'micro' or corporate level is minimal – be that Chinese stocks affected by the trade war or Mexican companies caught up in concerns about the government's political agenda or the spectre of US tariffs.

Recent stockmarket volatility has thrown up myriad opportunities, in our view: from a valuation perspective, the market is arguably as polarised as it has ever been. The recent preference for higher quality growth stocks has created a wide valuation spread between the most expensive and the cheapest stocks in the market. On a risk/reward basis, cheaper 'value' stocks are an appealing prospect currently, in our opinion.

Over the past few quarters, the US-China trade war and the Fed's interest rate policy have dominated the agenda. As a result, we believe investors have largely ignored the operational performance, or fundamentals, of companies. In our assessment, many companies are performing well and doing a good job for their shareholders.

Given this preoccupation with the macro environment, we believe there are currently opportunities for selective, long-term investors to identify emerging market companies whose valuations have been marked down for reasons unrelated to their underlying performance. In this uncertain environment, we will continue to apply our disciplined stock picking approach to find stocks that we believe are being underappreciated by the market.

Michael Bourke

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 Holding	31.07.19 \$'000	31.07.19 %	31.01.19 %
EQUITIES	912,792	97.62	97.97
Brazil	74,461	7.96	11.07
2,316,599 Banco Bradesco Preference Shares	21,625	2.31	
4,786,958 CCR	19,130	2.05	
338,791 Cosan	4,967	0.53	
2,574,641 Cyrela Brazil Realty	16,469	1.76	
2,896,776 Kroton Educacional	9,368	1.00	
549,562 MRV Engenharia	2,902	0.31	
Canada	8,090	0.87	1.02
882,064 First Quantum Minerals	8,090	0.87	
China	199,675	21.35	21.64 [a]
155,309 Baidu ADR	17,505	1.87	
21,650,000 China Construction Bank	16,762	1.79	
33,259,300 China Lasso	30,891	3.30	
19,896,000 China Petroleum & Chemical	12,836	1.37	
9,011,000 China Railway Signal & Communication	6,032	0.65	
11,644,000 CNOOC	19,220	2.06	
732,958 Ctrip.com International ADR	28,739	3.07	
29,247,000 Greatview Aseptic Packaging	16,104	1.72	
1,081,185 HollySys Automation Technologies	18,975	2.03	
17,034,500 PICC Property & Casualty	20,392	2.18	
200,500 Ping An Insurance Group Company of China	2,390	0.26	
17,891,215 Xinyi Solar	9,829	1.05	
Hong Kong	58,821	6.29	6.58
1,091,400 AIA	11,266	1.20	
18,777,000 Far East Horizon	17,512	1.87	
41,674,652 First Pacific	17,463	1.87	
15,482,000 Lenovo	12,580	1.35	
India	21,301	2.28	1.62
1,107,957 ICICI Bank	6,851	0.73	
7,875,798 NTPC	14,450	1.55	

M&G Global Emerging Markets Fund

Authorised Corporate Director's Report

Investments

Portfolio statement (continued)				
as at Holding	31.07.19 \$'000	31.07.19 %	31.01.19 %	
Indonesia	17,800	1.90	1.68	
31,482,700 Bank Mandiri	17,800	1.90		
Mexico	62,873	6.73	5.53	
21,361,259 Alfa	18,690	2.00		
1,028,263 Banco Santander Mexico ADR	7,352	0.79		
6,715,905 Fibra Uno Administracion REIT	8,500	0.91		
3,495,324 Grupo Financiero Banorte	17,912	1.92		
5,427,972 Mexichem	10,419	1.11		
Pakistan	5,527	0.60	0.00	
1,637,652 Habib Bank	1,171	0.13		
4,826,457 United Bank	4,356	0.47		
Philippines	18,665	2.00	0.66	
640,823 GT Capital	11,674	1.25		
74,112,000 Metro Pacific Investments	6,991	0.75		
Russia	63,468	6.79	5.99	
4,855,126 Etalon GDR	10,778	1.15		
194,972 Lukoil ADR	15,820	1.69		
1,931,802 Sberbank of Russia ADR	29,315	3.14		
229,624 X5 Retail GDR	7,555	0.81		
Singapore	7,184	0.77	0.86	
1,027,756 Ezion Warrants 24/04/2020	0	0.00		
24,880,366 Ezion Warrants 16/04/2023	0	0.00		
4,202,000 Sembcorp Industries	7,184	0.77		
South Africa	48,879	5.23	6.07	
1,368,068 Absa	15,530	1.66		
1,370,536 Barloworld	11,518	1.23		
2,008,424 Imperial Logistics	6,410	0.69		
898,156 Motus	4,590	0.49		
2,050,757 Sanlam	10,831	1.16		
South Korea	121,399	12.97	14.66	
561,582 Hana Financial	16,495	1.76		
47,486 Hyundai Motor	5,077	0.54		
1,403,111 Samsung Electronics	53,783	5.75		
53,698 Samsung Fire & Marine Insurance	11,914	1.27		
941,790 Samsung Heavy Industries	5,628	0.60		
775,176 Shinhan Financial	28,502	3.05		
Taiwan	111,136	11.89	11.78	
1,414,000 Catcher Technology	10,504	1.12		
7,053,982 Chicony Electronics	18,012	1.93		
3,971,535 Delta Electronics	19,286	2.06		
500,000 eMemory Technology	6,070	0.65		
400,408 Silicon Motion Technology ADR	16,361	1.75		
3,847,000 Taiwan Semiconductor Manufacturing	32,042	3.43		
11,088,000 TECO Electric & Machinery	8,861	0.95		
Turkey	31,017	3.32	2.84	
10,403,901 Hacı Ömer Sabancı	18,512	1.98		
3,738,261 Koç	12,505	1.34		
United Arab Emirates	7,558	0.81	0.00	
490,802 DP World	7,558	0.81		

Portfolio statement (continued)

as at Holding	31.07.19 \$'000	31.07.19 %	31.01.19 %
United Kingdom	34,148	3.64	4.09
1,923,867 Petrofac	9,769	1.04	
1,912,689 Standard Chartered	15,834	1.69	
3,669,888 Tullow Oil	8,545	0.91	
United States	20,790	2.22	1.88 ^[a]
3,453,514 Kosmos Energy	20,790	2.22	
Portfolio of investments	912,792	97.62	97.97
CASH EQUIVALENTS	19,558	2.09	0.45
'AAA' rated money market funds ^[b]	19,558	2.09	0.45
19,558,000 Northern Trust Global Fund - US dollar	19,558	2.09	
Total portfolio	932,350	99.71	98.42
Net other assets / (liabilities)	2,729	0.29	1.58
Net assets attributable to shareholders	935,079	100.00	100.00

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

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

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

Top ten portfolio transactions

for the six months to 31 July 2019

Largest purchases	\$'000
Mexichem	12,499
Silicon Motion Technology ADR	10,096
ICICI Bank	8,271
DP World	7,975
Metro Pacific Investments	6,618
Alfa	6,272
NTPC	6,077
United Bank	4,814
GT Capital	4,551
PICC Property & Casualty	3,991
Other purchases	43,493
Total purchases	114,657
Largest sales	\$'000
Li-Ning	24,623
Cosan	21,310
Xinyi Solar	13,393
Taiwan Semiconductor Manufacturing	12,973
TOTVS	11,369
MRV Engenharia	10,564
Axis Bank	8,994
Samsung Electronics	7,119
Lukoil ADR	6,920
AIA	6,678
Other sales	120,510
Total sales	244,453

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

M&G Global Emerging Markets 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.

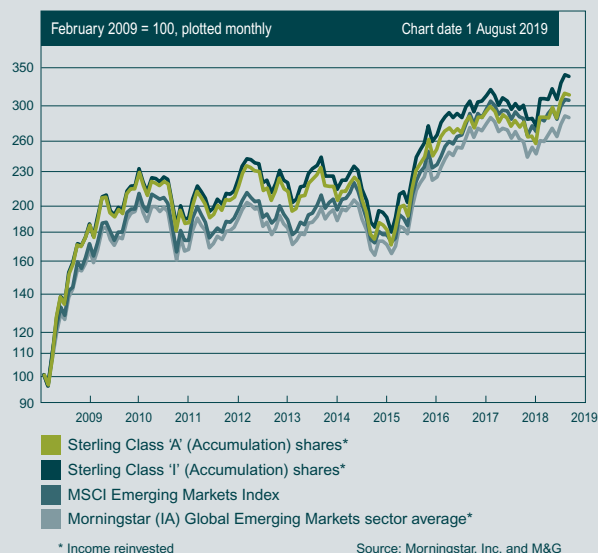
The fund is available for investment in different share classes, each with varying levels of charges and minimum investments; please refer to the Prospectus for M&G Investment Funds (7), which is available free of charge either from our website at www.mandg.co.uk/prospectuses or by calling M&G Customer Relations.

Fund level performance

Fund net asset value			
as at	31.07.19 \$'000	31.01.19 \$'000	31.01.18 \$'000
Fund net asset value (NAV)	935,079	1,055,650	2,979,840

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				
	Six months 01.02.19 % [a]	Three years 01.08.16 % p.a.	Five years 01.08.14 % p.a.	Since launch % p.a.
Sterling [b]				
Class 'A'	+7.9	+10.6	+7.0	+11.5 [c]
Class 'I'	+8.3	+11.4	+7.8	+12.4 [c]
Class 'PP'	n/a	n/a	n/a	+4.8 [d]
Class 'R'	+8.2	+11.1	+7.5	+7.4 [e]

[a] Absolute basis.

[b] Price to price with income reinvested.

[c] 5 February 2009, the launch date of the fund.

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

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

M&G Global Emerging Markets 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

	Six months to 31.07.19	Year to 31.01.19	Year to 31.01.18	Average ^[a]
Direct portfolio transaction costs ^[b]	%	%	%	%
Broker commission	0.05	0.04	0.05	0.05
Taxes	0.07	0.06	0.06	0.06
Costs before dilution adjustments	0.12	0.10	0.11	0.11
Dilution adjustments ^[c]	(0.06)	(0.09)	(0.08)	(0.08)
Total direct portfolio transaction costs	0.06	0.01	0.03	0.03
as at	31.07.19	31.01.19	31.01.18	Average ^[a]
Indirect portfolio transaction costs	%	%	%	%
Average portfolio dealing spread	0.25	0.22	0.17	0.21

^[a] Average of first three columns.

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

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

M&G Global Emerging Markets 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 9 August 2019.

Sterling Class 'A' Income share performance

The share class was launched on 5 February 2009.

	Six months to 31.07.19 UK p	Year to 31.01.19 UK p	Year to 31.01.18 UK p
Change in NAV per share			
Opening NAV	258.41	277.02	248.67
Return before operating charges and after direct portfolio transaction costs	28.22	(6.34)	38.44
Operating charges	(2.32)	(4.50)	(4.61)
Return after operating charges	25.90	(10.84)	33.83
Distributions	n/a	(7.77)	(5.48)
Closing NAV	284.31	258.41	277.02
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.16	0.31	0.28
Dilution adjustments ^[a]	(0.08)	(0.27)	(0.20)
Total direct portfolio transaction costs	0.08	0.04	0.08
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.06	0.01	0.03
Operating charges	1.76	1.74	1.74
Return after operating charges	+10.02	-3.91	+13.60
Historic yield	2.89	3.01	2.01
Effect on yield of charges offset against capital	1.65	1.65	1.65
Other information			
Closing NAV (\$'000)	99,662	94,598	123,050
Closing NAV percentage of total fund NAV (%)	10.66	8.96	4.13
Number of shares	28,815,418	27,881,877	31,366,638
Highest share price (UK p)	284.47	276.67	288.17
Lowest share price (UK p)	252.60	236.20	247.62

Sterling Class 'A' Accumulation share performance

The share class was launched on 5 February 2009.

	Six months to 31.07.19 UK p	Year to 31.01.19 UK p	Year to 31.01.18 UK p
Change in NAV per share			
Opening NAV	288.15	299.87	263.97
Return before operating charges and after direct portfolio transaction costs	31.43	(6.86)	40.80
Operating charges	(2.59)	(4.86)	(4.90)
Return after operating charges	28.84	(11.72)	35.90
Distributions	n/a	(3.78)	(1.56)
Retained distributions	n/a	3.78	1.56
Closing NAV	316.99	288.15	299.87
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.18	0.33	0.30
Dilution adjustments ^[a]	(0.09)	(0.29)	(0.22)
Total direct portfolio transaction costs	0.09	0.04	0.08
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.06	0.01	0.03
Operating charges	1.76	1.74	1.74
Return after operating charges	+10.01	-3.91	+13.60
Historic yield	1.26	1.30	0.41
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	335,290	361,952	415,364
Closing NAV percentage of total fund NAV (%)	35.86	34.29	13.94
Number of shares	86,948,789	95,673,173	97,816,094
Highest share price (UK p)	317.16	299.04	305.89
Lowest share price (UK p)	281.59	255.70	262.63

Sterling Class 'I' Income share performance

The share class was launched on 5 February 2009.

	Six months to 31.07.19 UK p	Year to 31.01.19 UK p	Year to 31.01.18 UK p
Change in NAV per share			
Opening NAV	263.41	280.24	249.65
Return before operating charges and after direct portfolio transaction costs	28.83	(6.32)	38.77
Operating charges	(1.37)	(2.62)	(2.65)
Return after operating charges	27.46	(8.94)	36.12
Distributions	n/a	(7.89)	(5.53)
Closing NAV	290.87	263.41	280.24
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.17	0.31	0.28
Dilution adjustments ^[a]	(0.08)	(0.28)	(0.21)
Total direct portfolio transaction costs	0.09	0.03	0.07
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.06	0.01	0.03
Operating charges	1.02	0.99	0.99
Return after operating charges	+10.42	-3.19	+14.47
Historic yield	2.86	3.00	2.00
Effect on yield of charges offset against capital	0.90	0.90	0.90
Other information			
Closing NAV (\$'000)	63,987	94,187	196,164
Closing NAV percentage of total fund NAV (%)	6.84	8.92	6.58
Number of shares	18,083,654	27,234,073	49,431,022
Highest share price (UK p)	291.01	279.89	291.49
Lowest share price (UK p)	258.06	240.57	248.61

M&G Global Emerging Markets Fund

Financial highlights

Specific share class performance

Sterling Class 'I' Accumulation share performance

The share class was launched on 5 February 2009.

	Six months to 31.07.19 UK p	Year to 31.01.19 UK p	Year to 31.01.18 UK p
Change in NAV per share			
Opening NAV	310.39	320.60	280.13
Return before operating charges and after direct portfolio transaction costs	33.97	(7.24)	43.44
Operating charges	(1.61)	(2.97)	(2.97)
Return after operating charges	32.36	(10.21)	40.47
Distributions	n/a	(6.31)	(3.72)
Retained distributions	n/a	6.31	3.72
Closing NAV	342.75	310.39	320.60
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.20	0.35	0.32
Dilution adjustments ^[a]	(0.09)	(0.31)	(0.23)
Total direct portfolio transaction costs	0.11	0.04	0.09
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.06	0.01	0.03
Operating charges	1.01	0.99	0.99
Return after operating charges	+10.43	-3.18	+14.45
Historic yield	1.94	2.03	1.11
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	431,993	501,750	586,547
Closing NAV percentage of total fund NAV (%)	46.20	47.53	19.69
Number of shares	103,609,084	123,119,542	129,194,519
Highest share price (UK p)	342.91	319.73	327.02
Lowest share price (UK p)	304.01	275.24	278.70

Sterling Class 'PP' Accumulation share performance

The share class was launched on 8 April 2019.

	Six months to 31.07.19 UK p	Year to 31.01.19 UK p	Year to 31.01.18 UK p
Change in NAV per share			
Opening NAV	100.00	n/a	n/a
Return before operating charges and after direct portfolio transaction costs	5.92	n/a	n/a
Operating charges	(0.26)	n/a	n/a
Return after operating charges	5.66	n/a	n/a
Distributions	n/a	n/a	n/a
Retained distributions	n/a	n/a	n/a
Closing NAV	105.66	n/a	n/a
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.06	n/a	n/a
Dilution adjustments ^[a]	(0.02)	n/a	n/a
Total direct portfolio transaction costs	0.04	n/a	n/a
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.06	n/a	n/a
Operating charges	0.78*	n/a	n/a
Return after operating charges	+5.66	n/a	n/a
Historic yield	1.74	n/a	n/a
Effect on yield of charges offset against capital	0.00	n/a	n/a
Other information			
Closing NAV (\$'000)	693	n/a	n/a
Closing NAV percentage of total fund NAV (%)	0.07	n/a	n/a
Number of shares	539,362	n/a	n/a
Highest share price (UK p)	105.72	n/a	n/a
Lowest share price (UK p)	93.68	n/a	n/a

* 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 'R' Income share performance

The share class was launched on 3 August 2012.

	Six months to 31.07.19 UK p	Year to 31.01.19 UK p	Year to 31.01.18 UK p
Change in NAV per share			
Opening NAV	134.80	143.79	128.40
Return before operating charges and after direct portfolio transaction costs	14.75	(3.30)	19.94
Operating charges	(0.87)	(1.67)	(1.72)
Return after operating charges	13.88	(4.97)	18.22
Distributions	n/a	(4.02)	(2.83)
Closing NAV	148.68	134.80	143.79
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.09	0.16	0.15
Dilution adjustments ^[a]	(0.04)	(0.14)	(0.11)
Total direct portfolio transaction costs	0.05	0.02	0.04
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.06	0.01	0.03
Operating charges	1.26	1.24	1.24
Return after operating charges	+10.30	-3.46	+14.19
Historic yield	2.86	2.99	2.00
Effect on yield of charges offset against capital	1.15	1.15	1.15
Other information			
Closing NAV (\$'000)	699	680	894
Closing NAV percentage of total fund NAV (%)	0.08	0.06	0.03
Number of shares	386,351	384,117	439,344
Highest share price (UK p)	148.76	143.60	149.55
Lowest share price (UK p)	131.97	123.13	127.88

M&G Global Emerging Markets Fund

Financial highlights

Specific share class performance

Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012.

Change in NAV per share	Six months to 31.07.19 UK p	Year to 31.01.19 UK p	Year to 31.01.18 UK p
Opening NAV	150.55	155.89	136.56
Return before operating charges and after direct portfolio transaction costs	16.45	(3.54)	21.21
Operating charges	(0.97)	(1.80)	(1.88)
Return after operating charges	15.48	(5.34)	19.33
Distributions	n/a	(2.72)	(1.48)
Retained distributions	n/a	2.72	1.48
Closing NAV	166.03	150.55	155.89
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.10	0.17	0.16
Dilution adjustments ^[a]	(0.04)	(0.15)	(0.12)
Total direct portfolio transaction costs	0.06	0.02	0.04
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.06	0.01	0.03
Operating charges	1.26	1.24	1.24
Return after operating charges	+10.28	-3.43	+14.15
Historic yield	1.73	1.80	0.88
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	2,755	2,483	1,847
Closing NAV percentage of total fund NAV (%)	0.29	0.24	0.06
Number of shares	1,364,014	1,256,138	836,661
Highest share price (UK p)	166.12	155.47	159.02
Lowest share price (UK p)	147.34	133.53	135.86

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

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

M&G Global Emerging Markets Fund

Financial statements and notes

Financial statements

Statement of total return

for the six months to 31 July	2019		2018	
	\$'000	\$'000	\$'000	\$'000
Income				
Net capital gains / (losses)		7,900		(374,202)
Revenue	21,469		50,076	
Expenses	(6,505)		(15,753)	
Net revenue / (expense) before taxation	14,964		34,323	
Taxation	(1,966)		(3,952)	
Net revenue / (expense) after taxation		12,998		30,371
Total return before equalisation		20,898		(343,831)
Equalisation		(436)		(4,593)
Change in net assets attributable to shareholders from investment activities		20,462		(348,424)

Statement of change in net assets attributable to shareholders

for the six months to 31 July	2019		2018	
	\$'000	\$'000	\$'000	\$'000
Opening net assets attributable to shareholders		1,055,650		2,979,840
Amounts received on issue of shares	19,137		254,567	
Amounts paid on cancellation of shares	(160,621)		(830,767)	
		(141,484)		(576,200)
Dilution adjustments		451		2,352
Change in net assets attributable to shareholders from investment activities (see above)		20,462		(348,424)
Closing net assets attributable to shareholders		935,079		2,057,568

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

Balance sheet

as at	31 July 2019	31 January 2019
	\$'000	\$'000
Assets		
Fixed assets		
Investments	912,792	1,034,285
Current assets		
Debtors	1,545	6,805
Cash and bank balances	6,433	19,217
Cash equivalents	19,558	4,702
Total assets	940,328	1,065,009
Liabilities		
Creditors		
Distribution payable	0	(5,685)
Other creditors	(5,249)	(3,674)
Total liabilities	(5,249)	(9,359)
Net assets attributable to shareholders	935,079	1,055,650

Notes to the financial statements

Accounting policies

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

Distribution policy

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

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

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

M&G Global Floating Rate High Yield Fund

Authorised Corporate Director's Report

Investment objective

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

Investment policy

The fund invests on a global basis mainly in high yield corporate or government floating rate notes and asset backed securities denominated in any currency. Floating rate note exposure may be achieved either directly or synthetically, through various combinations of government securities, corporate bonds, cash, credit default swaps, interest rate swaps, asset swaps or other credit derivatives.

The fund may also invest in other government and public securities and other transferable securities, collective investment schemes, cash and near cash, deposits, warrants, money market instruments and other derivative instruments.

Any currency exposures within the fund may be managed by currency hedges.

Derivatives may be used in pursuit of the fund's objective and for efficient portfolio management purposes.

Investment approach

The M&G Global Floating Rate High Yield Fund is designed to provide an attractive level of income, along with a natural hedge against rising interest rates, by investing mainly in high yield floating rate notes (FRNs). FRNs are bonds which pay a variable rate of income, which is regularly reset in line with changes in interest rates. If interest rates rise, investors in FRNs will benefit from a higher income as their coupons are automatically adjusted upwards (equally, should interest rates fall, then the coupons will be adjusted downwards).

The fund invests predominantly in FRNs issued by high yield companies, which typically pay higher rates of interest to compensate investors for the greater risk of default. The fund is globally diversified and the fund manager has the flexibility to invest in the best opportunities across different regions, including the US, continental Europe and the UK.

Risk profile

The fund invests globally in high yield corporate or government floating rate notes and asset-backed securities denominated in any currency. It is, therefore, subject to the price volatility of the global bond market and the performance of individual issuers. It is also subject to fluctuations in currency exchange rates.

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

The fund focuses on floating rate notes issued by companies with a low credit rating, which typically pay higher levels of interest to compensate investors for the greater risk of default. These higher risk assets could potentially experience a degree of illiquidity in times of market distress.

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

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



The above number:

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

Investment review

As at 1 August 2019, for the six months ended 31 July 2019

Performance against objective

Between 1 February 2019 (the start of the review period) and 1 August 2019, the M&G Global Floating Rate High Yield Fund's sterling hedged share classes delivered a positive performance in terms of total return (the combination of income and growth of capital)*. In comparison, the ICE BofAML Global Floating Rate High Yield 3% Constrained (GBP Hedged) Index returned 4.7% over the same period.

The fund has met its objective of providing income** and capital growth over three years and since launch.

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

** The fund's distribution and distribution yield are as shown in the 'Specific share class performance' tables in the 'Financial highlights' section of this report. This fund provides a variable level of income.

Investment performance

The M&G Global Floating Rate High Yield Fund is designed to provide an attractive level of income, along with a natural hedge against rising interest rates, by investing mainly in floating rate notes (FRNs). These are securities whose interest payments, or coupons, are periodically adjusted depending on the change in a reference interest rate.

If interest rates rise, investors in FRNs will benefit from a higher income as coupons are automatically adjusted upwards (equally, should interest rates fall, then the coupons will be adjusted downwards).

The fund invests predominantly in FRNs issued by high yield companies, so called because they generally pay relatively high rates of interest to compensate investors for the greater risk that they might fail to repay the money they have borrowed.

After a turbulent year for financial markets in 2018, high yield bonds recovered strongly in 2019. Apart from a modest pullback in May, the asset class has generated positive returns over each monthly period in 2019 up to the end of July. Investor sentiment has been bolstered

M&G Global Floating Rate High Yield Fund

Authorised Corporate Director's Report

Investment review

Investment performance (continued)

mainly by the more accommodative stance from the world's central banks, with both the Federal Reserve and the European Central Bank indicating further stimulus measures would be implemented to help boost slowing economic growth.

From a regional perspective, US high yield outperformed European high yield. This was mainly driven by the stronger economic situation in the US, in contrast to the eurozone, where economic data have weakened markedly over the past few months. High yield FRNs also delivered steady returns in the period, although their lack of sensitivity to movements in interest rates meant they did not directly benefit from the sharp decline in government bond yields.

In terms of sectors, companies which are more sensitive to changes in the economic environment (so called cyclicals) were typically the strongest performers, led by banking, financial services and consumer products. However, despite a strong recovery in oil prices, energy lagged other sectors, with the financial position of many of these names remaining under pressure.

The fund's sterling hedged share classes delivered a positive return over the review period. At the portfolio level, our defensive sector positioning weighed on relative returns, as cyclical areas generally outperformed. The fund's cash allocation also dragged on relative returns given the strong rally in high yield markets. This was partly offset by our above-index exposure to the media and telecom sectors.

Investment activities

We continue to find attractive opportunities in the primary high yield FRN market, where we participated in new issues from a variety of companies, including Spanish casino operator Cirsa and debt management company Cabot Financial.

In terms of sales, we took the opportunity to reduce some of our existing positions following strong performance, including issues from frozen food company Nomad Foods, UK pub operator Mitchells & Butlers and Swiss telecom Matterhorn. We also sold our position in UK insurance business Ardonagh on deteriorating fundamentals exacerbated by recent debt-fuelled acquisitions.

The fund remains relatively defensively positioned from a sector perspective, with a continued focus on businesses backed by high-quality assets and which should be able to perform well in a variety of economic conditions, such as global packaging companies and cable operators. However, we are maintaining minimal exposure to companies that are more exposed to the economic cycle, such as energy companies and retailers.

Outlook

In the current environment where interest rates are low and many assets are generating a low prospective return, or yield, we think high yield FRNs currently offer an attractive source of income. Following market weakness throughout much of 2018, we believe these assets still look attractively priced against a backdrop of modest economic expansion, and with the expectation that company default rates remain at historically low levels.

However, given where we are in the market cycle, we believe a cautious approach is still warranted and we maintain our preference for defensive businesses offering stable cashflows and healthy balance sheets. With heightened volatility likely to lead to a greater divergence in bond prices, we believe that careful individual bond selection and in-depth company analysis will become increasingly important to help identify the most attractive pockets of value.

In our view, high yield investing is as much about avoiding the losers as picking the winners. On this basis, we remain cautiously positioned in the retail sector. We believe the sector is facing long-term structural headwinds as shoppers increasingly move towards online spending and away from traditional bricks-and-mortar stores. While some of these businesses will be able to adapt, we continue to be very selective in this space.

James Tomlins
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 Holding	31.07.19 \$'000	31.07.19 %	31.01.19 %
FIXED INCOME	487,108	79.34	80.32
Debt securities	479,891	78.17	79.29
'AA' credit rated bonds	19,146	3.12	8.57
€1,366,000 Paragon Mortgages No. 15 FRN 0.222% 15/12/2039	1,343	0.22	
\$17,818,500 US Treasury FRN 2.1139% 30/04/2020	17,803	2.90	
'A' credit rated bonds	14,173	2.31	2.73
\$1,782,000 Bank of America FRN 3.2828% 24/04/2023	1,795	0.29	
\$2,996,000 Bank of America FRN 3.4376% 20/01/2023	3,026	0.49	
\$948,000 JPMorgan Chase FRN 3.5128% 24/10/2023	963	0.16	
\$1,894,048 Mitchells & Butlers Finance FRN 2.8603% 15/12/2030	1,753	0.29	
\$5,675,000 UBS Funding FRN 3.7435% 23/05/2023	5,740	0.93	
\$881,000 Wells Fargo FRN 3.4855% 31/10/2023	896	0.15	
'BBB' credit rated bonds	17,673	2.88	4.08
€2,900,000 American International Var. Rate 1.412% 15/03/2037	2,621	0.43	
\$4,471,000 Barclays Bank FRN 3.9628% 10/01/2023	4,483	0.73	
\$551,000 Barclays Bank FRN 4.6551% 10/08/2021	563	0.09	
\$2,156,000 Citigroup FRN 3.0706% 25/08/2036	1,688	0.28	
\$745,000 Citigroup FRN 3.4556% 02/08/2021	755	0.12	
\$1,388,000 Citigroup FRN 3.9503% 01/09/2023	1,412	0.23	
\$445,000 CoreStates Capital III FRN 3.088% 15/02/2027	409	0.07	

M&G Global Floating Rate High Yield Fund

Authorised Corporate Director's Report

Investments

Portfolio statement (continued)				
as at Holding	31.07.19 \$'000	31.07.19 %	31.01.19 %	
'BBB' credit rated bonds (continued)				
\$799,000 Credit Suisse Funding FRN 4.5896% 16/04/2021	822	0.13		
€2,168,000 Ford Motor Credit FRN 0.38% 01/12/2024	2,266	0.37		
\$2,654,000 Royal Bank of Scotland FRN 3.988% 15/05/2023	2,654	0.43		
'BB' credit rated bonds	152,233	24.80	21.67	
€5,327,000 AnaCap Financial FRN 5% 01/08/2024	5,146	0.84		
€4,455,000 Ardagh Packaging Finance 2.75% 15/03/2024	5,089	0.83		
\$6,415,000 Ardagh Packaging Finance 4.625% 15/05/2023	6,559	1.07		
€2,099,000 Arena Luxembourg Finance FRN 2.75% 01/11/2023	2,358	0.38		
€8,370,000 Arrow Global Finance FRN 2.875% 01/04/2025	8,950	1.46		
€6,193,000 Arrow Global Finance FRN 3.75% 01/03/2026	6,825	1.11		
£2,673,000 Cabot Financial Luxembourg 7.5% 01/10/2023	3,373	0.55		
€4,474,000 Cabot Financial Luxembourg II FRN 6.375% 14/06/2024	5,091	0.83		
\$2,673,000 Cemex 5.7% 11/01/2025	2,728	0.45		
\$1,782,000 Cemex Finance 6% 01/04/2024	1,826	0.30		
\$11,797,000 Energy Transfer Partners FRN 5.2706% 01/11/2026	8,883	1.45		
€7,930,000 HT1 Funding Var. Rate 1.786% Perpetual	8,501	1.38		
€5,342,000 Intrum FRN 2.625% 15/07/2022	5,952	0.97		
€1,336,000 IQVIA 3.25% 15/03/2025	1,530	0.25		
€12,900,000 Lincoln Financing FRN 3.875% 01/04/2024	14,453	2.35		
€2,765,000 Louvre Bidco FRN 5.375% 30/09/2024	3,094	0.50		
€5,732,000 Naviera Armas FRN 4.25% 15/11/2024	4,918	0.80		
€3,993,000 Naviera Armas FRN 6.5% 31/07/2023	3,803	0.62		
€4,050,000 Smurfit Kappa Acquisitions FRN 3.136% 15/10/2020	4,641	0.76		
\$5,100,000 Standard Chartered Var. Rate 3.7758% Perpetual	4,281	0.70		
\$6,130,000 Tenet Healthcare 4.625% 15/07/2024	6,250	1.02		
€5,509,000 Tenneco FRN 4.875% 15/04/2024	5,984	0.97		
€7,127,000 Unitymedia Hessen 4% 15/01/2025	8,242	1.34		
\$2,584,000 Virgin Media Secured Finance 5.25% 15/01/2026	2,610	0.43		
€19,137,000 Wind Tre FRN 2.75% 20/01/2024	21,146	3.44		
'B' credit rated bonds	261,743	42.63	39.32	
€3,181,200 3AB Optique Developpement FRN 4.125% 01/10/2023	3,572	0.58		
€3,791,000 Algeco Global Finance FRN 6.25% 15/02/2023	4,254	0.69		
€1,603,800 Alice France 5.625% 15/05/2024	1,850	0.30		
\$1,887,000 Alice France 6.25% 15/05/2024	1,941	0.32		
\$1,782,000 Alice France 7.375% 01/05/2026	1,857	0.30		
€6,286,299 Autodis FRN 4.375% 01/05/2022	6,999	1.14		
€5,996,000 Bormioli Pharma Bidco FRN 3.5% 15/11/2024	6,202	1.01		
€4,455,000 Burger King France 6% 01/05/2024	5,298	0.86		
€4,279,000 Burger King France FRN 5.25% 01/05/2023	4,850	0.79		

Portfolio statement (continued)

as at Holding	31.07.19 \$'000	31.07.19 %	31.01.19 %
'B' credit rated bonds (continued)			
€4,488,000 Carlson Travel FRN 4.75% 15/06/2023	4,994	0.81	
€5,773,000 Cirsa Finance International FRN 5.75% 20/12/2023	6,491	1.06	
€1,114,000 Diocle FRN 3.875% 30/06/2026	1,256	0.20	
€5,386,000 Ecore FRN 6.25% 15/11/2023	5,804	0.95	
€2,584,000 Fabric FRN 4.125% 30/11/2024	2,883	0.47	
€8,179,000 Fire FRN 4.75% 30/09/2024	9,174	1.50	
€2,750,000 Galaxy Bidco FRN 4.625% 31/07/2026	3,027	0.49	
€4,910,000 Gamenet FRN 3.75% 27/04/2023	5,538	0.90	
€8,099,000 Garfunkelux Holdco 3 FRN 3.5% 01/09/2023	7,565	1.23	
€5,593,000 Garfunkelux Holdco 3 FRN 4.5% 01/09/2023	5,339	0.87	
€2,694,000 Guala Closures FRN 3.5% 15/04/2024	3,037	0.49	
€5,733,000 HEMA Bondco I FRN 6.25% 15/07/2022	5,874	0.96	
£5,346,000 Iceland Bondco 4.625% 15/03/2025	5,658	0.92	
€3,264,000 Infopro Digital FRN 4.5% 15/07/2022	3,646	0.59	
€5,005,000 International Design FRN 6% 15/11/2025	5,587	0.91	
€2,265,000 Lecta FRN 6.375% 01/08/2022	1,698	0.28	
€5,106,000 Limacorporate FRN 3.75% 15/08/2023	5,680	0.93	
€5,684,000 LSF10 Wolverine Investments FRN 4.625% 15/03/2024	6,375	1.04	
€4,057,000 Marcolin FRN 4.125% 15/02/2023	4,517	0.74	
€513,714 Matterhorn Telecom FRN 3.25% 01/02/2023	570	0.09	
€3,250,000 Montichem Holdco FRN 4.432% 15/06/2021	3,617	0.59	
£3,168,000 Newday Bondco FRN 7.2726% 01/02/2023	3,616	0.59	
€2,667,000 Novafives FRN 4.5% 15/06/2025	2,789	0.45	
€4,949,000 Novem FRN 5.25% 15/05/2024	5,553	0.90	
€4,682,000 Paprec FRN 3.5% 31/03/2025	5,029	0.82	
€18,024,000 Picard FRN 3% 30/11/2023	19,670	3.20	
£3,479,000 Premier Foods Finance FRN 5.7671% 15/07/2022	4,234	0.69	
€5,606,000 Promontoria FRN 6.25% 15/08/2023	5,780	0.94	
\$12,875,000 Reynolds FRN 5.8034% 15/07/2021	12,899	2.10	
€1,899,000 Rossini FRN 6.25% 30/10/2025	2,167	0.35	
€6,358,000 Selecta FRN 5.375% 01/02/2024	7,139	1.16	
€5,208,000 Sisal FRN 6.625% 31/07/2022	5,825	0.95	
£1,771,000 Stonegate 4.875% 15/03/2022	2,202	0.36	
£3,318,000 Stonegate FRN 5.1625% 15/03/2022	4,045	0.66	
£1,482,000 Stonegate FRN 7.03613% 15/03/2022	1,815	0.30	
€14,195,000 Synlab Bondco FRN 3.5% 01/07/2022	15,871	2.59	
€706,000 Takko Luxembourg 2 FRN 5.375% 15/11/2023	661	0.11	
€6,219,000 Tendam Brands FRN 5.25% 15/09/2024	6,948	1.13	
€1,476,000 Trivium Packaging Finance FRN 3.3772% 15/08/2026	1,669	0.27	
£2,625,000 TVL Finance FRN 6.1368% 15/07/2025	3,141	0.51	
€4,396,000 United FRN 4.125% 15/05/2025	4,936	0.81	
€891,000 Ziggo 3.75% 15/01/2025	1,023	0.17	
€8,018,000 Ziggo 4.25% 15/01/2027	9,578	1.56	
'CCC' credit rated bonds	3,245	0.53	0.44
SEK30,270,000 Verisure FRN 5.759% 01/12/2023	3,245	0.53	

M&G Global Floating Rate High Yield Fund

Authorised Corporate Director's Report

Investments

Portfolio statement (continued)				
as at Holding	31.07.19 \$'000	31.07.19 %	31.01.19 %	
Bonds with no credit rating	11,678	1.90	2.48	
€4,200,000 Cirsa Finance International FRN 3.625% 30/09/2025	4,687	0.76		
£3,118,000 House of Fraser FRN 6.5226% 15/09/2020	122	0.02		
€6,139,000 TeamSystem FRN 4% 15/04/2023	6,869	1.12		
Debt derivatives	7,217	1.17	1.03	
Credit default swaps	8,904	1.45	1.25	
\$(3,014,580) Markit CDX North American High Yield Series 26 5 Year Jun 2021	162	0.03		
\$(6,930,620) Markit CDX North American High Yield Series 26 V5 5 Year Jun 2021	370	0.06		
\$(55,159,850) Markit CDX North American High Yield Series 28 5 Year Jun 2022	4,018	0.65		
\$(1,032,000) Markit CDX North American High Yield Series 29 5 Year Dec 2022	79	0.01		
\$(32,160,000) Markit CDX North American High Yield Series 29 V4 5 Year Dec 2022	2,476	0.41		
\$(13,440,000) Markit CDX North American High Yield Series 29 V4 5 Year Jun 2024	1,035	0.17		
€(8,790,154) Markit iTraxx Europe Xover Series 29 5 Year Jun 2023	764	0.12		
Asset swaps	(1,687)	(0.28)	(0.22)	
\$2,673,000 Altice US Finance Pay 5.375% Receive VAR Jul 2023	(59)	(0.01)		
€3,564,000 Ardagh Packaging Finance Pay 2.75% Receive VAR Mar 2024	(76)	0.00		
\$5,525,000 Ardagh Packaging Finance Pay 4.625% Receive VAR May 2023	(35)	(0.04)		
\$891,000 Ardagh Packaging Finance Pay 4.625% Receive VAR May 2027	(3)	0.00		
€4,455,000 Burger King France Pay 6% Receive VAR May 2024	(221)	(0.03)		
£2,673,000 Cabot Financial Pay 7.5% Receive VAR Oct 2023	(116)	(0.03)		
\$891,000 Cemex Finance Pay 5.7% Receive VAR Jan 2025	(27)	0.00		
\$1,782,000 Cemex Finance Pay 5.75% Receive VAR Jan 2025	(21)	0.00		
\$891,000 Cemex Finance Pay 6% Receive VAR Apr 2024	(19)	(0.01)		
£5,346,000 Iceland Bondco Pay 4.625% Receive VAR Mar 2025	(73)	(0.01)		
€1,336,000 Quintiles Pay 3.25% Receive VAR Mar 2025	(19)	0.00		
\$2,316,000 SFR Group Pay 6.25% Receive VAR May 2024	(33)	(0.01)		
\$1,782,000 SFR Group Pay 7.375% Receive VAR May 2026	(77)	(0.01)		
£1,782,000 Stonegate Pub Pay 4.875% Receive VAR Mar 2022	(22)	(0.01)		
\$891,000 THC Escrow Pay 4.625% VAR Apr 2024	(15)	(0.01)		
€1,782,000 Unitymedia KabelBW Pay 4% Receive VAR Jan 2025	(51)	0.00		
€5,346,000 Unity Pay 4% Receive VAR Jan 2025	(170)	(0.01)		
\$2,584,000 Virgin Media Pay 5.25% receive VAR Jan 2026	(57)	(0.01)		
€178,000 Ziggo Pay 3.75% Receive VAR Jan 2023	(7)	0.00		
€713,000 Ziggo Pay 3.75% Receive VAR Jan 2025	(49)	(0.01)		
€8,019,000 Ziggo Pay 4.25% Receive VAR Jan 2027	(537)	(0.08)		

Portfolio statement (continued)

as at Holding	31.07.19 \$'000	31.07.19 %	31.01.19 %
CURRENCY	309	0.05	(0.41)
Forward currency contracts	309	0.05	(0.41)
€(312,312,680) Sold for \$348,162,774 (expires 28.08.19)	(687)	(0.11)	
£1,966,737 Bought for \$2,396,774 (expires 28.08.19)	(1)	0.00	
£(29,110,381) Sold for \$36,431,496 (expires 28.08.19)	975	0.16	
SEK(31,097,510) Sold for \$3,277,824 (expires 28.08.19)	22	0.00	
Portfolio of investments	487,417	79.39	79.91
CASH EQUIVALENTS	63,217	10.30	9.59
'AAA' rated money market funds [a]	63,217	10.30	9.59
63,217,328 Northern Trust Global Fund - US dollar	63,217	10.30	
SHARE CLASS HEDGING	(16,981)	(2.77)	4.29
Forward currency contracts for share class hedging	(16,981)	(2.77)	4.29
£519,441,791 Bought for \$650,079,348 (expires 28.08.19)	(17,394)	(2.83)	
£(13,192,118) Sold for \$16,480,804 (expires 28.08.19)	413	0.06	
Total portfolio	533,653	86.92	93.79
Net other assets / (liabilities)	80,277	13.08	6.21
Net assets attributable to shareholders	613,930	100.00	100.00

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

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

Portfolio transactions

for the six months to 31 July	2019	2018
Portfolio transactions	\$'000	\$'000
Total purchases	89,964	435,270
Total sales	196,863	553,453

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

M&G Global Floating Rate High Yield 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-H' (Accumulation) shares and Sterling Class 'I-H' (Accumulation) shares.

We show performance for these two share classes because:

- The performance of the Sterling Class 'A-H' (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-H' (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.

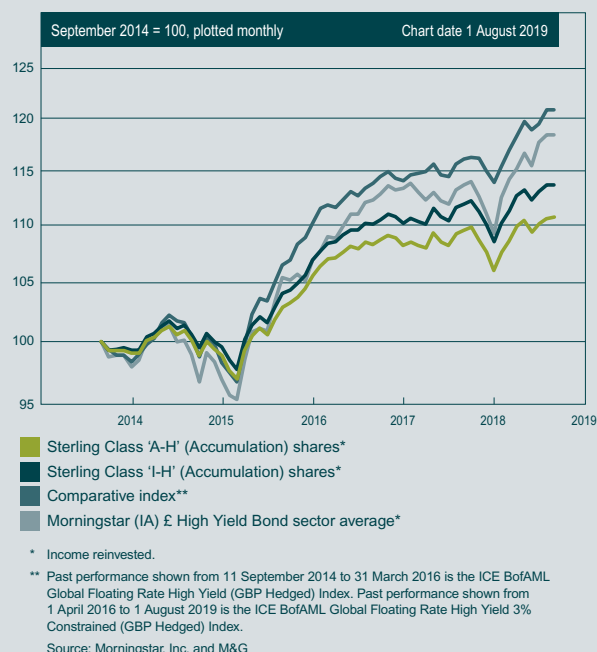
The fund is available for investment in different share classes, each with varying levels of charges and minimum investments; please refer to the Prospectus for M&G Investment Funds (7), which is available free of charge either from our website at www.mandg.co.uk/prospectuses or by calling M&G Customer Relations.

Fund level performance

Fund net asset value			
as at	31.07.19 \$'000	31.01.19 \$'000	31.01.18 \$'000
Fund net asset value (NAV)	613,930	742,663	5,456,246

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-H' (Accumulation) shares and Sterling Class 'I-H' (Accumulation) shares.



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

Long-term performance by share class				
	Six months 01.02.19 % [a]	Three years 01.08.16 % p.a.	Five years 01.08.14 % p.a.	Since launch % p.a.
Sterling [b]				
Class 'A-H'	+2.8	+2.8	n/a	+2.1 [c]
Class 'E-H'	+3.3	+3.6	n/a	+2.9 [c]
Class 'I-H'	+3.1	+3.4	n/a	+2.7 [c]
Class 'PP-H'	n/a	n/a	n/a	+1.0 [d]
Class 'R-H'	+2.9	+3.0	n/a	+2.4 [c]

[a] Absolute basis.

[b] Price to price with income reinvested.

[c] 11 September 2014, the launch date of the fund.

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

M&G Global Floating Rate High Yield Fund

Financial highlights

Fund performance

Operating charges and portfolio transaction costs

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

Operating charges

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

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

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

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

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

Portfolio transaction costs

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

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

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

To protect existing investors, portfolio transaction costs incurred as a result of investors buying and selling shares in the fund are recovered from those investors through a 'dilution adjustment' to the price they pay or receive. As the fund invests mainly in fixed interest securities no direct portfolio transaction costs are applicable. 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	Six months to 31.07.19	Year to 31.01.19	Year to 31.01.18	Average ^[a]
Indirect portfolio transaction costs	%	%	%	%
Average portfolio dealing spread	0.84	0.77	0.51	0.71

^[a] Average of first three columns.

M&G Global Floating Rate High Yield 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-H' Income share performance

The share class was launched on 11 September 2014.

	Six months to 31.07.19 UK p	Year to 31.01.19 UK p	Year to 31.01.18 UK p
Change in NAV per share			
Opening NAV	92.61	97.97	99.59
Return before operating charges and after direct portfolio transaction costs	3.30	0.52	3.99
Operating charges	(0.68)	(1.38)	(1.44)
Return after operating charges	2.62	(0.86)	2.55
Distributions	(2.15)	(4.50)	(4.17)
Closing NAV	93.08	92.61	97.97
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges	1.45	1.44	1.43
Return after operating charges	+2.83	-0.88	+2.56
Distribution yield	4.59	4.66	4.08
Effect on yield of charges offset against capital	1.42	1.42	1.42
Other information			
Closing NAV (\$'000)	11,142	18,429	20,134
Closing NAV percentage of total fund NAV (%)	1.81	2.48	0.37
Number of shares	9,840,321	15,156,328	14,513,032
Highest share price (UK p)	95.03	98.81	101.29
Lowest share price (UK p)	92.67	92.11	98.72

Sterling Class 'A-H' Accumulation share performance

The share class was launched on 11 September 2014.

	Six months to 31.07.19 UK p	Year to 31.01.19 UK p	Year to 31.01.18 UK p
Change in NAV per share			
Opening NAV	107.57	108.50	105.77
Return before operating charges and after direct portfolio transaction costs	3.86	0.63	4.29
Operating charges	(0.79)	(1.56)	(1.56)
Return after operating charges	3.07	(0.93)	2.73
Distributions	(1.74)	(3.53)	(2.97)
Retained distributions	1.74	3.53	2.97
Closing NAV	110.64	107.57	108.50
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges	1.45	1.44	1.43
Return after operating charges	+2.85	-0.86	+2.58
Distribution yield	3.13	3.27	2.69
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	8,205	15,547	23,374
Closing NAV percentage of total fund NAV (%)	1.34	2.09	0.43
Number of shares	6,095,826	11,007,640	15,212,723
Highest share price (UK p)	111.41	109.83	109.20
Lowest share price (UK p)	107.65	105.65	106.36

Sterling Class 'E-H' Income share performance

The share class was launched on 3 October 2014.

	Six months to 31.07.19 UK p	Year to 31.01.19 UK p	Year to 31.01.18 UK p
Change in NAV per share			
Opening NAV	94.54	99.19	99.94
Return before operating charges and after direct portfolio transaction costs	3.38	0.49	4.03
Operating charges	(0.29)	(0.57)	(0.59)
Return after operating charges	3.09	(0.08)	3.44
Distributions	(2.19)	(4.57)	(4.19)
Closing NAV	95.44	94.54	99.19
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges	0.60	0.59	0.58
Return after operating charges	+3.27	-0.08	+3.44
Distribution yield	4.59	4.66	4.08
Effect on yield of charges offset against capital	0.57	0.57	0.57
Other information			
Closing NAV (\$'000)	24,685	31,720	40,804
Closing NAV percentage of total fund NAV (%)	4.02	4.27	0.75
Number of shares	21,262,134	25,555,013	29,048,554
Highest share price (UK p)	97.25	100.21	102.00
Lowest share price (UK p)	94.61	93.98	99.81

M&G Global Floating Rate High Yield Fund

Financial highlights

Specific share class performance

Sterling Class 'E-H' Accumulation share performance

The share class was launched on 11 September 2014.

	Six months to 31.07.19 UK p	Year to 31.01.19 UK p	Year to 31.01.18 UK p
Change in NAV per share			
Opening NAV	111.34	111.38	107.69
Return before operating charges and after direct portfolio transaction costs	4.01	0.61	4.33
Operating charges	(0.34)	(0.65)	(0.64)
Return after operating charges	3.67	(0.04)	3.69
Distributions	(2.28)	(4.59)	(3.94)
Retained distributions	2.28	4.59	3.94
Closing NAV	115.01	111.34	111.38
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges	0.60	0.59	0.58
Return after operating charges	+3.30	-0.04	+3.43
Distribution yield	4.01	4.10	3.52
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	4,781	8,351	9,486
Closing NAV percentage of total fund NAV (%)	0.78	1.13	0.17
Number of shares	3,417,211	5,712,894	6,013,824
Highest share price (UK p)	115.80	113.38	112.04
Lowest share price (UK p)	111.42	109.28	108.29

Sterling Class 'I-H' Income share performance

The share class was launched on 11 September 2014.

	Six months to 31.07.19 UK p	Year to 31.01.19 UK p	Year to 31.01.18 UK p
Change in NAV per share			
Opening NAV	94.01	98.88	99.87
Return before operating charges and after direct portfolio transaction costs	3.36	0.48	4.05
Operating charges	(0.40)	(0.80)	(0.84)
Return after operating charges	2.96	(0.32)	3.21
Distributions	(2.18)	(4.55)	(4.20)
Closing NAV	94.79	94.01	98.88
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges	0.85	0.84	0.83
Return after operating charges	+3.15	-0.32	+3.21
Distribution yield	4.59	4.66	4.08
Effect on yield of charges offset against capital	0.82	0.82	0.82
Other information			
Closing NAV (\$'000)	296,782	347,663	312,252
Closing NAV percentage of total fund NAV (%)	48.34	46.81	5.72
Number of shares	257,380,631	281,670,641	222,997,145
Highest share price (UK p)	96.61	99.83	101.80
Lowest share price (UK p)	94.08	93.46	99.53

Sterling Class 'I-H' Accumulation share performance

The share class was launched on 11 September 2014.

	Six months to 31.07.19 UK p	Year to 31.01.19 UK p	Year to 31.01.18 UK p
Change in NAV per share			
Opening NAV	110.17	110.56	107.11
Return before operating charges and after direct portfolio transaction costs	3.99	0.53	4.38
Operating charges	(0.48)	(0.92)	(0.93)
Return after operating charges	3.51	(0.39)	3.45
Distributions	(2.12)	(4.27)	(3.68)
Retained distributions	2.12	4.27	3.68
Closing NAV	113.68	110.17	110.56
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges	0.85	0.84	0.83
Return after operating charges	+3.19	-0.35	+3.22
Distribution yield	3.75	3.85	3.28
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	267,417	320,180	373,628
Closing NAV percentage of total fund NAV (%)	43.56	43.11	6.85
Number of shares	193,370,372	221,346,667	238,628,804
Highest share price (UK p)	114.46	112.28	111.21
Lowest share price (UK p)	110.25	108.16	107.72

Sterling Class 'PP-H' Accumulation share performance

The share class was launched on 8 April 2019.

	Six months to 31.07.19 UK p	Year to 31.01.19 UK p	Year to 31.01.18 UK p
Change in NAV per share			
Opening NAV	100.00	n/a	n/a
Return before operating charges and after direct portfolio transaction costs	1.24	n/a	n/a
Operating charges	(0.23)	n/a	n/a
Return after operating charges	1.01	n/a	n/a
Distributions	(1.96)	n/a	n/a
Retained distributions	1.96	n/a	n/a
Closing NAV	101.01	n/a	n/a
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	n/a	n/a
Dilution adjustments ^[a]	0.00	n/a	n/a
Total direct portfolio transaction costs	0.00	n/a	n/a
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	n/a	n/a
Operating charges	0.69*	n/a	n/a
Return after operating charges	+1.01	n/a	n/a
Distribution yield	3.90	n/a	n/a
Effect on yield of charges offset against capital	0.00	n/a	n/a
Other information			
Closing NAV (\$'000)	297	n/a	n/a
Closing NAV percentage of total fund NAV (%)	0.05	n/a	n/a
Number of shares	241,549	n/a	n/a
Highest share price (UK p)	101.70	n/a	n/a
Lowest share price (UK p)	99.59	n/a	n/a

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

M&G Global Floating Rate High Yield Fund

Financial highlights

Specific share class performance

Sterling Class 'R-H' Income share performance

The share class was launched on 11 September 2014.

	Six months to 31.07.19 UK p	Year to 31.01.19 UK p	Year to 31.01.18 UK p
Change in NAV per share			
Opening NAV	93.17	98.33	99.68
Return before operating charges and after direct portfolio transaction costs	3.30	0.50	4.06
Operating charges	(0.56)	(1.14)	(1.22)
Return after operating charges	2.74	(0.64)	2.84
Distributions	(2.15)	(4.52)	(4.19)
Closing NAV	93.76	93.17	98.33
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges	1.20	1.19	1.18
Return after operating charges	+2.94	-0.65	+2.85
Distribution yield	4.59	4.66	4.09
Effect on yield of charges offset against capital	1.17	1.17	1.17
Other information			
Closing NAV (\$'000)	306	337	1,158
Closing NAV percentage of total fund NAV (%)	0.05	0.05	0.02
Number of shares	268,546	275,736	831,563
Highest share price (UK p)	95.67	99.23	101.46
Lowest share price (UK p)	93.24	92.66	99.04

Sterling Class 'R-H' Accumulation share performance

The share class was launched on 11 September 2014.

	Six months to 31.07.19 UK p	Year to 31.01.19 UK p	Year to 31.01.18 UK p
Change in NAV per share			
Opening NAV	108.81	109.51	106.43
Return before operating charges and after direct portfolio transaction costs	3.89	0.59	4.39
Operating charges	(0.66)	(1.29)	(1.31)
Return after operating charges	3.23	(0.70)	3.08
Distributions	(1.90)	(3.84)	(3.28)
Retained distributions	1.90	3.84	3.28
Closing NAV	112.04	108.81	109.51
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges	1.20	1.19	1.18
Return after operating charges	+2.97	-0.64	+2.89
Distribution yield	3.39	3.51	2.95
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	315	436	388
Closing NAV percentage of total fund NAV (%)	0.05	0.06	0.01
Number of shares	231,391	304,982	250,227
Highest share price (UK p)	112.84	111.04	110.15
Lowest share price (UK p)	108.89	106.85	107.02

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

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

M&G Global Floating Rate High Yield Fund

Financial statements and notes

Financial statements

Statement of total return

for the six months to 31 July	2019 \$'000	2018 \$'000
Income		
Net capital gains / (losses)	(40,901)	(328,307)
Revenue	15,919	113,873
Expenses	(2,969)	(29,583)
Net revenue / (expense) before taxation	12,950	84,290
Taxation	(3)	(2)
Net revenue / (expense) after taxation	12,947	84,288
Total return before distributions	(27,954)	(244,019)
Distributions	(14,322)	(90,929)
Change in net assets attributable to shareholders from investment activities	(42,276)	(334,948)

Statement of change in net assets attributable to shareholders

for the six months to 31 July	2019 \$'000	2018 \$'000
Opening net assets attributable to shareholders	742,663	5,456,246
Amounts received on issue of shares	24,253	383,426
Amounts paid on cancellation of shares	(116,615)	(758,071)
	(92,362)	(374,645)
Dilution adjustments	370	1,675
Change in net assets attributable to shareholders from investment activities (see above)	(42,276)	(334,948)
Retained distributions on Accumulation shares	5,535	59,107
Closing net assets attributable to shareholders	613,930	4,807,435

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

Balance sheet

as at	31 July 2019 \$'000	31 January 2019 \$'000
Assets		
Fixed assets		
Investments	490,205	631,658
Current assets		
Debtors	9,807	16,547
Cash and bank balances	87,361	61,059
Cash equivalents	63,217	71,184
Total assets	650,590	780,448
Liabilities		
Investment liabilities	(19,769)	(6,296)
Creditors		
Distribution payable	(3,966)	(5,046)
Other creditors	(12,925)	(26,443)
Total liabilities	(36,660)	(37,785)
Net assets attributable to shareholders	613,930	742,663

Notes to the financial statements

Accounting policies

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

Distribution policy

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

M&G Pan European Dividend Fund ^(closed)

Financial statements and notes

Important information

On 7 December 2018 the M&G Pan European Dividend Fund merged into the equivalent sub-fund in M&G (Lux) Investment Funds 1 and is therefore no longer available for investment. The fund will be formally terminated when all its outstanding assets and liabilities have been settled.

Financial statements

Statement of total return				
for the six months to 31 July	2019		2018	
	€'000	€'000	€'000	€'000
Income				
Net capital gains / (losses)		0		(5,947)
Revenue	0		6,992	
Expenses	0		(1,459)	
Net revenue / (expense) before taxation	0		5,533	
Taxation	0		(327)	
Net revenue / (expense) after taxation		0		5,206
Total return before distributions		0		(741)
Distributions		0		(3,509)
Change in net assets attributable to shareholders from investment activities		0		(4,250)

Statement of change in net assets attributable to shareholders				
for the six months to 31 July	2019		2018	
	€'000	€'000	€'000	€'000
Opening net assets attributable to shareholders		0		194,962
Amounts received on issue of shares	0		54,765	
Amounts paid on cancellation of shares	0		(50,984)	
		0		3,781
Dilution adjustments		0		66
Change in net assets attributable to shareholders from investment activities (see above)		0		(4,250)
Retained distributions on Accumulation shares		0		1,151
Closing net assets attributable to shareholders		0		195,710

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

Balance sheet

as at	31 July 2019	31 January 2019
	€'000	€'000
Assets		
Fixed assets		
Investments	0	0
Current assets		
Debtors	579	572
Cash and bank balances	0	13
Total assets	579	585
Liabilities		
Creditors		
Bank overdrafts	0	(20)
Other creditors	(579)	(565)
Total liabilities	(579)	(585)
Net assets attributable to shareholders	0	0

Notes to the financial statements

Accounting policies

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

M&G Investment Funds (7)

Other regulatory disclosures

Swiss investor information

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

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

Glossary

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

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

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

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

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

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

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

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

Bunds: Fixed income securities issued by the German government.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Defaulted bond: When a bond issuer does not maintain interest payments or repay the amount borrowed when due.

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

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

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

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

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

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

Glossary

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

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

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

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

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

Equities: Shares of ownership in a company.

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

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

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

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

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

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

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

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

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

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

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

Gilts: Fixed income securities issued by the UK government.

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

Hedging: A method of reducing unnecessary or unintended risk.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Glossary

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Ongoing Charge Figure: The Ongoing Charge Figure includes charges for the following items: management of the fund (also known as Annual Management Charge), administration services, services provided by external parties which include depository, custody and audit, as well as incorporating the ongoing charge figure from funds held in the portfolio (taking into account any rebates).

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Glossary

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.

Suspended: Temporarily halting the trading of a listed security on the stock exchange. It can be voluntary (requested by the issuing company) or imposed by regulators. Typically, trading suspensions are introduced ahead of important news announcements, following technical glitches, or due to regulatory concerns.

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

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

Treasuries: Fixed income securities issued by the US government.

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

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

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

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

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

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

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

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

Unlisted/unquoted stocks: Shares of ownership in companies that are not listed on a public exchange, known as private companies.

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

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

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

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

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

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

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

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

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