



M&G Investment Funds (3)

Annual Long Report and audited Financial Statements
for the year ended 30 June 2019

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M&G Investment Funds (3)

Authorised Corporate Director's Report

The Authorised Corporate Director (ACD) of M&G Investment Funds (3) presents its Annual Long Report and audited Financial Statements for the year ended 30 June 2019.

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

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

Company information

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

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

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

As at 30 June 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 Corporate Bond Fund

Richard Woolnough

M&G Dividend Fund

Michael Stiasny

At the start of the review period Phil Cliff was the fund manager.

M&G Emerging Markets Bond Fund

Claudia Calich

M&G European Corporate Bond Fund

Stefan Isaacs

M&G European High Yield Bond Fund

James Tomlins

M&G Fund of Investment Trust Shares

Richard O'Connor

M&G Global Government Bond Fund

Claudia Calich

M&G Recovery Fund

Tom Dobell

M&G Smaller Companies Fund

Garfield Kiff

ACD

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

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

M&G Investment Funds (3)

Authorised Corporate Director's Report

Important information

Following successful extraordinary resolutions at shareholder meetings held on 4 October 2018, the mergers of the non-sterling share classes into sub-funds of M&G (Lux) Investment Funds 1 took place on various dates. The effective date of the non-sterling share class mergers for the M&G European Corporate Bond Fund was 9 November 2018. The effective date of the non-sterling share class mergers for the M&G Emerging Markets Bond Fund was 7 December 2018. The effective date of the non-sterling share class mergers for the M&G European High Yield Bond Fund was 25 January 2019. For further details of the mergers, please refer to www.mandg.com/brexitmergerdocumentation.

On 3 August 2018, the following share classes were closed within the M&G European High Yield Bond Fund: Swiss franc Class 'A-H' Accumulation shares, Swiss franc Class 'C-H' Accumulation shares, US dollar Class 'C-H' Accumulation shares, US dollar Class 'C-H' Income shares and Euro Class 'C' Income shares. The remaining non-sterling share classes were merged into the M&G (Lux) Global High Yield Bond Fund and all sterling share classes with exception of three sterling share classes merged into the M&G Global High Yield Bond Fund on 25 January 2019.

On 8 April 2019 M&G Corporate Bond Fund, M&G Emerging Markets Bond Fund and M&G Recovery Fund launched the Sterling Class 'PP' Accumulation shares.

Following Shareholder approval on 2 May 2019, shareholders of both Sterling 'A' and 'X' shares in the M&G Fund of Investment Trust Shares received Sterling 'A' shares in the M&G Managed Growth Fund of the same type (Income or Accumulation). The transfer of the assets of the M&G Fund of Investment Trust Shares to the M&G Managed Growth Fund were carried out on 14 June 2019 effectively closing the sub-fund.

From 1 October 2018 the annual management charge (AMC) of the M&G Global Government Bond Fund was reduced by 0.15% across all share classes. The current and revised AMC rates are shown below.

Table of changes			
M&G Global Government Bond Fund			
Share class	Share type	Previous AMC	Revised AMC
Euro 'A'	Income & Accumulation	1.00%	0.85%
Euro 'C'	Income & Accumulation	0.50%	0.35%
Sterling 'A'	Income & Accumulation	1.00%	0.85%
Sterling 'I'	Income & Accumulation	0.50%	0.35%
Sterling 'R'	Income & Accumulation	0.75%	0.60%
Swiss franc 'A'	Income & Accumulation	1.00%	0.85%
Swiss franc 'C'	Income & Accumulation	0.50%	0.35%
US dollar 'A'	Income & Accumulation	1.00%	0.85%
US dollar 'C'	Income & Accumulation	0.50%	0.35%

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.

On 28 September 2018, the Depositary changed from National Westminster Bank Plc to NatWest Trustee & Depositary Services Limited.

Investor information

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

Customer services and administration for UK clients:

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

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

Telephone: 0800 390 390 (UK only)

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

Customer services and administration for non-UK clients:

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

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

Telephone: +352 2605 9944

Email: csmandg@rbc.com

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

Austrian paying and information agent:

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

Belgian financial agent:

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

Danish representative agent:

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

French centralising agent:

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

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

German information agent:

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

M&G Investment Funds (3)

Authorised Corporate Director's Report

Investor information

Greek paying agents and distributors:

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

Irish facilities agent:

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

Italian paying agents:

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

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

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

BNP PARIBAS Securities Services,
Piazza Lina Bo Bardi 3, 20124 Milano, Italy

CACEIS Bank Luxembourg,
Milan Branch, Piazza Cavour 2, 20121 Milano, Italy

RBC Investor Services Bank S.A., Milan Branch
Via Vittor Pisani 26, 20124 Milano, Italy

State Street Bank S.p.A.,
Via Ferrante Aporti 10, 20125 Milano, Italy

Société Générale Securities Services S.A.,
Via Benigno Crespi 19A - MAC 2, 20159 Milano, Italy

Luxembourg paying and information agent:

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

Portuguese distributor:

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

Spanish representative:

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

Swedish paying agent:

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

Swiss paying agent and representative:

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

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
16 August 2019

} Directors

M&G Investment Funds (3)

Depository's Responsibilities and Report

Statement of the Depository's Responsibilities and Report of the Depository to the Shareholders of M&G Investment Funds (3) ('the Company') for the period ended 30 June 2019

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

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

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

The Depository must ensure that:

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

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

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

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

Edinburgh
16 August 2019

NatWest Trustee and
Depository Services Limited

M&G Investment Funds (3)

Independent Auditor's Report

Independent Auditor's Report to the shareholders of M&G Investment Funds (3)

Opinion

We have audited the financial statements of M&G Investment Funds (3) ("the Company") for the year ended 30 June 2019 which comprise the Statement of Total Return and Statement of Change in Net Assets Attributable to Shareholders together with the Balance Sheet for each of the Company's sub-funds, the accounting policies of the Company, the related notes for each sub-fund and the Distribution Tables, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 'The Financial Reporting Standard applicable to the UK and Republic of Ireland'.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Company comprising each of its sub-funds as at 30 June 2019 and of the net revenue and the net capital gains/losses on the scheme property of the Company comprising each of its sub-funds for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

Basis for opinion

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

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

Emphasis of Matter - financial statements prepared on a break-up basis

We draw attention to note 2(a) of the financial statements which explains that the ACD intends to terminate the M&G Fund of Investment Trust Shares and therefore does not consider it to be appropriate to adopt the going concern basis of accounting in preparing the financial statements. Accordingly, the financial statements for this sub-fund only has been prepared on a break-up basis as described in note 2(a). Our opinion is not modified in respect of this matter. The financial statements for the Company as a whole continue to be prepared on a going concern basis.

Conclusions relating to going concern

The financial statements for the M&G Fund of Investment Trust Shares has been prepared on a break-up basis as disclosed in note 2(a).

In relation to the remaining sub funds, we have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

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

Other information

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

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

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

We have nothing to report in this regard.

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

In our opinion:

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

M&G Investment Funds (3)

Independent Auditor's Report

Independent Auditor's Report to the shareholders of M&G Investment Funds (3)

Matters on which we are required to report by exception

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

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

Responsibilities of the Authorised Corporate Director (ACD)

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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

Edinburgh
16 August 2019

Ernst & Young LLP
Statutory Auditor

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

M&G Investment Funds (3)

Financial statements and notes

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

Notes to the financial statements

1 Statement of compliance

The financial statements of M&G Investment Funds (3) have been prepared in compliance with UK Financial Reporting Standard 102 (FRS 102) and in accordance with the Statement of Recommended Practice (SORP) for Authorised Funds issued by the Investment Association in May 2014 and as amended June 2017.

2 Summary of significant accounting policies

a) Basis of preparation

The financial statements of M&G Investment Funds (3) are prepared on a going concern basis, under the historical cost convention as modified by the revaluation of certain financial assets and liabilities measured at fair value through profit or loss, apart from the M&G Fund of Investment Trust Shares which was closed following FCA approval on the 14 June 2019. As a result the financial statements are not prepared on a going concern basis for the year ended 30 June 2019, but are prepared on a break up basis. Under this basis, assets are recorded at their recoverable value, and liabilities at their expected settlement value. Any additional costs in respect of the termination of those funds will be borne by the ACD.

b) Functional and presentational currency

Where the functional and presentational currency of a fund is not UK sterling this is disclosed in the 'Financial statements and notes' of that fund.

c) Exchange rates

Transactions in currencies other than each fund's functional currency are translated at the rate of exchange ruling on the date of the transaction and where applicable assets and liabilities are translated into the fund's functional currency at the rate of exchange ruling as at 12 noon on 28 June 2019 being the last business day of the accounting period.

d) Investments - recognition and valuation

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

At the end of the reporting period all investments have been measured at their fair value using the prices and the portfolio holdings determined at 12 noon on 28 June 2019, being the last valuation point of the accounting period, as this is not materially different from a valuation carried out at close of business on the balance sheet date.

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

- Equities and debt securities which are traded on an active market are included at the quoted price, which is normally the bid price, excluding any accrued interest in respect of bonds.
 - Equities traded on the Alternative Investment Market (AIM), whose liquidity cannot be guaranteed, are included at their quoted bid price as this represents the most objective and appropriate method of valuation.
 - Collective investment schemes operated by the ACD are included at either their cancellation price for dual priced funds or their single price for single priced funds.
 - Collective investment schemes operated by another manager are included at either their bid price for dual priced funds or their single price for single priced funds.
 - Other equities and debt securities which are unquoted or not actively traded on a quoted market are included at a value estimated by the ACD using an appropriate valuation technique, excluding any accrued interest in respect of bonds.
 - Exchange traded futures and options are included at the cost of closing out the contract at the balance sheet date.
 - Over the counter equity options, credit default swaps, interest rate swaps, asset swaps and inflation swaps are included at a value provided by Markit Valuations Limited, an independent credit derivative price provider. Their fair value excludes any accrued interest in respect of derivatives where the income is revenue in nature.
 - Forward currency contracts, for share class hedging and investment, are included at a value determined by reference to current forward exchange rates for contracts with similar maturity profiles.
- #### e) Recognition of income and expenses
- Dividends, including ordinary stock dividends, from equity investments are recognised when the security is quoted ex-dividend.
 - Distributions from collective investment schemes are recognised when the scheme is priced ex-distribution.
 - Interest income, including coupons from debt securities and bank interest is recognised on an accruals basis.
 - Underwriting commission is recognised when the issue takes place.
 - Revenue from derivatives is recognised on an accruals basis.
 - Fee rebates from investing in other collective investment schemes are recognised on an accruals basis.
 - Expenses are recognised on an accruals basis.
- #### f) Treatment of income and expenses
- Any increases or decreases in the fair value of investments and gains and losses realised on sales of investments are treated as capital and recognised in net capital gains / (losses).
 - The value of any enhancement to a stock dividend is treated as capital.
 - Ordinary equity dividends, including ordinary stock dividends are treated as revenue.

M&G Investment Funds (3)

Financial statements and notes

Notes to the financial statements

2 Summary of significant accounting policies (continued)

f) Treatment of income and expenses (continued)

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

g) Tax

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

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

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

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

h) Allocation of returns to share classes

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

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

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

3 Risk management policies

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

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

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

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

Market risk

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

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

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

Commitment approach

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

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

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

M&G Investment Funds (3)

Financial statements and notes

Notes to the financial statements

3 Risk management policies (continued)

Commitment approach (continued)

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

Value at Risk approach

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

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

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

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

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

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

Fund	Global exposure approach
M&G Corporate Bond Fund	VaR
M&G Dividend Fund	Commitment
M&G Emerging Markets Bond Fund	VaR
M&G European Corporate Bond Fund	VaR
M&G European High Yield Bond Fund	VaR
M&G Fund of Investment Trust Shares	Commitment
M&G Global Government Bond Fund	VaR
M&G Recovery Fund	Commitment
M&G Smaller Companies Fund	Commitment

Liquidity risk

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

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

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

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

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

Credit risk

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

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

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

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

M&G Investment Funds (3)

Financial statements and notes

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M&G Corporate Bond Fund

Authorised Corporate Director's Report

Investment objective

The fund aims to provide income and capital growth.

Investment policy

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

Investment approach

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

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

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

Risk profile

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

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

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

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

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



The above number:

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

Investment review

As at 1 July 2019, for the year ended 30 June 2019

Performance against objective

Between 2 July 2018 (the start of the review period) and 1 July 2019, the M&G Corporate Bond Fund delivered a positive total return (the combination of income and growth of capital) across all of its share classes.*

The M&G Corporate Bond Fund invests predominantly in high-quality, sterling-denominated corporate bonds, with the aim of providing income and capital growth.

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

* 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 Corporate Bond Fund

Authorised Corporate Director's Report

Investment review

Investment performance

Volatility returned to financial markets in 2018 as a result of a range of factors that included higher interest rates and inflation, political uncertainty and global trade tensions.

The US Federal Reserve (Fed) raised interest rates in September and December, making it a total of nine times US rates have risen since the great financial crisis about a decade ago. In the UK, much uncertainty remained about the eventual terms of the country's Brexit deal with the European Union (EU). This contributed to times of adverse sentiment towards UK bonds. Investors in Europe became concerned in the latter stages of 2018 about Italian proposals to increase the country's budget deficit. The plans, which met with opposition from the EU, were drafted after an anti-establishment party gained a strong presence in Italy's new coalition government.

Sentiment towards corporate bonds – and international stockmarkets – was increasingly affected by concerns of a trade war developing between the US and China. In addition, during the latter months of 2018, global economic growth forecasts began to moderate, which contributed to weaker confidence in the outlook for corporate bonds and emerging markets.

Sentiment then changed once again in early 2019, as investors took comfort from statements by the Fed that it would moderate its strategy around raising interest rates. Indeed, investors' mood changed so dramatically that markets now expect the next move by the Fed will be to cut, rather than raise, interest rates. However, the more optimistic mood was somewhat dampened in May, as renewed fears about the prospects for global trade, caused mainly by heightened tensions between the US and China over tariffs, caused investors to prefer safer assets once again.

While the second half of 2018 was challenging for corporate bonds, the strong start to 2019 helped them to deliver positive returns across the 12-month period as a whole. Corporate bonds denominated in US dollars generally outperformed those denominated in sterling and euros.

The biggest contribution to the fund's performance came from its holdings in corporate bonds issued by non-financial companies, while those issued by banks also contributed strongly. We have positioned the fund to be slightly less sensitive to changes in interest rates than many of its peers, and this acted as a slight lag on performance. The fund's exposure to asset-backed securities (ABS) also helped. ABS are bonds backed by assets including credit card receivables, car loans or mortgages, whose creditworthiness is based on the underlying assets, rather than on the company that issued the bonds. Most ABS holdings are floating-rate in nature and stand to benefit if interest rates rise as they have variable rate coupons.

Investment activities

One of the key drivers of a bond fund's performance is its ability to adjust the portfolio's sensitivity to changes in interest rates, known as 'duration'. Being shorter duration means that a fund is relatively less sensitive to changes in interest rates than longer duration funds. During the course of the reporting period, we held the fund's duration close to its maximum permitted short position versus the iBoxx £ Corporate Index.

We once again took advantage of opportunities to add value through relative value trades – for example, taking advantage of the difference in pricing between bonds from the same company issued in different currencies or different maturities. In the reporting period, the majority of these involved switching from an issuer's US dollar-denominated debt into its sterling debt, to harness the more attractive pricing. We were particularly active as relative value traders within the financials and telecoms sectors.

After a significant sell-off in corporate bond markets towards the end of 2018 caused prices to fall, we added some credit risk back into the portfolio. In December, we sold some good quality names that had performed well, for example Goldman Sachs and Apple, in order to buy into selected good value credits such as Sky and WPP Group. Towards the end of the reporting period, we began to reduce credit risk once again following strong performance: we sold bonds from a number of telecoms companies, eg Verizon, Vodafone and AT&T, and from some banks, for example HSBC and Goldman Sachs.

We continue to think that UK government bonds (also known as gilts) look expensive, and so we have little exposure to these assets.

Outlook

After a difficult 2018 for financial markets, the first half of 2019 has been largely constructive for global bond markets, with a return of risk appetite, as investors have been encouraged by signs that the US Federal Reserve would pause its interest rate rising cycle. However, we have long been of the view that the Fed will need to raise rates further, which is reflected in the fund's positioning. (On 31 July, subsequent to the end of the review period, the Fed announced that it would cut interest rates by 0.25%.)

We remain broadly positive on the outlook for the global economy and corporate bonds, and do not believe that recession is imminent. While we have been partially reducing risk in the portfolio in the latter stages of the reporting period, we continue to find opportunities within corporate bond markets.

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

Richard Woolnough

Fund manager

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

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

M&G Corporate Bond Fund

Authorised Corporate Director's Report

Investments

Portfolio statement

as at 30 June Holding	2019 £'000	2019 %	2018 %
FIXED INCOME	3,309,868	94.42	96.43
Debt securities	3,319,757	94.72	96.50
'AAA' credit rated bonds	249,685	7.13	10.26
£868,067 Alba FRN 1.97175% 24/04/2049	871	0.02	
£10,000,000 Barclays Bank 4.25% 12/01/2022	10,786	0.31	
£130,625 BL Superstores Finance 4.482% 04/10/2030	148	0.00	
£3,840,000 Broadgate Financing 4.821% 05/07/2036	5,080	0.15	
£311,369 Broadgate Financing 4.949% 05/04/2031	363	0.01	
£4,600,000 Cie de Financement Foncier 5.5% 26/01/2027	5,946	0.17	
£3,942,000 Delamare Cards FRN 1.25363% 03/10/2022	3,939	0.11	
£734,246 E-carat 8 FRN 1.1025% 18/03/2024	734	0.02	
£5,000,000 European Investment Bank 4.5% 07/06/2029	6,517	0.19	
£10,000,000 European Investment Bank 5.5% 15/04/2025	12,484	0.36	
£5,000,000 KFW 0.875% 15/03/2022	5,000	0.14	
£15,000,000 KFW 1.625% 05/06/2020	15,109	0.43	
£1,000,000 KFW 5.5% 18/06/2025	1,256	0.04	
\$10,000,000 Microsoft 3.45% 08/08/2036	8,301	0.24	
\$7,500,000 Microsoft 3.75% 01/05/2043	6,369	0.18	
\$13,987,000 Microsoft 3.95% 08/08/2056	12,071	0.34	
\$15,000,000 Microsoft 4% 12/02/2055	13,085	0.37	
\$35,000,000 Microsoft 4.75% 03/11/2055	34,562	0.99	
\$500,000 Microsoft 5.2% 01/06/2039	504	0.01	
\$3,000,000 Microsoft 5.3% 08/02/2041	3,063	0.09	
\$2,466,161 Paragon Mortgages No. 15 FRN 2.63025% 15/12/2039	1,834	0.05	
£3,986,000 Penarth Master Issuer FRN 1.2225% 18/03/2022	3,989	0.11	
£3,954,052 Residential Mortgage Securities No. 30 FRN 1.5815% 20/03/2050	3,943	0.11	
£7,812,666 Ripon Mortgages FRN 1.60425% 20/08/2056	7,804	0.22	
£16,250,000 Santander 5.125% 14/04/2021	17,399	0.50	
£10,000,000 Santander FRN 1.079% 05/05/2020	10,012	0.29	
£1,262,508 THRONES FRN 1.65638% 15/11/2049	1,263	0.04	
£3,573,407 Towd Point Mortgage Funding 2016-Auburn 10 FRN 1.82275% 20/04/2045	3,576	0.10	
£12,824,649 Towd Point Mortgage Funding 2017-Auburn 11 FRN 1.65425% 20/05/2045	12,820	0.37	
£9,276,033 Warwick Finance Residential Mortgages No. 1 FRN 1.77488% 21/09/2049	9,310	0.27	
£10,783,662 Warwick Finance Residential Mortgages No. 2 FRN 2.27488% 21/09/2049	10,874	0.31	
£20,000,000 Wellcome Trust 2.517% 07/02/2118	20,673	0.59	
'AA' credit rated bonds	197,970	5.65	9.07
£20,000,000 Apple 3.05% 31/07/2029	22,708	0.65	
£737,760 Autolink Concessionaires 8.39% 15/06/2022	822	0.02	
£815,000 Broadgate Financing 4.999% 05/10/2033	993	0.03	
£296,734 Coventry & Rugby Hospital IL 3.246% 30/06/2040	706	0.02	
£5,000,000 Deutsche Bahn Finance 3.125% 24/07/2026	5,550	0.16	

Portfolio statement (continued)

as at 30 June Holding	2019 £'000	2019 %	2018 %
'AA' credit rated bonds (continued)			
£493,501 Eurosail-UK 2007-2 FRN 0.939% 13/03/2045	482	0.01	
£4,101,000 Federal National Mortgage Association 5.375% 07/12/2028	5,498	0.16	
£2,918,253 Integrated Accommodation Services 6.48% 31/03/2029	3,619	0.10	
£960,000 Investor 5.5% 05/05/2037	1,404	0.04	
£20,000,000 Land Securities Capital Markets 1.974% 08/02/2026	20,314	0.58	
£16,000,000 Land Securities Capital Markets 2.375% 29/03/2029	16,630	0.47	
£8,858,000 Land Securities Capital Markets 2.399% 08/02/2031	9,242	0.26	
£5,000,000 Land Securities Capital Markets 2.625% 22/09/2039	5,129	0.15	
£553,000 Land Securities Capital Markets Var. Rate 5.391% 31/03/2027	655	0.02	
£6,807,000 Mercantile Investment Trust 6.125% 25/02/2030	9,088	0.26	
\$832,585 Paragon Mortgages No. 13 FRN 2.77675% 15/01/2039	616	0.02	
£2,530,000 Province of Quebec 12.25% 15/03/2020	2,718	0.08	
£10,000,000 Réseau Ferré de France 5% 11/03/2052	16,477	0.47	
£10,000,000 Réseau Ferré de France 5.25% 07/12/2028	13,286	0.38	
£6,000,000 Réseau Ferré de France 5.25% 31/01/2035	8,675	0.25	
£3,400,000 Slate No. 1 FRN 2.27163% 24/01/2051	3,409	0.10	
£2,000,000 SLM Student Loan Trust 1.339% 15/12/2039	1,864	0.05	
£5,000,000 SNCF Mobilities 5.375% 18/03/2027	6,404	0.18	
£5,000,000 Southern Water Services Finance 5% 31/03/2021	5,311	0.15	
£5,400,000 Trafford Centre Finance FRN 1.54375% 28/07/2038	4,847	0.14	
£5,000,000 Transport for London 3.875% 23/07/2042	6,382	0.18	
£25,000,000 UK Treasury 3.75% 07/09/2019	25,141	0.72	
'A' credit rated bonds	763,648	21.79	19.26
£10,000,000 América Móvil 4.375% 07/08/2041	12,650	0.36	
£10,000,000 Anglian Water Services Financing 2.75% 26/10/2029	10,686	0.31	
£18,000,000 Anheuser-Busch InBev 2.25% 24/05/2029	17,889	0.51	
£14,000,000 Anheuser-Busch InBev 9.75% 30/07/2024	19,433	0.56	
\$750,000 Anheuser-Busch InBev Worldwide 4.9% 01/02/2046	653	0.02	
\$3,000,000 Anheuser-Busch InBev Worldwide 4.9% 23/01/2031	2,710	0.08	
\$9,889,000 Anheuser-Busch InBev Worldwide 5.45% 23/01/2039	9,186	0.26	
\$13,518,000 Anheuser-Busch InBev Worldwide 5.55% 23/01/2049	12,879	0.37	
\$15,000,000 Anheuser-Busch InBev Worldwide 5.8% 23/01/2059	14,619	0.42	
£10,000,000 Banco Santander 2.75% 12/09/2023	10,344	0.30	
£30,000,000 Bank of America 2.3% 25/07/2025	30,936	0.88	
£1,500,000 Bank of America 7% 31/07/2028	2,111	0.06	
£3,400,000 Bank of Scotland IL 2.64% 16/04/2020	5,737	0.16	
£495,182 BL Superstores Finance 5.27% 04/10/2030	540	0.02	
£4,926,000 BNP Paribas 3.375% 23/01/2026	5,224	0.15	
\$2,426,000 Bristol-Myers Squibb 4.125% 15/06/2039	2,049	0.06	

M&G Corporate Bond Fund

Authorised Corporate Director's Report

Investments

Portfolio statement (continued)				
as at 30 June Holding	2019 £'000	2019 %	2018 %	
'A' credit rated bonds (continued)				
£4,362,000 Brown-Forman 2.6% 07/07/2028	4,631	0.13		
£10,000,000 Canadian Imperial Bank of Commerce FRN 1.254% 10/01/2022	10,030	0.29		
\$3,509,000 Cigna 4.375% 15/10/2028	2,973	0.09		
\$4,505,000 Cigna 4.8% 15/08/2038	3,806	0.11		
£1,167,002 Clavis Securities FRN 0.95613% 15/12/2032	1,123	0.03		
\$3,474,000 Cloverie Var. Rate 5.625% 24/06/2046	3,041	0.09		
\$15,000,000 Comcast 4.95% 15/10/2058	14,307	0.41		
£20,000,000 Comcast 5.5% 23/11/2029	26,589	0.76		
\$2,500,000 Crédit Agricole 4.125% 10/01/2027	2,066	0.06		
£2,500,000 Crédit Agricole Var. Rate 7.5% Perpetual	2,834	0.08		
£5,000,000 Deutsche Pfandbriefbank 1% 04/12/2020	4,986	0.14		
\$7,207,000 DuPont de Nemours 5.319% 15/11/2038	6,660	0.19		
\$6,687,000 DuPont de Nemours 5.419% 15/11/2048	6,364	0.18		
\$2,000,000 EDF 6% 22/01/2114	1,824	0.05		
£10,900,000 EDF 6% 23/01/2114	17,092	0.49		
€15,583,000 Engie 5.95% 16/03/2111	25,982	0.74		
\$4,962,000 Eni 4.25% 09/05/2029	4,103	0.12		
\$10,000,000 Eni 4.75% 12/09/2028	8,598	0.25		
£1,196,772 Eurosail FRN 0.94563% 10/12/2044	1,185	0.03		
£2,500,000 Heathrow Funding 5.225% 15/02/2023	2,839	0.08		
£2,000,000 Heathrow Funding 6.45% 10/12/2031	2,902	0.08		
£25,000,000 Heathrow Funding 6.75% 03/12/2028	33,242	0.95		
£12,000,000 Heathrow Funding 7.075% 04/08/2028	16,862	0.48		
£3,150,000 Heathrow Funding 9.2% 29/03/2023	3,573	0.10		
£2,192,000 Housing Finance 5% 30/09/2027	2,600	0.07		
£2,992,026 Housing Finance 8.625% 13/11/2023	3,800	0.11		
£19,000,000 HSBC 2.625% 16/08/2028	19,383	0.55		
£3,000,000 HSBC Bank 5.375% 22/08/2033	3,758	0.11		
£11,550,000 HSBC Bank Var. Rate 5.375% 04/11/2030	13,369	0.38		
£12,260,000 HSBC Var. Rate 2.256% 13/11/2026	12,243	0.35		
\$10,000,000 HSBC Var. Rate 4.041% 13/03/2028	8,215	0.23		
£3,100,000 ING 3% 18/02/2026	3,238	0.09		
\$7,500,000 International Business Machines 4.25% 15/05/2049	6,287	0.18		
£4,000,000 INTU Finance 3.875% 17/03/2028	4,003	0.11		
£7,000,000 INTU Finance 4.125% 06/12/2028	7,082	0.20		
£4,808,000 INTU Finance 4.25% 17/09/2035	4,768	0.14		
£5,500,000 INTU Finance 4.625% 17/03/2033	5,654	0.16		
£12,000,000 JPMorgan Chase 3.5% 18/12/2026	13,454	0.38		
£350,000 Lloyds Bank 11.75% Perpetual	725	0.02		
£35,000,000 Lloyds Bank 5.125% 07/03/2025	42,201	1.20		
£6,445,000 Lloyds Bank FRN 1.2794% 16/05/2024	6,454	0.18		
£3,386,000 London & Quadrant Housing Trust 2.625% 05/05/2026	3,511	0.10		
£2,000,000 London & Quadrant Housing Trust 2.625% 28/02/2028	2,053	0.06		
£3,000,000 London & Quadrant Housing Trust 3.125% 28/02/2053	3,024	0.09		
£3,280,480 Mitchells & Butlers Finance 5.574% 15/12/2030	3,738	0.11		
£5,000,000 Munich Re Finance Var. Rate 6.625% 26/05/2042	5,663	0.16		
£3,000,000 National Grid Electricity Transmission IL 3.806% 27/07/2020	5,207	0.15		

Portfolio statement (continued)

as at 30 June Holding	2019 £'000	2019 %	2018 %
'A' credit rated bonds (continued)			
£4,973,000 National Westminster Bank FRN 1.30925% 22/03/2023	4,996	0.14	
£1,201,374 Newgate Funding FRN 0.98263% 01/12/2050	1,142	0.03	
£2,000,000 Northern Powergrid 7.25% 15/12/2022	2,390	0.07	
£3,750,000 Northern Powergrid Yorkshire 4.375% 05/07/2032	4,652	0.13	
£6,116,000 Notting Hill Housing Trust 3.25% 12/10/2048	6,216	0.18	
£1,339,000 Penarian Housing Finance 3.212% 07/06/2052	1,373	0.04	
£5,000,000 Places for People 3.625% 22/11/2028	5,239	0.15	
£9,000,000 Places for People 5.875% 23/05/2031	11,426	0.33	
£2,504,892 Quadrant Housing Finance Var. Rate 7.93% 10/02/2033	3,536	0.10	
£2,000,000 Sky 4% 26/11/2029	2,386	0.07	
£2,888,000 Society of Lloyds Var. Rate 4.875% 07/02/2047	3,170	0.09	
£6,176,000 South Eastern Power Networks 5.5% 05/06/2026	7,569	0.22	
£8,100,000 South Eastern Power Networks 6.375% 12/11/2031	11,654	0.33	
£12,000,000 Spain (Kingdom of) 5.25% 06/04/2029	14,842	0.42	
£1,000,000 T.H.F.C Funding No. 3 5.2% 11/10/2043	1,413	0.04	
£1,000,000 UNITE (USAF) II 3.374% 30/06/2028	1,066	0.03	
£4,066,000 United Utilities Water Finance 2% 14/02/2025	4,140	0.12	
£6,000,000 Wales & West Utilities Finance 4.625% 13/12/2023	6,865	0.20	
£8,000,000 Wales & West Utilities Finance 5% 07/03/2028	9,918	0.28	
£4,500,000 Wales & West Utilities Finance 5.75% 29/03/2030	6,084	0.17	
£33,000,000 Wells Fargo 2% 28/07/2025	33,158	0.95	
£4,246,000 Wells Fargo 2.125% 20/12/2023	4,326	0.12	
£2,762,000 Wells Fargo 2.5% 02/05/2029	2,834	0.08	
£40,000,000 Wells Fargo Bank 5.25% 01/08/2023	45,170	1.29	
£3,500,000 Westfield America Management 2.125% 30/03/2025	3,518	0.10	
\$1,000,000 Willow No. 2 Var. Rate 4.25% 01/10/2045	811	0.02	
£3,426,000 Yorkshire Power Finance 7.25% 04/08/2028	4,891	0.14	
£6,000,000 Yorkshire Water Services Odsal Finance 6.5876% 21/02/2023	7,088	0.20	
£5,420,000 Zurich Finance Var. Rate 6.625% Perpetual	6,087	0.17	
'BBB' credit rated bonds			
£7,500,000 3i 5.75% 03/12/2032	9,569	0.27	
£3,000,000 Akelius Residential Property 2.375% 15/08/2025	2,983	0.09	
€2,500,000 Altria 2.2% 15/06/2027	2,362	0.07	
€5,000,000 Altria 3.125% 15/06/2031	4,861	0.14	
\$6,000,000 Altria 3.875% 16/09/2046	4,171	0.12	
\$3,000,000 Altria 5.375% 31/01/2044	2,499	0.07	
\$5,000,000 Altria 5.8% 14/02/2039	4,389	0.12	
\$7,500,000 Altria 5.95% 14/02/2049	6,681	0.19	
\$1,500,000 Altria 6.2% 14/02/2059	1,328	0.04	
£10,000,000 Anglian Water Services Financing 2.625% 15/06/2027	9,753	0.28	
£7,000,000 Anglian Water Services Financing 4.5% 22/02/2026	7,669	0.22	
£3,713,000 Anglo American Capital 3.375% 11/03/2029	3,826	0.11	
	1,742,937	49.72	46.60

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Portfolio statement (continued)				
as at 30 June Holding	2019 £'000	2019 %	2018 %	
'BBB' credit rated bonds (continued)				
£2,972,000 Annington Funding 2.646% 12/07/2025	3,002	0.09		
£3,889,000 Annington Funding 3.184% 12/07/2029	4,018	0.11		
£3,703,000 Annington Funding 3.685% 12/07/2034	3,914	0.11		
£2,812,000 Annington Funding 3.935% 12/07/2047	3,016	0.09		
£5,752,000 APT Pipelines 3.125% 18/07/2031	6,018	0.17		
£2,100,000 APT Pipelines 4.25% 26/11/2024	2,338	0.07		
£5,000,000 Arountown 3% 16/10/2029	4,858	0.14		
£3,238,000 Arountown 3.625% 10/04/2031	3,250	0.08		
£9,300,000 AT&T 4.25% 01/06/2043	10,332	0.29		
£10,300,000 AT&T 4.375% 14/09/2029	11,841	0.34		
£39,418,000 AT&T 4.875% 01/06/2044	47,735	1.36		
£5,000,000 AT&T 5.2% 18/11/2033	6,224	0.18		
\$10,000,000 AT&T 5.65% 15/02/2047	9,193	0.26		
\$2,000,000 AT&T 6.35% 15/03/2040	1,938	0.06		
\$227,000 AT&T 6.375% 01/03/2041	222	0.01		
£9,950,000 Aviva Var. Rate 4.375% 12/09/2049	10,342	0.30		
£21,100,000 Aviva Var. Rate 6.125% 14/11/2036	24,344	0.69		
£13,963,000 Aviva Var. Rate 6.875% 20/05/2058	17,926	0.51		
£6,500,000 AXA Var. Rate 5.453% Perpetual	7,170	0.20		
£15,000,000 AXA Var. Rate 5.625% 16/01/2054	17,488	0.50		
£14,630,000 AXA Var. Rate 6.6862% Perpetual	17,166	0.49		
£15,000,000 Bank of America 5.5% 22/11/2021	16,357	0.47		
£10,000,000 Barclays 3.25% 17/01/2033	9,743	0.28		
\$8,000,000 BAT Capital 4.39% 15/08/2037	5,960	0.17		
£25,000,000 BAT International Finance 2.25% 09/09/2052	17,765	0.51		
£16,000,000 BAT International Finance 4% 04/09/2026	17,465	0.50		
£7,000,000 BAT International Finance 4% 23/11/2055	7,087	0.20		
£1,000,000 BAT International Finance 5.75% 05/07/2040	1,286	0.04		
\$10,000,000 Bayer US Finance 4.375% 15/12/2028	8,285	0.24		
\$5,000,000 Bayer US Finance 4.625% 25/06/2038	3,994	0.11		
\$4,000,000 Bayer US Finance 4.7% 15/07/2064	2,838	0.08		
\$7,500,000 Bayer US Finance 4.875% 25/06/2048	6,103	0.17		
\$1,143,000 BNP Paribas 4.375% 28/09/2025	944	0.03		
\$15,000,000 BNP Paribas 4.625% 13/03/2027	12,532	0.36		
£6,000,000 Bouygues 5.5% 06/10/2026	7,343	0.21		
£9,000,000 BPCE 5.25% 16/04/2029	10,716	0.31		
£25,000,000 British Telecommunications 3.125% 21/11/2031	26,222	0.75		
£10,667,000 British Telecommunications 3.625% 21/11/2047	11,212	0.32		
\$14,264,000 British Telecommunications 9.625% 15/12/2030	16,840	0.48		
£1,000,000 Bunzl Finance 2.25% 11/06/2025	1,006	0.03		
£13,455,000 Cadent Finance 2.125% 22/09/2028	13,374	0.38		
£3,666,000 Channel Link Enterprises Finance 3.848% 30/06/2050	4,054	0.12		
£10,000,000 Channel Link Enterprises Finance Var. Rate 3.043% 30/06/2050	10,253	0.29		
£2,500,000 Cie De St-Gobain 4.625% 09/10/2029	3,001	0.09		
\$1,834,000 Citigroup 4.4% 10/06/2025	1,539	0.04		
\$12,500,000 Citigroup 4.45% 29/09/2027	10,579	0.30		
£5,000,000 Citigroup 4.5% 03/03/2031	5,804	0.17		
\$2,500,000 Citigroup 5.5% 13/09/2025	2,217	0.06		
£3,785,000 CPMK Finance 3.69% 28/02/2047	4,036	0.12		

Portfolio statement (continued)

as at 30 June Holding	2019 £'000	2019 %	2018 %
'BBB' credit rated bonds (continued)			
£6,000,000 CPMK Finance 7.239% 28/02/2024	7,285	0.21	
\$3,000,000 Crédit Agricole Var. Rate 4% 10/01/2033	2,383	0.07	
\$1,000,000 Crédit Agricole Var. Rate 7.875% Perpetual	868	0.02	
£3,000,000 Credit Suisse Group Funding 2.75% 08/08/2025	3,089	0.09	
£9,000,000 Credit Suisse Var. Rate 2.125% 12/09/2025	8,942	0.26	
£2,703,000 CRH Finance 4.125% 02/12/2029	3,147	0.09	
£2,082,000 Deutsche Telekom 3.125% 06/02/2034	2,203	0.06	
\$2,423,000 Deutsche Telekom International Finance 4.875% 06/03/2042	2,108	0.06	
\$15,000,000 Deutsche Telekom International Finance 8.75% 15/06/2030	16,946	0.48	
£13,000,000 Deutsche Telekom International Finance 8.875% 27/11/2028	20,193	0.58	
£3,806,000 Digital Stout 3.3% 19/07/2029	3,945	0.11	
\$2,500,000 Dow Chemical 4.8% 30/11/2028	2,191	0.06	
\$3,750,000 Dow Chemical 5.55% 30/11/2048	3,477	0.10	
£1,500,000 E.ON International Finance 5.875% 30/10/2037	2,145	0.06	
\$8,500,000 Enel Finance International 3.5% 06/04/2028	6,580	0.19	
\$30,000,000 Enel Finance International 3.625% 25/05/2027	23,536	0.67	
\$2,500,000 Enel Finance International 4.875% 14/06/2029	2,137	0.06	
£5,000,000 Enel Finance International 5.625% 14/08/2024	5,869	0.17	
£500,000 Enel Var. Rate 7.75% 10/09/2075	534	0.02	
\$500,000 Energy Transfer Partners 4.9% 15/03/2035	397	0.01	
\$1,000,000 Energy Transfer Partners 6.125% 15/12/2045	890	0.03	
\$3,572,000 Energy Transfer Partners 6.5% 01/02/2042	3,269	0.09	
£132,000 ENW Capital Finance 6.125% 21/07/2021	145	0.00	
£5,000,000 FCE Bank 2.759% 13/11/2019	5,019	0.14	
£5,000,000 FCE Bank 3.25% 19/11/2020	5,085	0.15	
£1,610,000 Fidelity National Information Services 2.602% 21/05/2025	1,655	0.05	
£1,928,000 Fidelity National Information Services 3.36% 21/05/2031	2,039	0.06	
£1,150,000 Fiserv 2.25% 01/07/2025	1,155	0.03	
£1,167,000 Fiserv 3% 01/07/2031	1,183	0.03	
\$2,500,000 Ford Motor Company 4.75% 15/01/2043	1,705	0.05	
\$10,000,000 Ford Motor Credit 4.389% 08/01/2026	7,878	0.22	
£7,000,000 Ford Motor Credit 4.535% 06/03/2025	7,338	0.21	
£5,500,000 Gatwick Funding 2.625% 07/10/2048	5,142	0.15	
£8,226,000 Gatwick Funding 2.875% 05/07/2049	8,040	0.23	
£17,500,000 Gatwick Funding 3.125% 28/09/2041	18,212	0.52	
£10,000,000 Gatwick Funding 3.25% 26/02/2048	10,517	0.30	
£5,000,000 Gatwick Funding 4.625% 27/03/2034	6,198	0.18	
£16,000,000 Gatwick Funding 5.25% 23/01/2026	18,380	0.52	
£16,000,000 Gatwick Funding 6.125% 02/03/2028	20,032	0.57	
£1,290,102 General Electric Capital 6.44% 15/11/2022	1,343	0.04	
\$2,500,000 General Motors 5.15% 01/04/2038	1,927	0.05	
\$1,000,000 General Motors 6.6% 01/04/2036	865	0.02	
\$1,500,000 General Motors Financial 4% 15/01/2025	1,198	0.03	
\$2,500,000 General Motors Financial 4% 06/10/2026	1,982	0.06	

M&G Corporate Bond Fund

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Portfolio statement (continued)				
as at 30 June	2019	2019	2018	
Holding	£'000	%	%	
'BBB' credit rated bonds (continued)				
\$7,000,000 General Motors Financial 4.3% 13/07/2025	5,659	0.16		
£10,000,000 Goldman Sachs 3.125% 25/07/2029	10,536	0.30		
£4,800,000 Goldman Sachs 6.875% 18/01/2038	7,020	0.20		
£4,200,000 Goldman Sachs 7.125% 07/08/2025	5,366	0.15		
£2,295,929 Greene King Finance 4.0643% 15/03/2035	2,465	0.07		
£2,254,944 Greene King Finance 5.318% 15/09/2031	2,607	0.07		
£8,000,000 H.J Heinz Finance 6.25% 18/02/2030	9,938	0.28		
\$955,000 HCA 5% 15/03/2024	817	0.02		
\$5,000,000 HCA 5.5% 15/06/2047	4,185	0.12		
\$1,000,000 HCA 5.875% 15/03/2022	863	0.02		
£2,500,000 Heathrow Funding 7.125% 14/02/2024	3,028	0.09		
£5,500,000 HSBC 5.75% 20/12/2027	6,652	0.19		
£7,500,000 HSBC 6% 29/03/2040	9,855	0.28		
£11,000,000 HSBC 6.75% 11/09/2028	14,233	0.41		
£4,000,000 HSBC 7% 07/04/2038	5,756	0.16		
£3,500,000 Iberdrola Finanzas 7.375% 29/01/2024	4,385	0.13		
£20,000,000 Imperial Brands Finance 4.875% 07/06/2032	23,447	0.67		
£19,500,000 Imperial Brands Finance 5.5% 28/09/2026	23,132	0.66		
£23,000,000 Imperial Brands Finance 8.125% 15/03/2024	29,243	0.83		
£3,566,000 Informa 3.125% 05/07/2026	3,704	0.11		
£8,000,000 InterContinental Hotels 2.125% 24/08/2026	7,878	0.22		
€2,681,000 InterContinental Hotels 2.125% 15/05/2027	2,555	0.07		
£915,000 Italy (Republic of) 5.25% 07/12/2034	1,038	0.03		
£40,000,000 Italy (Republic of) 6% 04/08/2028	46,912	1.34		
\$6,000,000 JPMorgan Chase 4.25% 01/10/2027	5,091	0.15		
\$2,500,000 Kinder Morgan 5.05% 15/02/2046	2,121	0.06		
\$6,000,000 Kinder Morgan Energy Partners 6.95% 15/01/2038	5,995	0.17		
£12,500,000 KPN 5% 18/11/2026	13,957	0.40		
£17,700,000 KPN 5.75% 17/09/2029	20,432	0.58		
\$6,300,000 KPN 8.375% 01/10/2030	6,517	0.19		
£11,000,000 Kraft Heinz Foods 4.125% 01/07/2027	11,992	0.34		
\$5,000,000 Kraft Heinz Foods 4.375% 01/06/2046	3,691	0.11		
£10,000,000 LafargeHolcim Sterling Finance 3% 12/05/2032	10,073	0.29		
£17,500,000 Legal & General Var. Rate 5.125% 14/11/2048	19,192	0.55		
£25,000,000 Legal & General Var. Rate 5.375% 27/10/2045	27,673	0.79		
£20,000,000 Legal & General Var. Rate 5.5% 27/06/2064	22,469	0.64		
£10,000,000 Lloyds Bank 7.625% 22/04/2025	12,785	0.36		
£5,500,000 Lloyds Bank 9.625% 06/04/2023	6,991	0.20		
£10,000,000 Lloyds Bank Var. Rate 5.75% 09/07/2025	10,416	0.30		
£1,750,000 Longstone Finance 4.896% 19/04/2036	2,043	0.06		
\$1,250,000 McDonald's 6.3% 15/10/2037	1,280	0.04		
\$2,000,000 McDonald's 6.3% 01/03/2038	2,055	0.06		
£19,000,000 Mexico (United Mexican States) 5.625% 19/03/2114	19,675	0.56		

Portfolio statement (continued)

as at 30 June	2019	2019	2018	
Holding	£'000	%	%	
'BBB' credit rated bonds (continued)				
£527,124 Mitchells & Butlers Finance 5.965% 15/12/2025	565	0.02		
£1,202,614 Mitchells & Butlers Finance 6.013% 15/12/2030	1,362	0.04		
£3,000,000 Mitchells & Butlers Finance FRN 1.38613% 15/12/2033	2,416	0.07		
£1,000,000 Mondelēz International 3.875% 06/03/2045	1,111	0.03		
£1,750,000 Mondelēz International 4.5% 03/12/2035	2,073	0.06		
£15,000,000 Morgan Stanley 2.625% 09/03/2027	15,510	0.44		
\$2,500,000 Morgan Stanley 3.95% 23/04/2027	2,053	0.06		
\$5,000,000 Morgan Stanley 4.35% 08/09/2026	4,203	0.12		
\$1,141,000 Nationwide Building Society 4% 14/09/2026	897	0.03		
\$10,000,000 Nationwide Building Society Var. Rate 4.125% 18/10/2032	7,594	0.22		
£1,500,000 Next 3% 26/08/2025	1,536	0.04		
£12,500,000 Next 3.625% 18/05/2028	13,003	0.37		
£10,500,000 Next 4.375% 02/10/2026	11,586	0.33		
£11,250,000 NGG Finance Var. Rate 5.625% 18/06/2073	12,161	0.35		
£5,000,000 NIE Finance 6.375% 02/06/2026	6,419	0.18		
£2,000,000 Northern Gas Networks 5.875% 08/07/2019	2,001	0.06		
£7,000,000 Northumbrian Water 6.875% 06/02/2023	8,348	0.24		
£3,000,000 Orange 3.25% 15/01/2032	3,270	0.09		
£12,000,000 Orange 5.625% 23/01/2034	16,493	0.47		
£19,250,000 Orange 8.125% 20/11/2028	28,910	0.82		
\$15,000,000 Orange 9% 01/03/2031	17,859	0.51		
€7,833,000 Orange Var. Rate 5% Perpetual	8,308	0.24		
£6,500,000 Orange Var. Rate 5.75% Perpetual	7,187	0.20		
£10,000,000 Rabobank 4.625% 23/05/2029	11,577	0.33		
£833,000 Rabobank 5.25% 14/09/2027	987	0.03		
\$4,884,000 Reynolds American 5.7% 15/08/2035	4,198	0.12		
\$7,479,000 Reynolds American 5.85% 15/08/2045	6,316	0.18		
\$1,000,000 Reynolds American 6.15% 15/09/2043	869	0.02		
£7,500,000 Royal Bank of Scotland Var. Rate 2.875% 19/09/2026	7,588	0.22		
£1,548,000 Royal Bank of Scotland Var. Rate 3.125% 28/03/2027	1,572	0.04		
\$7,723,000 Royal Bank of Scotland Var. Rate 4.892% 18/05/2029	6,461	0.18		
\$1,000,000 Security Capital 7.7% 15/06/2028	963	0.03		
£1,000,000 Severn Trent IL 1.3% 11/07/2022	1,246	0.04		
£4,160,000 Severn Trent Utilities Finance 2.75% 05/12/2031	4,408	0.13		
£6,000,000 Severn Trent Utilities Finance 3.625% 16/01/2026	6,621	0.19		
£10,000,000 Severn Trent Utilities Finance 6.25% 07/06/2029	13,716	0.39		
\$1,500,000 Société Générale 4% 12/01/2027	1,212	0.03		
\$2,500,000 Société Générale 5% 17/01/2024	2,085	0.06		
£3,000,000 South East Water Finance 5.6577% 30/09/2019	3,030	0.09		
£2,533,000 Southern Gas Networks 3.1% 15/09/2036	2,724	0.08		
£5,000,000 Southern Gas Networks 4.875% 05/10/2023	5,713	0.16		
£4,000,000 SSE 6.25% 27/08/2038	5,904	0.17		
£6,000,000 SSE 8.375% 20/11/2028	8,995	0.26		
£2,000,000 Student Finance 2.6663% 30/09/2029	1,978	0.06		
€2,114,000 Takeda Pharmaceutical 3% 21/11/2030	2,185	0.06		
\$2,500,000 Telefónica 8.25% 15/09/2030	2,745	0.08		
£6,500,000 Telefónica Emisiones 5.289% 09/12/2022	7,311	0.21		

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Portfolio statement (continued)				
as at 30 June Holding	2019 £'000	2019 %	2018 %	
'BBB' credit rated bonds (continued)				
£6,500,000 Telefónica Emisiones 5.375% 02/02/2026	7,745	0.22		
\$3,000,000 Telefónica Emisiones 5.52% 01/03/2049	2,720	0.08		
£11,500,000 Telefónica Emisiones 5.597% 12/03/2020	11,839	0.34		
\$8,000,000 Telefónica Emisiones 7.045% 20/06/2036	8,209	0.23		
£213,850 Telereal Securitisation 6.1645% 10/12/2033	268	0.01		
£5,000,000 Thames Water Utilities Finance 1.875% 24/01/2024	5,002	0.14		
£1,967,000 Thames Water Utilities Finance 2.375% 03/05/2023	1,960	0.06		
£5,000,000 Thames Water Utilities Finance 2.625% 24/01/2032	4,984	0.14		
£3,543,000 Thames Water Utilities Finance 2.875% 03/05/2027	3,506	0.10		
£5,000,000 Thames Water Utilities Finance 3.5% 25/02/2028	5,432	0.14		
£10,000,000 Thames Water Utilities Finance 4% 19/06/2025	11,040	0.31		
£10,000,000 Thames Water Utilities Finance 4.375% 03/07/2034	11,927	0.34		
£5,000,000 Thames Water Utilities Finance 4.625% 04/06/2046	6,390	0.18		
£3,590,000 Thames Water Utilities Finance 5.125% 28/09/2037	4,673	0.13		
£12,500,000 Thames Water Utilities Finance 6.75% 16/11/2028	17,019	0.49		
£3,727,000 Thames Water Utilities Finance IL 3.375% 21/07/2021	6,575	0.19		
£6,500,000 Thames Water Utilities Finance Var. Rate 5.75% 13/09/2030	7,121	0.20		
£16,714,000 Time Warner Cable 5.25% 15/07/2042	19,108	0.55		
\$994,000 Time Warner Cable 5.5% 01/09/2041	815	0.02		
£4,950,000 Time Warner Cable 5.75% 02/06/2031	5,977	0.17		
\$2,000,000 United Business Media 5.75% 03/11/2020	1,628	0.05		
£10,000,000 Verizon Communications 3.125% 02/11/2035	10,707	0.31		
£8,750,000 Verizon Communications 3.375% 27/10/2036	9,614	0.27		
\$3,500,000 Verizon Communications 4.272% 15/01/2036	2,969	0.08		
\$5,000,000 Verizon Communications 5.25% 16/03/2037	4,713	0.13		
£29,051,000 Vodafone 3% 12/08/2056	25,721	0.73		
£2,500,000 Vodafone 3.375% 08/08/2049	2,394	0.07		
\$3,579,000 Vodafone 4.875% 19/06/2049	2,939	0.08		
\$7,500,000 Vodafone 5.125% 19/06/2059	6,147	0.18		
\$3,000,000 Vodafone 5.25% 30/05/2048	2,551	0.07		
£18,600,000 Volkswagen International Finance 4.125% 17/11/2031	20,349	0.58		
£6,000,000 Walgreens Boots Alliance 3.6% 20/11/2025	6,392	0.18		
£5,500,000 Wells Fargo 4.875% 29/11/2035	6,920	0.20		
£7,500,000 Welltower 4.5% 01/12/2034	8,842	0.25		
£5,000,000 Welltower 4.8% 20/11/2028	5,907	0.17		
£2,000,000 WPP Finance 2.875% 14/09/2046	1,690	0.05		
'BB' credit rated bonds				
£2,050,000 Daily Mail & General Trust 6.375% 21/06/2027	2,376	0.07		
£5,344,329 Delamare Finance 5.5457% 19/02/2029	6,164	0.18		
	128,913	3.68	3.73	

Portfolio statement (continued)

as at 30 June Holding	2019 £'000	2019 %	2018 %
'BB' credit rated bonds (continued)			
£8,920,000 Delamare Finance 6.067% 19/02/2029	10,964	0.31	
£2,000,000 Ei 6.375% 26/09/2031	2,163	0.06	
£5,000,000 Ei 6.875% 09/05/2025	5,361	0.15	
£3,000,000 Lloyds Banking Var. Rate 7.625% Perpetual	3,261	0.10	
£3,367,000 Lloyds Banking Var. Rate 7.875% Perpetual	3,809	0.11	
£885,000 Marston's Issuer Var. Rate 5.1576% 15/10/2027	803	0.02	
£2,000,000 Marston's Issuer Var. Rate 5.1774% 15/07/2032	2,153	0.06	
£50,377 Road Management Consolidated 9.18% 10/06/2021	54	0.00	
\$3,300,000 Royal Bank of Scotland 6% 19/12/2023	2,810	0.08	
\$7,059,000 Royal Bank of Scotland 6.1% 10/06/2023	6,002	0.17	
\$7,000,000 Royal Bank of Scotland 6.125% 15/12/2022	5,943	0.17	
\$439,000 Société Générale Var. Rate 7.875% Perpetual	372	0.01	
£13,000,000 Telecom Italia 5.875% 19/05/2023	14,112	0.40	
£25,183,074 Tesco Property Finance 3 5.744% 13/04/2040	32,827	0.94	
£8,787,440 Tesco Property Finance 4 5.8006% 13/10/2040	11,557	0.33	
£9,825,312 Tesco Property Finance 5 5.6611% 13/10/2041	12,620	0.36	
\$5,000,000 UBS Funding Switzerland Var. Rate 5% Perpetual	3,596	0.10	
€1,000,000 Unitymedia Hessen 4% 15/01/2025	931	0.03	
£1,000,000 Virgin Media Secured Finance 5.125% 15/01/2025	1,035	0.03	
	236,604	6.75	7.58
Bonds with no credit rating			
€1,822,000 Assicurazioni Generali Var. Rate 5.5% 27/10/2047	1,871	0.05	
£10,050,000 Assicurazioni Generali Var. Rate 6.269% Perpetual	10,533	0.30	
£3,250,000 Assura Financing 3% 19/07/2028	3,468	0.10	
£3,000,000 BUPA Finance 5% 08/12/2026	3,394	0.10	
£3,354,744 Charter Mortgage Funding 2018-1 FRN 1.26275% 12/06/2055	3,338	0.09	
£3,412,000 Coventry Building Society 1.875% 24/10/2023	3,458	0.10	
£1,588,000 Coventry Building Society FRN 1.08613% 17/03/2020	1,590	0.04	
£8,847,000 DP World 4.25% 25/09/2030	9,558	0.27	
£959,108 Duncan Funding FRN 1.5965% 17/04/2063	961	0.03	
£4,152,000 Eversholt Funding 3.529% 07/08/2042	4,164	0.12	
£10,000,000 Eversholt Funding 6.359% 02/12/2025	12,261	0.35	
£1,966,589 Fintrust Debenture 9.25% 20/05/2023	2,454	0.07	
£411,260 Gosforth Funding FRN 1.40638% 15/02/2058	411	0.01	
£4,000,000 Grand Union 4.625% 04/12/2043	5,273	0.15	
£1,698,350 Greater Gabbard Ofco 4.137% 29/11/2032	1,963	0.06	
£7,800,000 Grosvenor UK Finance 6.5% 29/09/2026	10,045	0.29	
£12,000,000 Hammerson 6% 23/02/2026	13,991	0.40	
£10,000,000 Hammerson 7.25% 21/04/2028	12,821	0.36	
£1,000,000 Heathrow Finance 5.75% 03/03/2025	1,084	0.03	
£3,802,118 Highbury Finance 7.017% 20/03/2023	4,351	0.12	
£196,165 INTU Debenture 5.562% 31/12/2027	201	0.00	
£2,500,000 John Lewis 4.25% 18/12/2034	2,312	0.07	
£6,000,000 John Lewis 6.125% 21/01/2025	6,733	0.19	

M&G Corporate Bond Fund

Authorised Corporate Director's Report

Investments

Portfolio statement (continued)				
as at 30 June Holding	2019 £'000	2019 %	2018 %	
Bonds with no credit rating (continued)				
£2,333,000 Leeds Building Society Var. Rate 3.75% 25/04/2029	2,316	0.07		
£5,902,000 London Merchant Securities 6.5% 16/03/2026	7,486	0.21		
£8,382,017 London Wall Mortgage Capital FRN 1.52638% 15/05/2050	8,319	0.24		
£7,477,000 Moat Homes Finance 5% 23/09/2041	10,054	0.29		
£8,111,985 Offa No. 1 FRN 2.039% 14/06/2050	8,125	0.23		
£4,984,000 Orbit 3.5% 24/03/2045	5,455	0.15		
£7,071,000 Orbit Capital 3.375% 14/06/2048	7,654	0.22		
£2,859,000 PCL Funding III FRN 1.3765% 15/06/2023	2,846	0.08		
£9,300,000 Peel South East 10% 30/04/2026	12,867	0.37		
£2,500,000 Principality Building Society 2.375% 23/11/2023	2,503	0.07		
£360,350 Road Management Services IL 3.642% 31/03/2028	709	0.02		
£2,736,000 Skipton Building Society FRN 1.3893% 22/02/2024	2,750	0.08		
£4,750,000 South West Water Finance 5.875% 16/07/2040	6,985	0.20		
£2,731,000 Southern Housing 3.5% 19/10/2047	3,034	0.09		
£1,618,994 Summit Finance Law 6.484% 31/03/2028	1,873	0.05		
£414,674 THFC Social Housing 8.75% 18/12/2021	477	0.01		
£1,704,013 Together Asset Backed Securitisation FRN 1.79275% 12/03/2049	1,706	0.05		
£15,000,000 University of Oxford 2.544% 31/12/2099	15,802	0.45		
£250,000 Washington Mutual Bank 5.5% 10/06/2019 ^[a]	0	0.00		
£2,000,000 Westfield Stratford FRN 1.669% 04/11/2024	1,997	0.06		
£5,000,000 Whitbread 3.375% 16/10/2025	5,169	0.15		
£1,900,000 Witan Investment Trust 6.125% 15/12/2025	2,338	0.07		
£1,163,000 Wm Morrison Supermarkets 3.5% 27/07/2026	1,266	0.04		
£5,011,000 Wm Morrison Supermarkets 4.75% 04/07/2029	5,999	0.17		
£1,250,000 Yorkshire Building Society 3.5% 21/04/2026	1,331	0.04		
£1,288,000 Yorkshire Building Society Var. Rate 3% 18/04/2025	1,308	0.04		
Debt derivatives	(9,889)	(0.30)	(0.07)	
Credit default swaps	61	0.00	0.00	
\$15,000,000 Mexico (United Mexican States) Jun 2024	61	0.00		
Interest rate swaps	0	0.00	0.01	

Portfolio statement (continued)

as at 30 June Holding	2019 £'000	2019 %	2018 %
Interest rate futures	(9,950)	(0.30)	(0.08)
(1,227) 10 Year US Treasury Note Sep 2019	(847)	(0.02)	
(850) 10 Year US Treasury Ultra Sep 2019	(583)	(0.02)	
(113) Euro Buxl Sep 2019	(556)	(0.02)	
(1,405) UK Long Gilt Bond Sep 2019	(2,326)	(0.07)	
(1,295) US Long Treasury Bond Sep 2019	(4,385)	(0.13)	
(270) US Ultra Long Treasury Bond Sep 2019	(1,253)	(0.04)	
CURRENCY	(11,026)	(0.32)	(0.36)
Forward currency contracts	(11,026)	(0.32)	(0.36)
€6,554,109 Bought for £5,840,603 (expires 03.07.19)	40	0.00	
€2,159,361 Bought for £1,916,646 (expires 31.07.19)	22	0.00	
€(20,873,105) Sold for £18,548,369 (expires 28.08.19)	(214)	(0.01)	
€(17,810,627) Sold for £15,386,980 (expires 03.07.19)	(592)	(0.02)	
€(21,761,165) Sold for £18,718,814 (expires 31.07.19)	(823)	(0.02)	
\$21,609,400 Bought for £17,001,080 (expires 03.07.19)	30	0.00	
\$(258,233,999) Sold for £203,737,406 (expires 28.08.19)	731	0.02	
\$(168,010,806) Sold for £128,075,565 (expires 31.07.19)	(4,156)	(0.12)	
\$(242,597,173) Sold for £185,135,687 (expires 03.07.19)	(6,064)	(0.17)	
Portfolio of investments	3,298,842	94.10	96.07
CASH EQUIVALENTS	159,695	4.56	2.14
'AAA' rated money market funds ^[b]	159,695	4.56	2.14
159,695,137 Northern Trust Global Fund - Sterling	159,695	4.56	
Total portfolio (notes 2c & 2d on page 7)	3,458,537	98.66	98.21
Net other assets / (liabilities)	46,999	1.34	1.79
Net assets attributable to shareholders	3,505,536	100.00	100.00

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

^[a] Defaulted bond.

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

M&G Corporate Bond Fund

Financial highlights

Fund performance

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

The following chart and tables 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 sterling share classes. Performance is shown after deduction of this charge. All UK 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.

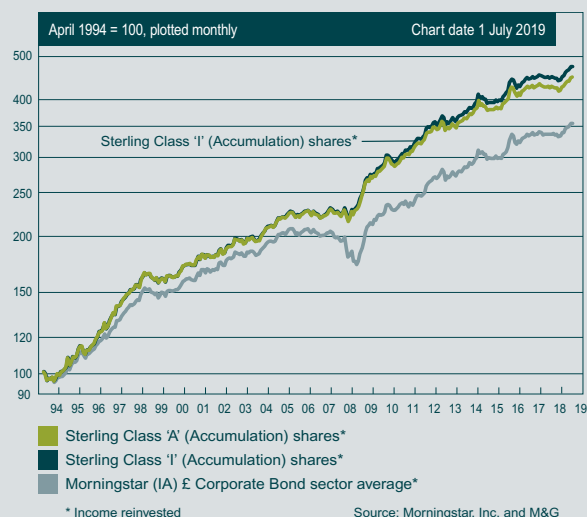
The fund is available for investment in different share classes, each with varying levels of charges and minimum investments; please refer to the Prospectus for M&G Investment Funds (3), which is available free of charge either from our website at www.mandg.co.uk/prospectuses or by calling M&G Customer Relations.

Fund level performance

Fund net asset value			
as at 30 June	2019 £'000	2018 £'000	2017 £'000
Fund net asset value (NAV)	3,505,536	3,696,143	4,127,165

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.



The fund's Sterling Class 'I' (Accumulation) shares were launched on 2 July 2007. Performance data shown prior to this date is that of the fund's Sterling Class 'A' (Accumulation) shares.

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

Long-term performance by share class				
	One year 02.07.18 % [a]	Three years 01.07.16 % p.a.	Five years 01.07.14 % p.a.	Since launch % p.a.
Euro [b]				
Class 'A'	+4.0	+0.8	+2.0	+4.0 [c]
Class 'C'	+4.8	+1.5	+2.8	+4.5 [c]
Sterling [d]				
Class 'A'	+5.8	+3.3	+4.4	+6.1 [e]
Class 'I'	+6.3	+3.8	+4.8	+6.6 [f]
Class 'PP'	n/a	n/a	n/a	+3.0 [g]
Class 'R'	+6.1	+3.5	+4.6	+4.5 [h]
Class 'X'	+5.8	+3.3	+4.3	+6.0 [i]

[a] Absolute basis.

[b] Price to price with gross income reinvested.

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

[d] Price to price with income reinvested.

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

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

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

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

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

M&G Corporate Bond Fund

Financial highlights

Fund performance

Operating charges and portfolio transaction costs

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

Operating charges

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

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

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

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

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

Portfolio transaction costs

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

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

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

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

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

Portfolio transaction costs

as at 30 June	2019	2018	2017	Average ^[a]
Indirect portfolio transaction costs	%	%	%	%
Average portfolio dealing spread	0.80	0.72	0.70	0.74

[a] Average of first three columns.

M&G Corporate Bond Fund

Financial highlights

Specific share class performance

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

Euro Class 'A' Accumulation share performance

The share class was launched on 29 November 2002.

for the year to 30 June Change in NAV per share	2019 Euro ¢	2018 Euro ¢	2017 Euro ¢
Opening NAV	1,847.42	1,869.07	1,884.71
Return before operating charges and after direct portfolio transaction costs	100.77	4.65	10.91
Operating charges	(26.44)	(26.30)	(26.55)
Return after operating charges	74.33	(21.65)	(15.64)
Distributions	(42.26)	(41.42)	(45.87)
Retained distributions	42.26	41.42	45.87
Closing NAV	1,921.75	1,847.42	1,869.07
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.02	0.02	0.02
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.02	0.02	0.02
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges	1.41	1.41	1.41
Return after operating charges	+4.02	-1.16	-0.83
Distribution yield	2.14	2.19	2.27
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (£'000)	9,331	14,337	19,148
Closing NAV percentage of total fund NAV (%)	0.27	0.39	0.46
Number of shares	541,193	875,979	1,165,891
Highest share price (Euro ¢)	1,976.54	1,916.24	1,973.09
Lowest share price (Euro ¢)	1,793.34	1,795.84	1,770.31

Euro Class 'C' Accumulation share performance

The share class was launched on 29 November 2002.

for the year to 30 June Change in NAV per share	2019 Euro ¢	2018 Euro ¢	2017 Euro ¢
Opening NAV	1,977.46	1,985.70	1,987.37
Return before operating charges and after direct portfolio transaction costs	108.24	4.89	11.47
Operating charges	(13.26)	(13.13)	(13.14)
Return after operating charges	94.98	(8.24)	(1.67)
Distributions	(60.46)	(59.15)	(63.47)
Retained distributions	60.46	59.15	63.47
Closing NAV	2,072.44	1,977.46	1,985.70
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.02	0.02	0.02
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.02	0.02	0.02
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges	0.66	0.66	0.66
Return after operating charges	+4.80	-0.41	-0.08
Distribution yield	2.89	2.94	3.02
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (£'000)	1,482	3,234	3,021
Closing NAV percentage of total fund NAV (%)	0.04	0.09	0.07
Number of shares	79,693	184,614	173,121
Highest share price (Euro ¢)	2,129.24	2,044.58	2,083.25
Lowest share price (Euro ¢)	1,926.74	1,910.26	1,871.36

Sterling Class 'A' Income share performance

The share class was launched on 15 April 1994.

for the year to 30 June Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	39.70	41.21	40.50
Return before operating charges and after direct portfolio transaction costs	2.64	0.45	2.79
Operating charges	(0.46)	(0.48)	(0.48)
Return after operating charges	2.18	(0.03)	2.31
Distributions	(1.45)	(1.48)	(1.60)
Closing NAV	40.43	39.70	41.21
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	1.16	1.16	1.16
Return after operating charges	+5.49	-0.07	+5.70
Distribution yield	3.53	3.59	3.67
Effect on yield of charges offset against capital	1.15	1.15	1.15
Other information			
Closing NAV (£'000)	158,362	224,543	302,208
Closing NAV percentage of total fund NAV (%)	4.52	6.08	7.32
Number of shares	391,692,816	565,571,858	733,359,260
Highest share price (UK p)	40.84	41.95	43.16
Lowest share price (UK p)	38.61	39.95	40.42

M&G Corporate Bond Fund

Financial highlights

Specific share class performance

Sterling Class 'A' Accumulation share performance

The share class was launched on 15 April 1994.

for the year to 30 June Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	69.17	69.24	65.67
Return before operating charges and after direct portfolio transaction costs	4.68	0.74	4.54
Operating charges	(0.81)	(0.81)	(0.79)
Return after operating charges	3.87	(0.07)	3.75
Distributions	(1.76)	(1.72)	(1.84)
Retained distributions	1.76	1.72	1.66
Closing NAV	73.04	69.17	69.24

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	1.16	1.16	1.16
Return after operating charges	+5.59	-0.10	+5.71
Distribution yield	2.39	2.44	2.52
Effect on yield of charges offset against capital	0.00	0.00	0.00

Other information

Closing NAV (£'000)	309,130	367,913	459,881
Closing NAV percentage of total fund NAV (%)	8.82	9.95	11.14
Number of shares	423,211,540	531,917,115	664,216,712
Highest share price (UK p)	73.11	70.75	70.07
Lowest share price (UK p)	68.16	68.85	66.07

Sterling Class 'I' Income share performance

The share class was launched on 2 July 2007.

for the year to 30 June Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	40.12	41.44	40.52
Return before operating charges and after direct portfolio transaction costs	2.68	0.44	2.80
Operating charges	(0.27)	(0.27)	(0.27)
Return after operating charges	2.41	0.17	2.53
Distributions	(1.47)	(1.49)	(1.61)
Closing NAV	41.06	40.12	41.44

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

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges	0.66	0.66	0.66
Return after operating charges	+6.01	+0.41	+6.24
Distribution yield	3.53	3.59	3.68
Effect on yield of charges offset against capital	0.65	0.65	0.65

Other information

Closing NAV (£'000)	2,054,827	2,073,188	2,235,091
Closing NAV percentage of total fund NAV (%)	58.62	56.09	54.16
Number of shares	5,004,202,980	5,167,353,603	5,394,151,045
Highest share price (UK p)	41.48	42.22	43.22
Lowest share price (UK p)	39.12	40.36	40.51

Sterling Class 'I' Accumulation share performance

The share class was launched on 2 July 2007.

for the year to 30 June Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	72.40	72.12	68.09
Return before operating charges and after direct portfolio transaction costs	4.93	0.76	4.73
Operating charges	(0.49)	(0.48)	(0.47)
Return after operating charges	4.44	0.28	4.26
Distributions	(2.21)	(2.16)	(2.27)
Retained distributions	2.21	2.16	2.04
Closing NAV	76.84	72.40	72.12

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

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges	0.66	0.66	0.66
Return after operating charges	+6.13	+0.39	+6.26
Distribution yield	2.89	2.94	3.02
Effect on yield of charges offset against capital	0.00	0.00	0.00

Other information

Closing NAV (£'000)	554,172	573,803	618,336
Closing NAV percentage of total fund NAV (%)	15.81	15.52	14.98
Number of shares	721,174,779	792,512,099	857,427,451
Highest share price (UK p)	76.91	73.89	72.98
Lowest share price (UK p)	71.50	71.87	68.62

Sterling Class 'PP' Accumulation share performance

The share class was launched on 8 April 2019.

for the year to 30 June Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	100.00	n/a	n/a
Return before operating charges and after direct portfolio transaction costs	2.94	n/a	n/a
Operating charges	(0.12)	n/a	n/a
Return after operating charges	2.82	n/a	n/a
Distributions	(0.81)	n/a	n/a
Retained distributions	0.81	n/a	n/a
Closing NAV	102.82	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	0.51*	n/a	n/a
Return after operating charges	+2.82	n/a	n/a
Distribution yield	3.04	n/a	n/a
Effect on yield of charges offset against capital	0.00	n/a	n/a

Other information

Closing NAV (£'000)	493	n/a	n/a
Closing NAV percentage of total fund NAV (%)	0.01	n/a	n/a
Number of shares	479,751	n/a	n/a
Highest share price (UK p)	102.90	n/a	n/a
Lowest share price (UK p)	100.00	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.

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Specific share class performance

Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012.

for the year to 30 June Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	106.69	110.46	108.29
Return before operating charges and after direct portfolio transaction costs	7.09	1.20	7.47
Operating charges	(0.97)	(1.00)	(1.01)
Return after operating charges	6.12	0.20	6.46
Distributions	(3.90)	(3.97)	(4.29)
Closing NAV	108.91	106.69	110.46

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	0.91	0.91	0.91
Return after operating charges	+5.74	+0.18	+5.97
Distribution yield	3.53	3.59	3.68
Effect on yield of charges offset against capital	0.90	0.90	0.90

Other information

Closing NAV (£'000)	9,810	9,318	4,014
Closing NAV percentage of total fund NAV (%)	0.28	0.25	0.10
Number of shares	9,007,249	8,733,707	3,633,768
Highest share price (UK p)	110.01	112.50	115.46
Lowest share price (UK p)	103.89	107.33	108.16

Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012.

for the year to 30 June Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	127.97	127.78	120.92
Return before operating charges and after direct portfolio transaction costs	8.69	1.36	8.38
Operating charges	(1.18)	(1.17)	(1.14)
Return after operating charges	7.51	0.19	7.24
Distributions	(3.58)	(3.50)	(3.72)
Retained distributions	3.58	3.50	3.34
Closing NAV	135.48	127.97	127.78

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	0.91	0.91	0.91
Return after operating charges	+5.87	+0.15	+5.99
Distribution yield	2.64	2.69	2.77
Effect on yield of charges offset against capital	0.00	0.00	0.00

Other information

Closing NAV (£'000)	18,304	15,318	1,913
Closing NAV percentage of total fund NAV (%)	0.52	0.41	0.05
Number of shares	13,510,595	11,969,919	1,496,999
Highest share price (UK p)	135.59	130.75	129.31
Lowest share price (UK p)	126.24	127.27	121.77

Sterling Class 'X' Income share performance

The share class was launched on 15 April 1994.

for the year to 30 June Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	39.67	41.17	40.51
Return before operating charges and after direct portfolio transaction costs	2.63	0.45	2.79
Operating charges	(0.46)	(0.47)	(0.53)
Return after operating charges	2.17	(0.02)	2.26
Distributions	(1.45)	(1.48)	(1.60)
Closing NAV	40.39	39.67	41.17

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

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges	1.16	1.16	1.28*
Return after operating charges	+5.47	-0.05	+5.58
Distribution yield	3.53	3.59	3.67
Effect on yield of charges offset against capital	1.15	1.15	1.15

Other information

Closing NAV (£'000)	372,605	394,950	457,161
Closing NAV percentage of total fund NAV (%)	10.63	10.69	11.08
Number of shares	922,450,949	995,698,514	1,110,390,963
Highest share price (UK p)	40.80	41.91	43.16
Lowest share price (UK p)	38.57	39.91	40.38

* As the annual management charge had been discounted during the period, 1.16% is a more reliable estimate of the operating charges for the period to 30.06.17.

Sterling Class 'X' Accumulation share performance

The share class was launched on 15 April 1994.

for the year to 30 June Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	67.13	67.20	63.79
Return before operating charges and after direct portfolio transaction costs	4.55	0.71	4.42
Operating charges	(0.79)	(0.78)	(0.85)
Return after operating charges	3.76	(0.07)	3.57
Distributions	(1.71)	(1.67)	(1.71)
Retained distributions	1.71	1.67	1.55
Closing NAV	70.89	67.13	67.20

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	1.16	1.16	1.28*
Return after operating charges	+5.60	-0.10	+5.60
Distribution yield	2.39	2.44	2.29
Effect on yield of charges offset against capital	0.00	0.00	0.00

Other information

Closing NAV (£'000)	17,020	19,539	26,392
Closing NAV percentage of total fund NAV (%)	0.48	0.53	0.64
Number of shares	24,007,590	29,105,020	39,274,822
Highest share price (UK p)	70.96	68.67	68.01
Lowest share price (UK p)	66.15	66.83	64.14

* As the annual management charge had been discounted during the period, 1.16% is a more reliable estimate of the operating charges for the period to 30.06.17.

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

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

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Statement of total return					
for the year to 30 June	Note	2019 £'000		2018 £'000	
Income					
Net capital gains / (losses)	3		101,501		(98,239)
Revenue	5	133,574		143,534	
Expenses	6	(28,655)		(31,808)	
Net revenue / (expense) before taxation		104,919		111,726	
Taxation	7	(49)		(359)	
Net revenue / (expense) after taxation			104,870		111,367
Total return before distributions			206,371		13,128
Distributions	8		(125,188)		(133,469)
Change in net assets attributable to shareholders from investment activities			81,183		(120,341)

Statement of change in net assets attributable to shareholders				
	2019		2018	
for the year to 30 June	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		3,696,143		4,127,165
Amounts received on issue of shares	345,199		182,544	
Amounts paid on cancellation of shares	<u>(645,675)</u>		<u>(523,734)</u>	
		(300,476)		(341,190)
Dilution adjustments		2,710		1,384
Change in net assets attributable to shareholders from investment activities (see above)		81,183		(120,341)
Retained distributions on Accumulation shares		25,946		29,098
Unclaimed distributions		30		27
Closing net assets attributable to shareholders		3,505,536		3,696,143

Balance sheet			
as at 30 June	Note	2019 £'000	2018 £'000
Assets			
Fixed assets			
Investments		3,320,641	3,567,032
Current assets			
Debtors	9	53,533	84,904
Cash and bank balances	10	42,395	28,564
Cash equivalents		159,695	79,060
Total assets		3,576,264	3,759,560
Liabilities			
Investment liabilities		(21,799)	(16,097)
Creditors			
Overdrawn positions at futures clearing houses and collateral manager		(10,190)	(44)
Distribution payable		(23,961)	(25,462)
Other creditors	11	(14,778)	(21,814)
Total liabilities		(70,728)	(63,417)
Net assets attributable to shareholders		3,505,536	3,696,143

Notes to the financial statements

1 Accounting policies

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

2 Distribution policy

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

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

3 Net capital gains / (losses)

for the year to 30 June	2019 £'000	2018 £'000
Non-derivative securities	158,922	(109,184)
Derivative contracts	(57,320)	3,113
Currency gains / (losses)	(85)	7,845
Transaction charges	(16)	(13)
Net capital gains / (losses)	101,501	(98,239)

4 Portfolio transactions and associated costs

The following tables show portfolio transactions and their associated transaction costs. For more information about the nature of the costs please see the section on 'Operating charges and portfolio transaction costs' on page 20.

for the year to 30 June	2019 £'000	2018 £'000		
a) Purchases				
Debt securities ^[a]	831,276	718,354		
b) Sales				
Debt securities ^[a]	1,180,648	922,586		
Other transaction types				
Corporate actions	45,047	120,414		
Total sales	1,225,695	1,043,000		
c) Direct portfolio transaction costs	2019 £'000	% of average NAV	2018 £'000	% of average NAV
Commissions paid				
Derivatives	24	0.00	0	0.00
Taxes paid				
Derivatives	16	0.00	0	0.00
Total direct portfolio transaction costs ^[b]	40	0.00	0	0.00
d) Indirect portfolio transaction costs				
		%		
Portfolio dealing spread ^[c]		0.80	0.72	

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

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

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

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5 Revenue

for the year to 30 June	2019 £'000	2018 £'000
Bank interest	65	32
Derivative revenue	(1,572)	(1,559)
Interest distributions	1,085	380
Interest on debt securities	133,996	144,681
Total revenue	133,574	143,534

6 Expenses

for the year to 30 June	2019 £'000	2018 £'000
Payable to the ACD or associate		
Annual management charge	22,884	25,540
Administration charge	5,458	5,928
	28,342	31,468
Payable to the Depositary or associate		
Depositary's charge (including VAT)	133	142
Other expenses		
Audit fee (including VAT)	11	11
Interest payable	16	21
Safe custody charge	153	166
	180	198
Total expenses	28,655	31,808

7 Taxation

for the year to 30 June	2019 £'000	2018 £'000
a) Analysis of charge in the year		
Corporation tax	0	0
Withholding tax	49	355
Prior year adjustment	0	4
Deferred tax (note 7c)	0	0
Total taxation	49	359

b) Factors affecting taxation charge for the year

Net revenue / (expense) before taxation	104,919	111,726
Corporation tax at 20%	20,984	22,345
Effects of:		
Interest distributions	(20,984)	(22,345)
Withholding tax	49	355
Prior year adjustment	0	4
Total tax charge (note 7a)	49	359

c) Provision for deferred taxation

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

The fund has not recognised a deferred tax asset in the current financial year (2018: same).

8 Distributions

	2019		2018	
for the year to 30 June	Inc ^[a] £'000	Acc ^[b] £'000	Inc ^[a] £'000	Acc ^[b] £'000
Interest distributions				
First interim	23,695	6,588	26,308	7,614
Second interim	26,124	6,703	26,098	7,410
Third interim	23,553	6,264	24,966	7,019
Final	23,961	6,391	25,462	7,055
Total net distributions		123,279		131,932
Income deducted on cancellation of shares		3,056		2,297
Income received on issue of shares		(1,147)		(760)
Distributions		125,188		133,469
Net revenue / (expense) per statement of total return		104,870		111,367
Expenses offset against capital		20,316		22,104
Undistributed income brought forward		6		4
Undistributed income carried forward		(4)		(6)
Distributions		125,188		133,469

^[a] Distributions payable on Income shares.

^[b] Retained distributions on Accumulation shares.

9 Debtors

as at 30 June	2019 £'000	2018 £'000
Amounts receivable on issues of shares	148	34
Debt security interest receivable	53,234	56,953
Derivative revenue receivable	0	2
Distributions receivable	74	31
Sales awaiting settlement	0	27,857
Withholding tax recoverable	77	27
Total debtors	53,533	84,904

10 Cash and bank balances

as at 30 June	2019 £'000	2018 £'000
Amounts held at futures clearing houses and collateral manager	39,813	20,572
Cash held as bank balances	2,582	7,992
Total cash and bank balances	42,395	28,564

11 Other creditors

as at 30 June	2019 £'000	2018 £'000
ACD's annual management charge payable	668	724
Administration charge payable	160	170
Amounts payable on cancellation of shares	3,421	8,455
Derivative expense payable	63	138
Expenses payable	98	43
Purchases awaiting settlement	10,368	12,284
Total other creditors	14,778	21,814

12 Contingent assets, liabilities and outstanding commitments

There were no contingent assets, liabilities or outstanding commitments at the balance sheet date (2018: same).

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13 Shares in issue

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

Share class	Opening 01.07.18	Movements		Closing 30.06.19
		Issued	Cancelled	
Euro				
Class 'A' Accumulation	875,979	30,503	(365,289)	541,193
Class 'C' Accumulation	184,614	119,557	(224,478)	79,693
Sterling				
Class 'A' Income	565,571,858	19,263,507	(193,142,549)	391,692,816
Class 'A' Accumulation	531,917,115	2,620,192	(111,325,767)	423,211,540
Class 'I' Income	5,167,353,603	743,898,897	(907,049,520)	5,004,202,980
Class 'I' Accumulation	792,512,099	31,123,353	(102,460,673)	721,174,779
Class 'PP' Accumulation	0	488,546	(8,795)	479,751
Class 'R' Income	8,733,707	1,637,426	(1,363,884)	9,007,249
Class 'R' Accumulation	11,969,919	3,031,977	(1,491,301)	13,510,595
Class 'X' Income	995,698,514	17,441,443	(90,689,008)	922,450,949
Class 'X' Accumulation	29,105,020	1,069,954	(6,167,384)	24,007,590

14 Charging structure

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

Share class	Entry charge %	Exit charge %	Annual management charge %
Euro			
Class 'A'	3.25	n/a	1.25
Class 'C'	1.25	n/a	0.50
Sterling			
Class 'A'	nil	n/a	1.00
Class 'I'	nil	n/a	0.50
Class 'PP'	nil	n/a	up to 0.50
Class 'R'	nil	n/a	0.75
Class 'X'	nil	n/a	1.00

15 Related parties

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

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

At the balance sheet date, shareholders from within Prudential plc, of which M&G Securities Limited is a wholly owned subsidiary, have holdings totalling 36.11% (2018: 30.48%) of the fund's shares.

16 Events after the balance sheet date

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

17 Fair value analysis

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

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

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

Level 2: Valuation technique using observable market data

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

Level 3: Valuation technique using unobservable inputs

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

as at 30 June	Assets 2019	Liabilities 2019	Assets 2018	Liabilities 2018
Basis of valuation	£'000	£'000	£'000	£'000
Level 1	73,091	(9,950)	134,287	(2,828)
Level 2	3,247,550	(11,849)	3,432,745	(13,269)
Level 3	0	0	0	0
	3,320,641	(21,799)	3,567,032	(16,097)

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

18 Risk management policies

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

19 Market risk sensitivity and exposure

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

The VaR limit set during the financial year to 30 June 2019 was 11% (2018: 11%).

The lowest, highest and average VaR as well as utilisation of VaR with reference to the limit above, are calculated during the financial years ended 30 June 2019 and 30 June 2018.

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19 Market risk sensitivity and exposure (continued)

for the year to 30 June	2019 % of VaR	2019 Utilisation of VaR [a] 11%	2018 % of VaR	2018 Utilisation of VaR [a] 11%
Lowest	1.67	15.18	2.37	21.54
Highest	2.53	23.02	3.12	28.33
Average	2.14	19.43	2.69	24.47

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

20 Credit risk

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

as at 30 June	2019 £'000	2018 £'000
Investment grade securities	2,954,240	3,331,763
Below investment grade securities	128,913	142,829
Unrated securities	236,604	92,223
Other investments	(20,915)	(15,880)
Total	3,298,842	3,550,935

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

as at 30 June 2019	Swaps £'000	Forward currency contracts £'000	Futures £'000
Bank of America Merrill Lynch	0	2	(9,950)
Barclays	61	(3)	0
Citigroup	0	(9)	0
HSBC	0	(10,504)	0
JPMorgan	0	692	0
National Australia Bank	0	10	0
State Street Bank	0	(1,052)	0
UBS	0	(162)	0
Total	61	(11,026)	(9,950)

as at 30 June 2018	Swaps £'000	Forward currency contracts £'000	Futures £'000
Bank of America Merrill Lynch	0	(416)	(2,813)
Barclays	0	22	0
BNP Paribas	0	(258)	0
Citigroup	0	(970)	0
Goldman Sachs	167	0	0
HSBC	0	(837)	0
JPMorgan	0	(365)	0
National Australia Bank	0	(61)	0
State Street Bank	0	(794)	0
UBS	0	(9,554)	0
Total	167	(13,233)	(2,813)

21 Leverage risk

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

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

The lowest, highest and average level of leverage employed and utilisation of the leverage level calculated during the financial years ended 30 June 2019 and 30 June 2018 are disclosed in the table below.

for the year to 30 June	2019 [a] £'000	2019 [a] % [b]	2018 [a] £'000	2018 [a] % [b]
Lowest	835,383	22.5	794,752	19.6
Highest	1,523,337	43.6	1,237,455	32.8
Average	1,024,315	28.1	904,174	22.8

[a] Leverage has been calculated using the Gross Sum of Notional Approach for derivative positions only (including forward currency contracts) and excludes all physical holdings.

[b] Expressed as a percentage over net assets.

22 Interest distribution tables

This fund pays quarterly interest distributions and the following table sets out the distribution periods.

Quarterly distribution periods	Start	End	Xd	Payment
First interim	01.07.18	30.09.18	01.10.18	30.11.18
Second interim	01.10.18	31.12.18	02.01.19	28.02.19
Third interim	01.01.19	31.03.19	01.04.19	31.05.19
Final	01.04.19	30.06.19	01.07.19	31.08.19

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

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

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

Euro Class 'A' Accumulation shares

Interest distributions for the year to 30 June	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
	€	€	€	€
First interim	5.4744	4.4557	9.9301	10.3403
Second interim	4.8063	5.9080	10.7143	10.2524
Third interim	4.7885	6.0195	10.8080	10.3052
Final	5.0374	5.7690	10.8064	10.5199

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22 Interest distribution tables (continued)

Euro Class 'C' Accumulation shares

Interest distributions for the year to 30 June	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
	€	€	€	€
First interim	9.2313	5.0263	14.2576	14.6503
Second interim	8.2353	7.0326	15.2679	14.6507
Third interim	1.4793	13.9018	15.3811	14.7408
Final	0.1588	15.3942	15.5530	15.1045

Sterling Class 'A' Income shares

Interest distributions for the year to 30 June	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
	p	p	p	p
First interim	0.1124	0.2378	0.3502	0.3708
Second interim	0.1450	0.2279	0.3729	0.3709
Third interim	0.1230	0.2313	0.3543	0.3645
Final	0.1593	0.2142	0.3735	0.3744

Sterling Class 'A' Accumulation shares

Interest distributions for the year to 30 June	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
	p	p	p	p
First interim	0.1541	0.2610	0.4151	0.4275
Second interim	0.2394	0.2115	0.4509	0.4275
Third interim	0.2162	0.2181	0.4343	0.4244
Final	0.2369	0.2196	0.4565	0.4389

Sterling Class 'I' Income shares

Interest distributions for the year to 30 June	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
	p	p	p	p
First interim	0.1700	0.1842	0.3542	0.3731
Second interim	0.2415	0.1360	0.3775	0.3736
Third interim	0.1547	0.2046	0.3593	0.3679
Final	0.1900	0.1890	0.3790	0.3780

Sterling Class 'I' Accumulation shares

Interest distributions for the year to 30 June	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
	p	p	p	p
First interim	0.2592	0.2643	0.5235	0.5342
Second interim	0.2952	0.2707	0.5659	0.5373
Third interim	0.2183	0.3265	0.5448	0.5340
Final	0.2978	0.2790	0.5768	0.5530

Sterling Class 'PP' Accumulation shares

Interest distributions for the year to 30 June	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
	p	p	p	p
First interim	n/a	n/a	n/a	n/a
Second interim	n/a	n/a	n/a	n/a
Third interim	n/a	n/a	n/a	n/a
Final	0.4729	0.3342	0.8071	n/a

Sterling Class 'R' Income shares

Interest distributions for the year to 30 June	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
	p	p	p	p
First interim	0.4901	0.4515	0.9416	0.9947
Second interim	0.3291	0.6738	1.0029	0.9950
Third interim	0.1540	0.7999	0.9539	0.9796
Final	0.5440	0.4615	1.0055	1.0056

Sterling Class 'R' Accumulation shares

Interest distributions for the year to 30 June	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
	p	p	p	p
First interim	0.3456	0.5011	0.8467	0.8673
Second interim	0.4736	0.4436	0.9172	0.8704
Third interim	0.4219	0.4610	0.8829	0.8657
Final	0.3778	0.5541	0.9319	0.8949

Sterling Class 'X' Income shares

Interest distributions for the year to 30 June	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
	p	p	p	p
First interim	0.1013	0.2486	0.3499	0.3705
Second interim	0.1152	0.2573	0.3725	0.3705
Third interim	0.1136	0.2406	0.3542	0.3645
Final	0.1129	0.2602	0.3731	0.3740

Sterling Class 'X' Accumulation shares

Interest distributions for the year to 30 June	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
	p	p	p	p
First interim	0.1228	0.2801	0.4029	0.4143
Second interim	0.2458	0.1918	0.4376	0.4149
Third interim	0.1900	0.2314	0.4214	0.4119
Final	0.3376	0.1057	0.4433	0.4259

M&G Dividend Fund

Authorised Corporate Director's Report

Investment objective and policy

The fund invests mainly in a range of UK equities with the aim of achieving a steadily increasing income stream. The fund will target a yield higher than that of the FTSE All-Share Index. Subject to this, the aim will be to maximise total return (the combination of income and growth of capital).

Investment approach

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

Risk profile

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

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

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



The above number:

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

Investment review

As at 1 July 2019, for the year ended 30 June 2019

Distribution summary

Over the 12-month period under review, the fund distributed income of 2.97p per Sterling Class 'A' (Income) share, an increase of 4.3% over the 2.85p payment made in the same period last year. The payout represented a yield (distributed income as a percentage of the published share price on 1 July 2019) of 5.19% versus a yield of 4.10% for the FTSE All-Share Index, a comparative index. The inflation rate in June 2019 was 3.0%, as measured by the Retail Prices Index.

Over the longer term we would like to deliver growth in the distribution that compares favourably with the index and beats inflation. Our view is that this approach should deliver good capital growth, protecting underlying capital from the ravages of inflation, but also delivering an income that can either be taken or reinvested to compound up long-term returns.

The two drivers of the uplift were, firstly, continued strong dividend growth from a number of our holdings – Intermediate Capital Group, St James's Place and Countryside Properties amongst others. In addition, the likes of DS Smith once again resumed an upward trajectory in their latest dividend announcement – as we anticipated when we last reported. Secondly, we made reduction in the fund's exposure to some of the lower dividend payers such as Howden Joinery, Britvic, Roche and Kone, and replaced these with a higher yielding cohort of companies including Go-Ahead, ITV, Greene King and Legal & General. As a consequence of this, the number of holdings has increased, something that we are very comfortable with, particularly given our desire to see an increased distribution backed by diversification of income that should underpin the distribution and enhance its resilience to one-off company events.

In order to deliver long-term total returns in excess of the index and IA UK Equity Income peer group, we need to balance the high yield of the fund with growth prospects of the dividends from the underlying companies. A balance of both is critical for the performance of the fund. Growth is not essential in any one single year, because we can afford to wait while a company holds a dividend flat for a couple of years (especially given the starting yield for many of the fund's investments). However, in order to justify their inclusion in the fund, we would want to believe that there is a path back to dividend growth, or that the distribution of future dividends will outstrip the capital that we pay up front to access that stream of cash returns. Both approaches work and deliver significant value to the patient dividend investor over the long term.

The fund's distribution and distribution yield are as shown in the 'Specific share class performance' tables in this report. The distribution is subject to changes in the market environment and there is no guarantee that the fund will increase the distribution in every reporting period. In keeping with prior years, special dividends formed a key component of the fund's income and these dividends should be seen as special and not necessarily recurring.

M&G Dividend Fund

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Investment review

Performance against objective

Between 2 July 2018 (the start of the review period) and 1 July 2019, the fund delivered a broadly flat total return (the combination of income and growth of capital) across its share classes. This compared with a FTSE All-Share Index return of 2.7% over the same period.*

Over this period the fund achieved its objective of growing the distribution, but generated very little capital growth. The fund also achieved its objective in terms of delivering a distribution yield above that of the FTSE All-Share Index.

* 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

UK company shares (equities) were volatile over the 12 months. Like other major stockmarkets, the UK was in decline during the second half of 2018 as investors became concerned that the US economy was slowing, just as the effect of President Trump's tax cuts was beginning to wane. Sentiment was also hurt due to the ongoing trade war between the US and China, despite encouraging signs that some form of agreement was imminent in the spring.

Investors' risk appetite improved significantly at the start of 2019 after the US Federal Reserve indicated a slower approach to interest rate hikes, due to the global economic slowdown, lower oil prices and muted domestic inflation. Heightened trade tensions between the US and China led to stockmarket weakness late in the period under review, before hopes of lower US interest rates, as well as some reconciliation on trade, led to a partial recovery. Against this backdrop, the UK stockmarket made very modest progress over the 12 months.

In terms of political developments, the UK's Brexit talks continued to dominate the headlines. Former prime minister Theresa May secured a withdrawal agreement with the European Union, but the House of Commons rejected the deal three times. The original date for Brexit passed, along with its successor in April, and a new deadline of 31 October 2019 was agreed. In other developments, Mrs May announced her resignation in May, triggering a leadership contest, with a new prime minister expected to take over in July.

UK economic activity is uninspiring, with domestic companies affected by uncertainty relating to Brexit as well as slower growth in the global economy. Meanwhile, interest rates stand at 0.75% after the Bank of England raised them by a quarter of a percentage point in August 2018. Future changes are likely to be closely connected to developments in the Brexit negotiations and prospects for the economy.

Larger companies outperformed over the 12 months as they benefited from the boost to their overseas revenues from the pound's Brexit-related weakness. Conversely, more domestically focused medium-sized and smaller companies underperformed, reflecting the flagging economy, higher import costs and a slowdown in business investment.

Miners, beverages, pharmaceuticals, media, non-life insurance, financial services and technology outperformed. In contrast, chemicals, industrials, tobacco, retailers, banks, travel & leisure, telecoms and utilities were among the weakest. Notably, consumer staples (excluding tobacco) companies attracted support, reflecting their steady earnings growth characteristics. Technology was helped by the strength of the US sector, but it is a very small part of the UK market. The energy sector was lacklustre, as the oil price ended the 12-month period down slightly at US\$67 per barrel from US\$77 at the start, although this disguised a rise to above US\$86 in October, followed by a steep fall to US\$50 by the end of 2018, before supply constraints, US sanctions and tensions with Iran over tankers in the Gulf caused the trend to reverse.

Against this background, the fund's second-half performance recouped the considerable setback in the first half of its financial year. Over the 12 months, however, the fund was adversely affected by a below-market position in larger companies versus an above-market stance in medium-sized companies. In addition, at a sector level, value was surrendered through above-market positions in industrial, chemical and tobacco companies, although these are attractive sectors for dividend generation, along with a below-market exposure to drinks manufacturers, where conversely, dividends are generally low.

At the stock level, the main sources of added value included software firm Micro Focus International, mezzanine finance specialist Intermediate Capital Group, Swiss pharmaceutical company Roche, Anglo-Australian miner Rio Tinto, insurer Admiral and Luxembourg-based satellite company SES.

Micro Focus recovered from a sharp sell-off in 2018 when the market overreacted to a profit warning related to its purchase of the software arm of Hewlett-Packard – the shares were added to the portfolio on an opportunistic basis after halving in value. Intermediate Capital Group has had a good year, delivering solid results. Roche outperformed against a backdrop of weak stockmarkets, assisted by Swiss franc strength against sterling and a resilient product pipeline. Rio Tinto benefited from disruptions to production in Brazil and Australia that have pushed up the price of iron ore, contrary to trends elsewhere in commodity markets. Admiral is one of the stronger car insurers, performing well in a tough market, and investors have been expecting to benefit when the motor insurance cycle turns upward. SES, having been one of the largest detractors during the fund's previous year, delivered a strong turnaround in performance.

Amongst the main individual detractors were online gaming company GVC, paper and packaging business DS Smith, cigarette manufacturers Imperial Brands and British American Tobacco, methanol producer Methanex, and medical equipment manufacturer ConvaTec.

Ladbrokes owner GVC was affected by the UK government bringing forward previously announced plans to increase the level of taxation on the betting industry. These issues were compounded recently when the chairman and chief executive of GVC both sold stock in the company and the chairman also stood down. Nevertheless, GVC is a strong business and remains an attractive opportunity, particularly given the gradual liberalisation of the US gaming market. DS Smith was affected by concerns about a supply glut and the debt required to

M&G Dividend Fund

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Investment review

Investment performance (continued)

fund its US\$2 billion acquisition of rival Europac. Cigarette manufacturers remain under pressure from the authorities in the US and the UK over their vaping products, added to which there was an adverse court ruling in Canada in a class action earlier this year; nevertheless, yields are attractive and cashflow is strong. Methanex in Canada was affected by weaker energy prices. ConvaTec's results were disappointing in 2018 and the chief executive has been replaced; the company, which makes colostomy bags and wound dressings, is under margin pressure from lower priced rivals, and in response has launched a US\$150 million, three-year turnaround strategy.

Investment activities

The 12 months under review were covered by two managers, with Phil Cliff running the fund up to 28 February 2019 and Michael Stiasny thereafter. In the first phase, amongst the new positions established were two financial sector companies – HSBC and St James's Place – along with miner Rio Tinto, high street retailer WH Smith and speciality chemicals manufacturer Victrex. The addition of the financial firms and the miner was intended to reduce the fund's below-index weightings in two significant market sectors. Meanwhile, WH Smith and Victrex are both strong dividend growers – despite a subdued high street, the former enjoys strong revenue growth from its outlets in stations and international airports.

In terms of complete sales during the first phase, notably these included fast food firm Domino's Pizza, medical equipment manufacturer ConvaTec, defence contractor BAE and German conglomerate Siemens. The rollout of new locations by Domino's Pizza was slower than expected; it was also felt that the lack of stability in key management positions was likely to further increase the execution risk. Confidence was lost in the investment case for ConvaTec. Delays in the award of US government contracts are acting as a constraint on BAE, along with cashflow concerns, as well as its reliance on deals with Saudi Arabia and worries about the threat of a Labour government. The sale of Siemens reflected a move to reduce the portfolio's sensitivity to the economic cycle.

Trading activity on the fund since the March 2019 manager changeover was focused on broadening the number of stocks, which had the benefit of diversifying the portfolio's income base, but more importantly, allowing the income to be driven up for the 2018/19 year. This activity profile will continue and our intention is to have a diversified portfolio that will help reduce its exposure to stock-specific risk, but maximise the opportunity to grow the income each year – starting from a high base.

Consequently, there was an increase in the fund's holdings across a broad spectrum of the higher yielding areas of the market, such as pharmaceuticals (GlaxoSmithKline, AbbVie), energy companies (Royal Dutch Shell, Total), utilities (Pennon, SSE), telecoms (Vodafone, BT), financials (Legal & General, Standard Life Aberdeen), real estate (Warehouse REIT (real estate investment trust), NewRiver REIT) and consumer services (Greene King, ITV).

Funds were raised for the purpose in the second phase by reducing a number of the portfolio's larger positions (Kone, Essentra, Nordea Bank, DS Smith) and lower yielding holdings (RELX, Roche, Howden Joinery, Intermediate Capital Group).

Outlook

The UK stockmarket has proved to be remarkably sanguine so far this year, notwithstanding a deterioration in the economic outlook at home and abroad, an increase in trade tensions between the US and its major trading partners, sabre rattling in the Strait of Hormuz and concerns around Brexit.

The main reasons behind the market's support have been the Bank of England's maintenance of a low interest rate policy together with the ultra-low level of bond yields – the 10-year benchmark gilt is currently at 0.56%.

Another factor, however, has been a remarkably resilient consumer until now, helped by unemployment at a 44-year low and wage growth that has finally overtaken the inflation rate. In addition, UK equities began 2019 looking relatively cheap as investors reacted to the increased uncertainty over Brexit. Despite this year's rally, though, the UK stockmarket still represents fair value compared to other markets, but it is likely to remain at a discount to them until the complex Brexit process has run its course.

Sterling has tended to be more immediately reflective of the Brexit outlook and it is expected to rally if 'no deal' is avoided, and sell off sharply in the wake of a hard Brexit. A deal would also support the equity market, especially domestic stocks, and may potentially reduce the risk of a Labour government, worries about which have also acted as a restraint on the market's upward progress. But even in the circumstances of a no-deal scenario, with 75% of FTSE 100 companies' earnings derived from overseas, the market should find some support.

Longer term, UK companies' balance sheets are well capitalised, and earnings and dividend growth supportive, assisted by the Bank of England's stimulative monetary policy.

Michael Stiasny

Fund manager

An employee of M&G Limited which is an associate of M&G Securities Limited. At the start of the review period Phil Cliff was the fund manager.

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

M&G Dividend Fund

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Investments

Portfolio statement			
as at 30 June Holding	2019 £'000	2019 %	2018 ^[a] %
EQUITIES	1,163,698	102.55	101.01
Software & computer services	23,955	2.11	1.10
1,161,440 Micro Focus International	23,955	2.11	
Telecommunication service providers	20,118	1.77	0.00
5,000,000 BT	9,803	0.86	
8,000,000 Vodafone	10,315	0.91	
Medical equipment & services	0	0.00	2.04
Pharmaceuticals & biotechnology	92,991	8.20	7.30
50,000 AbbVie	2,758	0.24	
801,032 AstraZeneca	51,546	4.54	
1,750,000 GlaxoSmithKline	27,671	2.45	
50,000 Roche	11,016	0.97	
Banks	90,352	7.97	5.34
7,000,000 HSBC	45,933	4.05	
57,943,709 Lloyds Banking	32,982	2.91	
2,000,000 Nordea Bank	11,437	1.01	
Investment banking & brokerage services	69,572	6.13	5.04
1,041,208 3i	11,572	1.02	
1,639,553 Brewin Dolphin	5,050	0.45	
2,300,000 Intermediate Capital	31,464	2.77	
3,000,000 Jupiter Fund Management	12,702	1.12	
3,000,000 Standard Life Aberdeen	8,784	0.77	
Equity investment instruments	9,620	0.85	0.00
10,000,000 Tritax EuroBox	9,620	0.85	
Non-equity investment instruments	12,650	1.11	1.06
1,150,000 Honeycomb Investment Trust	12,650	1.11	
Life insurance	66,248	5.83	7.46
2,750,000 Aviva	11,385	1.00	
2,150,000 Chesnara	7,256	0.64	
3,000,000 Legal & General	8,106	0.71	
3,500,000 Phoenix	24,731	2.18	
1,345,184 St. James's Place	14,770	1.30	
Non-life insurance	68,857	6.07	6.67
700,000 Admiral	15,421	1.37	
5,000,000 Hastings	9,645	0.85	
1,121,283 Hiscox	18,961	1.67	
4,383,177 Sabre Insurance	11,856	1.04	
350,000 Sampo	12,974	1.14	
Real estate investment & services	4,746	0.42	0.00
4,396,075 Grit Real Estate Income	4,746	0.42	
Real estate investment trusts	50,653	4.45	3.49
3,000,000 NewRiver REIT	5,388	0.47	
818,283 Segro	5,941	0.52	
9,500,000 Tritax Big Box	14,573	1.28	
2,034,734 UNITE	19,767	1.74	
4,839,161 Warehouse REIT	4,984	0.44	
Automobiles & parts	5,551	0.49	0.00
225,306 Nokian Renkaat	5,551	0.49	
Household goods & home construction	10,942	0.97	2.16
3,674,223 Countryside Properties	10,942	0.97	
Personal goods	19,496	1.72	0.00
400,000 Unilever	19,496	1.72	

Portfolio statement (continued)

as at 30 June Holding	2019 £'000	2019 %	2018 ^[a] %
Media	73,478	6.46	7.14
2,000,000 Informa	16,708	1.47	
6,500,000 ITV	6,978	0.61	
1,000,000 Moneysupermarket.com	4,112	0.36	
7,500,000 Reach	5,594	0.49	
750,000 RELX	14,359	1.27	
900,000 SES FDR	10,937	0.96	
1,500,000 WPP	14,790	1.30	
Retailers	9,234	0.82	0.00
297,112 DFS Furniture	752	0.07	
500,000 Halfords	1,125	0.10	
373,049 WH Smith	7,357	0.65	
Travel & leisure	80,566	7.10	7.09
1,501,514 Compass	28,349	2.50	
450,000 Go-Ahead	8,843	0.78	
900,000 Greene King	5,568	0.49	
4,040,375 GVC	26,028	2.29	
6,000,000 Marston's	7,008	0.62	
708,586 Restaurant	940	0.08	
500,000 TUI	3,830	0.34	
Beverages	17,780	1.57	1.72
2,000,000 Britvic	17,780	1.57	
Food producers	10,863	0.96	0.52
1,144,652 Hilton Food	10,863	0.96	
Tobacco	84,617	7.46	10.63
1,647,579 British American Tobacco	45,481	4.01	
2,100,000 Imperial Brands	39,136	3.45	
Construction & materials	4,862	0.43	0.26
1,200,000 Kier	1,304	0.11	
807,204 Polypipe	3,558	0.32	
Aerospace & defence	0	0.00	3.51
General industrials	23,374	2.06	5.60
6,500,000 DS Smith	23,374	2.06	
Industrial engineering	31,161	2.74	5.02
1,646,079 IMI	17,160	1.51	
300,000 Kone	14,001	1.23	
Industrial support services	42,127	3.72	6.76
6,250,000 Essentra	26,537	2.34	
3,706,623 IWG	12,662	1.12	
300,000 PayPoint	2,928	0.26	
Industrial metals & mining	51,943	4.58	0.00
500,000 Central Asia Metals	1,070	0.09	
1,050,000 Rio Tinto	50,873	4.49	
Chemicals	26,379	2.33	2.33
465,852 Methanex	16,512	1.46	
456,797 Victrex	9,867	0.87	
Non-renewable energy	124,323	10.95	7.37
14,941,281 BP	82,058	7.23	
2,990,875 Prosafe	3,105	0.27	
1,300,000 Royal Dutch Shell	33,664	2.97	
125,000 Total	5,496	0.48	
Electricity	1,398	0.12	0.00
125,000 SSE	1,398	0.12	
Gas, water & multi-utilities	35,842	3.16	1.40
450,000 ENGIE	5,317	0.47	
2,670,000 National Grid	22,295	1.96	
980,000 Pennon	7,250	0.64	
125,000 United Utilities	980	0.09	

M&G Dividend Fund

Authorised Corporate Director's Report

Investments

Portfolio statement (continued)			
as at 30 June	2019	2019	2018 ^[a]
Holding	£'000	%	%
Unquoted / unlisted ^[b]	0	0.00	0.00
377,518 Izodia	0	0.00	
CURRENCY	(369)	(0.03)	(0.04)
Forward currency contracts	(369)	(0.03)	(0.04)
\$(14,656,407) Sold for £11,177,644 (expires 10.07.19)	(369)	(0.03)	
Portfolio of investments	1,163,329	102.52	100.97
CASH EQUIVALENTS	7,801	0.69	0.75
'AAA' rated money market funds ^[c]	7,801	0.69	0.75
7,801,000 Northern Trust Global Fund - Sterling	7,801	0.69	
Total portfolio (notes 2c & 2d on page 7)	1,171,130	103.21	101.72
Net other assets / (liabilities)	(36,419)	(3.21)	(1.72)
Net assets attributable to shareholders	1,134,711	100.00	100.00

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

^[a] The portfolio has been reclassified to more appropriately reflect how the fund is managed. 2018 comparatives have been restated to reflect this.

^[b] Suspended.

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

Top ten portfolio transactions

for the year to 30 June 2019

Largest purchases	£'000
HSBC	46,229
Rio Tinto	41,096
Royal Dutch Shell	32,634
GlaxoSmithKline	27,326
Unilever	17,847
St. James's Place	15,734
Informa	14,525
WPP	13,750
Lancashire	12,962
Micro Focus International	12,416
Other purchases	311,129
Total purchases	545,648
Largest sales	£'000
AstraZeneca	32,951
BAE Systems	31,200
Kone	30,911
SES FDR	29,873
RELX	27,941
Siemens	27,317
Prudential ^[a]	26,997
Aviva	20,492
Roche	19,725
Admiral	18,775
Other sales	263,385
Total sales	529,567

^[a] Related party to the fund.

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

M&G Dividend Fund

Financial highlights

Fund performance

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

The following charts and tables 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 sterling share classes. Performance is shown after deduction of this charge. All UK 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.

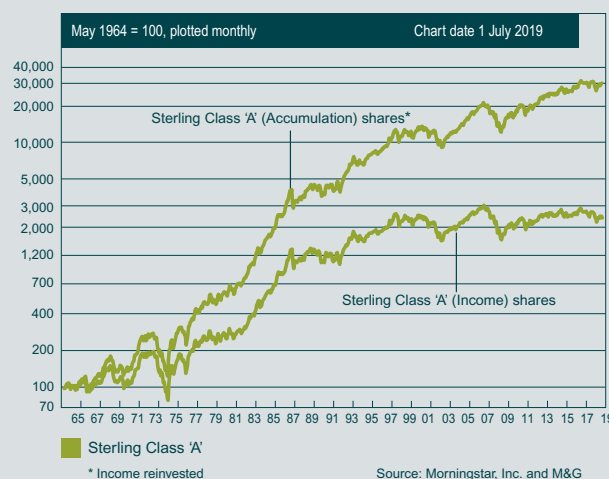
The fund is available for investment in different share classes, each with varying levels of charges and minimum investments; please refer to the Prospectus for M&G Investment Funds (3), which is available free of charge either from our website at www.mandg.co.uk/prospectuses or by calling M&G Customer Relations.

Fund level performance

Fund net asset value			
as at 30 June	2019 £'000	2018 £'000	2017 £'000
Fund net asset value (NAV)	1,134,711	1,204,479	1,288,318

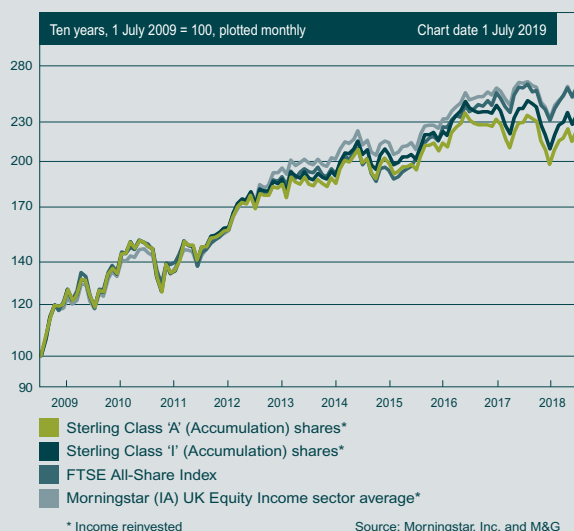
Share class performance since launch

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



Ten-year performance

Please note that comparative data is not available from fund launch. Therefore a ten-year comparable performance chart is shown below.



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

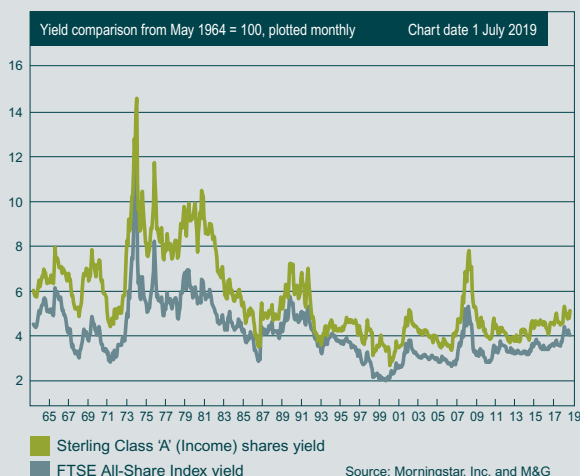
M&G Dividend Fund

Financial highlights

Fund performance

Historic yield

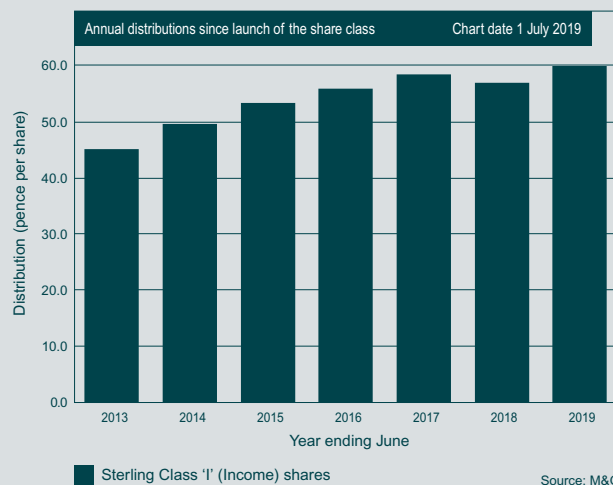
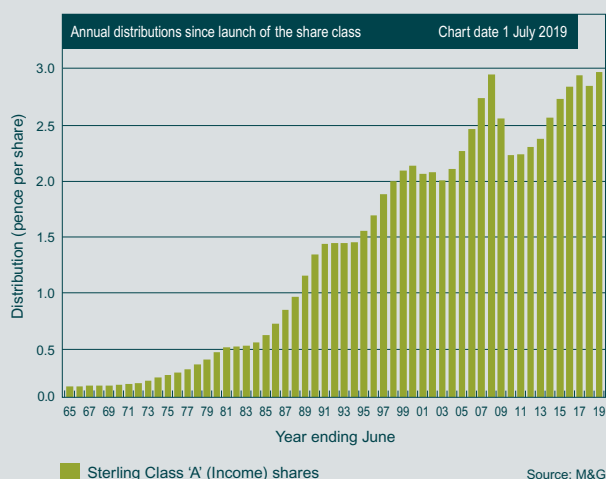
The chart below shows the historic yield of Sterling Class 'A' (Income) shares against that of a comparative index.



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

Distribution since launch

The charts below show the annual distribution of Sterling Class 'A' (Income) shares and Sterling Class 'I' (Income) shares since launch.



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

Long-term performance by share class

	One year 02.07.18 % [a]	Three years 01.07.16 % p.a.	Five years 01.07.14 % p.a.	Since launch % p.a.
Sterling [b]				
Class 'A'	+0.1	+4.2	+4.0	+10.8 [c]
Class 'C'	+4.1	+6.6	+6.7	+6.3 [d]
Class 'I'	+0.9	+5.0	+4.8	+6.9 [e]
Class 'R'	+0.6	+4.7	+4.5	+6.6 [e]
Class 'X'	+0.1	+4.2	+4.0	+7.0 [f]

[a] Absolute basis.

[b] Price to price with income reinvested.

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

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

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

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

M&G Dividend Fund

Financial highlights

Fund performance

Operating charges and portfolio transaction costs

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

Operating charges

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

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

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

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

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

Portfolio transaction costs

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

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

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

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

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

Portfolio transaction costs

for the year to 30 June	2019	2018	2017	Average ^[a]
Direct portfolio transaction costs ^[b]	%	%	%	%
Broker commission	0.04	0.04	0.04	0.04
Taxes	0.18	0.12	0.10	0.13
Costs before dilution adjustments	0.22	0.16	0.14	0.17
Dilution adjustments ^[c]	(0.03)	(0.03)	(0.02)	(0.02)
Total direct portfolio transaction costs	0.19	0.13	0.12	0.15
as at 30 June	2019	2018	2017	Average ^[a]
Indirect portfolio transaction costs	%	%	%	%
Average portfolio dealing spread	0.11	0.10	0.12	0.11

^[a] Average of first three columns.

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

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

M&G Dividend Fund

Financial highlights

Specific share class performance

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

Historic yields for the current year are calculated as at 12 July 2019.

Sterling Class 'A' Income share performance

The share class was launched on 6 May 1964.

for the year to 30 June Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	61.07	65.01	56.52
Return before operating charges and after direct portfolio transaction costs	(0.47)	(0.04)	12.49
Operating charges	(0.98)	(1.05)	(1.05)
Return after operating charges	(1.45)	(1.09)	11.44
Distributions	(2.97)	(2.85)	(2.95)
Closing NAV	56.65	61.07	65.01
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.13	0.10	0.09
Dilution adjustments ^[a]	(0.02)	(0.02)	(0.01)
Total direct portfolio transaction costs	0.11	0.08	0.08
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.19	0.13	0.12
Operating charges	1.70	1.68	1.66
Return after operating charges	-2.37	-1.68	+20.24
Historic yield	5.21	4.60	4.55
Effect on yield of charges offset against capital	1.66	1.66	1.66
Other information			
Closing NAV (£'000)	264,442	303,852	364,142
Closing NAV percentage of total fund NAV (%)	23.30	25.23	28.27
Number of shares	466,775,318	497,549,090	560,171,148
Highest share price (UK p)	63.11	65.92	69.22
Lowest share price (UK p)	52.08	57.44	57.24

Sterling Class 'A' Accumulation share performance

The share class was launched on 6 May 1964.

for the year to 30 June Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	702.83	714.80	594.58
Return before operating charges and after direct portfolio transaction costs	(3.77)	(0.34)	131.29
Operating charges	(11.42)	(11.63)	(11.07)
Return after operating charges	(15.19)	(11.97)	120.22
Distributions	(23.50)	(20.17)	(20.18)
Retained distributions	23.50	20.17	20.18
Closing NAV	687.64	702.83	714.80
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	1.47	1.07	0.93
Dilution adjustments ^[a]	(0.23)	(0.21)	(0.13)
Total direct portfolio transaction costs	1.24	0.86	0.80
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.19	0.13	0.12
Operating charges	1.70	1.68	1.66
Return after operating charges	-2.16	-1.67	+20.22
Historic yield	3.40	2.83	2.83
Effect on yield of charges offset against capital	0.01	0.01	0.01
Other information			
Closing NAV (£'000)	67,252	74,303	88,701
Closing NAV percentage of total fund NAV (%)	5.93	6.17	6.89
Number of shares	9,780,117	10,571,996	12,409,112
Highest share price (UK p)	726.56	724.97	736.85
Lowest share price (UK p)	600.55	639.57	601.50

Sterling Class 'C' Income share performance

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

The share class was launched on 3 January 2006.

for the year to 30 June Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	74.35	77.96	66.76
Return before operating charges and after direct portfolio transaction costs	(0.53)	(0.02)	14.83
Operating charges	(0.14)	(0.14)	(0.12)
Return after operating charges	(0.67)	(0.16)	14.71
Distributions	(3.65)	(3.45)	(3.51)
Closing NAV	70.03	74.35	77.96
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.16	0.12	0.10
Dilution adjustments ^[a]	(0.02)	(0.02)	(0.02)
Total direct portfolio transaction costs	0.14	0.10	0.08
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.19	0.13	0.12
Operating charges	0.20	0.18	0.16
Return after operating charges	-0.90	-0.21	+22.03
Historic yield	5.18	4.57	4.52
Effect on yield of charges offset against capital	0.16	0.16	0.16
Other information			
Closing NAV (£'000)	658,664	665,795	687,746
Closing NAV percentage of total fund NAV (%)	58.04	55.27	53.38
Number of shares	940,507,184	895,430,657	882,227,059
Highest share price (UK p)	76.94	79.12	82.90
Lowest share price (UK p)	63.90	69.68	67.62

M&G Dividend Fund

Financial highlights

Specific share class performance

Sterling Class 'I' Income share performance

The share class was launched on 3 August 2012.

for the year to 30 June Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	1,221.44	1,290.34	1,113.45
Return before operating charges and after direct portfolio transaction costs	(8.93)	(0.51)	246.53
Operating charges	(11.06)	(11.59)	(11.34)
Return after operating charges	(19.99)	(12.10)	235.19
Distributions	(59.71)	(56.80)	(58.30)
Closing NAV	1,141.74	1,221.44	1,290.34

Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	2.55	1.93	1.74
Dilution adjustments ^[a]	(0.41)	(0.38)	(0.25)
Total direct portfolio transaction costs	2.14	1.55	1.49

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.19	0.13	0.12
Operating charges	0.95	0.93	0.91
Return after operating charges	-1.64	-0.94	+21.12
Historic yield	5.20	4.59	4.53
Effect on yield of charges offset against capital	0.91	0.91	0.91

Other information

Closing NAV (£'000)	72,423	83,800	86,799
Closing NAV percentage of total fund NAV (%)	6.38	6.96	6.74
Number of shares	6,343,173	6,860,758	6,726,821
Highest share price (UK p)	1,263.06	1,309.05	1,373.16
Lowest share price (UK p)	1,045.65	1,146.68	1,127.65

Sterling Class 'I' Accumulation share performance

The share class was launched on 3 August 2012.

for the year to 30 June Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	1,593.43	1,608.51	1,327.98
Return before operating charges and after direct portfolio transaction costs	(8.19)	(0.55)	294.13
Operating charges	(14.54)	(14.53)	(13.60)
Return after operating charges	(22.73)	(15.08)	280.53
Distributions	(64.98)	(57.32)	(56.52)
Retained distributions	64.98	57.32	56.52
Closing NAV	1,570.70	1,593.43	1,608.51

Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	3.35	2.42	2.09
Dilution adjustments ^[a]	(0.53)	(0.48)	(0.30)
Total direct portfolio transaction costs	2.82	1.94	1.79

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.19	0.13	0.12
Operating charges	0.95	0.93	0.91
Return after operating charges	-1.43	-0.94	+21.12
Historic yield	4.11	3.55	3.52
Effect on yield of charges offset against capital	0.01	0.01	0.01

Other information

Closing NAV (£'000)	20,241	22,216	19,636
Closing NAV percentage of total fund NAV (%)	1.78	1.84	1.52
Number of shares	1,288,692	1,394,209	1,220,766
Highest share price (UK p)	1,648.33	1,632.10	1,657.16
Lowest share price (UK p)	1,366.64	1,447.45	1,343.61

Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012.

for the year to 30 June Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	120.34	127.45	110.26
Return before operating charges and after direct portfolio transaction costs	(0.90)	(0.06)	24.47
Operating charges	(1.37)	(1.45)	(1.52)
Return after operating charges	(2.27)	(1.51)	22.95
Distributions	(5.87)	(5.60)	(5.76)
Closing NAV	112.20	120.34	127.45

Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.25	0.19	0.18
Dilution adjustments ^[a]	(0.04)	(0.04)	(0.03)
Total direct portfolio transaction costs	0.21	0.15	0.15

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.19	0.13	0.12
Operating charges	1.20	1.18	1.16
Return after operating charges	-1.89	-1.18	+20.81
Historic yield	5.20	4.59	4.54
Effect on yield of charges offset against capital	1.16	1.16	1.16

Other information

Closing NAV (£'000)	15,838	15,978	8,925
Closing NAV percentage of total fund NAV (%)	1.40	1.33	0.69
Number of shares	14,115,564	13,277,490	7,002,965
Highest share price (UK p)	124.41	129.28	135.66
Lowest share price (UK p)	102.89	113.04	111.66

Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012.

for the year to 30 June Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	156.97	158.85	131.47
Return before operating charges and after direct portfolio transaction costs	(0.82)	(0.07)	29.12
Operating charges	(1.80)	(1.81)	(1.74)
Return after operating charges	(2.62)	(1.88)	27.38
Distributions	(6.02)	(5.27)	(5.22)
Retained distributions	6.02	5.27	5.22
Closing NAV	154.35	156.97	158.85

Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.33	0.24	0.21
Dilution adjustments ^[a]	(0.05)	(0.05)	(0.03)
Total direct portfolio transaction costs	0.28	0.19	0.18

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.19	0.13	0.12
Operating charges	1.20	1.18	1.16
Return after operating charges	-1.67	-1.18	+20.83
Historic yield	3.88	3.31	3.29
Effect on yield of charges offset against capital	0.01	0.01	0.01

Other information

Closing NAV (£'000)	16,887	15,165	396
Closing NAV percentage of total fund NAV (%)	1.49	1.26	0.03
Number of shares	10,940,930	9,661,090	249,149
Highest share price (UK p)	162.34	161.16	163.69
Lowest share price (UK p)	134.46	142.68	133.01

M&G Dividend Fund

Financial highlights

Specific share class performance

Sterling Class 'X' Income share performance

The share class was launched on 1 October 2002.

for the year to 30 June Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	61.35	65.30	56.78
Return before operating charges and after direct portfolio transaction costs	(0.46)	(0.03)	12.53
Operating charges	(0.99)	(1.06)	(1.05)
Return after operating charges	(1.45)	(1.09)	11.48
Distributions	(2.99)	(2.86)	(2.96)
Closing NAV	56.91	61.35	65.30
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.13	0.10	0.09
Dilution adjustments ^[a]	(0.02)	(0.02)	(0.01)
Total direct portfolio transaction costs	0.11	0.08	0.08
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.19	0.13	0.12
Operating charges	1.70	1.68	1.66
Return after operating charges	-2.36	-1.67	+20.22
Historic yield	5.21	4.60	4.55
Effect on yield of charges offset against capital	1.66	1.66	1.66
Other information			
Closing NAV (£'000)	16,516	19,977	27,807
Closing NAV percentage of total fund NAV (%)	1.46	1.66	2.16
Number of shares	29,018,907	32,562,207	42,580,816
Highest share price (UK p)	63.40	66.22	69.54
Lowest share price (UK p)	52.32	57.70	57.50

Sterling Class 'X' Accumulation share performance

The share class was launched on 1 October 2002.

for the year to 30 June Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	695.26	707.10	588.17
Return before operating charges and after direct portfolio transaction costs	(3.72)	(0.33)	129.89
Operating charges	(11.31)	(11.51)	(10.96)
Return after operating charges	(15.03)	(11.84)	118.93
Distributions	(23.25)	(19.95)	(19.97)
Retained distributions	23.25	19.95	19.97
Closing NAV	680.23	695.26	707.10
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	1.46	1.06	0.92
Dilution adjustments ^[a]	(0.23)	(0.21)	(0.13)
Total direct portfolio transaction costs	1.23	0.85	0.79
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.19	0.13	0.12
Operating charges	1.70	1.68	1.66
Return after operating charges	-2.16	-1.67	+20.22
Historic yield	3.40	2.83	2.83
Effect on yield of charges offset against capital	0.01	0.01	0.01
Other information			
Closing NAV (£'000)	2,448	3,393	4,166
Closing NAV percentage of total fund NAV (%)	0.22	0.28	0.32
Number of shares	359,867	488,082	589,155
Highest share price (UK p)	718.73	717.16	728.91
Lowest share price (UK p)	594.08	632.68	595.02

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

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

M&G Dividend Fund

Financial statements and notes

Financial statements

Statement of total return					
for the year to 30 June	Note	2019		2018	
		£'000	£'000	£'000	£'000
Income					
Net capital gains / (losses)	3		(70,433)		(58,486)
Revenue	5	61,197		58,268	
Expenses	6	(8,501)		(9,665)	
Net revenue / (expense) before taxation		52,696		48,603	
Taxation	7	(991)		(707)	
Net revenue / (expense) after taxation			51,705		47,896
Total return before distributions			(18,728)		(10,590)
Distributions	8		(58,599)		(55,822)
Change in net assets attributable to shareholders from investment activities			(77,327)		(66,412)

Statement of change in net assets attributable to shareholders				
for the year to 30 June	2019		2018	
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		1,204,479		1,288,318
Amounts received on issue of shares	111,127		132,679	
Amounts paid on cancellation of shares	<u>(108,208)</u>		<u>(154,372)</u>	
		2,919		(21,693)
Dilution adjustments		596		551
Change in net assets attributable to shareholders from investment activities (see above)		(77,327)		(66,412)
Retained distributions on Accumulation shares		3,900		3,529
Unclaimed distributions		144		186
Closing net assets attributable to shareholders		1,134,711		1,204,479

Balance sheet			
as at 30 June	Note	2019	2018
		£'000	£'000
Assets			
Fixed assets			
Investments		1,163,698	1,216,668
Current assets			
Debtors	9	9,841	14,540
Cash and bank balances	10	1,169	3,807
Cash equivalents		7,801	9,087
Total assets		1,182,509	1,244,102
Liabilities			
Investment liabilities		(369)	(513)
Creditors			
Bank overdrafts		(248)	0
Distribution payable		(39,284)	(36,437)
Other creditors	11	(7,897)	(2,673)
Total liabilities		(47,798)	(39,623)
Net assets attributable to shareholders		1,134,711	1,204,479

Notes to the financial statements

1 Accounting policies

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

2 Distribution policy

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

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

3 Net capital gains / (losses)

for the year to 30 June	2019	2018
	£'000	£'000
Non-derivative securities	(69,051)	(58,782)
Derivative contracts	(1,207)	1,452
Currency gains / (losses)	(171)	(1,150)
Transaction charges	(4)	(6)
Net capital gains / (losses)	(70,433)	(58,486)

M&G Dividend Fund

Financial statements and notes

Notes to the financial statements

4 Portfolio transactions and associated costs

The following tables show portfolio transactions and their associated transaction costs. For more information about the nature of the costs please see the section on 'Operating charges and portfolio transaction costs' on page 36.

for the year to 30 June	2019 £'000	% of transaction	2018 £'000	% of transaction
a) Purchases				
Equities				
Equities before transaction costs	543,301		463,407	
Commissions	200	0.04	207	0.04
Taxes	2,147	0.40	1,517	0.33
Total purchases after transaction costs	545,648		465,131	
b) Sales				
Equities				
Equities before transaction costs	529,790		505,365	
Commissions	(223)	0.04	(227)	0.04
Taxes	0	0.00	(1)	0.00
Total sales after transaction costs	529,567		505,137	
c) Direct portfolio transaction costs				
Commissions paid				
Equities	423	0.04	434	0.04
Taxes paid				
Equities	2,147	0.18	1,518	0.12
Total direct portfolio transaction costs [a]	2,570	0.22	1,952	0.16
d) Indirect portfolio transaction costs				
		%		%
Portfolio dealing spread [b]		0.11		0.10

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

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

5 Revenue

for the year to 30 June	2019 £'000	2018 £'000
Bank interest	2	2
Dividends from equity investments: non-taxable	57,224	53,951
Dividends from equity investments: taxable	2,365	3,257
HM Revenue & Customs interest	1	0
Interest distributions	57	18
Stock dividends: non-taxable	1,439	1,040
Stock dividends: taxable	109	0
Total revenue	61,197	58,268

6 Expenses

for the year to 30 June	2019 £'000	2018 £'000
Payable to the ACD or associate		
Annual management charge	6,579	7,597
Administration charge	1,759	1,888
	8,338	9,485
Payable to the Depositary or associate		
Depositary's charge (including VAT)	59	62
Other expenses		
Audit fee (including VAT)	9	9
Interest payable	69	83
Safe custody charge	26	26
	104	118
Total expenses	8,501	9,665

7 Taxation

for the year to 30 June	2019 £'000	2018 £'000
a) Analysis of charge in the year		
Corporation tax	0	0
Withholding tax	991	707
Deferred tax (note 7c)	0	0
Total taxation	991	707
b) Factors affecting taxation charge for the year		
Net revenue / (expense) before taxation	52,696	48,603
Corporation tax at 20%	10,539	9,720
Effects of:		
Dividends from equity investments: non-taxable	(11,445)	(10,790)
Stock dividends: non taxable	(287)	(208)
Current year expenses not utilised	1,193	1,278
Withholding tax	991	707
Total tax charge (note 7a)	991	707
c) Provision for deferred taxation		
Provision at the start of the year	0	0
Deferred tax in profit and loss account (note 7a)	0	0
Provision at the end of the year	0	0

The fund has not recognised a deferred tax asset of £37,903,000 (2018: £36,710,000) arising as a result of having excess management expenses. We do not expect this asset to be utilised in the foreseeable future.

8 Distributions

for the year to 30 June Dividend distributions	2019		2018	
	Inc [a] £'000	Acc [b] £'000	Inc [a] £'000	Acc [b] £'000
Interim	14,942	835	14,599	748
Final	39,284	3,065	36,437	2,781
Total net distributions		58,126		54,565
Income deducted on cancellation of shares		1,360		2,324
Income received on issue of shares		(887)		(1,067)
Distributions		58,599		55,822
Net revenue / (expense) per statement of total return		51,705		47,896
Expenses offset against capital		6,895		7,925
Undistributed income brought forward		0		1
Undistributed income carried forward		(1)		0
Distributions		58,599		55,822

[a] Distributions payable on Income shares.

[b] Retained distributions on Accumulation shares.

M&G Dividend Fund

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9 Debtors

as at 30 June	2019 £'000	2018 £'000
Amounts receivable on issues of shares	193	3,387
Distributions receivable	7	2
Dividends receivable	5,641	3,567
Sales awaiting settlement	2,310	6,105
Tax recoverable	1	193
Withholding tax recoverable	1,689	1,286
Total debtors	9,841	14,540

10 Cash and bank balances

as at 30 June	2019 £'000	2018 £'000
Cash held as bank balances	1,169	3,807
Total cash and bank balances	1,169	3,807

11 Other creditors

as at 30 June	2019 £'000	2018 £'000
ACD's annual management charge payable	194	219
Administration charge payable	53	56
Amounts payable on cancellation of shares	831	386
Expenses payable	25	16
Purchases awaiting settlement	6,794	1,996
Total other creditors	7,897	2,673

12 Contingent assets, liabilities and outstanding commitments

There were no contingent assets, liabilities or outstanding commitments at the balance sheet date (2018: £10,230,000).

13 Shares in issue

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

Share class	Opening 01.07.18	Movements Issued Cancelled	Closing 30.06.19
Sterling			
Class 'A' Income	497,549,090	8,486,172 (39,259,944)	466,775,318
Class 'A' Accumulation	10,571,996	31,001 (822,880)	9,780,117
Class 'C' Income	895,430,657	134,662,685 (89,586,158)	940,507,184
Class 'I' Income	6,860,758	145,554 (663,139)	6,343,173
Class 'I' Accumulation	1,394,209	113,928 (219,445)	1,288,692
Class 'R' Income	13,277,490	2,344,722 (1,506,648)	14,115,564
Class 'R' Accumulation	9,661,090	1,954,328 (674,488)	10,940,930
Class 'X' Income	32,562,207	311,744 (3,855,044)	29,018,907
Class 'X' Accumulation	488,082	7,158 (135,373)	359,867

14 Charging structure

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

Share class	Entry charge %	Exit charge %	Annual management charge %
Sterling			
Class 'A'	nil	n/a	1.50
Class 'C'	nil	n/a	nil
Class 'I'	nil	n/a	0.75
Class 'R'	nil	n/a	1.00
Class 'X'	nil	n/a	1.50

15 Related parties

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

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

During the year, there were transactions in Prudential plc, a related party of M&G Securities Limited with a total value of £26,997,000 (2018: £31,886,000).

At the balance sheet date, the fund held no shares in related parties of M&G Securities Limited with a value of £nil (2018: £26,896,000).

At the balance sheet date, shareholders from within Prudential plc, of which M&G Securities Limited is a wholly owned subsidiary, have holdings totalling 63.60% (2018: 61.01%) of the fund's shares.

16 Events after the balance sheet date

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

M&G Dividend Fund

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17 Fair value analysis

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

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

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

Level 2: Valuation technique using observable market data

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

Level 3: Valuation technique using unobservable inputs

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

as at 30 June	Assets	Liabilities	Assets	Liabilities
Basis of valuation	2019	2019	2018	2018
	£'000	£'000	£'000	£'000
Level 1	1,163,698	0	1,216,668	0
Level 2	0	(369)	0	(513)
Level 3	0	0	0	0
	1,163,698	(369)	1,216,668	(513)

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

18 Risk management policies

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

19 Market risk sensitivity

A five per cent increase in the value of the fund's investment portfolio would have the effect of increasing the return and net assets by £58,166,000 (2018: £60,808,000). A five per cent decrease would have an equal and opposite effect.

20 Currency risk sensitivity and exposure

Currency risk is not considered significant for the fund and is therefore not disclosed.

21 Interest rate risk sensitivity and exposure

As the majority of the fund's financial assets are non-interest bearing, the risk is not considered significant and is therefore not disclosed.

22 Credit risk

Credit risk is not considered significant for the fund and is therefore not disclosed.

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

as at 30 June 2019	Forward currency contracts £'000
State Street Bank	(369)
Total	(369)

as at 30 June 2018	Forward currency contracts £'000
State Street Bank	(513)
Total	(513)

23 Dividend distribution tables

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

Semi-annual distribution periods				
	Start	End	Xd	Payment
Interim	01.07.18	31.12.18	02.01.19	28.02.19
Final	01.01.19	30.06.19	01.07.19	31.08.19

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

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

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

Sterling Class 'A' Income shares				
Ordinary distributions for the year to 30 June	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
	p	p	p	p
Interim	0.4164	0.3841	0.8005	0.8005
Final	1.1681	1.0034	2.1715	2.0485

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23 Dividend distribution tables (continued)

Sterling Class 'A' Accumulation shares				
Ordinary distributions for the year to 30 June	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution	
	p	p	2019	2018
Interim	1.5696	3.0573	4.6269	4.0146
Final	10.7330	8.1395	18.8725	16.1507

Sterling Class 'C' Income shares				
Ordinary distributions for the year to 30 June	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution	
	p	p	2019	2018
Interim	0.5526	0.4255	0.9781	0.9633
Final	1.7663	0.9066	2.6729	2.4831

Sterling Class 'I' Income shares				
Ordinary distributions for the year to 30 June	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution	
	p	p	2019	2018
Interim	6.1854	9.8535	16.0389	15.9161
Final	18.5246	25.1455	43.6701	40.8813

Sterling Class 'I' Accumulation shares				
Ordinary distributions for the year to 30 June	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution	
	p	p	2019	2018
Interim	4.9153	10.3310	15.2463	13.9560
Final	26.6525	23.0822	49.7347	43.3619

Sterling Class 'R' Income shares				
Ordinary distributions for the year to 30 June	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution	
	p	p	2019	2018
Interim	0.4033	1.1760	1.5793	1.5712
Final	1.3326	2.9619	4.2945	4.0306

Sterling Class 'R' Accumulation shares				
Ordinary distributions for the year to 30 June	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution	
	p	p	2019	2018
Interim	0.4812	0.8644	1.3456	1.2160
Final	1.5330	3.1375	4.6705	4.0506

Sterling Class 'X' Income shares				
Ordinary distributions for the year to 30 June	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution	
	p	p	2019	2018
Interim	0.4249	0.3793	0.8042	0.8042
Final	1.4734	0.7081	2.1815	2.0579

Sterling Class 'X' Accumulation shares				
Ordinary distributions for the year to 30 June	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution	
	p	p	2019	2018
Interim	1.4157	3.1614	4.5771	3.9714
Final	11.3156	7.3537	18.6693	15.9767

M&G Emerging Markets Bond Fund

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Investment objective

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

Investment policy

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

Investment approach

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

Risk profile

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

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

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

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

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



The above number:

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

Investment review

As at 1 July 2019, for the year ended 30 June 2019

Performance against objective

Between 2 July 2018 (the start of the review period) and 1 July 2019, the sterling share classes of the M&G Emerging Markets Bond Fund delivered positive performance. This outcome was helped as the main segments of the emerging market bonds recorded positive returns. In addition, the returns of the sterling unhedged share classes were helped by the fund's sizeable exposure to the US dollar. The US currency gained in value against sterling, which provided some further upside to these unhedged share classes.

On 7 December 2018, the fund's non-sterling share classes were transferred to a new Luxembourg-authorised SICAV, the M&G (Lux) Emerging Markets Bond Fund, which launched on 17 September 2018. Between 2 July 2018 and 7 December 2018, these non-sterling share classes delivered mixed returns. This outcome largely resulted from some relevant currency movements that influence the returns of these share classes.

Over the review period, therefore, the fund delivered a mixed performance against its objective, which is to maximise total returns (the combination of income and capital growth). Over three and five years and since launch, the fund delivered a positive total return across different share classes.*

* 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 Emerging Markets Bond Fund

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Investment review

Investment performance

Several themes dampened investors' sentiment in global financial markets during the first half of the 12-month review period. These included signs that economic growth was slowing, while international trade tensions also remained a concern, especially between the US and China.

Much attention also stayed focused on the monetary policy of the US Federal Reserve (Fed). During 2018, the Fed continued its recent trend of increasing interest rates as the US economy strengthened. Despite some weaker global economic signals, US interest rates were increased again in September and December, each time by a quarter of a percentage point.

Against this backdrop, areas of the global bond markets recorded subdued performance in the second half of 2018. This included emerging market bonds, as the performance of these assets can be more sensitive to a weaker economic outlook and rising US interest rates.

Bonds are loans in the form of securities, usually issued by a government (sovereign bonds) or company (corporate bonds). They normally pay a fixed rate of interest (also known as a coupon) over a given time period, at the end of which the initial amount borrowed is repaid.

However, at the beginning of 2019, the Fed softened its rhetoric about further interest rate increases, largely in response to more moderate economic forecasts. Financial markets even began to consider the possibility that the Fed's next move on monetary policy might be a reduction in interest rates. This outlook also contributed to decisions by the Bank of England and European Central Bank (ECB) to hold interest rates unchanged at low levels.

In turn, this backdrop helped to generate a solid rally among most areas of the global bond markets in the opening months of 2019. This improvement was notable in emerging markets. The performance of bonds is influenced by expected or actual changes in interest rates. Bond prices move inversely to interest rates, so rising interest rates can reduce the returns of bonds, while falling rates tend to be helpful. Given the size and importance of the US market in a global context, the effects of higher or lower US interest rates can be felt internationally.

Towards the end of the review period, trade tensions were helpfully eased in Latin America as the US government decided not to proceed with its proposals for widespread tariffs on Mexican imports. There was also some optimism that negotiations between the US and China might make progress in settling their trade dispute, although a resolution was not yet reached.

Among other themes later in the period, emerging market bonds denominated in local currencies performed well to outperform their counterparts denominated in 'hard' currencies such as the US dollar or euro. This followed a period of relative underperformance by local currency bonds during 2018. Within emerging currencies, however, some markets continued to experience volatility. This included the Turkish lira and Argentine peso amid specific economic and political challenges faced by these countries.

In the fund, we maintained a preference throughout the period for investing in a diversified way across emerging market regions. The fund's allocations consisted of government and corporate bonds denominated in local or hard currencies. The improved performance of these assets during the second half of the review period generally overturned their weakness in 2018. This helped the fund to record positive returns for the 12-month review period. For the fund's unhedged sterling share classes, an increase in the value of the US dollar versus sterling provided some further upside to its returns, as a sizeable exposure was maintained to the US currency.

Investment activities

Overall, the fund's strategy continued to reflect our belief that investing in the right mix of local and hard currency government and corporate bonds is key to delivering performance. Hard currency bonds are denominated in the main developed market currencies, such as the US dollar and euro. Going into the review period, the fund's asset allocation was hard currency government bonds around 41%, local currency government bonds 30%, hard currency corporate bonds 24%, and local currency corporate bonds 5%.

In the opening months of the period, we looked to evaluate if weaker performance and, therefore, lower bond prices, offered potential long-term buying opportunities. As always, we monitored all areas of the market, and added positions in both the government and corporate segments.

This activity included buying corporate positions in Latin America, such as bonds from Mexican energy group Pemex as we felt their valuation levels were appealing at reduced price levels. We also increased the fund's holding in Tocumen International Airport in Panama City. These investments were funded largely as we took profits from the fund's position in Brazilian foods group BRF.

We also made some adjustments to the fund's government holdings. In the final quarter of 2018, we added euro-denominated government bonds in Montenegro, while we sold US dollar-denominated bonds from the government of Morocco.

Going into 2019, our investment activity continued to include participating in new issues of bonds from governments and corporates if we assessed that offerings were attractively priced. Within this theme, we bought newly issued US dollar-denominated government bonds in Kenya and Costa Rica, as well as euro-denominated government bonds in Ukraine. The latter added to the fund's existing exposure to a country that we think has offered an appealing risk/reward profile for some time. We also participated in a new offering of government bonds in Serbia, which were also euro-denominated.

In the corporate market, we added exposure to the emerging Europe and Middle East regions via newly issued bonds from the Development Bank of Belarus and oil services group ADES International Holding. In contrast, we sold a position in YPF, the state-owned energy supplier in Argentina. Among larger emerging markets, we have typically favoured corporate holdings within our allocation to India. In May, we sold our position in Indian telecommunications group Bharti Airtel as we assessed that its valuation offered less potential upside. However, we remained comfortable with exposure to the country, and bought newly issued 10-year bonds from Delhi International Airport. In South Africa, we opened a position in mining group Petra Diamond after the company renegotiated its covenants with banks.

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Investment review

Investment activities (continued)

At the end of the review period, the fund was invested around 43% in hard currency government bonds, 27% in local currency government bonds, 25% in emerging market hard currency corporate bonds, and 4% in local currency corporate bonds.

Outlook

The key themes of a weaker outlook for global economic growth and trade tensions stayed in focus among investors going into the third quarter. At the same time, increased anticipation that central banks in the US and Europe might proceed with stimulus measures proved supportive for sentiment in financial markets.

In the emerging bond markets, we continue to believe that with careful stock selection and management of the risks, attractive relative value can be found on a long-term perspective. We base this view on factors such as an appealing pick-up in yields compared to developed markets and the encouraging levels of creditworthiness of governments and corporations in emerging markets. (Bond yields refer to the interest received from a fixed interest security, which is usually expressed annually as a percentage based on the investment's cost, its current market value or its face value).

In terms of overall positioning, we continue to favour a higher exposure to hard currency emerging market bonds over local currency debt. We also remain comfortable with exposure to corporate credit, despite the macroeconomic and trade-related concerns. In the final month of the review period, for example, our investment activity included adding bonds from chemical company Mexichem. The investment followed a research trip to Mexico by our fund management team, which left us with a positive view of the issuer.

Turning to the fund's local currency exposures, we also favour maintaining diverse allocations on a selective basis. At the end of the period, the fund's larger local currency positions continued to include the Indonesian rupiah, Brazilian real, Mexican peso, and Russian ruble. However, by far the largest currency exposure in the fund remained to the US dollar.

In our overall approach, we continue to believe that flexibility remains key for successfully investing in emerging market bonds, with the freedom to hold those bonds and currencies that offer the best relative value and avoid countries or industries where the outlook is unfavourable.

Claudia Calich
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 30 June	2019	2019	2018
Holding	\$'000	%	%
FIXED INCOME	740,705	98.20	98.10
Debt securities	740,705	98.20	98.10
'AAA' credit rated bonds	7,006	0.93	1.06
IDR60,250,000,000 Inter-American Development Bank 7.875% 14/03/2023	4,455	0.59	
INR181,000,000 International Finance 5.85% 25/11/2022	2,551	0.34	
'AA' credit rated bonds	40,439	5.36	6.15
ILS33,000,000 Israel (State of) 1% 30/04/2021	9,343	1.24	
\$5,736,000 Qatar (State of) 6.4% 20/01/2040	7,941	1.05	
\$20,800,000 US Treasury IL 0.625% 15/01/2024	23,155	3.07	
'A' credit rated bonds	53,403	7.09	8.58
CLP4,595,000,000 Chile (Republic of) 4% 01/03/2023	7,064	0.94	
MYR45,866,000 Malaysia (Govt. of) 3.882% 10/03/2022	11,258	1.49	
MXN160,000,000 Mexico (United Mexican States) 7.5% 03/06/2027	8,287	1.10	
MXN120,760,000 Mexico (United Mexican States) 10% 05/12/2024	6,985	0.93	
PEN32,617,000 Peru (Republic of) 8.2% 12/08/2026	12,292	1.63	
PLN27,625,000 Poland (Republic of) 2.5% 25/07/2026	7,517	1.00	
'BBB' credit rated bonds	113,932	15.10	18.71
\$2,146,000 Aeropuerto Internacional de Tocumen 5.625% 18/05/2036	2,398	0.32	
\$3,236,000 Aeropuerto Internacional de Tocumen 6% 18/11/2048	3,760	0.50	
COP22,206,000,000 Bogota Distrito Capital 9.75% 26/07/2028	7,709	1.02	
COP10,000,000,000 Colombia (Republic of) 6% 28/04/2028	3,132	0.42	
€2,726,000 Cyprus (Republic of) 2.75% 03/05/2049	3,840	0.51	
\$2,925,000 Fufeng 5.875% 28/08/2021	3,042	0.40	
\$3,624,000 Gaz Capital 7.288% 16/08/2037	4,570	0.60	
IDR160,881,000,000 Indonesia (Republic of) 8.25% 15/05/2036	11,872	1.57	
\$3,600,000 Mexichem 5.5% 15/01/2048	3,560	0.47	
£3,050,000 Mexico (United Mexican States) 5.625% 19/03/2114	4,007	0.53	
MXN76,800,000 Mexico (United Mexican States) 8% 07/11/2047	4,052	0.54	
INR630,000,000 National Highways 7.3% 18/05/2022	8,972	1.19	
\$5,307,000 Petroleos Mexicano 5.35% 12/02/2028	4,775	0.63	
PHP290,000,000 Philippines (Republic of) 6.25% 14/01/2036	6,457	0.86	
€4,000,000 Romania (Republic of) 3.875% 29/10/2035	5,222	0.69	
RUB1,108,367,000 Russia (Federation of) 8.15% 03/02/2027	18,488	2.45	
\$3,700,000 SASOL Financing USA 6.5% 27/09/2028	4,136	0.54	
THB207,687,000 Thailand (Kingdom of) IL 1.25% 12/03/2028	6,762	0.90	
UYU126,783,000 Uruguay (Republic of) 8.5% 15/03/2028	3,134	0.42	
UYU144,091,000 Uruguay (Republic of) 9.875% 20/06/2022	4,044	0.54	

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Investments

Portfolio statement (continued)				
as at 30 June Holding	2019 \$'000	2019 %	2018 %	
'BB' credit rated bonds	170,030	22.54	22.59	
\$5,750,000 ABJA Investment 5.45% 24/01/2028	5,509	0.73		
\$5,444,000 Bahamas (Commonwealth of) 6% 21/11/2028	5,799	0.77		
\$7,259,000 Bioceanico Sovereign Certificate 0% 05/06/2034	4,858	0.64		
\$4,586,000 Bolivia (Plurinational State of) 4.5% 20/03/2028	4,443	0.59		
BRL64,500,000 Brazil (Federal Republic of) 10% 01/01/2025	18,983	2.52		
€4,150,000 Credit Bank of Moscow Via CBOM Finance 5.15% 20/02/2024	4,849	0.64		
\$3,555,000 Delhi International Airport 6.45% 04/06/2029	3,736	0.50		
KZT2,066,500,000 Development Bank of Kazakhstan 9.5% 14/12/2020	5,417	0.72		
\$4,416,000 Dominican Republic 7.45% 30/04/2044	5,114	0.68		
DOP87,800,000 Dominican Republic 8.9% 15/02/2023	1,740	0.23		
DOP280,000,000 Dominican Republic 9.75% 05/06/2026	5,680	0.75		
DOP115,700,000 Dominican Republic 10.5% 07/04/2023	2,430	0.32		
DOP61,800,000 Dominican Republic 15.95% 04/06/2021	1,394	0.18		
\$4,750,000 Grupo KUO 5.75% 07/07/2027	4,759	0.63		
\$6,598,000 Guatemala (Republic of) 4.5% 03/05/2026	6,645	0.88		
\$6,251,000 Honduras (Republic of) 7.5% 15/03/2024	6,876	0.91		
\$3,132,000 Inretail Pharma 5.375% 02/05/2023	3,289	0.44		
IDR54,460,000,000 Jasa Marga 7.5% 11/12/2020	3,742	0.50		
€4,910,000 Macedonia (Govt. of) 5.625% 26/07/2023	6,472	0.86		
\$2,882,000 MAF Global Securities Var. Rate 5.5% Perpetual	2,873	0.38		
\$2,719,000 MAF Global Securities Var. Rate 6.375% Perpetual	2,662	0.35		
\$4,854,000 MARB BondCo 6.875% 19/01/2025	5,035	0.67		
\$4,482,000 Oman (Salutante of) 5.625% 17/01/2028	4,237	0.56		
\$4,306,000 Oman (Salutante of) 6.75% 17/01/2048	3,784	0.50		
\$4,511,000 Paraguay (Republic of) 6.1% 11/08/2044	5,334	0.71		
\$4,059,000 Petrobras Global Finance 5.75% 01/02/2029	4,217	0.56		
\$4,300,000 Petrobras Global Finance 6.9% 19/03/2049	4,542	0.60		
\$4,225,000 Rede D'or Finance 4.95% 17/01/2028	4,173	0.55		
€833,000 Serbia (Republic of) 1.5% 26/06/2029	946	0.13		
RSD732,000,000 Serbia (Republic of) 4.5% 11/01/2026	7,409	0.98		
ZAR154,118,303 South Africa (Republic of) 8.75% 28/02/2048	9,800	1.30		
\$5,650,000 Teva Pharmaceutical Finance Netherlands III 6.75% 01/03/2028	5,134	0.68		
\$3,319,000 Uzbekistan (Republic of) 4.75% 20/02/2024	3,463	0.46		
\$4,411,000 Uzbekistan (Republic of) 5.375% 20/02/2029	4,686	0.62		

Portfolio statement (continued)

as at 30 June Holding	2019 \$'000	2019 %	2018 %
'B' credit rated bonds	266,611	35.34	28.38
\$4,024,000 ADES International 8.625% 24/04/2024	3,981	0.53	
€5,425,000 Albania (Republic of) 3.5% 09/10/2025	6,539	0.87	
\$4,363,000 Angola (Republic of) 9.375% 08/05/2048	4,793	0.64	
\$3,377,000 Angola (Republic of) 9.5% 12/11/2025	3,871	0.51	
€5,633,224 Argentina (Republic of) 7.82% 31/12/2033	5,270	0.70	
ARS59,161,481 Argentina (Republic of) FRN 1% 21/06/2020	1,358	0.18	
\$5,750,000 Bahrain (Kingdom of) 7% 26/01/2026	6,196	0.82	
\$4,200,000 Belarus (Republic of) 6.2% 28/02/2030	4,474	0.59	
€7,000,000 Benin Government International Bond 5.75% 26/03/2026	8,147	1.08	
\$3,439,000 Buenos Aires (Province of) 7.875% 15/06/2027	2,531	0.34	
\$5,444,000 Cameroon (Republic of) 9.5% 19/11/2025	5,891	0.78	
\$4,280,000 China Evergrande 7.5% 28/06/2023	3,840	0.50	
\$4,985,000 Córdoba (Province of) 7.125% 01/08/2027	3,765	0.50	
\$7,000,000 Costa Rica (Republic of) 9.2% 21/02/2024	7,561	1.00	
\$2,745,000 Development Bank of the Republic of Belarus 6.75% 02/05/2024	2,864	0.38	
\$4,339,000 Ecuador (Republic of) 7.875% 23/01/2028	4,252	0.56	
\$4,502,000 Ecuador (Republic of) 8.75% 02/06/2023	4,903	0.65	
EGP36,000,000 Egypt (Arab Republic of) 0% 20/08/2019	2,106	0.28	
EGP55,000,000 Egypt (Arab Republic of) 0% 08/10/2019	3,144	0.42	
EGP33,000,000 Egypt (Arab Republic of) 0% 24/12/2019	1,822	0.24	
EGP60,000,000 Egypt (Arab Republic of) 0% 03/03/2020	3,213	0.43	
€5,615,000 Egypt (Arab Republic of) 5.625% 16/04/2030	6,236	0.83	
\$2,333,000 Egypt (Arab Republic of) 7.6003% 01/03/2029	2,456	0.33	
\$2,333,000 Egypt (Arab Republic of) 8.7002% 01/03/2049	2,501	0.33	
\$5,288,000 Ethiopia (Federal Democratic Republic of) 6.625% 11/12/2024	5,498	0.73	
\$4,484,000 Ghana (Republic of) 8.125% 26/03/2032	4,544	0.59	
\$3,702,000 Ghana (Republic of) 10.75% 14/10/2030	4,674	0.62	
\$5,900,000 Iraq (Republic of) 5.8% 15/01/2028	5,784	0.77	
\$4,170,000 Jamaica (Govt. of) 8% 15/03/2039	5,160	0.68	
\$3,024,000 Jordan (Kingdom of) 7.375% 10/10/2047	3,110	0.41	
\$5,614,000 JSC Georgia Capital 6.125% 09/03/2024	5,248	0.70	
\$2,900,000 Kenya (Republic of) 7% 22/05/2027	3,022	0.40	
\$3,300,000 Kenya (Republic of) 8% 22/05/2032	3,468	0.46	
\$3,700,000 Kenya (Republic of) 8.25% 28/02/2048	3,834	0.51	
\$3,505,000 Kernel 8.75% 31/01/2022	3,684	0.49	
\$4,244,000 Latam Finance 7% 01/03/2026	4,421	0.58	
\$3,324,000 MHP 7.75% 10/05/2024	3,519	0.47	
\$4,824,000 Mongolia (Govt. of) 5.625% 01/05/2023	4,905	0.65	
€2,935,000 Montenegro (Republic of) 3.375% 21/04/2025	3,471	0.46	

M&G Emerging Markets Bond Fund

Authorised Corporate Director's Report

Investments

Portfolio statement (continued)				
as at 30 June Holding	2019 \$'000	2019 %	2018 %	
'B' credit rated bonds (continued)				
\$3,555,000 Nigeria (Federal Republic of) 6.5% 28/11/2027	3,543	0.47		
\$3,693,000 Nigeria (Federal Republic of) 8.747% 21/01/2031	4,099	0.53		
NGN1,500,000,000 Nigeria (Federal Republic of) 13.98% 23/02/2028	4,057	0.54		
NGN1,071,480,000 Nigeria (Federal Republic of) 14.2% 14/03/2024	2,975	0.39		
\$5,012,000 Pakistan (Islamic Republic of) 7.875% 31/03/2036	5,028	0.67		
\$3,637,000 Petra Diamonds US Treasury 7.25% 01/05/2022	3,571	0.47		
\$9,551,000 Rwanda (Republic of) 6.625% 02/05/2023	10,075	1.34		
€6,737,000 Senegal (Republic of) 4.75% 13/03/2028	7,675	1.02		
\$2,945,000 Sri Lanka (Republic of) 5.75% 18/04/2023	2,916	0.39		
\$7,657,000 Sri Lanka (Republic of) 6.85% 03/11/2025	7,678	1.02		
\$2,723,000 Sri Lanka (Republic of) 7.85% 14/03/2029	2,810	0.37		
\$1,809,000 Suriname (Republic of) 9.25% 26/10/2026	1,682	0.22		
\$4,067,000 Tajikistan (Republic of) 7.125% 14/09/2027	3,842	0.51		
€6,034,000 Turkey (Republic of) 5.2% 16/02/2026	6,944	0.92		
TRY50,425,049 Turkey (Republic of) 7.4% 05/02/2020	8,060	1.07		
UAH38,000,000 Ukraine (Republic of) 0% 04/09/2019	1,407	0.19		
UAH38,000,000 Ukraine (Republic of) 0% 20/11/2019	1,355	0.18		
UAH82,001,000 Ukraine (Republic of) 0% 04/12/2019	2,905	0.39		
€2,116,000 Ukraine (Republic of) 6.75% 20/06/2026	2,551	0.34		
\$6,341,000 Ukraine (Republic of) 7.75% 01/09/2022	6,696	0.89		
\$4,550,000 Yapi ve Kredi Bankasi 8.25% 15/10/2024	4,613	0.61		
\$4,200,000 Yingde Gases Investment 6.25% 19/01/2023	4,243	0.56		
\$2,735,000 Zambia (Republic of) 8.5% 14/04/2024	1,830	0.24		
'D' credit rated bonds				
\$12,676,000 Venezuela (Republic of) 7% 31/03/2038	3,236	0.43		
\$6,171,300 Venezuela (Republic of) 9.25% 07/05/2028	1,627	0.22		
Bonds with no credit rating				
\$4,749,000 Armenia (Republic of) 7.15% 26/03/2025	5,452	0.72		
\$4,450,000 Banco Santander Mexico Var. Rate 5.95% 01/10/2028	4,700	0.62		
€3,663,000 Central Bank Tunisia 5.625% 17/02/2024	4,133	0.55		
€5,568,000 Côte d'Ivoire (Republic of) 5.25% 22/03/2030	6,184	0.82		
€3,639,000 Côte d'Ivoire (Republic of) 6.625% 22/03/2048	4,035	0.53		
\$4,855,000 Dar Al-Arkan Sukuk 6.875% 21/03/2023	4,799	0.64		

Portfolio statement (continued)

as at 30 June Holding	2019 \$'000	2019 %	2018 %
Bonds with no credit rating (continued)			
\$9,799,000 Debt and Asset Trading 1% 10/10/2025	7,258	0.96	
\$4,475,000 DP World 5.625% 25/09/2048	4,938	0.65	
\$5,881,000 Gabonese (Republic of) 6.95% 16/06/2025	5,868	0.78	
\$2,633,000 GTLK Europe Capital 5.95% 17/04/2025	2,691	0.36	
\$2,839,000 Hunt Oil Peru 6.375% 01/06/2028	3,156	0.42	
\$4,700,000 Millicom International Cellular 5.125% 15/01/2028	4,744	0.63	
\$11,676,200 Petroleos de Venezuela 5.375% 12/04/2027	2,546	0.34	
\$3,000,000 Petroleos de Venezuela 6% 16/05/2024	659	0.09	
\$2,944,927 Petroleos de Venezuela 9.75% 17/05/2035	819	0.11	
\$4,570,000 Puma International Financing 5% 24/01/2026	4,037	0.53	
\$5,900,000 Royal Capital 5.875% Perpetual	5,764	0.76	
\$3,518,000 Southern Gas Corridor 6.875% 24/03/2026	4,062	0.54	
\$2,724,000 SSB No. 1 Var. Rate 9.625% 20/03/2025	2,834	0.38	
\$3,986,000 Tabreed Sukuk Spc 5.5% 31/10/2025	4,309	0.57	
\$1,411,127 Tanzania (United Republic of) FRN 8.68813% 09/03/2020	1,433	0.19	
CURRENCY	(1,135)	(0.15)	0.05
Forward currency contracts	(1,135)	(0.15)	0.05
CLP5,250,000,000 Bought for \$7,737,086 (expires 31.07.19)	(10)	0.00	
€(63,530,000) Sold for \$71,219,354 (expires 03.07.19)	(1,100)	(0.15)	
£(5,050,000) Sold for \$6,381,963 (expires 03.07.19)	(25)	0.00	
Portfolio of investments	739,570	98.05	98.15
CASH EQUIVALENTS	597	0.08	0.44
'AAA' rated money market funds [a]	597	0.08	0.44
597,000 Northern Trust Global Fund - US Dollar	597	0.08	
SHARE CLASS HEDGING	74	0.01	0.13
Forward currency contracts for share class hedging	74	0.01	0.13
£153,110,355 Bought for \$194,463,970 (expires 31.07.19)	74	0.01	
Total portfolio (notes 2c & 2d on page 7)	740,241	98.14	98.72
Net other assets / (liabilities)	14,038	1.86	1.28
Net assets attributable to shareholders	754,279	100.00	100.00

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

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

M&G Emerging Markets Bond Fund

Financial highlights

Fund performance

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

The following 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 sterling share classes. Performance is shown after deduction of this charge. All UK 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 (3), which is available free of charge either from our website at www.mandg.co.uk/prospectuses or by calling M&G Customer Relations.

Fund level performance

Fund net asset value			
as at 30 June	2019 \$'000	2018 \$'000	2017 \$'000
Fund net asset value (NAV)	754,279	1,183,643	523,208

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.



The fund's Sterling Class 'I' (Accumulation) shares were launched on 19 April 2012. Performance data shown prior to this date is that of the fund's Sterling Class 'A' (Accumulation) shares.

M&G Emerging Markets Bond Fund

Financial highlights

Fund performance

To give an indication of the performance of the fund, the following table shows the compound rate of return, per annum, over the period to 7 December 2018 for non-sterling share classes and 1 July 2019 for sterling share classes. Calculated on a price to price basis with income reinvested.

Long-term performance by share class				
	From 02.07.18 % ^[a]	From 01.07.16 % p.a.	From 01.07.14 % p.a.	Since launch % p.a.
Euro ^[b]				
Class 'A'	+1.2	+1.6	+6.9	+6.4 ^[c]
Class 'A-H'	-2.4	+0.1	n/a	+0.9 ^[d]
Class 'B'	+1.0	+1.1	+6.4	+6.4 ^[e]
Class 'B-H'	-2.6	-0.4	n/a	+2.0 ^[f]
Class 'C'	+1.5	+2.3	+7.6	+7.0 ^[c]
Class 'C-H'	-2.1	+0.8	n/a	+1.4 ^[d]
Sterling ^[g]				
Class 'A'	+16.3	+7.9	+10.9	+8.9 ^[h]
Class 'I'	+17.1	+8.6	+11.5	+9.1 ^[c]
Class 'I-H'	+10.2	+5.3	n/a	+5.6 ^[i]
Class 'PP'	n/a	n/a	n/a	+7.6 ^[j]
Class 'R'	+16.6	+8.2	+11.1	+8.1 ^[k]
Class 'X'	+16.3	+7.9	+10.9	+8.5 ^[l]
Swiss franc ^[b]				
Class 'A'	-1.1	+3.4	+5.2	+5.2 ^[e]
Class 'A-H'	-2.4	-0.2	n/a	+1.3 ^[i]
Class 'C'	-0.8	+4.0	+5.8	+5.8 ^[e]
Class 'C-H'	-2.2	+0.4	n/a	+1.9 ^[i]
US dollar ^[b]				
Class 'A'	-1.1	+2.6	+2.6	+4.1 ^[c]
Class 'C'	-0.8	+3.2	+3.2	+4.7 ^[c]

^[a] Absolute basis.

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

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

^[d] 10 November 2014, the launch date of the share class.

^[e] 26 July 2013, the launch date of the share class.

^[f] 11 September 2015, the launch date of the share class.

^[g] Price to price with income reinvested.

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

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

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

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

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

Operating charges and portfolio transaction costs

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

Operating charges

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

- **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.

M&G Emerging Markets Bond Fund

Financial highlights

Fund performance

Operating charges and portfolio transaction costs

Portfolio transaction costs

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

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

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

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

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

Portfolio transaction costs				
for the year to 30 June	2019	2018	2017	Average ^[a]
Direct portfolio transaction costs ^[b]	%	%	%	%
Taxes	0.04	0.00	0.00	0.01
Costs before dilution adjustments	0.04	0.00	0.00	0.01
Dilution adjustments ^[c]	0.00	0.00	0.00	0.00
Total direct portfolio transaction costs	0.04	0.00	0.00	0.01
as at 30 June	2019	2018	2017	Average ^[a]
Indirect portfolio transaction costs	%	%	%	%
Average portfolio dealing spread	0.78	0.80	0.65	0.74

^[a] Average of first three columns.

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

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

Specific share class performance

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

The non-sterling share classes were merged into the equivalent share classes of M&G (Lux) Emerging Markets Bond Fund on 7 December 2018. The distribution yields for the current year for the non-sterling share classes were calculated at the merger date.

Euro Class 'A' Income share performance

The share class was launched on 12 July 2013.

for the year to 30 June	2019	2018	2017
Change in NAV per share	Euro ¢	Euro ¢	Euro ¢
Opening NAV	1,157.10	1,276.15	1,259.58
Return before operating charges and after direct portfolio transaction costs	32.35	(26.91)	114.62
Operating charges	(7.43)	(17.76)	(19.37)
Return after operating charges	24.92	(44.67)	95.25
Distributions	(33.74)	(74.38)	(78.68)
Return to shareholder as a result of share class closure	(1,148.28)	n/a	n/a
Closing NAV	0.00	1,157.10	1,276.15
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.28	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.28	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.04	0.00	0.00
Operating charges	1.43	1.44	1.44
Return after operating charges	+2.15	-3.50	+7.56
Distribution yield	7.05	6.59	6.66
Effect on yield of charges offset against capital	1.40	1.40	1.40

Other information

Closing NAV (\$'000)	0	22,967	16,157
Closing NAV percentage of total fund NAV (%)	0.00	1.94	3.09
Number of shares	0	1,705,124	1,110,158
Highest share price (Euro ¢)	1,202.39	1,300.88	1,390.41
Lowest share price (Euro ¢)	1,141.03	1,185.67	1,276.61

M&G Emerging Markets Bond Fund

Financial highlights

Specific share class performance

Euro Class 'A' Accumulation share performance

The share class was launched on 19 April 2012.

for the year to 30 June Change in NAV per share	2019 Euro ¢	2018 Euro ¢	2017 Euro ¢
Opening NAV	1,483.46	1,539.01	1,431.23
Return before operating charges and after direct portfolio transaction costs	41.39	(33.83)	130.32
Operating charges	(9.51)	(21.72)	(22.54)
Return after operating charges	31.88	(55.55)	107.78
Distributions	(33.82)	(69.54)	(69.34)
Retained distributions	33.82	69.54	69.34
Return to shareholder as a result of share class closure	(1,515.34)	n/a	n/a
Closing NAV	0.00	1,483.46	1,539.01
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.36	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.36	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.04	0.00	0.00
Operating charges	1.43	1.44	1.44
Return after operating charges	+2.15	-3.61	+7.53
Distribution yield	5.64	5.18	5.26
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	0	74,901	61,484
Closing NAV percentage of total fund NAV (%)	0.00	6.33	11.75
Number of shares	0	4,337,543	3,503,064
Highest share price (Euro ¢)	1,541.46	1,568.68	1,625.71
Lowest share price (Euro ¢)	1,462.79	1,471.36	1,450.05

Euro Class 'A-H' Income share performance

The share class was launched on 10 November 2014.

for the year to 30 June Change in NAV per share	2019 Euro ¢	2018 Euro ¢	2017 Euro ¢
Opening NAV	850.50	943.68	927.01
Return before operating charges and after direct portfolio transaction costs	(6.88)	(23.78)	86.69
Operating charges	(5.44)	(13.56)	(13.98)
Return after operating charges	(12.32)	(37.34)	72.71
Distributions	(23.92)	(55.84)	(56.04)
Return to shareholder as a result of share class closure	(814.26)	n/a	n/a
Closing NAV	0.00	850.50	943.68
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.20	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.20	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.04	0.00	0.00
Operating charges	1.45	1.46	1.46
Return after operating charges	-1.45	-3.96	+7.84
Distribution yield	7.03	6.57	6.54
Effect on yield of charges offset against capital	1.42	1.42	1.42
Other information			
Closing NAV (\$'000)	0	11,557	2,008
Closing NAV percentage of total fund NAV (%)	0.00	0.98	0.38
Number of shares	0	1,167,333	186,595
Highest share price (Euro ¢)	876.26	979.47	984.95
Lowest share price (Euro ¢)	833.15	876.38	913.41

Euro Class 'A-H' Accumulation share performance

The share class was launched on 10 November 2014.

for the year to 30 June Change in NAV per share	2019 Euro ¢	2018 Euro ¢	2017 Euro ¢
Opening NAV	1,058.27	1,104.43	1,022.27
Return before operating charges and after direct portfolio transaction costs	(8.73)	(29.72)	97.56
Operating charges	(6.77)	(16.44)	(15.40)
Return after operating charges	(15.50)	(46.16)	82.16
Distributions	(23.18)	(50.46)	(47.89)
Retained distributions	23.18	50.46	47.89
Return to shareholder as a result of share class closure	(1,042.77)	n/a	n/a
Closing NAV	0.00	1,058.27	1,104.43
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.25	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.25	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.04	0.00	0.00
Operating charges	1.45	1.46	1.46
Return after operating charges	-1.46	-4.18	+8.04
Distribution yield	5.61	5.15	5.13
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	0	69,922	20,783
Closing NAV percentage of total fund NAV (%)	0.00	5.91	3.97
Number of shares	0	5,676,009	1,650,000
Highest share price (Euro ¢)	1,090.20	1,164.13	1,118.44
Lowest share price (Euro ¢)	1,036.54	1,055.19	1,016.30

M&G Emerging Markets Bond Fund

Financial highlights

Specific share class performance

Euro Class 'B' Income share performance

The share class was launched on 11 September 2015.

for the year to 30 June Change in NAV per share	2019 Euro ¢	2018 Euro ¢	2017 Euro ¢
Opening NAV	944.07	1,046.58	1,038.16
Return before operating charges and after direct portfolio transaction costs	26.37	(22.08)	94.76
Operating charges	(8.16)	(19.59)	(21.64)
Return after operating charges	18.21	(41.67)	73.12
Distributions	(27.50)	(60.84)	(64.70)
Return to shareholder as a result of share class closure	(934.78)	n/a	n/a
Closing NAV	0.00	944.07	1,046.58
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.23	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.23	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.04	0.00	0.00
Operating charges	1.93	1.94	1.95
Return after operating charges	+1.93	-3.98	+7.04
Distribution yield	7.05	6.59	6.67
Effect on yield of charges offset against capital	1.90	1.90	1.90
Other information			
Closing NAV (\$'000)	0	3,473	2,418
Closing NAV percentage of total fund NAV (%)	0.00	0.29	0.46
Number of shares	0	316,053	202,551
Highest share price (Euro ¢)	979.20	1,064.88	1,141.50
Lowest share price (Euro ¢)	929.91	969.21	1,052.12

Euro Class 'B' Accumulation share performance

The share class was launched on 26 July 2013.

for the year to 30 June Change in NAV per share	2019 Euro ¢	2018 Euro ¢	2017 Euro ¢
Opening NAV	1,374.78	1,433.36	1,339.52
Return before operating charges and after direct portfolio transaction costs	38.32	(31.34)	122.13
Operating charges	(11.88)	(27.24)	(28.29)
Return after operating charges	26.44	(58.58)	93.84
Distributions	(28.19)	(57.50)	(57.59)
Retained distributions	28.19	57.50	57.59
Return to shareholder as a result of share class closure	(1,401.22)	n/a	n/a
Closing NAV	0.00	1,374.78	1,433.36
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.33	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.33	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.04	0.00	0.00
Operating charges	1.93	1.94	1.95
Return after operating charges	+1.92	-4.09	+7.01
Distribution yield	5.14	4.68	4.76
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	0	13,013	10,843
Closing NAV percentage of total fund NAV (%)	0.00	1.10	2.07
Number of shares	0	813,161	663,282
Highest share price (Euro ¢)	1,425.86	1,458.41	1,515.82
Lowest share price (Euro ¢)	1,354.09	1,366.06	1,357.21

Euro Class 'B-H' Income share performance

The share class was launched on 11 September 2015.

for the year to 30 June Change in NAV per share	2019 Euro ¢	2018 Euro ¢	2017 Euro ¢
Opening NAV	924.26	1,030.89	1,017.65
Return before operating charges and after direct portfolio transaction costs	(7.49)	(25.61)	95.34
Operating charges	(7.94)	(20.13)	(20.82)
Return after operating charges	(15.43)	(45.74)	74.52
Distributions	(25.97)	(60.89)	(61.28)
Return to shareholder as a result of share class closure	(882.86)	n/a	n/a
Closing NAV	0.00	924.26	1,030.89
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.22	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.22	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.04	0.00	0.00
Operating charges	1.95	1.95	2.00
Return after operating charges	-1.67	-4.44	+7.32
Distribution yield	7.04	6.58	6.54
Effect on yield of charges offset against capital	1.92	1.92	1.92
Other information			
Closing NAV (\$'000)	0	6,528	2,414
Closing NAV percentage of total fund NAV (%)	0.00	0.55	0.46
Number of shares	0	606,736	205,296
Highest share price (Euro ¢)	951.81	1,068.50	1,076.12
Lowest share price (Euro ¢)	903.51	952.54	999.95

M&G Emerging Markets Bond Fund

Financial highlights

Specific share class performance

Euro Class 'B-H' Accumulation share performance

The share class was launched on 11 September 2015.

for the year to 30 June Change in NAV per share	2019 Euro ¢	2018 Euro ¢	2017 Euro ¢
Opening NAV	1,089.40	1,142.87	1,063.05
Return before operating charges and after direct portfolio transaction costs	(8.85)	(30.74)	101.67
Operating charges	(9.36)	(22.73)	(21.85)
Return after operating charges	(18.21)	(53.47)	79.82
Distributions	(21.45)	(46.31)	(44.14)
Retained distributions	21.45	46.31	44.14
Return to shareholder as a result of share class closure	(1,071.19)	n/a	n/a
Closing NAV	0.00	1,089.40	1,142.87
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.26	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.26	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.04	0.00	0.00
Operating charges	1.95	1.96	1.97
Return after operating charges	-1.67	-4.68	+7.51
Distribution yield	5.11	4.65	4.63
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	0	10,105	2,048
Closing NAV percentage of total fund NAV (%)	0.00	0.85	0.39
Number of shares	0	796,895	157,111
Highest share price (Euro ¢)	1,121.83	1,200.91	1,157.48
Lowest share price (Euro ¢)	1,064.93	1,086.44	1,054.64

Euro Class 'C' Income share performance

The share class was launched on 8 August 2014.

for the year to 30 June Change in NAV per share	2019 Euro ¢	2018 Euro ¢	2017 Euro ¢
Opening NAV	1,227.46	1,344.79	1,318.90
Return before operating charges and after direct portfolio transaction costs	34.37	(28.73)	120.14
Operating charges	(4.33)	(9.85)	(11.30)
Return after operating charges	30.04	(38.58)	108.84
Distributions	(35.84)	(78.75)	(82.95)
Return to shareholder as a result of share class closure	(1,221.66)	n/a	n/a
Closing NAV	0.00	1,227.46	1,344.79
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.30	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.30	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.04	0.00	0.00
Operating charges	0.78	0.79	0.81*
Return after operating charges	+2.45	-2.87	+8.25
Distribution yield	7.05	6.60	6.67
Effect on yield of charges offset against capital	0.75	0.75	0.75
Other information			
Closing NAV (\$'000)	0	1,234	22
Closing NAV percentage of total fund NAV (%)	0.00	0.10	0.00
Number of shares	0	86,392	1,434
Highest share price (Euro ¢)	1,278.60	1,374.14	1,463.16
Lowest share price (Euro ¢)	1,212.19	1,254.67	1,336.88

* As the annual management charge had been discounted during the period, 0.78% is a more reliable estimate of the operating charges for the period to 30.06.17.

Euro Class 'C' Accumulation share performance

The share class was launched on 19 April 2012.

for the year to 30 June Change in NAV per share	2019 Euro ¢	2018 Euro ¢	2017 Euro ¢
Opening NAV	1,534.99	1,582.14	1,462.29
Return before operating charges and after direct portfolio transaction costs	42.89	(34.88)	132.77
Operating charges	(5.40)	(12.27)	(12.92)
Return after operating charges	37.49	(47.15)	119.85
Distributions	(39.57)	(81.98)	(80.78)
Retained distributions	39.57	81.98	80.78
Return to shareholder as a result of share class closure	(1,572.48)	n/a	n/a
Closing NAV	0.00	1,534.99	1,582.14
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.37	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.37	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.04	0.00	0.00
Operating charges	0.78	0.79	0.80
Return after operating charges	+2.44	-2.98	+8.20
Distribution yield	6.29	5.84	5.87
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	0	72,132	51,564
Closing NAV percentage of total fund NAV (%)	0.00	6.09	9.86
Number of shares	0	4,036,942	2,857,779
Highest share price (Euro ¢)	1,598.87	1,616.42	1,668.92
Lowest share price (Euro ¢)	1,515.82	1,518.84	1,481.60

M&G Emerging Markets Bond Fund

Financial highlights

Specific share class performance

Euro Class 'C-H' Income share performance

The share class was launched on 10 November 2014.

for the year to 30 June Change in NAV per share	2019 Euro ¢	2018 Euro ¢	2017 Euro ¢
Opening NAV	858.21	946.21	923.51
Return before operating charges and after direct portfolio transaction costs	(6.97)	(23.99)	86.46
Operating charges	(3.04)	(7.75)	(7.52)
Return after operating charges	(10.01)	(31.74)	78.94
Distributions	(24.17)	(56.26)	(56.24)
Return to shareholder as a result of share class closure	(824.03)	n/a	n/a
Closing NAV	0.00	858.21	946.21
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.21	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.21	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.04	0.00	0.00
Operating charges	0.80	0.81	0.83*
Return after operating charges	-1.17	-3.35	+8.55
Distribution yield	7.02	6.57	6.55
Effect on yield of charges offset against capital	0.77	0.77	0.77
Other information			
Closing NAV (\$'000)	0	14,017	279
Closing NAV percentage of total fund NAV (%)	0.00	1.18	0.05
Number of shares	0	1,403,092	25,896
Highest share price (Euro ¢)	884.68	985.16	987.18
Lowest share price (Euro ¢)	842.94	884.13	912.82

* As the annual management charge had been discounted during the period, 0.80% is a more reliable estimate of the operating charges for the period to 30.06.17.

Euro Class 'C-H' Accumulation share performance

The share class was launched on 10 November 2014.

for the year to 30 June Change in NAV per share	2019 Euro ¢	2018 Euro ¢	2017 Euro ¢
Opening NAV	1,077.32	1,116.73	1,027.37
Return before operating charges and after direct portfolio transaction costs	(8.92)	(30.16)	98.42
Operating charges	(3.83)	(9.25)	(9.06)
Return after operating charges	(12.75)	(39.41)	89.36
Distributions	(26.69)	(58.56)	(54.82)
Retained distributions	26.69	58.56	54.82
Return to shareholder as a result of share class closure	(1,064.57)	n/a	n/a
Closing NAV	0.00	1,077.32	1,116.73
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.26	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.26	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.04	0.00	0.00
Operating charges	0.80	0.81	0.83*
Return after operating charges	-1.18	-3.53	+8.70
Distribution yield	6.26	5.80	5.74
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	0	292,789	82,780
Closing NAV percentage of total fund NAV (%)	0.00	24.74	15.82
Number of shares	0	23,347,427	6,499,831
Highest share price (Euro ¢)	1,110.44	1,181.82	1,130.50
Lowest share price (Euro ¢)	1,057.99	1,074.00	1,023.89

* As the annual management charge had been discounted during the period, 0.82% is a more reliable estimate of the operating charges for the period to 30.06.17.

Sterling Class 'A' Income share performance

The share class was launched on 1 October 2002.

for the year to 30 June Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	90.22	98.68	91.59
Return before operating charges and after direct portfolio transaction costs	14.48	(1.27)	14.58
Operating charges	(1.34)	(1.39)	(1.45)
Return after operating charges	13.14	(2.66)	13.13
Distributions	(6.18)	(5.80)	(6.04)
Closing NAV	97.18	90.22	98.68
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.03	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.03	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.04	0.00	0.00
Operating charges	1.44	1.43	1.44
Return after operating charges	+14.56	-2.70	+14.34
Distribution yield	6.40	6.59	6.66
Effect on yield of charges offset against capital	1.40	1.40	1.40
Other information			
Closing NAV (\$'000)	3,450	2,900	4,399
Closing NAV percentage of total fund NAV (%)	0.46	0.25	0.84
Number of shares	2,798,473	2,446,112	3,434,988
Highest share price (UK p)	101.12	102.42	106.26
Lowest share price (UK p)	89.00	91.42	94.15

M&G Emerging Markets Bond Fund

Financial highlights

Specific share class performance

Sterling Class 'A' Accumulation share performance

The share class was launched on 1 October 2002.

for the year to 30 June Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	215.73	221.99	194.94
Return before operating charges and after direct portfolio transaction costs	35.52	(3.10)	31.12
Operating charges	(3.25)	(3.16)	(3.13)
Return after operating charges	32.27	(6.26)	27.99
Distributions	(11.81)	(10.12)	(9.95)
Retained distributions	11.81	10.12	9.01
Closing NAV	248.00	215.73	221.99
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.08	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.08	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.04	0.00	0.00
Operating charges	1.44	1.43	1.44
Return after operating charges	+14.96	-2.82	+14.36
Distribution yield	5.03	5.18	5.27
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	4,113	3,257	3,387
Closing NAV percentage of total fund NAV (%)	0.55	0.28	0.65
Number of shares	1,307,099	1,149,090	1,175,620
Highest share price (UK p)	249.89	230.38	229.28
Lowest share price (UK p)	212.83	211.61	200.31

Sterling Class 'I' Income share performance

The share class was launched on 19 April 2012.

for the year to 30 June Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	122.46	133.08	122.73
Return before operating charges and after direct portfolio transaction costs	19.75	(1.74)	19.57
Operating charges	(1.00)	(1.03)	(1.10)
Return after operating charges	18.75	(2.77)	18.47
Distributions	(8.42)	(7.85)	(8.12)
Closing NAV	132.79	122.46	133.08
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.05	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.05	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.04	0.00	0.00
Operating charges	0.79	0.79	0.81*
Return after operating charges	+15.31	-2.08	+15.05
Distribution yield	6.40	6.59	6.66
Effect on yield of charges offset against capital	0.75	0.75	0.75
Other information			
Closing NAV (\$'000)	153,289	120,174	73,978
Closing NAV percentage of total fund NAV (%)	20.32	10.14	14.14
Number of shares	90,983,400	74,689,403	42,832,068
Highest share price (UK p)	138.17	138.27	142.65
Lowest share price (UK p)	120.99	123.92	126.17

* As the annual management charge had been discounted during the period, 0.79% is a more reliable estimate of the operating charges for the period to 30.06.17.

Sterling Class 'I' Accumulation share performance

The share class was launched on 19 April 2012.

for the year to 30 June Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	159.19	162.75	142.11
Return before operating charges and after direct portfolio transaction costs	26.32	(2.29)	22.71
Operating charges	(1.32)	(1.27)	(1.29)
Return after operating charges	25.00	(3.56)	21.42
Distributions	(9.85)	(8.51)	(8.26)
Retained distributions	9.85	8.51	7.48
Closing NAV	184.19	159.19	162.75
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.06	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.06	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.04	0.00	0.00
Operating charges	0.79	0.79	0.81*
Return after operating charges	+15.70	-2.19	+15.07
Distribution yield	5.66	5.84	5.87
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	379,720	188,425	133,202
Closing NAV percentage of total fund NAV (%)	50.34	15.92	25.46
Number of shares	162,485,767	90,080,597	63,063,127
Highest share price (UK p)	185.60	169.09	168.06
Lowest share price (UK p)	157.28	155.95	146.03

* As the annual management charge had been discounted during the period, 0.79% is a more reliable estimate of the operating charges for the period to 30.06.17.

M&G Emerging Markets Bond Fund

Financial highlights

Specific share class performance

Sterling Class 'I-H' Income share performance

The share class was launched on 24 July 2015.

for the year to 30 June Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	95.40	104.06	100.35
Return before operating charges and after direct portfolio transaction costs	9.46	(1.59)	10.80
Operating charges	(0.78)	(0.85)	(0.88)
Return after operating charges	8.68	(2.44)	9.92
Distributions	(6.25)	(6.22)	(6.21)
Closing NAV	97.83	95.40	104.06
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.04	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.04	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.04	0.00	0.00
Operating charges	0.80	0.81	0.82*
Return after operating charges	+9.10	-2.34	+9.89
Distribution yield	6.39	6.67	6.56
Effect on yield of charges offset against capital	0.77	0.77	0.77
Other information			
Closing NAV (\$'000)	76,269	42,591	8,354
Closing NAV percentage of total fund NAV (%)	10.11	3.60	1.60
Number of shares	61,448,223	33,978,254	6,185,809
Highest share price (UK p)	101.76	108.87	108.60
Lowest share price (UK p)	92.39	98.22	100.04

* As the annual management charge had been discounted during the period, 0.83% is a more reliable estimate of the operating charges for the period to 30.06.17.

Sterling Class 'I-H' Accumulation share performance

The share class was launched on 24 July 2015.

for the year to 30 June Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	111.91	114.88	104.83
Return before operating charges and after direct portfolio transaction costs	11.57	(2.01)	11.49
Operating charges	(0.93)	(0.96)	(0.91)
Return after operating charges	10.64	(2.97)	10.58
Distributions	(6.58)	(6.06)	(5.71)
Retained distributions	6.58	6.06	5.18
Closing NAV	122.55	111.91	114.88
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.04	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.04	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.04	0.00	0.00
Operating charges	0.80	0.81	0.82
Return after operating charges	+9.51	-2.59	+10.09
Distribution yield	5.64	5.89	5.78
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	117,459	60,640	984
Closing NAV percentage of total fund NAV (%)	15.57	5.12	0.19
Number of shares	75,547,240	41,238,190	659,831
Highest share price (UK p)	123.47	122.22	116.25
Lowest share price (UK p)	110.15	111.53	104.94

Sterling Class 'PP' Accumulation share performance

The share class was launched on 8 April 2019.

for the year to 30 June Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	100.00	n/a	n/a
Return before operating charges and after direct portfolio transaction costs	6.11	n/a	n/a
Operating charges	(0.15)	n/a	n/a
Return after operating charges	5.96	n/a	n/a
Distributions	(3.00)	n/a	n/a
Retained distributions	3.00	n/a	n/a
Closing NAV	105.96	n/a	n/a
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.04	n/a	n/a
Dilution adjustments ^[a]	0.00	n/a	n/a
Total direct portfolio transaction costs	0.04	n/a	n/a
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.04	n/a	n/a
Operating charges	0.63*	n/a	n/a
Return after operating charges	+5.96	n/a	n/a
Distribution yield	5.81	n/a	n/a
Effect on yield of charges offset against capital	0.00	n/a	n/a
Other information			
Closing NAV (\$'000)	684	n/a	n/a
Closing NAV percentage of total fund NAV (%)	0.09	n/a	n/a
Number of shares	508,496	n/a	n/a
Highest share price (UK p)	106.77	n/a	n/a
Lowest share price (UK p)	99.69	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 Emerging Markets Bond Fund

Financial highlights

Specific share class performance

Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012.

for the year to 30 June Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	113.94	124.34	115.11
Return before operating charges and after direct portfolio transaction costs	18.35	(1.64)	18.34
Operating charges	(1.40)	(1.44)	(1.51)
Return after operating charges	16.95	(3.08)	16.83
Distributions	(7.82)	(7.32)	(7.60)
Closing NAV	123.07	113.94	124.34

Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.04	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.04	0.00	0.00

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.04	0.00	0.00
Operating charges	1.19	1.19	1.19
Return after operating charges	+14.88	-2.48	+14.62
Distribution yield	6.40	6.59	6.66
Effect on yield of charges offset against capital	1.15	1.15	1.15

Other information

Closing NAV (\$'000)	1,503	845	137
Closing NAV percentage of total fund NAV (%)	0.20	0.07	0.03
Number of shares	962,442	564,280	84,847
Highest share price (UK p)	128.06	129.10	133.65
Lowest share price (UK p)	112.48	115.41	118.33

Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012.

for the year to 30 June Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	146.24	150.09	131.44
Return before operating charges and after direct portfolio transaction costs	24.11	(2.07)	21.06
Operating charges	(1.82)	(1.78)	(1.73)
Return after operating charges	22.29	(3.85)	19.33
Distributions	(8.41)	(7.24)	(7.12)
Retained distributions	8.41	7.24	6.44
Closing NAV	168.53	146.24	150.09

Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.06	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.06	0.00	0.00

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.04	0.00	0.00
Operating charges	1.19	1.19	1.18
Return after operating charges	+15.24	-2.57	+14.71
Distribution yield	5.27	5.43	5.53
Effect on yield of charges offset against capital	0.00	0.00	0.00

Other information

Closing NAV (\$'000)	2,903	2,154	19
Closing NAV percentage of total fund NAV (%)	0.38	0.18	0.00
Number of shares	1,357,662	1,120,772	9,971
Highest share price (UK p)	169.81	155.83	155.00
Lowest share price (UK p)	144.35	143.37	135.07

Sterling Class 'X' Income share performance

The share class was launched on 15 October 1999.

for the year to 30 June Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	88.88	97.23	90.24
Return before operating charges and after direct portfolio transaction costs	14.29	(1.26)	14.37
Operating charges	(1.32)	(1.37)	(1.43)
Return after operating charges	12.97	(2.63)	12.94
Distributions	(6.09)	(5.72)	(5.95)
Closing NAV	95.76	88.88	97.23

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

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.04	0.00	0.00
Operating charges	1.44	1.43	1.44
Return after operating charges	+14.59	-2.70	+14.34
Distribution yield	6.40	6.59	6.66
Effect on yield of charges offset against capital	1.40	1.40	1.40

Other information

Closing NAV (\$'000)	7,902	7,459	10,426
Closing NAV percentage of total fund NAV (%)	1.05	0.63	1.99
Number of shares	6,504,500	6,387,180	8,262,050
Highest share price (UK p)	99.63	100.92	104.69
Lowest share price (UK p)	87.69	90.07	92.77

Sterling Class 'X' Accumulation share performance

The share class was launched on 15 October 1999.

for the year to 30 June Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	216.22	222.49	195.39
Return before operating charges and after direct portfolio transaction costs	35.58	(3.10)	31.15
Operating charges	(3.25)	(3.17)	(3.10)
Return after operating charges	32.33	(6.27)	28.05
Distributions	(11.84)	(10.14)	(9.97)
Retained distributions	11.84	10.14	9.02
Closing NAV	248.55	216.22	222.49

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

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.04	0.00	0.00
Operating charges	1.44	1.44	1.43
Return after operating charges	+14.95	-2.82	+14.36
Distribution yield	5.03	5.18	5.27
Effect on yield of charges offset against capital	0.00	0.00	0.00

Other information

Closing NAV (\$'000)	6,987	6,309	5,402
Closing NAV percentage of total fund NAV (%)	0.93	0.53	1.03
Number of shares	2,215,532	2,220,614	1,870,725
Highest share price (UK p)	250.45	230.90	229.81
Lowest share price (UK p)	213.31	212.08	200.78

M&G Emerging Markets Bond Fund

Financial highlights

Specific share class performance

Swiss franc Class 'A' Accumulation share performance

The share class was launched on 26 July 2013.

for the year to 30 June Change in NAV per share	2019 Swiss ¢	2018 Swiss ¢	2017 Swiss ¢
Opening NAV	1,321.81	1,296.33	1,199.02
Return before operating charges and after direct portfolio transaction costs	5.37	44.88	115.93
Operating charges	(8.40)	(19.40)	(18.62)
Return after operating charges	(3.03)	25.48	97.31
Distributions	(29.42)	(62.29)	(57.90)
Retained distributions	29.42	62.29	57.90
Return to shareholder as a result of share class closure	(1,318.78)	n/a	n/a
Closing NAV	0.00	1,321.81	1,296.33
Direct portfolio transaction costs	Swiss ¢	Swiss ¢	Swiss ¢
Costs before dilution adjustments	0.32	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.32	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.04	0.00	0.00
Operating charges	1.43	1.44	1.45
Return after operating charges	-0.23	+1.97	+8.12
Distribution yield	5.64	5.18	5.26
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	0	671	552
Closing NAV percentage of total fund NAV (%)	0.00	0.06	0.11
Number of shares	0	50,425	40,847
Highest share price (Swiss ¢)	1,367.65	1,408.80	1,350.30
Lowest share price (Swiss ¢)	1,268.98	1,296.12	1,210.97

Swiss franc Class 'A-H' Accumulation share performance

The share class was launched on 24 July 2015.

for the year to 30 June Change in NAV per share	2019 Swiss ¢	2018 Swiss ¢	2017 Swiss ¢
Opening NAV	1,063.96	1,114.19	1,036.22
Return before operating charges and after direct portfolio transaction costs	(9.57)	(33.73)	93.71
Operating charges	(6.82)	(16.50)	(15.74)
Return after operating charges	(16.39)	(50.23)	77.97
Distributions	(23.30)	(50.98)	(48.45)
Retained distributions	23.30	50.98	48.45
Return to shareholder as a result of share class closure	(1,047.57)	n/a	n/a
Closing NAV	0.00	1,063.96	1,114.19
Direct portfolio transaction costs	Swiss ¢	Swiss ¢	Swiss ¢
Costs before dilution adjustments	0.25	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.25	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.04	0.00	0.00
Operating charges	1.45	1.45	1.46
Return after operating charges	-1.54	-4.51	+7.52
Distribution yield	5.56	5.15	5.15
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	0	705	253
Closing NAV percentage of total fund NAV (%)	0.00	0.06	0.05
Number of shares	0	65,828	21,750
Highest share price (Swiss ¢)	1,095.76	1,172.13	1,128.53
Lowest share price (Swiss ¢)	1,041.48	1,061.05	1,027.83

Swiss franc Class 'C' Accumulation share performance

The share class was launched on 26 July 2013.

for the year to 30 June Change in NAV per share	2019 Swiss ¢	2018 Swiss ¢	2017 Swiss ¢
Opening NAV	1,358.65	1,323.85	1,216.85
Return before operating charges and after direct portfolio transaction costs	5.52	45.71	117.61
Operating charges	(4.73)	(10.91)	(10.61)
Return after operating charges	0.79	34.80	107.00
Distributions	(34.21)	(72.94)	(67.05)
Retained distributions	34.21	72.94	67.05
Return to shareholder as a result of share class closure	(1,359.44)	n/a	n/a
Closing NAV	0.00	1,358.65	1,323.85
Direct portfolio transaction costs	Swiss ¢	Swiss ¢	Swiss ¢
Costs before dilution adjustments	0.33	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.33	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.04	0.00	0.00
Operating charges	0.78	0.79	0.81*
Return after operating charges	+0.06	+2.63	+8.79
Distribution yield	6.29	5.84	5.86
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	0	191	61
Closing NAV percentage of total fund NAV (%)	0.00	0.02	0.01
Number of shares	0	13,966	4,400
Highest share price (Swiss ¢)	1,406.11	1,443.66	1,377.73
Lowest share price (Swiss ¢)	1,306.31	1,323.81	1,229.05

* As the annual management charge had been discounted during the period, 0.79% is a more reliable estimate of the operating charges for the period to 30.06.17.

M&G Emerging Markets Bond Fund

Financial highlights

Specific share class performance

Swiss franc Class 'C-H' Accumulation share performance

The share class was launched on 24 July 2015.

for the year to 30 June Change in NAV per share	2019 Swiss ¢	2018 Swiss ¢	2017 Swiss ¢
Opening NAV	1,082.94	1,126.83	1,041.13
Return before operating charges and after direct portfolio transaction costs	(10.04)	(34.66)	94.83
Operating charges	(3.68)	(9.23)	(9.13)
Return after operating charges	(13.72)	(43.89)	85.70
Distributions	(26.88)	(59.13)	(55.44)
Retained distributions	26.88	59.13	55.44
Return to shareholder as a result of share class closure	(1,069.22)	n/a	n/a
Closing NAV	0.00	1,082.94	1,126.83
Direct portfolio transaction costs	Swiss ¢	Swiss ¢	Swiss ¢
Costs before dilution adjustments	0.25	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.25	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.04	0.00	0.00
Operating charges	0.80	0.80	0.85*
Return after operating charges	-1.27	-3.89	+8.23
Distribution yield	6.20	5.80	5.75
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	0	83	56
Closing NAV percentage of total fund NAV (%)	0.00	0.01	0.01
Number of shares	0	7,636	4,734
Highest share price (Swiss ¢)	1,115.98	1,189.87	1,140.99
Lowest share price (Swiss ¢)	1,062.79	1,079.79	1,035.16

* As the annual management charge had been discounted during the period, 0.81% is a more reliable estimate of the operating charges for the period to 30.06.17.

US dollar Class 'A' Income share performance

The share class was launched on 8 August 2014.

for the year to 30 June Change in NAV per share	2019 US ¢	2018 US ¢	2017 US ¢
Opening NAV	1,061.84	1,147.32	1,106.69
Return before operating charges and after direct portfolio transaction costs	5.46	0.39	125.33
Operating charges	(6.76)	(16.63)	(16.54)
Return after operating charges	(1.30)	(16.24)	108.79
Distributions	(30.27)	(69.24)	(68.16)
Return to shareholder as a result of share class closure	(1,030.27)	n/a	n/a
Closing NAV	0.00	1,061.84	1,147.32
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.26	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.26	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.04	0.00	0.00
Operating charges	1.43	1.44	1.44
Return after operating charges	-0.12	-1.42	+9.83
Distribution yield	7.05	6.59	6.66
Effect on yield of charges offset against capital	1.40	1.40	1.40
Other information			
Closing NAV (\$'000)	0	1,644	823
Closing NAV percentage of total fund NAV (%)	0.00	0.14	0.16
Number of shares	0	154,796	71,706
Highest share price (US ¢)	1,096.71	1,205.01	1,197.01
Lowest share price (US ¢)	1,047.41	1,092.76	1,100.93

US dollar Class 'A' Accumulation share performance

The share class was launched on 19 April 2012.

for the year to 30 June Change in NAV per share	2019 US ¢	2018 US ¢	2017 US ¢
Opening NAV	1,315.06	1,336.66	1,216.19
Return before operating charges and after direct portfolio transaction costs	6.74	(1.84)	138.94
Operating charges	(8.37)	(19.76)	(18.47)
Return after operating charges	(1.63)	(21.60)	120.47
Distributions	(29.31)	(62.53)	(58.10)
Retained distributions	29.31	62.53	58.10
Return to shareholder as a result of share class closure	(1,313.43)	n/a	n/a
Closing NAV	0.00	1,315.06	1,336.66
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.32	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.32	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.04	0.00	0.00
Operating charges	1.43	1.44	1.44
Return after operating charges	-0.12	-1.62	+9.91
Distribution yield	5.64	5.18	5.27
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	0	18,196	13,349
Closing NAV percentage of total fund NAV (%)	0.00	1.54	2.55
Number of shares	0	1,383,678	998,719
Highest share price (US ¢)	1,358.21	1,428.76	1,352.09
Lowest share price (US ¢)	1,297.17	1,310.01	1,217.09

M&G Emerging Markets Bond Fund

Financial highlights

Specific share class performance

US dollar Class 'C' Income share performance

The share class was launched on 8 August 2014.

for the year to 30 June Change in NAV per share	2019 US ¢	2018 US ¢	2017 US ¢
Opening NAV	1,090.90	1,171.00	1,122.39
Return before operating charges and after direct portfolio transaction costs	5.62	0.16	127.48
Operating charges	(3.87)	(9.36)	(9.53)
Return after operating charges	1.75	(9.20)	117.95
Distributions	(31.12)	(70.90)	(69.34)
Return to shareholder as a result of share class closure	(1,061.53)	n/a	n/a
Closing NAV	0.00	1,090.90	1,171.00
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.27	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.27	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.04	0.00	0.00
Operating charges	0.78	0.78	0.81*
Return after operating charges	+0.16	-0.79	+10.51
Distribution yield	7.05	6.59	6.66
Effect on yield of charges offset against capital	0.75	0.75	0.75
Other information			
Closing NAV (\$'000)	0	8,286	8,973
Closing NAV percentage of total fund NAV (%)	0.00	0.70	1.72
Number of shares	0	759,594	766,299
Highest share price (US ¢)	1,127.35	1,233.87	1,221.33
Lowest share price (US ¢)	1,077.34	1,122.39	1,120.04

* As the annual management charge had been discounted during the period, 0.79% is a more reliable estimate of the operating charges for the period to 30.06.17.

US dollar Class 'C' Accumulation share performance

The share class was launched on 19 April 2012.

for the year to 30 June Change in NAV per share	2019 US ¢	2018 US ¢	2017 US ¢
Opening NAV	1,362.17	1,375.54	1,242.33
Return before operating charges and after direct portfolio transaction costs	6.94	(2.17)	143.93
Operating charges	(4.75)	(11.20)	(10.72)
Return after operating charges	2.19	(13.37)	133.21
Distributions	(34.33)	(73.79)	(67.76)
Retained distributions	34.33	73.79	67.76
Return to shareholder as a result of share class closure	(1,364.36)	n/a	n/a
Closing NAV	0.00	1,362.17	1,375.54
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.33	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.33	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.04	0.00	0.00
Operating charges	0.78	0.79	0.81*
Return after operating charges	+0.16	-0.97	+10.72
Distribution yield	6.29	5.84	5.87
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	0	126,475	6,053
Closing NAV percentage of total fund NAV (%)	0.00	10.69	1.16
Number of shares	0	9,284,817	440,025
Highest share price (US ¢)	1,407.64	1,475.85	1,391.08
Lowest share price (US ¢)	1,345.24	1,356.67	1,247.85

* As the annual management charge had been discounted during the period, 0.79% is a more reliable estimate of the operating charges for the period to 30.06.17.

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

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

M&G Emerging Markets Bond Fund

Financial statements and notes

Financial statements

Statement of total return

for the year to 30 June	Note	2019 \$'000	2018 \$'000
Income			
Net capital gains / (losses)	3	(8,722)	(117,055)
Revenue	5	55,889	58,030
Expenses	6	(7,676)	(9,532)
Net revenue / (expense) before taxation		48,213	48,498
Taxation	7	(268)	(298)
Net revenue / (expense) after taxation		47,945	48,200
Total return before distributions		39,223	(68,855)
Distributions	8	(49,942)	(50,047)
Change in net assets attributable to shareholders from investment activities		(10,719)	(118,902)

Statement of change in net assets attributable to shareholders

for the year to 30 June	2019 \$'000	2018 \$'000
Opening net assets attributable to shareholders	1,183,643	523,208
Amounts received on issue of shares	435,464	926,448
Amounts paid on cancellation of shares	(230,981)	(194,758)
Transfer to M&G (Lux) Emerging Markets Bond Fund	(661,672)	0
	(457,189)	731,690
Dilution adjustments	1,703	2,584
Change in net assets attributable to shareholders from investment activities (see above)	(10,719)	(118,902)
Retained distributions on Accumulation shares	36,841	45,063
Closing net assets attributable to shareholders	754,279	1,183,643

Balance sheet

as at 30 June	Note	2019 \$'000	2018 \$'000
Assets			
Fixed assets			
Investments		740,779	1,163,948
Current assets			
Debtors	9	24,673	28,621
Cash and bank balances	10	8,286	532
Cash equivalents		597	5,135
Total assets		774,335	1,198,236
Liabilities			
Investment liabilities		(1,135)	(583)
Creditors			
Bank overdrafts		(76)	0
Distribution payable		(7,884)	(8,078)
Other creditors	11	(10,961)	(5,932)
Total liabilities		(20,056)	(14,593)
Net assets attributable to shareholders		754,279	1,183,643

Notes to the financial statements

1 Accounting policies

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

The fund's functional and presentational currency is US dollars as this better reflects the currency of its primary economic environment.

2 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.

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

3 Net capital gains / (losses)

for the year to 30 June	2019 \$'000	2018 \$'000
Non-derivative securities	9,435	(99,709)
Derivative contracts	(24,118)	(16,444)
Currency gains / (losses)	5,989	(892)
Transaction charges	(28)	(10)
Net capital gains / (losses)	(8,722)	(117,055)

4 Portfolio transactions and associated costs

The following tables show portfolio transactions and their associated transaction costs. For more information about the nature of the costs please see the section on 'Operating charges and portfolio transaction costs' on pages 51 and 52.

for the year to 30 June	2019 \$'000	% of transaction	2018 \$'000	% of transaction
a) Purchases				
Debt securities	649,265		1,287,234	
b) Sales				
Debt securities				
Debt securities before transaction costs	420,909		543,483	
Taxes	(465)	0.11	0	0.00
Debt securities	420,444		543,483	
Other transaction types				
Corporate actions	9,107		5,034	
Total sales after transaction costs	429,551		548,517	
c) Direct portfolio transaction costs	2019 \$'000	% of average NAV	2018 \$'000	% of average NAV
Taxes paid				
Debt securities	465	0.04	0	0.00
Total direct portfolio transaction costs ^[a]	465	0.04	0	0.00
d) Indirect portfolio transaction costs		%		%
Portfolio dealing spread ^[b]		0.78		0.80

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

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

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5 Revenue

for the year to 30 June	2019 \$'000	2018 \$'000
Bank interest	39	33
Derivative revenue	(418)	(594)
Interest distributions	248	164
Interest on debt securities	56,020	58,427
Total revenue	55,889	58,030

6 Expenses

for the year to 30 June	2019 \$'000	2018 \$'000
Payable to the ACD or associate		
Annual management charge	6,042	7,370
Administration charge	1,285	1,459
Share class hedging charge	57	68
	7,384	8,897
Payable to the Depositary or associate		
Depositary's charge (including VAT)	52	59
Other expenses		
Audit fee (including VAT)	15	15
Interest payable	13	294
Legal fees	1	1
Safe custody charge	205	266
Tax fees (including VAT)	6	0
	240	576
Total expenses	7,676	9,532

7 Taxation

for the year to 30 June	2019 \$'000	2018 \$'000
a) Analysis of charge in the year		
Corporation tax	0	0
Withholding tax	268	298
Deferred tax (note 7c)	0	0
Total taxation	268	298
b) Factors affecting taxation charge for the year		
Net revenue / (expense) before taxation	48,213	48,498
Corporation tax at 20%	9,643	9,700
Effects of:		
Interest distributions	(9,643)	(9,700)
Withholding tax	268	298
Total tax charge (note 7a)	268	298
c) Provision for deferred taxation		
Provision at the start of the year	0	0
Deferred tax in profit and loss account (note 7a)	0	0
Provision at the end of the year	0	0

The fund has not recognised a deferred tax asset in the current financial year (2018: same).

8 Distributions

	2019		2018	
for the year to 30 June	Inc ^[a] \$'000	Acc ^[b] \$'000	Inc ^[a] \$'000	Acc ^[b] \$'000
Interest distributions				
Interim	8,525	22,614	5,664	19,492
Final	7,884	14,227	8,078	25,571
Total net distributions		53,250		58,805
Income deducted on cancellation of shares		3,551		3,506
Income received on issue of shares		(6,859)		(12,264)
Distributions		49,942		50,047
Net revenue / (expense) per statement of total return		47,945		48,200
Expenses offset against capital		1,997		1,847
Distributions		49,942		50,047

^[a] Distributions payable on Income shares.

^[b] Retained distributions on Accumulation shares.

9 Debtors

as at 30 June	2019 \$'000	2018 \$'000
Amounts receivable on issues of shares	4,841	3,477
Currency deals outstanding	4,360	3,527
Debt security interest receivable	13,309	21,602
Distributions receivable	7	15
Sales awaiting settlement	2,122	0
Withholding tax recoverable	34	0
Total debtors	24,673	28,621

10 Cash and bank balances

as at 30 June	2019 \$'000	2018 \$'000
Amounts held at futures clearing houses and collateral manager	1,409	0
Cash held as bank balances	6,877	532
Total cash and bank balances	8,286	532

11 Other creditors

as at 30 June	2019 \$'000	2018 \$'000
ACD's annual management charge payable	141	273
Administration charge payable	34	54
Amounts payable on cancellation of shares	28	2,002
Currency deals outstanding	4,359	3,527
Expenses payable	83	73
Purchases awaiting settlement	6,315	0
Share class hedging charge payable	1	3
Total other creditors	10,961	5,932

12 Contingent assets, liabilities and outstanding commitments

There were no contingent assets, liabilities or outstanding commitments at the balance sheet date (2018: same).

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13 Shares in issue

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

Share class	Opening 01.07.18	Movements		Closing 30.06.19
		Issued	Cancelled	
Euro				
Class 'A' Income	1,705,124	213,724	(1,918,848)	0
Class 'A' Accumulation	4,337,543	463,630	(4,801,173)	0
Class 'A-H' Income	1,167,333	226,135	(1,393,468)	0
Class 'A-H' Accumulation	5,676,009	480,871	(6,156,880)	0
Class 'B' Income	316,053	35,771	(351,824)	0
Class 'B' Accumulation	813,161	120,595	(933,756)	0
Class 'B-H' Income	606,736	41,735	(648,471)	0
Class 'B-H' Accumulation	796,895	46,622	(843,517)	0
Class 'C' Income	86,392	341,324	(427,716)	0
Class 'C' Accumulation	4,036,942	532,688	(4,569,630)	0
Class 'C-H' Income	1,403,092	32,500	(1,435,592)	0
Class 'C-H' Accumulation	23,347,427	2,262,596	(25,610,023)	0
Sterling				
Class 'A' Income	2,446,112	679,791	(327,430)	2,798,473
Class 'A' Accumulation	1,149,090	406,934	(248,925)	1,307,099
Class 'I' Income	74,689,403	31,466,400	(15,172,403)	90,983,400
Class 'I' Accumulation	90,080,597	80,261,911	(7,856,741)	162,485,767
Class 'I-H' Income	33,978,254	28,235,135	(765,166)	61,448,223
Class 'I-H' Accumulation	41,238,190	37,566,275	(3,257,225)	75,547,240
Class 'PP' Accumulation	0	537,992	(29,496)	508,496
Class 'R' Income	564,280	517,571	(119,409)	962,442
Class 'R' Accumulation	1,120,772	419,772	(182,882)	1,357,662
Class 'X' Income	6,387,180	648,258	(530,938)	6,504,500
Class 'X' Accumulation	2,220,614	415,370	(420,452)	2,215,532
Swiss franc				
Class 'A' Accumulation	50,425	1,692	(52,117)	0
Class 'A-H' Accumulation	65,828	5,395	(71,223)	0
Class 'C' Accumulation	13,966	1,686	(15,652)	0
Class 'C-H' Accumulation	7,636	2,494,069	(2,501,705)	0
US dollar				
Class 'A' Income	154,796	6,000	(160,796)	0
Class 'A' Accumulation	1,383,678	161,044	(1,544,722)	0
Class 'C' Income	759,594	131,357	(890,951)	0
Class 'C' Accumulation	9,284,817	1,072,196	(10,357,013)	0

14 Charging structure

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

Share class	Entry charge %	Exit charge %	Annual management charge %	Share class hedging charge %
Euro				
Class 'A'	4.00	n/a	1.25	n/a
Class 'A-H'	4.00	n/a	1.25	[a]
Class 'B'	nil	n/a	1.75	n/a
Class 'B-H'	1.25	n/a	1.75	[a]
Class 'C'	1.25	n/a	0.60	n/a
Class 'C-H'	1.25	n/a	0.60	[a]
Sterling				
Class 'A'	nil	n/a	1.25	n/a
Class 'I'	nil	n/a	0.60	n/a
Class 'I-H'	nil	n/a	0.60	[a]
Class 'PP'	nil	n/a	up to 0.60	n/a
Class 'R'	nil	n/a	1.00	n/a
Class 'X'	nil	n/a	1.25	n/a
Swiss franc				
Class 'A'	4.00	n/a	1.25	n/a
Class 'A-H'	4.00	n/a	1.25	[a]
Class 'C'	1.25	n/a	0.60	n/a
Class 'C-H'	1.25	n/a	0.60	[a]
US dollar				
Class 'A'	4.00	n/a	1.25	n/a
Class 'C'	1.25	n/a	0.60	n/a

[a] This charge may vary between 0.01% and 0.055%.

15 Related parties

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

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

At the balance sheet date, shareholders from within Prudential plc, of which M&G Securities Limited is a wholly owned subsidiary, have holdings totalling 6.25% (2018: 0.01%) of the fund's shares.

16 Events after the balance sheet date

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

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17 Fair value analysis

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

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

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

Level 2: Valuation technique using observable market data

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

Level 3: Valuation technique using unobservable inputs

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

as at 30 June	Assets	Liabilities	Assets	Liabilities
Basis of valuation	2019	2019	2018	2018
	\$'000	\$'000	\$'000	\$'000
Level 1	23,155	0	83,326	0
Level 2	717,624	(1,135)	1,080,622	(583)
Level 3	0	0	0	0
	740,779	(1,135)	1,163,948	(583)

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

18 Risk management policies

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

19 Market risk sensitivity and exposure

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

The VaR limit set during the financial year to 30 June 2019 was 20% (2018: 20%).

The lowest, highest and average VaR, as well as utilisation of VaR with reference to the limit above, are calculated during the financial years ended 30 June 2019 and 30 June 2018.

	2019	2019	2018	2018
for the year to 30 June	% of VaR	Utilisation of VaR [a]	% of VaR	Utilisation of VaR [a]
		20%		20%
Lowest	1.69	8.45	3.29	16.47
Highest	4.21	21.05	5.62	28.08
Average	2.55	12.74	4.00	19.99

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

20 Credit risk

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

	2019	2018
as at 30 June	\$'000	\$'000
Investment grade securities	214,780	408,498
Below investment grade securities	441,504	616,774
Unrated securities	84,421	135,927
Other investments	(1,061)	2,166
Total	739,644	1,163,365

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

	Forward currency contracts \$'000
as at 30 June 2019	
Citigroup	(25)
JPMorgan	(1,100)
Merrill Lynch	(10)
State Street Bank	74
Total	(1,061)

	Forward currency contracts \$'000
as at 30 June 2018	
Citigroup	212
Goldman Sachs	40
JPMorgan	378
State Street Bank	1,536
Total	2,166

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21 Leverage risk

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

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

The lowest, highest and average level of leverage employed and utilisation of the leverage level calculated during the financial years ended 30 June 2019 and 30 June 2018 are disclosed in the table below.

for the year to 30 June	2019 ^[a] \$'000	2019 ^[a] % ^[b]	2018 ^[a] \$'000	2018 ^[a] % ^[b]
Lowest	47,641	9.3	28,199	3.4
Highest	1,067,768	159.0	329,459	27.3
Average	161,608	20.8	67,694	7.1

^[a] Leverage has been calculated using the Gross Sum of Notional Approach for derivative positions only (including forward currency contracts) and excludes all physical holdings.

^[b] Expressed as a percentage over net assets.

22 Exchange rate risk for hedged share classes

This fund contains hedged share classes. These share classes operate currency hedges designed to reduce the impact of exchange rates in certain circumstances. As a result, profit and loss on the currency hedges may impact the liquidity of the overall fund. On a day to day basis this is monitored using reporting from the outsourced provider of the hedged share class service. On an ongoing basis the size of the hedged share classes is monitored to ensure that unforeseen exchange rate volatility can be adequately managed without significantly impacting all shareholders. The exposure to forward currency contracts for share class hedging at the year-end accounting date is disclosed in the portfolio statement on page 49.

23 Interest distribution tables

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

Semi-annual distribution periods				
	Start	End	Xd	Payment
Interim ^[a]	01.07.18	31.12.18	02.01.19	28.02.19
Final	01.01.19	30.06.19	01.07.19	31.08.19

^[a] As a result of the merger of M&G Emerging Markets Bond Fund into M&G (Lux) Emerging Markets Bond Fund on 7 December 2018 ('the effective date'), any income available for distribution to non-sterling share classes from the start of the period on 1 July 2018 to the effective date of the merger was distributed to shareholders on 31 January 2019.

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

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

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

Euro Class 'A' Income shares

Interest distributions for the year to 30 June	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
	€	€	€	€
Interim	15.7449	17.9960	33.7409	36.0502
Final	n/a	n/a	n/a	38.3286

Euro Class 'A' Accumulation shares

Interest distributions for the year to 30 June	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
	€	€	€	€
Interim	19.4332	14.3837	33.8169	33.2126
Final	n/a	n/a	n/a	36.3264

Euro Class 'A-H' Income shares

Interest distributions for the year to 30 June	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
	€	€	€	€
Interim	12.7548	11.1649	23.9197	27.4284
Final	n/a	n/a	n/a	28.4127

Euro Class 'A-H' Accumulation shares

Interest distributions for the year to 30 June	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
	€	€	€	€
Interim	13.2283	9.9526	23.1809	24.4060
Final	n/a	n/a	n/a	26.0511

Euro Class 'B' Income shares

Interest distributions for the year to 30 June	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
	€	€	€	€
Interim	10.6678	16.8308	27.4986	29.5270
Final	n/a	n/a	n/a	31.3156

Euro Class 'B' Accumulation shares

Interest distributions for the year to 30 June	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
	€	€	€	€
Interim	16.0086	12.1848	28.1934	27.4948
Final	n/a	n/a	n/a	30.0067

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23 Interest distribution tables (continued)

Euro Class 'B-H' Income shares				
Interest distributions for the year to 30 June	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019 2018	
	€	€	€	€
Interim	10.3071	15.6584	25.9655	29.9584
Final	n/a	n/a	n/a	30.9297

Euro Class 'B-H' Accumulation shares				
Interest distributions for the year to 30 June	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019 2018	
	€	€	€	€
Interim	11.9192	9.5338	21.4530	22.4127
Final	n/a	n/a	n/a	23.9018

Euro Class 'C' Income shares				
Interest distributions for the year to 30 June	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019 2018	
	€	€	€	€
Interim	17.6295	18.2153	35.8448	38.1643
Final	n/a	n/a	n/a	40.5838

Euro Class 'C' Accumulation shares				
Interest distributions for the year to 30 June	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019 2018	
	€	€	€	€
Interim	15.4354	24.1341	39.5695	39.0938
Final	n/a	n/a	n/a	42.8829

Euro Class 'C-H' Income shares				
Interest distributions for the year to 30 June	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019 2018	
	€	€	€	€
Interim	6.5149	17.6576	24.1725	27.6266
Final	n/a	n/a	n/a	28.6330

Euro Class 'C-H' Accumulation shares				
Interest distributions for the year to 30 June	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019 2018	
	€	€	€	€
Interim	16.0737	10.6161	26.6898	28.3060
Final	n/a	n/a	n/a	30.2566

Sterling Class 'A' Income shares				
Interest distributions for the year to 30 June	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019 2018	
	p	p	p	p
Interim	1.7229	1.2849	3.0078	2.8149
Final	1.1985	1.9764	3.1749	2.9881

Sterling Class 'A' Accumulation shares				
Interest distributions for the year to 30 June	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019 2018	
	p	p	p	p
Interim	2.8570	2.7896	5.6466	4.8377
Final	3.4842	2.6820	6.1662	5.2827

Sterling Class 'I' Income shares				
Interest distributions for the year to 30 June	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019 2018	
	p	p	p	p
Interim	1.6155	2.4742	4.0897	3.8019
Final	2.2329	2.0980	4.3309	4.0489

Sterling Class 'I' Accumulation shares				
Interest distributions for the year to 30 June	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019 2018	
	p	p	p	p
Interim	2.6981	2.0047	4.7028	4.0603
Final	1.9575	3.1903	5.1478	4.4472

Sterling Class 'I-H' Income shares				
Interest distributions for the year to 30 June	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019 2018	
	p	p	p	p
Interim	1.2818	1.8096	3.0914	3.0476
Final	1.8160	1.3452	3.1612	3.1713

Sterling Class 'I-H' Accumulation shares				
Interest distributions for the year to 30 June	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019 2018	
	p	p	p	p
Interim	1.5707	1.6290	3.1997	2.9264
Final	1.7804	1.6037	3.3841	3.1322

Sterling Class 'PP' Accumulation shares				
Interest distributions for the year to 30 June	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019 2018	
	p	p	p	p
Interim	n/a	n/a	n/a	n/a
Final	0.6233	2.3730	2.9963	n/a

Sterling Class 'R' Income shares				
Interest distributions for the year to 30 June	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019 2018	
	p	p	p	p
Interim	1.4267	2.3752	3.8019	3.5476
Final	1.7500	2.2677	4.0177	3.7716

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23 Interest distribution tables (continued)

Sterling Class 'R' Accumulation shares				
Interest distributions for the year to 30 June	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019 2018	
	p	p	p	p
Interim	1.9919	2.0250	4.0169	3.4610
Final	1.9347	2.4556	4.3903	3.7757

Sterling Class 'X' Income shares				
Interest distributions for the year to 30 June	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019 2018	
	p	p	p	p
Interim	1.6910	1.2725	2.9635	2.7736
Final	0.9471	2.1811	3.1282	2.9442

Sterling Class 'X' Accumulation shares				
Interest distributions for the year to 30 June	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019 2018	
	p	p	p	p
Interim	2.8158	2.8434	5.6592	4.8479
Final	2.6006	3.5794	6.1800	5.2947

Swiss franc Class 'A' Accumulation shares				
Interest distributions for the year to 30 June	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019 2018	
	€	€	€	€
Interim	21.3452	8.0782	29.4234	29.9229
Final	n/a	n/a	n/a	32.3657

Swiss franc Class 'A-H' Accumulation shares				
Interest distributions for the year to 30 June	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019 2018	
	€	€	€	€
Interim	11.1314	12.1686	23.3000	24.8194
Final	n/a	n/a	n/a	26.1655

Swiss franc Class 'C' Accumulation shares				
Interest distributions for the year to 30 June	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019 2018	
	€	€	€	€
Interim	25.5305	8.6810	34.2115	34.9831
Final	n/a	n/a	n/a	37.9540

Swiss franc Class 'C-H' Accumulation shares				
Interest distributions for the year to 30 June	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019 2018	
	€	€	€	€
Interim	13.2634	13.6172	26.8806	28.7393
Final	n/a	n/a	n/a	30.3887

US dollar Class 'A' Income shares				
Interest distributions for the year to 30 June	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019 2018	
	€	€	€	€
Interim	11.0406	19.2319	30.2725	34.0707
Final	n/a	n/a	n/a	35.1731

US dollar Class 'A' Accumulation shares				
Interest distributions for the year to 30 June	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019 2018	
	€	€	€	€
Interim	16.6453	12.6654	29.3107	30.3239
Final	n/a	n/a	n/a	32.2047

US dollar Class 'C' Income shares				
Interest distributions for the year to 30 June	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019 2018	
	€	€	€	€
Interim	4.0890	27.0340	31.1230	34.8314
Final	n/a	n/a	n/a	36.0706

US dollar Class 'C' Accumulation shares				
Interest distributions for the year to 30 June	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019 2018	
	€	€	€	€
Interim	18.3375	15.9947	34.3322	35.7294
Final	n/a	n/a	n/a	38.0559

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M&G European Corporate Bond Fund

Authorised Corporate Director's Report

Investment objective

The fund aims to provide income and capital growth.

Investment policy

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

Investment approach

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

Risk profile

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

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

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

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

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



The above number:

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

Investment review

As at 1 July 2019, for the year ended 30 June 2019

Performance against objective

Between 2 July 2018 (the start of the review period) and 1 July 2019, the M&G European Corporate Bond Fund delivered a strong positive total return (the combination of income and growth of capital) across all of its sterling share classes.*

The fund's US dollar shares delivered a small positive return, but its euro and Swiss franc shares mostly posted very slightly negative returns between 2 July 2018 and 9 November 2018. On 9 November 2018, the fund's non-sterling share classes merged into the M&G (Lux) Euro Corporate Bond Fund, a Luxembourg-authorised SICAV which launched on that date.

The M&G European Corporate Bond Fund invests mainly in high-quality corporate bonds denominated in any European currency, with the aim to provide a higher total return (the combination of capital growth and income) than that of the European investment grade corporate bond market (as measured by the BofA Merrill Lynch Euro Corporate Index) over any five-year period.

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

* 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.

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Investment review

Investment performance

Volatility returned to financial markets in 2018, as a result of a range of factors that included higher interest rates and inflation, political uncertainty and global trade tensions.

The US Federal Reserve (Fed) raised interest rates in September and December, making it a total of nine times US rates have risen since the great financial crisis about a decade ago. In the UK, much uncertainty remained about the eventual terms of the country's Brexit deal with the European Union (EU). This contributed to times of adverse sentiment towards UK bonds. Investors in Europe became concerned in the latter stages of 2018 about Italian proposals to increase the country's budget deficit. The plans, which met with opposition from the EU, were drafted after an anti-establishment party gained a strong presence in Italy's new coalition government.

Sentiment towards corporate bonds – and international stockmarkets – was increasingly affected by concerns of a trade war developing between the US and China. In addition, during the latter months of 2018, global economic growth forecasts began to moderate, which contributed to weaker confidence in the outlook for corporate bonds and emerging markets.

Sentiment then changed once again in early 2019, as investors took comfort from statements by the Fed that it would moderate its strategy around raising interest rates. Indeed, investors' mood changed so dramatically that markets now expect the next move by the Fed will be to cut, rather than raise, interest rates. However, the more optimistic mood was somewhat dampened in May, as renewed fears about the prospects for global trade, caused mainly by heightened tensions between the US and China over tariffs, caused investors to prefer safer assets once again. (On 31 July, subsequent to the end of the review period, the Fed announced that it would cut interest rates by 0.25%.)

While the second half of 2018 was challenging for corporate bonds, the strong start to 2019 helped them to deliver positive returns across the 12-month period as a whole. Corporate bonds denominated in US dollars generally outperformed those denominated in sterling and euros.

The biggest contribution to the fund's performance came from its holdings in corporate bonds issued by non-financial companies, while those issued by banks also contributed strongly. We have positioned the fund to be slightly less sensitive to changes in interest rates than many of its peers, and this acted as a slight lag on performance. The fund's exposure to asset-backed securities (ABS) also helped. ABS are bonds backed by assets including credit card receivables, car loans or mortgages, whose creditworthiness is based on the underlying assets, rather than on the company that issued the bonds. Most ABS holdings are floating-rate in nature and stand to benefit if interest rates rise as they have variable rate coupons.

Investment activities

One of the key drivers of a bond fund's performance is its ability to adjust the portfolio's sensitivity to changes in interest rates, known as 'duration'. Being shorter duration means that a fund is relatively less sensitive to changes in interest rates than longer duration funds. During the course of the reporting period, we held the fund's duration somewhat short of a comparable index, as we believe that core eurozone government bonds such as bunds (German bonds) appear very expensive.

We continue to like financials and have retained a significant exposure to this sector. In early 2019, we took our exposure to banks towards neutral, following strong performance by the sector. We sold some bonds from banks including Santander and Goldman Sachs.

We had begun the review period with a large underweight position in the auto sector. After bonds from car manufacturers came under significant pressure in late 2018 and early 2019, taking valuations back to more attractive levels, we started to add some bonds from companies including Ford, Daimler and BMW.

In the latter stages of the review period, we slightly reduced risk levels in the fund, selling some corporate bonds that had performed particularly well. We continue to prefer higher credit quality names to those with lower credit ratings.

In April, we added some Italian government bonds known as BTPs, which have been underperforming Italian corporate bonds and so look attractive in relative terms.

We remain nervous about prospects for the UK economy and the impact of Brexit uncertainty and did not add substantively to our UK holdings over the period.

Outlook

After a difficult 2018 for financial markets, the first half of 2019 has been largely constructive for global bond markets, with a return of risk appetite, as investors have been encouraged by signs that the US Federal Reserve would pause its interest rate rising cycle.

However, challenges remain. Eurozone inflation is likely to remain low in the foreseeable future, and the European Central Bank is sounding increasingly nervous, having revised growth and inflation expectations lower. Interest rates in Europe will remain low in the medium term.

We remain broadly positive on the outlook for the global economy and corporate bonds. While we have been partially reducing risk in the portfolio in the latter stages of the reporting period, we continue to find opportunities within corporate bond markets.

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

Stefan Isaacs
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.

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Investments

Portfolio statement			
as at 30 June Holding	2019 €'000	2019 %	2018 %
FIXED INCOME	179,953	97.63	99.00
Debt securities	180,233	97.79	99.01
'AAA' credit rated bonds	22,175	12.03	16.19
£587,008 Dukinfield FRN 2.03413% 20/12/2052	660	0.36	
€1,444,269 Germany (Federal Republic of) 0.01% 08/04/2022	1,475	0.80	
€673,080 Germany (Federal Republic of) 0.25% 15/02/2027	712	0.39	
€538,464 Germany (Federal Republic of) 0.5% 15/02/2026	577	0.31	
€1,615,392 Germany (Federal Republic of) 0.5% 15/02/2028	1,745	0.95	
€403,848 Germany (Federal Republic of) 1.5% 04/09/2022	433	0.23	
€498,079 Germany (Federal Republic of) 2.25% 04/09/2021	531	0.29	
€430,771 Germany (Federal Republic of) 5.5% 04/01/2031	723	0.39	
€1,575,257 Germany (Federal Republic of) IL 1.75% 15/04/2020	1,823	0.99	
€1,289,000 Harvest CLO VIII FRN 0.73% 15/01/2031	1,286	0.70	
£609,644 Hawksmoor Mortgages 2016-1 FRN 2.1945% 25/05/2053	681	0.37	
€636,000 Johnson & Johnson 0.25% 20/01/2022	644	0.35	
€2,000,000 Johnson & Johnson 0.65% 20/05/2024	2,074	1.12	
€223,000 Microsoft 2.625% 02/05/2033	284	0.15	
€833,000 Microsoft 3.125% 06/12/2028	1,040	0.56	
\$636,000 Microsoft 3.5% 12/02/2035	591	0.32	
€913,000 Nationwide Building Society 0.05% 03/06/2024	920	0.50	
€4,711,561 Netherlands (Kingdom of) 0.75% 15/07/2027	5,120	2.78	
£160,759 THRONES FRN 1.65638% 15/11/2049	179	0.10	
€636,000 Wellcome Trust 1.125% 21/01/2027	677	0.37	
'AA' credit rated bonds	22,395	12.15	10.23
€382,000 3M 0.95% 15/05/2023	398	0.22	
€500,000 Apple 0.875% 24/05/2025	525	0.29	
€300,000 Apple 1% 10/11/2022	312	0.17	
€1,440,000 Apple 1.625% 10/11/2026	1,589	0.86	
€318,000 Apple 2% 17/09/2027	362	0.20	
€3,000,000 Berkshire Hathaway 1.125% 16/03/2027	3,141	1.70	
€504,000 Deutsche Bahn Finance 1.5% 08/12/2032	552	0.30	
€200,000 Euroclear Investments 1.5% 11/04/2030	215	0.12	
€2,000,000 France (Govt of) 0.25% 25/11/2026	2,075	1.13	
€1,009,620 France (Govt of) 1.75% 25/05/2023	1,104	0.60	
€385,000 Metropolitan Life Global Funding I 0.375% 09/04/2024	390	0.21	
€191,000 Nestlé Finance International 1.5% 19/07/2019	191	0.10	
€1,000,000 Nestlé Finance International 1.75% 12/09/2022	1,062	0.58	
€464,000 Nestlé Finance International 2.125% 10/09/2021	489	0.27	
€1,500,000 Novartis Finance 0.125% 20/09/2023	1,518	0.82	
€382,000 Novartis Finance 0.75% 09/11/2021	391	0.21	
€883,000 Novartis Finance 1.625% 09/11/2026	975	0.53	
€318,000 Procter & Gamble 2% 16/08/2022	339	0.18	
€636,000 Roche Finance Europe 0.875% 25/02/2025	669	0.36	

Portfolio statement (continued)

as at 30 June Holding	2019 €'000	2019 %	2018 %
'AA' credit rated bonds (continued)			
€2,228,000 Shell International Finance 1% 06/04/2022	2,305	1.25	
€636,000 Svenska Handelsbanken 2.625% 23/08/2022	690	0.37	
€805,000 Toyota Finance Australia 0.25% 09/04/2024	809	0.44	
€1,300,000 Walmart 4.875% 21/09/2029	1,866	1.01	
£382,000 Warwick Finance Residential Mortgage FRN 2.37488% 21/09/2049	428	0.23	
'A' credit rated bonds	54,915	29.79	28.49
€600,000 Airbus Finance 0.875% 13/05/2026	624	0.34	
€800,000 Allianz Finance II Var. Rate 5.75% 08/07/2041	887	0.48	
€1,100,000 Allianz Var. Rate 4.75% Perpetual	1,264	0.69	
€800,000 Anheuser-Busch InBev 2.75% 17/03/2036	926	0.50	
€1,793,000 Aon 2.875% 14/05/2026	2,001	1.09	
€400,000 Banco Santander Var. Rate 6.75% Perpetual	436	0.24	
€1,000,000 Bank of America 0.75% 26/07/2023	1,023	0.54	
€556,000 Bank of America 1.375% 10/09/2021	574	0.31	
€890,000 Bank of America 2.375% 19/06/2024	983	0.53	
€500,000 Belfius Bank Var. Rate 1.625% 15/03/2028	492	0.27	
€499,000 BMW Finance 0.125% 13/07/2022	501	0.27	
€950,000 BMW Finance 1.125% 22/05/2026	989	0.54	
€278,000 BNP Paribas 1.5% 17/11/2025	293	0.16	
€1,307,000 BNP Paribas FRN 0.43% 07/06/2024	1,310	0.71	
€246,000 BP Capital Markets 1.117% 25/01/2024	257	0.14	
€300,000 BPCE 1.375% 23/03/2026	313	0.17	
€318,000 CEZ 4.875% 16/04/2025	392	0.21	
€322,000 Chubb 1.55% 15/03/2028	342	0.19	
€515,000 CK Hutchison Europe Finance 18 1.25% 13/04/2025	535	0.29	
€2,000,000 Coca-Cola 1.125% 09/03/2027	2,120	1.15	
€200,000 Crédit Agricole 1.375% 03/05/2027	213	0.12	
€800,000 Crédit Agricole 1.875% 20/12/2026	868	0.47	
\$763,000 Crédit Agricole 4.125% 10/01/2027	703	0.38	
€890,000 DAA Finance 1.554% 07/06/2028	939	0.51	
€600,000 Daimler International Finance 1% 11/11/2025	618	0.34	
€650,000 EDF 4% 12/11/2025	805	0.44	
€350,000 ELM Var. Rate 2.6% Perpetual	372	0.20	
€280,000 ELM Var. Rate 4.5% Perpetual	321	0.17	
€37,754 EMAC De (2006-1) FRN 1.77% 25/08/2048	37	0.02	
€700,000 Engie 1.375% 19/05/2020	710	0.39	
€1,375,000 Engie 5.95% 16/03/2111	2,555	1.39	
€890,000 Eni 3.75% 12/09/2025	1,074	0.58	
€589,000 Heathrow Funding 1.875% 14/03/2034	613	0.33	
€636,000 Honeywell International 0.65% 21/02/2020	639	0.35	
€254,000 Honeywell International 1.3% 22/02/2023	267	0.14	
€987,000 HSBC 0.875% 06/09/2024	1,011	0.55	
€636,000 HSBC 1.5% 15/03/2022	661	0.36	
€1,272,000 HSBC FRN 0.19% 05/10/2023	1,265	0.69	
€636,000 Hutchison Whampoa 1.375% 31/10/2021	656	0.36	
€200,000 ING 2.125% 10/01/2026	218	0.12	
€639,000 JPMorgan Chase 1.375% 16/09/2021	660	0.36	
€1,434,000 JPMorgan Chase 1.5% 29/10/2026	1,542	0.84	
€872,000 JPMorgan Chase 2.875% 24/05/2028	1,048	0.57	
€310,000 JPMorgan Chase Var. Rate 1.638% 18/05/2028	332	0.18	
€400,000 KBC 0.75% 01/03/2022	408	0.22	

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Investments

Portfolio statement (continued)			
as at 30 June Holding	2019 €'000	2019 %	2018 %
'A' credit rated bonds (continued)			
€400,000 Klépierre 1.375% 16/02/2027	429	0.23	
€403,000 Lloyds Bank 0.25% 25/03/2024	409	0.22	
£598,000 Lloyds Bank 4.875% 30/03/2027	830	0.45	
€225,000 Medtronic Global 1.625% 07/03/2031	242	0.13	
\$637,754 Mitchells & Butlers Finance FRN 2.86025% 15/12/2030	515	0.28	
€153,000 NatWest Markets 1% 28/05/2024	153	0.08	
€185,000 Prologis 3% 18/01/2022	198	0.11	
€213,000 Prologis 3.375% 20/02/2024	244	0.13	
€191,000 Prologis International Funding II 1.876% 17/04/2025	206	0.11	
€636,000 Rabobank 4% 11/01/2022	704	0.38	
£925,181 RMAC Securities No.1 FRN 0.96275% 12/06/2044	977	0.53	
€600,000 Santander Consumer Finance 0.375% 27/06/2024	599	0.32	
€1,400,000 SAP 0.75% 10/12/2024	1,453	0.79	
€636,000 Scentre Management 1.5% 16/07/2020	644	0.35	
€300,000 SCOR Var. Rate 3.875% Perpetual	337	0.18	
€1,411,346 Silverback Finance 3.1261% 25/02/2037	1,519	0.82	
€364,000 Statkraft 2.5% 28/11/2022	396	0.21	
€432,000 Sumitomo Mitsui Banking 2.75% 24/07/2023	478	0.26	
€300,000 Swiss Re Finance Luxembourg Var. Rate 2.534% 30/04/2050	324	0.18	
€700,000 Thales 0.75% 07/06/2023	722	0.39	
€1,800,000 Total Capital International 1.375% 19/03/2025	1,933	1.05	
€100,000 Total Var. Rate 2.25% Perpetual	103	0.06	
€2,000,000 Total Var. Rate 3.369% Perpetual	2,224	1.21	
€1,230,000 UBS Group Funding Switzerland Var. Rate 1.25% 17/04/2025	1,276	0.69	
€509,000 Vier Gas Transport 3.125% 10/07/2023	575	0.31	
€297,000 Wells Fargo 1.625% 02/06/2025	319	0.17	
€1,500,000 Wells Fargo 2.25% 02/05/2023	1,622	0.88	
€636,000 Wells Fargo 2.625% 16/08/2022	687	0.37	
'BBB' credit rated bonds	60,391	32.77	30.34
€1,000,000 AG Insurance Var. Rate 3.5% 30/06/2047	1,075	0.58	
€600,000 Alstria office REIT 1.5% 15/11/2027	611	0.33	
€528,000 Altria 1.7% 15/06/2025	548	0.30	
€532,000 América Móvil Var. Rate 6.375% 06/09/2073	641	0.35	
€276,000 American International 1.875% 21/06/2027	290	0.16	
€1,350,000 American International Var. Rate 1.412% 15/03/2067	1,087	0.59	
€556,000 Arion Bank 1% 20/03/2023	554	0.30	
€400,000 Aroundtown 1.875% 19/01/2026	420	0.23	
€1,940,000 AT&T 3.55% 17/12/2032	2,342	1.27	
€350,000 Aviva Var. Rate 3.375% 04/12/2045	373	0.20	
€382,000 Aviva Var. Rate 6.125% 05/07/2043	448	0.24	
€454,000 AXA Var. Rate 3.25% 28/05/2049	499	0.27	
€500,000 AXA Var. Rate 5.125% 04/07/2043	586	0.32	
€300,000 Banco de Sabadell 1.75% 10/05/2024	305	0.17	
€300,000 Banco Santander 2.125% 08/02/2028	314	0.17	
€1,300,000 Banco Santander 2.5% 18/03/2025	1,404	0.76	
€382,000 Barclays Bank 6.625% 30/03/2022	440	0.24	

Portfolio statement (continued)

as at 30 June Holding	2019 €'000	2019 %	2018 %
'BBB' credit rated bonds (continued)			
£739,000 BAT International Finance 2.25% 09/09/2052	585	0.32	
€630,000 BAT International Finance 3.125% 06/03/2029	701	0.38	
£443,000 BAT International Finance 7.25% 12/03/2024	607	0.33	
€127,000 BNP Paribas 4.875% Perpetual	129	0.07	
€415,000 BNP Paribas Var. Rate 2.875% 20/03/2026	434	0.24	
€300,000 BPCE Var. Rate 2.75% 30/11/2027	323	0.18	
€827,000 Channel Link Enterprises Finance Var. Rate 1.761% 30/06/2050	831	0.45	
€1,400,000 Citigroup 1.5% 26/10/2028	1,484	0.81	
€1,145,000 Citigroup 1.75% 28/01/2025	1,230	0.67	
€1,100,000 Coentreprise de Transport d'Électricité 1.5% 29/07/2028	1,164	0.63	
€300,000 Commerzbank 1.875% 28/02/2028	315	0.17	
€177,000 Commerzbank 4% 23/03/2026	202	0.11	
€406,000 Covivio 2.375% 20/02/2028	444	0.24	
£477,000 Credit Suisse Funding 3% 27/05/2022	553	0.30	
€318,000 Deutsche Telekom International Finance 0.25% 19/04/2021	320	0.17	
€250,000 Deutsche Telekom International Finance 5.375% 27/07/2021	278	0.15	
\$636,000 Deutsche Telekom International Finance 8.75% 15/06/2030	801	0.44	
€196,000 ELM Var. Rate 3.375% 29/09/2047	210	0.11	
€251,000 Fastighets AB Balder 1.875% 23/01/2026	257	0.14	
€636,000 FCE Bank 1.134% 10/02/2022	638	0.35	
€208,000 FCE Bank 1.615% 11/05/2023	210	0.11	
€293,000 Fidelity National Information Services 1.5% 21/05/2027	305	0.17	
€241,000 Fiserv 0.375% 01/07/2023	242	0.13	
€369,000 Ford Motor Credit 2.386% 17/02/2026	370	0.20	
€125,000 Ford Motor Credit 3.021% 06/03/2024	132	0.07	
\$250,000 GE Capital International Funding 4.418% 15/11/2035	215	0.12	
€1,150,000 General Electric Capital 0.875% 17/05/2025	1,144	0.62	
€1,092,000 General Electric Capital 1.25% 26/05/2023	1,125	0.61	
€318,000 General Electric Capital 2.125% 17/05/2037	299	0.16	
€509,000 General Motors Financial 0.955% 07/09/2023	512	0.28	
€225,000 General Motors Financial 2.2% 01/04/2024	236	0.13	
€334,000 Global Switch 2.25% 31/05/2027	356	0.19	
€200,000 Goldman Sachs 1.375% 26/07/2022	208	0.11	
€700,000 Goldman Sachs 1.625% 27/07/2026	742	0.40	
€800,000 Goldman Sachs FRN 0.277% 26/09/2023	797	0.43	
€375,000 Holcim Finance 1.75% 29/08/2029	388	0.21	
€227,000 Imperial Brands Finance 1.375% 27/01/2025	232	0.13	
€636,000 ING Bank Var. Rate 3.625% 25/02/2026	672	0.37	
€500,000 ING Var. Rate 2% 22/03/2030	517	0.28	
€763,000 Intesa Sanpaolo 1.125% 04/03/2022	775	0.42	
€636,000 Intesa Sanpaolo 2% 18/06/2021	658	0.36	
€800,000 Intesa Sanpaolo Var. Rate 4.75% Perpetual	824	0.45	
€1,029,000 Italy (Republic of) 1.45% 15/05/2025	1,027	0.56	
€763,000 Johnson Controls International 1.375% 25/02/2025	800	0.43	

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Portfolio statement (continued)				
as at 30 June Holding	2019 €'000	2019 %	2018 %	
'BBB' credit rated bonds (continued)				
€127,000 Kraft Heinz Foods 2% 30/06/2023	134	0.07		
€763,000 Kraft Heinz Foods 2.25% 25/05/2028	814	0.44		
£136,000 LafargeHolcim Sterling Finance 3% 12/05/2032	153	0.08		
€252,000 Liberty Mutual 2.75% 04/05/2026	279	0.15		
€1,372,000 Lloyds Banking FRN 0.444% 21/06/2024	1,349	0.73		
€200,000 McDonald's 0.9% 15/06/2026	206	0.11		
€400,000 McDonald's 2% 01/06/2023	431	0.23		
€300,000 Merck Var. Rate 1.625% 25/06/2079	301	0.16		
€318,000 Merlin Properties 1.875% 02/11/2026	334	0.18		
£254,000 Mitchells & Butlers Finance FRN 1.38613% 15/12/2033	228	0.12		
€525,000 Morgan Stanley 1% 02/12/2022	541	0.29		
€1,161,000 Morgan Stanley 1.375% 27/10/2026	1,215	0.66		
€700,000 Morgan Stanley 1.75% 30/01/2025	748	0.41		
€890,000 Nielsen Norman Var. Rate 4.5% Perpetual	982	0.53		
€100,000 Orange 1.125% 15/07/2024	105	0.06		
€789,000 Orange Var. Rate 5% Perpetual	933	0.51		
€1,202,000 Origin Energy Finance 2.5% 23/10/2020	1,242	0.67		
€357,000 RCI Banque 2% 11/07/2024	377	0.21		
€481,000 Royal Bank of Scotland Var. Rate 2% 04/03/2025	499	0.27		
€119,000 Smiths 2% 23/02/2027	126	0.07		
€1,000,000 Société Générale 1.75% 22/03/2029	1,054	0.57		
€256,000 Tele2 1.125% 15/05/2024	264	0.14		
€127,000 Thermo Fisher Scientific 1.45% 16/03/2027	135	0.07		
€187,000 Thermo Fisher Scientific 2.875% 24/07/2037	222	0.12		
\$318,000 Time Warner Cable 7.3% 01/07/2038	338	0.18		
€1,800,000 UBS Var. Rate 4.75% 12/02/2026	1,916	1.04		
€621,000 UniCredit Var. Rate 5.375% Perpetual	564	0.31		
€400,000 Uniqia Insurance Var. Rate 6.875% 31/07/2043	473	0.26		
€1,145,000 Verizon Communications 0.875% 02/04/2025	1,183	0.64		
€300,000 Verizon Communications 2.875% 15/01/2038	356	0.19		
€1,300,000 Verizon Communications 3.25% 17/02/2026	1,539	0.84		
€431,000 Vodafone 1.125% 20/11/2025	448	0.24		
€600,000 Vodafone 2.2% 25/08/2026	669	0.36		
\$381,000 Vodafone 3.75% 16/01/2024	347	0.19		
€400,000 Vodafone Var. Rate 3.1% 03/01/2079	410	0.22		
€766,000 Volkswagen Financial Services 0.75% 14/10/2021	777	0.42		
€127,000 Volkswagen International Finance 1.625% 16/01/2030	126	0.07		
€375,000 Volkswagen Leasing 1.5% 19/06/2026	380	0.21		
€509,000 Volkswagen Leasing 2.625% 15/01/2024	551	0.30		
€302,000 WPC Eurobond 2.125% 15/04/2027	317	0.17		
€1,015,000 WPC Eurobond 2.25% 19/07/2024	1,096	0.60		

Portfolio statement (continued)

as at 30 June Holding	2019 €'000	2019 %	2018 %
'BB' credit rated bonds			
9,198	4.99	6.78	
£76,000 Bank of Scotland Var. Rate 7.281% Perpetual	103	0.06	
€254,000 Barclays Var. Rate 2% 07/02/2028	249	0.14	
€231,000 Bayer Var. Rate 2.375% 02/04/2075	230	0.12	
€748,000 Bayer Var. Rate 3% 01/07/2075	759	0.41	
€600,000 CaixaBank Var. Rate 5.25% Perpetual	562	0.31	
€400,000 EDF Var. Rate 4.125% Perpetual	428	0.23	
€636,000 Intesa Sanpaolo 2.855% 23/04/2025	651	0.35	
€500,000 Intesa Sanpaolo 3.928% 15/09/2026	534	0.29	
€254,000 Intesa Sanpaolo Var. Rate 7.75% Perpetual	286	0.16	
€318,000 Lloyds Banking Var. Rate 6.375% Perpetual	329	0.18	
€102,000 National Westminster Bank Var. Rate 1.84% Perpetual	101	0.05	
€1,150,000 Société Générale Var. Rate 9.375% Perpetual	1,169	0.63	
€445,000 Solvay Finance Var. Rate 5.425% Perpetual	516	0.28	
€159,000 Telecom Italia 7.75% 24/01/2033	217	0.12	
€600,000 Telefónica Europe Var. Rate 3% Perpetual	612	0.33	
€500,000 Telefónica Europe Var. Rate 4.375% Perpetual	541	0.29	
€382,000 Teva Pharmaceutical Finance 1.125% 15/10/2024	315	0.17	
€636,000 UBS Group Funding Switzerland Var. Rate 5.75% Perpetual	700	0.38	
€127,000 Unicredit 6.95% 31/10/2022	148	0.08	
£636,000 Virgin Media Secured Finance 6.25% 28/03/2029	748	0.41	
'B' credit rated bonds			
0	0.00	0.30	
Bonds with no credit rating			
11,159	6.06	6.68	
€347,000 Assicurazioni Generali Var. Rate 5.5% 27/10/2047	397	0.22	
€200,000 Assicurazioni Generali Var. Rate 7.75% 12/12/2042	240	0.13	
€456,000 Avoca CLO XIII FRN 0.9% 15/10/2030	456	0.25	
€636,000 Barings 2017-1 FRN 0.9% 15/10/2030	635	0.35	
€300,000 Bureau Veritas 1.25% 07/09/2023	304	0.17	
€724,000 Coventry Building Society 0.125% 20/06/2026	722	0.39	
€417,000 DP World 2.375% 25/09/2026	436	0.24	
€172,000 Eurofins Scientific 2.125% 25/07/2024	171	0.09	
€156,000 EWE 5.25% 16/07/2021	173	0.09	
€900,000 Groupe Bruxelles Lambert 1.375% 23/05/2024	919	0.50	
€500,000 Iliad 1.875% 25/04/2025	490	0.27	
€500,000 Lagardère 1.625% 21/06/2024	502	0.27	
€350,000 Lehman Brothers Holdings Var. Rate 2040 (0%) ^(a)	0	0.00	
€881,000 NET4GAS 2.5% 28/07/2021	921	0.50	
€835,000 OAK Hill FRN 0.96% 21/02/2030	835	0.45	
€400,000 SEB 1.5% 31/05/2024	413	0.22	
€411,000 SELP Finance 1.25% 25/10/2023	423	0.23	
€209,000 SELP Finance 1.5% 20/11/2025	215	0.12	
€475,000 Stora Enso 2.5% 07/06/2027	503	0.27	
€200,000 Suez 5.5% 22/07/2024	256	0.14	
€200,000 Suez Var. Rate 2.875% Perpetual	209	0.11	
€1,472,000 Telefónica Germany 2.375% 10/02/2021	1,528	0.83	
€400,000 Vilmarin & Cie 2.375% 26/05/2021	411	0.22	

M&G European Corporate Bond Fund

Authorised Corporate Director's Report

Investments

Portfolio statement (continued)			
as at 30 June	2019	2019	2018
Holding	€'000	%	%
Debt derivatives	(280)	(0.16)	(0.01)
Credit default swaps	0	0.00	0.07
Interest rate futures	(280)	(0.16)	(0.08)
(29) 10 Year US Treasury Note Sep 2019	(56)	(0.03)	
16 Euro Bobl Sep 2019	8	0.00	
(12) Euro Bono Sep 2019	(31)	(0.02)	
12 Euro Bund Sep 2019	20	0.01	
(34) Euro Buxl Sep 2019	(186)	(0.10)	
(19) UK Long Gilt Bond Sep 2019	(35)	(0.02)	
CURRENCY	154	0.08	0.01
Forward currency contracts	154	0.08	0.01
£277,715 Bought for €312,568 (expires 03.07.19)	(3)	0.00	
£(6,410,112) Sold for €7,242,654 (expires 03.07.19)	98	0.05	
\$100,633 Bought for €89,389 (expires 03.07.19)	(1)	0.00	
\$(4,450,307) Sold for €3,970,021 (expires 03.07.19)	60	0.03	
Portfolio of investments	180,107	97.71	99.01
CASH EQUIVALENTS	2,196	1.19	0.00
'AAA' rated money market funds ^[b]	2,196	1.19	0.00
2,242,455 Northern Trust Global Fund - Euro	2,196	1.19	
SHARE CLASS HEDGING	(84)	(0.05)	(0.03)
Forward currency contracts for share class hedging	(84)	(0.05)	(0.03)
£62,880,245 Bought for €70,108,033 (expires 31.07.19)	(85)	(0.05)	
£(876,740) Sold for €977,643 (expires 31.07.19)	1	0.00	
Total portfolio (notes 2c & 2d on page 7)	182,219	98.85	98.98
Net other assets / (liabilities)	2,118	1.15	1.02
Net assets attributable to shareholders	184,337	100.00	100.00

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

^[a] Defaulted bond.

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

M&G European Corporate Bond Fund

Financial highlights

Fund performance

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

The following 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 sterling share classes. Performance is shown after deduction of this charge. All UK 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 (3), which is available free of charge either from our website at www.mandg.co.uk/prospectuses or by calling M&G Customer Relations.

Fund level performance

Fund net asset value			
as at 30 June	2019 €'000	2018 €'000	2017 €'000
Fund net asset value (NAV)	184,337	1,697,355	1,947,876

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.



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

To give an indication of the performance of the fund, the following table shows the compound rate of return, per annum, over the period to 9 November 2018 for non-sterling share classes and 1 July 2019 for sterling share classes. Calculated on a price to price basis with income reinvested.

Long-term performance by share class

	From 02.07.18 % [a]	From 01.07.16 % p.a.	From 01.07.14 % p.a.	Since launch % p.a.
Euro [b]				
Class 'A'	-0.1	+1.0	+1.5	+3.7 [c]
Class 'C'	+0.1	+1.5	+2.0	+4.4 [c]
Sterling [d]				
Class 'A'	+5.5	+4.5	+4.4	+5.3 [e]
Class 'I'	+6.0	+5.0	+4.9	+5.6 [e]
Class 'I-H'	+5.8	n/a	n/a	+0.8 [f]
Class 'R'	+5.8	+4.7	+4.6	+5.4 [e]
Class 'X'	+5.5	+4.4	+4.3	+5.2 [c]
Swiss franc [b]				
Class 'A-H'	-0.3	+0.5	+1.0	+2.4 [g]
Class 'C-H'	-0.1	+1.0	+1.5	+2.9 [g]
US dollar [b]				
Class 'A-H'	+0.9	+3.2	n/a	+3.0 [h]
Class 'C-H'	+1.1	+3.7	n/a	+3.5 [h]

[a] Absolute basis.

[b] Price to price with gross income reinvested.

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

[d] Price to price with income reinvested.

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

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

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

[h] 8 August 2014, the launch date of the share class.

M&G European Corporate Bond Fund

Financial highlights

Fund performance

Operating charges and portfolio transaction costs

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

Operating charges

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

- **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, the direct transaction costs paid on other investments are too small to be reflected in the table below. To give an indication of the indirect portfolio dealing costs the table below shows the average portfolio dealing spread.

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

Portfolio transaction costs

as at 30 June	2019	2018	2017	Average ^[a]
Indirect portfolio transaction costs	%	%	%	%
Average portfolio dealing spread	0.48	0.45	0.49	0.47

[a] Average of first three columns.

M&G European Corporate Bond Fund

Financial highlights

Specific share class performance

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

The non-sterling share classes were merged into the equivalent share classes of M&G (Lux) Euro Corporate Bond Fund on 9 November 2018. The distribution yields for the current year for the non-sterling share classes were calculated at the merger date.

Euro Class 'A' Income share performance

The share class was launched on 12 July 2013.

for the year to 30 June Change in NAV per share	2019 Euro ¢	2018 Euro ¢	2017 Euro ¢
Opening NAV	1,620.39	1,648.51	1,641.34
Return before operating charges and after direct portfolio transaction costs	8.52	26.26	65.53
Operating charges	(6.87)	(19.18)	(19.30)
Return after operating charges	1.65	7.08	46.23
Distributions	(12.42)	(35.20)	(39.06)
Return to shareholder as a result of share class closure	(1,609.62)	n/a	n/a
Closing NAV	0.00	1,620.39	1,648.51
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.01	0.02	0.04
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.01	0.02	0.04
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges	1.16	1.16	1.16
Return after operating charges	+0.10	+0.43	+2.82
Distribution yield	2.19	2.07	2.15
Effect on yield of charges offset against capital	1.15	1.15	1.15
Other information			
Closing NAV (€'000)	0	63,150	61,925
Closing NAV percentage of total fund NAV (%)	0.00	3.72	3.18
Number of shares	0	3,897,206	3,756,411
Highest share price (Euro ¢)	1,631.47	1,684.94	1,695.33
Lowest share price (Euro ¢)	1,608.20	1,627.01	1,641.38

Euro Class 'A' Accumulation share performance

The share class was launched on 13 January 2003.

for the year to 30 June Change in NAV per share	2019 Euro ¢	2018 Euro ¢	2017 Euro ¢
Opening NAV	1,786.22	1,778.94	1,730.02
Return before operating charges and after direct portfolio transaction costs	9.37	28.17	69.41
Operating charges	(7.59)	(20.89)	(20.49)
Return after operating charges	1.78	7.28	48.92
Distributions	(6.19)	(17.58)	(21.17)
Retained distributions	6.19	17.58	21.17
Return to shareholder as a result of share class closure	(1,788.00)	n/a	n/a
Closing NAV	0.00	1,786.22	1,778.94
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.01	0.02	0.04
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.01	0.02	0.04
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges	1.16	1.16	1.16
Return after operating charges	+0.10	+0.41	+2.83
Distribution yield	1.04	0.92	1.00
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€'000)	0	892,537	1,043,611
Closing NAV percentage of total fund NAV (%)	0.00	52.58	53.57
Number of shares	0	49,968,002	58,664,612
Highest share price (Euro ¢)	1,798.42	1,828.12	1,797.72
Lowest share price (Euro ¢)	1,781.87	1,777.35	1,739.45

Euro Class 'C' Income share performance

The share class was launched on 8 August 2014.

for the year to 30 June Change in NAV per share	2019 Euro ¢	2018 Euro ¢	2017 Euro ¢
Opening NAV	1,823.20	1,845.62	1,828.33
Return before operating charges and after direct portfolio transaction costs	9.58	29.32	73.16
Operating charges	(4.40)	(12.24)	(12.26)
Return after operating charges	5.18	17.08	60.90
Distributions	(13.98)	(39.50)	(43.61)
Return to shareholder as a result of share class closure	(1,814.40)	n/a	n/a
Closing NAV	0.00	1,823.20	1,845.62
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.01	0.02	0.04
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.01	0.02	0.04
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges	0.66	0.66	0.66
Return after operating charges	+0.28	+0.93	+3.33
Distribution yield	2.19	2.07	2.14
Effect on yield of charges offset against capital	0.65	0.65	0.65
Other information			
Closing NAV (€'000)	0	12,432	7,320
Closing NAV percentage of total fund NAV (%)	0.00	0.73	0.38
Number of shares	0	681,861	396,648
Highest share price (Euro ¢)	1,836.74	1,889.75	1,890.29
Lowest share price (Euro ¢)	1,812.52	1,830.22	1,832.87

M&G European Corporate Bond Fund

Financial highlights

Specific share class performance

Euro Class 'C' Accumulation share performance

The share class was launched on 13 January 2003.

for the year to 30 June Change in NAV per share	2019 Euro ¢	2018 Euro ¢	2017 Euro ¢
Opening NAV	1,987.87	1,969.95	1,906.43
Return before operating charges and after direct portfolio transaction costs	10.42	31.12	76.40
Operating charges	(4.81)	(13.20)	(12.88)
Return after operating charges	5.61	17.92	63.52
Distributions	(10.53)	(29.50)	(33.16)
Retained distributions	10.53	29.50	33.16
Return to shareholder as a result of share class closure	(1,993.48)	n/a	n/a
Closing NAV	0.00	1,987.87	1,969.95
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.01	0.03	0.04
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.01	0.03	0.04
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges	0.66	0.66	0.66
Return after operating charges	+0.28	+0.91	+3.33
Distribution yield	1.54	1.42	1.49
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€'000)	0	543,856	663,444
Closing NAV percentage of total fund NAV (%)	0.00	32.04	34.05
Number of shares	0	27,358,743	33,678,325
Highest share price (Euro ¢)	2,002.60	2,027.99	1,990.47
Lowest share price (Euro ¢)	1,986.34	1,968.46	1,916.77

Sterling Class 'A' Income share performance

The share class was launched on 13 January 2003.

for the year to 30 June Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	77.44	78.14	73.16
Return before operating charges and after direct portfolio transaction costs	4.48	1.90	7.71
Operating charges	(0.90)	(0.92)	(0.90)
Return after operating charges	3.58	0.98	6.81
Distributions	(1.57)	(1.68)	(1.83)
Closing NAV	79.45	77.44	78.14
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges	1.17	1.16	1.16
Return after operating charges	+4.62	+1.25	+9.31
Distribution yield	1.51	2.07	2.14
Effect on yield of charges offset against capital	1.15	1.15	1.15
Other information			
Closing NAV (€'000)	607	662	731
Closing NAV percentage of total fund NAV (%)	0.33	0.04	0.04
Number of shares	685,338	757,368	821,998
Highest share price (UK p)	80.21	83.89	81.19
Lowest share price (UK p)	74.48	76.59	74.16

Sterling Class 'A' Accumulation share performance

The share class was launched on 13 January 2003.

for the year to 30 June Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	111.60	110.24	100.94
Return before operating charges and after direct portfolio transaction costs	6.55	2.67	10.68
Operating charges	(1.31)	(1.31)	(1.24)
Return after operating charges	5.24	1.36	9.44
Distributions	(0.98)	(1.09)	(1.30)
Retained distributions	0.98	1.09	1.16
Closing NAV	116.84	111.60	110.24
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	1.17	1.16	1.16
Return after operating charges	+4.70	+1.23	+9.35
Distribution yield	0.37	0.92	1.00
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€'000)	40,203	51,650	51,566
Closing NAV percentage of total fund NAV (%)	21.81	3.04	2.65
Number of shares	30,869,258	41,001,496	41,102,044
Highest share price (UK p)	117.39	118.35	112.64
Lowest share price (UK p)	108.43	109.79	102.94

Sterling Class 'I' Income share performance

The share class was launched on 3 August 2012.

for the year to 30 June Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	1,223.86	1,228.81	1,144.69
Return before operating charges and after direct portfolio transaction costs	71.07	29.74	120.77
Operating charges	(8.15)	(8.26)	(8.01)
Return after operating charges	62.92	21.48	112.76
Distributions	(24.80)	(26.43)	(28.64)
Closing NAV	1,261.98	1,223.86	1,228.81
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.02	0.03
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.02	0.03
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges	0.67	0.66	0.66
Return after operating charges	+5.14	+1.75	+9.85
Distribution yield	1.51	2.07	2.14
Effect on yield of charges offset against capital	0.65	0.65	0.65
Other information			
Closing NAV (€'000)	2,719	3,411	16,496
Closing NAV percentage of total fund NAV (%)	1.48	0.20	0.85
Number of shares	193,314	246,954	1,179,640
Highest share price (UK p)	1,274.11	1,320.32	1,272.18
Lowest share price (UK p)	1,181.08	1,209.20	1,163.17

M&G European Corporate Bond Fund

Financial highlights

Specific share class performance

Sterling Class 'I' Accumulation share performance

The share class was launched on 3 August 2012.

for the year to 30 June Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	1,378.24	1,354.69	1,234.89
Return before operating charges and after direct portfolio transaction costs	81.17	32.70	130.84
Operating charges	(9.26)	(9.15)	(8.68)
Return after operating charges	71.91	23.55	122.16
Distributions	(19.12)	(20.39)	(22.51)
Retained distributions	19.12	20.39	20.15
Closing NAV	1,450.15	1,378.24	1,354.69
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.01	0.02	0.03
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.01	0.02	0.03
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges	0.67	0.66	0.66
Return after operating charges	+5.22	+1.74	+9.89
Distribution yield	0.87	1.42	1.49
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€'000)	30,308	26,325	16,011
Closing NAV percentage of total fund NAV (%)	16.44	1.55	0.82
Number of shares	1,875,040	1,692,136	1,038,578
Highest share price (UK p)	1,456.99	1,455.52	1,379.48
Lowest share price (UK p)	1,343.59	1,354.42	1,261.56

Sterling Class 'I-H' Income share performance

The share class was launched on 23 February 2018.

for the year to 30 June Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	98.67	100.00	n/a
Return before operating charges and after direct portfolio transaction costs	5.77	(0.05)	n/a
Operating charges	(0.68)	(0.24)	n/a
Return after operating charges	5.09	(0.29)	n/a
Distributions	(2.02)	(1.04)	n/a
Closing NAV	101.74	98.67	n/a
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.00	n/a
Dilution adjustments ^[a]	0.00	0.00	n/a
Total direct portfolio transaction costs	0.00	0.00	n/a
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	n/a
Operating charges	0.69	0.68	n/a
Return after operating charges	+5.16	-0.29	n/a
Distribution yield	1.52	1.42	n/a
Effect on yield of charges offset against capital	0.67	0.67	n/a
Other information			
Closing NAV (€'000)	68,919	59,907	n/a
Closing NAV percentage of total fund NAV (%)	37.39	3.53	n/a
Number of shares	60,777,130	53,785,024	n/a
Highest share price (UK p)	102.71	100.37	n/a
Lowest share price (UK p)	97.54	98.99	n/a

Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012.

for the year to 30 June Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	121.79	122.58	114.48
Return before operating charges and after direct portfolio transaction costs	7.05	2.97	12.05
Operating charges	(1.11)	(1.13)	(1.10)
Return after operating charges	5.94	1.84	10.95
Distributions	(2.46)	(2.63)	(2.85)
Closing NAV	125.27	121.79	122.58
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	0.92	0.91	0.91
Return after operating charges	+4.88	+1.50	+9.56
Distribution yield	1.51	2.07	2.14
Effect on yield of charges offset against capital	0.90	0.90	0.90
Other information			
Closing NAV (€'000)	156	134	44
Closing NAV percentage of total fund NAV (%)	0.08	0.01	0.00
Number of shares	111,436	97,201	31,201
Highest share price (UK p)	126.47	131.66	127.14
Lowest share price (UK p)	117.33	120.39	116.19

Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012.

for the year to 30 June Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	136.22	134.23	122.64
Return before operating charges and after direct portfolio transaction costs	8.01	3.23	12.98
Operating charges	(1.25)	(1.24)	(1.19)
Return after operating charges	6.76	1.99	11.79
Distributions	(1.55)	(1.68)	(1.90)
Retained distributions	1.55	1.68	1.70
Closing NAV	142.98	136.22	134.23
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges	0.92	0.91	0.91
Return after operating charges	+4.96	+1.48	+9.61
Distribution yield	0.63	1.17	1.24
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€'000)	430	486	72
Closing NAV percentage of total fund NAV (%)	0.23	0.03	0.00
Number of shares	269,643	316,345	47,000
Highest share price (UK p)	143.65	144.16	136.92
Lowest share price (UK p)	132.58	133.94	125.17

M&G European Corporate Bond Fund

Financial highlights

Specific share class performance

Sterling Class 'X' Income share performance

The share class was launched on 13 January 2003.

for the year to 30 June Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	77.23	77.94	73.05
Return before operating charges and after direct portfolio transaction costs	4.47	1.88	7.70
Operating charges	(0.90)	(0.92)	(0.99)
Return after operating charges	3.57	0.96	6.71
Distributions	(1.56)	(1.67)	(1.82)
Closing NAV	79.24	77.23	77.94
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	1.17	1.16	1.28*
Return after operating charges	+4.62	+1.23	+9.19
Distribution yield	1.51	2.07	2.14
Effect on yield of charges offset against capital	1.15	1.15	1.15
Other information			
Closing NAV (€'000)	772	755	1,121
Closing NAV percentage of total fund NAV (%)	0.42	0.04	0.06
Number of shares	873,923	865,777	1,263,973
Highest share price (UK p)	80.01	83.67	81.02
Lowest share price (UK p)	74.28	76.39	73.98

* As the annual management charge had been discounted during the period, 1.16% is a more reliable estimate of the operating charges for the period to 30.06.17.

Sterling Class 'X' Accumulation share performance

The share class was launched on 13 January 2003.

for the year to 30 June Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	109.14	107.80	98.80
Return before operating charges and after direct portfolio transaction costs	6.40	2.62	10.45
Operating charges	(1.28)	(1.28)	(1.33)
Return after operating charges	5.12	1.34	9.12
Distributions	(0.96)	(1.07)	(1.15)
Retained distributions	0.96	1.07	1.03
Closing NAV	114.26	109.14	107.80
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	1.17	1.16	1.27*
Return after operating charges	+4.69	+1.24	+9.23
Distribution yield	0.40	0.92	0.77
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€'000)	40,223	33,765	68,340
Closing NAV percentage of total fund NAV (%)	21.82	1.99	3.50
Number of shares	31,583,381	27,409,825	55,704,735
Highest share price (UK p)	114.80	115.74	110.19
Lowest share price (UK p)	106.04	107.36	100.66

* As the annual management charge had been discounted during the period, 1.16% is a more reliable estimate of the operating charges for the period to 30.06.17.

Swiss franc Class 'A-H' Accumulation share performance

The share class was launched on 28 September 2012.

for the year to 30 June Change in NAV per share	2019 Swiss ¢	2018 Swiss ¢	2017 Swiss ¢
Opening NAV	1,160.47	1,160.41	1,134.46
Return before operating charges and after direct portfolio transaction costs	4.20	13.89	39.49
Operating charges	(5.00)	(13.83)	(13.54)
Return after operating charges	(0.80)	0.06	25.95
Distributions	(3.93)	(11.34)	(13.56)
Retained distributions	3.93	11.34	13.56
Return to shareholder as a result of share class closure	(1,159.67)	n/a	n/a
Closing NAV	0.00	1,160.47	1,160.41
Direct portfolio transaction costs	Swiss ¢	Swiss ¢	Swiss ¢
Costs before dilution adjustments	0.00	0.02	0.03
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.02	0.03
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges	1.18	1.18	1.18
Return after operating charges	-0.07	+0.01	+2.29
Distribution yield	1.02	0.90	0.98
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€'000)	0	2,660	3,495
Closing NAV percentage of total fund NAV (%)	0.00	0.16	0.18
Number of shares	0	265,102	329,288
Highest share price (Swiss ¢)	1,167.78	1,191.02	1,172.82
Lowest share price (Swiss ¢)	1,155.86	1,159.15	1,138.83

M&G European Corporate Bond Fund

Financial highlights

Specific share class performance

Swiss franc Class 'C-H' Accumulation share performance

The share class was launched on 28 September 2012.

for the year to 30 June Change in NAV per share	2019 Swiss ¢	2018 Swiss ¢	2017 Swiss ¢
Opening NAV	1,194.27	1,189.05	1,156.44
Return before operating charges and after direct portfolio transaction costs	4.37	13.45	40.64
Operating charges	(2.97)	(8.23)	(8.03)
Return after operating charges	1.40	5.22	32.61
Distributions	(6.22)	(17.73)	(19.81)
Retained distributions	6.22	17.73	19.81
Return to shareholder as a result of share class closure	(1,195.67)	n/a	n/a
Closing NAV	0.00	1,194.27	1,189.05
Direct portfolio transaction costs	Swiss ¢	Swiss ¢	Swiss ¢
Costs before dilution adjustments	0.00	0.02	0.03
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.02	0.03
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges	0.68	0.68	0.68
Return after operating charges	+0.12	+0.44	+2.82
Distribution yield	1.52	1.40	1.48
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€'000)	0	681	9,187
Closing NAV percentage of total fund NAV (%)	0.00	0.04	0.47
Number of shares	0	65,930	844,811
Highest share price (Swiss ¢)	1,202.51	1,222.94	1,201.59
Lowest share price (Swiss ¢)	1,191.56	1,188.00	1,162.30

US dollar Class 'A-H' Income share performance

The share class was launched on 8 August 2014.

for the year to 30 June Change in NAV per share	2019 US ¢	2018 US ¢	2017 US ¢
Opening NAV	1,039.23	1,032.42	1,010.48
Return before operating charges and after direct portfolio transaction costs	16.20	41.47	58.37
Operating charges	(4.49)	(12.15)	(12.15)
Return after operating charges	11.71	29.32	46.22
Distributions	(8.05)	(22.51)	(24.28)
Return to shareholder as a result of share class closure	(1,042.89)	n/a	n/a
Closing NAV	0.00	1,039.23	1,032.42
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.00	0.01	0.02
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.01	0.02
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges	1.18	1.18	1.18
Return after operating charges	+1.13	+2.84	+4.57
Distribution yield	2.16	2.08	2.18
Effect on yield of charges offset against capital	1.17	1.17	1.17
Other information			
Closing NAV (€'000)	0	342	112
Closing NAV percentage of total fund NAV (%)	0.00	0.02	0.01
Number of shares	0	38,258	12,385
Highest share price (US ¢)	1,049.89	1,063.30	1,048.51
Lowest share price (US ¢)	1,039.57	1,031.91	1,016.09

US dollar Class 'A-H' Accumulation share performance

The share class was launched on 8 August 2014.

for the year to 30 June Change in NAV per share	2019 US ¢	2018 US ¢	2017 US ¢
Opening NAV	1,121.58	1,090.91	1,042.98
Return before operating charges and after direct portfolio transaction costs	17.65	43.83	60.58
Operating charges	(4.87)	(13.16)	(12.65)
Return after operating charges	12.78	30.67	47.93
Distributions	(3.88)	(10.78)	(12.64)
Retained distributions	3.88	10.78	12.64
Return to shareholder as a result of share class closure	(1,134.36)	n/a	n/a
Closing NAV	0.00	1,121.58	1,090.91
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.00	0.01	0.02
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.01	0.02
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges	1.18	1.18	1.18
Return after operating charges	+1.14	+2.81	+4.60
Distribution yield	1.00	0.90	1.00
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€'000)	0	3,004	3,604
Closing NAV percentage of total fund NAV (%)	0.00	0.18	0.19
Number of shares	0	311,733	376,804
Highest share price (US ¢)	1,133.22	1,130.35	1,101.55
Lowest share price (US ¢)	1,121.94	1,090.37	1,048.77

M&G European Corporate Bond Fund

Financial highlights

Specific share class performance

US dollar Class 'C-H' Income share performance

The share class was launched on 8 August 2014.

for the year to 30 June Change in NAV per share	2019 US ¢	2018 US ¢	2017 US ¢
Opening NAV	1,049.50	1,037.17	1,010.01
Return before operating charges and after direct portfolio transaction costs	16.36	42.09	58.53
Operating charges	(2.61)	(7.15)	(7.02)
Return after operating charges	13.75	34.94	51.51
Distributions	(8.10)	(22.61)	(24.35)
Return to shareholder as a result of share class closure	(1,055.15)	n/a	n/a
Closing NAV	0.00	1,049.50	1,037.17
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.00	0.01	0.02
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.01	0.02
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges	0.68	0.68	0.68
Return after operating charges	+1.31	+3.37	+5.10
Distribution yield	2.16	2.08	2.19
Effect on yield of charges offset against capital	0.67	0.67	0.67
Other information			
Closing NAV (€'000)	0	110	111
Closing NAV percentage of total fund NAV (%)	0.00	0.01	0.01
Number of shares	0	12,179	12,179
Highest share price (US ¢)	1,060.88	1,070.73	1,053.21
Lowest share price (US ¢)	1,049.89	1,036.81	1,015.73

US dollar Class 'C-H' Accumulation share performance

The share class was launched on 8 August 2014.

for the year to 30 June Change in NAV per share	2019 US ¢	2018 US ¢	2017 US ¢
Opening NAV	1,144.54	1,107.10	1,053.97
Return before operating charges and after direct portfolio transaction costs	18.31	45.15	60.45
Operating charges	(2.87)	(7.71)	(7.32)
Return after operating charges	15.44	37.44	53.13
Distributions	(6.09)	(16.77)	(18.32)
Retained distributions	6.09	16.77	18.32
Return to shareholder as a result of share class closure	(1,159.98)	n/a	n/a
Closing NAV	0.00	1,144.54	1,107.10
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.00	0.02	0.02
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.02	0.02
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges	0.68	0.68	0.68
Return after operating charges	+1.35	+3.38	+5.04
Distribution yield	1.50	1.40	1.51
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€'000)	0	1,488	686
Closing NAV percentage of total fund NAV (%)	0.00	0.09	0.04
Number of shares	0	151,383	70,714
Highest share price (US ¢)	1,157.74	1,152.71	1,118.06
Lowest share price (US ¢)	1,144.96	1,106.92	1,059.90

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

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

M&G European Corporate Bond Fund

Financial statements and notes

Financial statements

Statement of total return					
for the year to 30 June	Note	2019 €'000	2018 €'000	2019 €'000	2018 €'000
Income					
Net capital gains / (losses)	3		1,472		(10,245)
Revenue	5	15,078		41,355	
Expenses	6	(6,904)		(18,610)	
Interest payable		(96)		(376)	
Net revenue / (expense) before taxation		8,078		22,369	
Taxation	7	15		(5)	
Net revenue / (expense) after taxation			8,093		22,364
Total return before distributions			9,565		12,119
Distributions	8		(8,864)		(23,346)
Change in net assets attributable to shareholders from investment activities			701		(11,227)

Statement of change in net assets attributable to shareholders				
for the year to 30 June	2019 €'000	2018 €'000	2019 €'000	2018 €'000
Opening net assets attributable to shareholders		1,697,355		1,947,876
Amounts received on issue of shares	53,866		247,247	
Amounts paid on cancellation of shares	(291,083)		(508,217)	
Transferred to M&G (Lux) Euro Corporate Bond Fund	(1,283,631)		0	
		(1,520,848)		(260,970)
Dilution adjustments		565		995
Change in net assets attributable to shareholders from investment activities (see above)		701		(11,227)
Retained distributions on Accumulation shares		6,564		20,681
Closing net assets attributable to shareholders		184,337		1,697,355

Balance sheet			
as at 30 June	Note	2019 €'000	2018 €'000
Assets			
Fixed assets			
Investments		180,420	1,684,194
Current assets			
Debtors	9	1,719	20,582
Cash and bank balances	10	1,789	11,636
Cash equivalents		2,196	0
Total assets		186,124	1,716,412
Liabilities			
Investment liabilities		(397)	(4,188)
Creditors			
Bank overdrafts		(712)	0
Distribution payable		(360)	(759)
Other creditors	11	(318)	(14,110)
Total liabilities		(1,787)	(19,057)
Net assets attributable to shareholders		184,337	1,697,355

Notes to the financial statements

1 Accounting policies

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

The fund's functional and presentational currency is euro as this better reflects the currency of its primary economic environment.

2 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.

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

3 Net capital gains / (losses)

for the year to 30 June	2019 €'000	2018 €'000
Non-derivative securities	4,471	(9,714)
Derivative contracts	(801)	1,121
Currency gains / (losses)	(2,189)	(1,642)
Transaction charges	(9)	(10)
Net capital gains / (losses)	1,472	(10,245)

4 Portfolio transactions and associated costs

The following tables show portfolio transactions and their associated transaction costs. For more information about the nature of the costs please see the section on 'Operating charges and portfolio transaction costs' on page 78.

for the year to 30 June	2019 €'000	2018 €'000
a) Purchases		
Debt securities ^[a]	98,467	526,763
b) Sales		
Debt securities ^[a]	1,593,929	697,288
Other transaction types		
Corporate actions	6,527	6,227
Total sales	1,600,456	703,515

c) Direct portfolio transaction costs	2019 €'000	% of average NAV	2018 €'000	% of average NAV
Commissions paid				
Derivatives	3	0.00	26	0.00
Taxes paid				
Derivatives	3	0.00	0	0.00
Total direct portfolio transaction costs	6	0.00	26	0.00
d) Indirect portfolio transaction costs		%		%
Portfolio dealing spread ^[b]		0.48		0.45

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

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

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Financial statements and notes

Notes to the financial statements

5 Revenue

	2019 €'000	2018 €'000
for the year to 30 June		
Bank interest	20	5
Derivative revenue	151	315
Interest on debt securities	14,907	41,035
Total revenue	15,078	41,355

6 Expenses

	2019 €'000	2018 €'000
for the year to 30 June		
Payable to the ACD or associate		
Annual management charge	5,734	15,541
Administration charge	1,076	2,874
Share class hedging charge	12	6
	6,822	18,421
Payable to the Depositary or associate		
Depositary's charge (including VAT)	38	85
Other expenses		
Audit fee (including VAT)	12	12
Safe custody charge	32	92
	44	104
Total expenses	6,904	18,610

7 Taxation

	2019 €'000	2018 €'000
for the year to 30 June		
a) Analysis of charge in the year		
Corporation tax	0	0
Withholding tax	(15)	5
Deferred tax (note 7c)	0	0
Total taxation	(15)	5
b) Factors affecting taxation charge for the year		
Net revenue / (expense) before taxation	8,078	22,369
Corporation tax at 20%	1,616	4,474
Effects of:		
Interest distributions	(1,616)	(4,474)
Withholding tax	(15)	5
Total tax charge (note 7a)	(15)	5
c) Provision for deferred taxation		
Provision at the start of the year	0	0
Deferred tax in profit and loss account (note 7a)	0	0
Provision at the end of the year	0	0

The fund has not recognised a deferred tax asset in the current financial year (2018: same).

8 Distributions

	2019		2018	
	Inc ^[a] €'000	Acc ^[b] €'000	Inc ^[a] €'000	Acc ^[b] €'000
for the year to 30 June				
Interest distributions				
First interim	767	4,012	510	5,769
Second interim	531	1,928	449	5,637
Third interim	363	369	689	4,845
Final	360	255	759	4,430
Total net distributions		8,585		23,088
Income deducted on cancellation of shares		385		821
Income received on issue of shares		(106)		(563)
Distributions		8,864		23,346
Net revenue / (expense) per statement of total return		8,093		22,364
Expenses offset against capital		771		982
Distributions		8,864		23,346

[a] Distributions payable on Income shares.

[b] Retained distributions on Accumulation shares.

9 Debtors

	2019 €'000	2018 €'000
as at 30 June		
Amounts receivable on issues of shares	0	2,734
Debt security interest receivable	1,719	17,474
Derivative revenue receivable	0	306
Withholding tax recoverable	0	68
Total debtors	1,719	20,582

10 Cash and bank balances

	2019 €'000	2018 €'000
as at 30 June		
Amounts held at futures clearing houses and collateral manager	1,545	5,947
Cash held as bank balances	244	5,689
Total cash and bank balances	1,789	11,636

11 Other creditors

	2019 €'000	2018 €'000
as at 30 June		
ACD's annual management charge payable	40	419
Administration charge payable	9	78
Amounts payable on cancellation of shares	0	11,875
Derivative expense payable	6	412
Expenses payable	23	31
Purchases awaiting settlement	240	1,295
Total other creditors	318	14,110

12 Contingent assets, liabilities and outstanding commitments

There were no contingent assets, liabilities or outstanding commitments at the balance sheet date (2018: same).

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13 Shares in issue

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

Share class	Opening 01.07.18	Movements		Closing 30.06.19
		Issued	Cancelled	
Euro				
Class 'A' Income	3,897,206	215,608	(4,112,814)	0
Class 'A' Accumulation	49,968,002	98,472	(50,066,474)	0
Class 'C' Income	681,861	130,810	(812,671)	0
Class 'C' Accumulation	27,358,743	59,486	(27,418,229)	0
Sterling				
Class 'A' Income	757,368	149,422	(221,452)	685,338
Class 'A' Accumulation	41,001,496	6,128,312	(16,260,550)	30,869,258
Class 'I' Income	246,954	89,028	(142,668)	193,314
Class 'I' Accumulation	1,692,136	911,851	(728,947)	1,875,040
Class 'I-H' Income	53,785,024	8,258,933	(1,266,827)	60,777,130
Class 'R' Income	97,201	35,259	(21,024)	111,436
Class 'R' Accumulation	316,345	107,286	(153,988)	269,643
Class 'X' Income	865,777	75,200	(67,054)	873,923
Class 'X' Accumulation	27,409,825	8,352,937	(4,179,381)	31,583,381
Swiss franc				
Class 'A-H' Accumulation	265,102	7,153	(272,255)	0
Class 'C-H' Accumulation	65,930	92,466	(158,396)	0
US dollar				
Class 'A-H' Income	38,258	2,300	(40,558)	0
Class 'A-H' Accumulation	311,733	81,254	(392,987)	0
Class 'C-H' Income	12,179	3,000	(15,179)	0
Class 'C-H' Accumulation	151,383	6,800	(158,183)	0

14 Charging structure

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

Share class	Entry charge %	Exit charge %	Annual management charge %	Share class hedging charge %
Euro				
Class 'A'	3.25	n/a	1.00	n/a
Class 'C'	1.25	n/a	0.50	n/a
Sterling				
Class 'A'	nil	n/a	1.00	n/a
Class 'I'	nil	n/a	0.50	n/a
Class 'I-H'	nil	n/a	0.50	[a]
Class 'R'	nil	n/a	0.75	n/a
Class 'X'	nil	n/a	1.00	n/a
Swiss franc				
Class 'A-H'	3.25	n/a	1.00	[a]
Class 'C-H'	1.25	n/a	0.50	[a]
US dollar				
Class 'A-H'	3.25	n/a	1.00	[a]
Class 'C-H'	1.25	n/a	0.50	[a]

[a] This charge may vary between 0.01% and 0.055%.

15 Related parties

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

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

At the balance sheet date, shareholders from within Prudential plc, of which M&G Securities Limited is a wholly owned subsidiary, have holdings totalling 42.10% (2018: 28.15%) of the fund's shares.

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16 Events after the balance sheet date

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

17 Fair value analysis

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

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

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

Level 2: Valuation technique using observable market data

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

Level 3: Valuation technique using unobservable inputs

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

	Assets 2019 €'000	Liabilities 2019 €'000	Assets 2018 €'000	Liabilities 2018 €'000
as at 30 June				
Basis of valuation				
Level 1	11,226	(308)	162,272	(1,409)
Level 2	169,194	(89)	1,521,922	(2,779)
Level 3	0	0	0	0
	180,420	(397)	1,684,194	(4,188)

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

18 Risk management policies

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

19 Market risk sensitivity and exposure

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

The VaR limit set during the financial year to 30 June 2019 was 13% (2018: 13%).

The lowest, highest and average VaR, as well as utilisation of VaR with reference to the limit above, are calculated during the financial years ended 30 June 2019 and 30 June 2018.

	2019 % of VaR	2019 Utilisation of VaR [a] 13%	2018 % of VaR	2018 Utilisation of VaR [a] 13%
for the year to 30 June				
Lowest	0.71	5.47	1.55	11.94
Highest	1.77	13.62	2.10	16.19
Average	0.96	7.40	1.84	14.12

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

20 Credit risk

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

	2019 €'000	2018 €'000
as at 30 June		
Investment grade securities	159,876	1,447,234
Below investment grade securities	9,198	120,057
Unrated securities	11,159	113,342
Other investments	(210)	(627)
Total	180,023	1,680,006

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

	Forward currency contracts €'000	Futures €'000
as at 30 June 2019		
Bank of America Merrill Lynch	0	(280)
HSBC	95	0
JPMorgan	63	0
Royal Bank of Canada	(1)	0
State Street Bank	(86)	0
UBS	(1)	0
Total	70	(280)

	Swaps €'000	Forward currency contracts €'000	Futures €'000
as at 30 June 2018			
Bank of America Merrill Lynch	1,480	0	(1,367)
Citigroup	1,176	0	0
Credit Suisse	381	0	0
Deutsche Bank	110	0	0
JPMorgan	(2,017)	372	0
State Street Bank	0	(762)	0
Total	1,130	(390)	(1,367)

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21 Leverage risk

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

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

The lowest, highest and average level of leverage employed and utilisation of the leverage level calculated during the financial years ended 30 June 2019 and 30 June 2018 are disclosed in the table below.

	2019 ^[a]	2019 ^[a]	2018 ^[a]	2018 ^[a]
for the year to 30 June	€'000	% ^[b]	€'000	% ^[b]
Lowest	36,901	18.2	637,645	36.7
Highest	798,999	165.9	1,049,527	57.9
Average	277,668	41.6	787,311	41.0

^[a] Leverage has been calculated using the Gross Sum of Notional Approach for derivative positions only (including forward currency contracts) and excludes all physical holdings.

^[b] Expressed as a percentage over net assets.

22 Exchange rate risk for hedged share classes

This fund contains hedged share classes. These share classes operate currency hedges designed to reduce the impact of exchange rates in certain circumstances. As a result, profit and loss on the currency hedges may impact the liquidity of the overall fund. On a day to day basis this is monitored using reporting from the outsourced provider of the hedged share class service. On an ongoing basis the size of the hedged share classes is monitored to ensure that unforeseen exchange rate volatility can be adequately managed without significantly impacting all shareholders. The exposure to forward currency contracts for share class hedging at the year-end accounting date is disclosed in the portfolio statement on page 76.

23 Interest distribution tables

This fund pays quarterly interest distributions and the following table sets out the distribution periods.

Quarterly distribution periods				
	Start	End	Xd	Payment
First interim	01.07.18	30.09.18	01.10.18	30.11.18
Second interim ^[a]	01.10.18	31.12.18	02.01.19	28.02.19
Third interim	01.01.19	31.03.19	01.04.19	31.05.19
Final	01.04.19	30.06.19	01.07.19	31.08.19

^[a] As a result of the merger of M&G European Corporate Bond Fund into M&G (Lux) Euro Corporate Bond Fund on 9 November 2018 ('the effective date'), any income available for distribution to non-sterling share classes from the start of the period on 1 October 2018 to the effective date of the merger was distributed to shareholders on 31 December 2018.

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

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

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

Euro Class 'A' Income shares

Interest distributions for the year to 30 June	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
	€	€	€	€
First interim	2.7354	5.5709	8.3063	9.0596
Second interim	1.9453	2.1638	4.1091	8.9575
Third interim	n/a	n/a	n/a	8.4398
Final	n/a	n/a	n/a	8.7401

Euro Class 'A' Accumulation shares

Interest distributions for the year to 30 June	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
	€	€	€	€
First interim	1.8211	2.3105	4.1316	4.7551
Second interim	1.0448	1.0094	2.0542	4.5187
Third interim	n/a	n/a	n/a	4.0721
Final	n/a	n/a	n/a	4.2306

Euro Class 'C' Income shares

Interest distributions for the year to 30 June	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
	€	€	€	€
First interim	4.8835	4.4638	9.3473	10.1488
Second interim	2.3533	2.2768	4.6301	10.0466
Third interim	n/a	n/a	n/a	9.4778
Final	n/a	n/a	n/a	9.8306

Euro Class 'C' Accumulation shares

Interest distributions for the year to 30 June	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
	€	€	€	€
First interim	3.4351	3.5973	7.0324	7.6871
Second interim	1.8768	1.6221	3.4989	7.5193
Third interim	n/a	n/a	n/a	7.0007
Final	n/a	n/a	n/a	7.2908

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23 Interest distribution tables (continued)

Sterling Class 'A' Income shares

Interest distributions for the year to 30 June	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
	p	p	p	p
First interim	0.2251	0.1728	0.3979	0.4315
Second interim	0.1538	0.2334	0.3872	0.4288
Third interim	0.2231	0.1690	0.3921	0.3989
Final	0.1840	0.2041	0.3881	0.4177

Sterling Class 'A' Accumulation shares

Interest distributions for the year to 30 June	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
	p	p	p	p
First interim	0.1114	0.1473	0.2587	0.2958
Second interim	0.0473	0.1804	0.2277	0.2828
Third interim	0.1088	0.1615	0.2703	0.2517
Final	0.1496	0.0784	0.2280	0.2643

Sterling Class 'I' Income shares

Interest distributions for the year to 30 June	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
	p	p	p	p
First interim	2.1197	4.1729	6.2926	6.7867
Second interim	2.2442	3.8851	6.1293	6.7544
Third interim	1.8778	4.3394	6.2172	6.2935
Final	2.3777	3.7820	6.1597	6.5964

Sterling Class 'I' Accumulation shares

Interest distributions for the year to 30 June	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
	p	p	p	p
First interim	1.9907	2.8973	4.8880	5.3099
Second interim	1.4688	3.1387	4.6075	5.2213
Third interim	2.0236	2.9435	4.9671	4.8016
Final	2.2395	2.4201	4.6596	5.0550

Sterling Class 'I-H' Income shares

Interest distributions for the year to 30 June	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
	p	p	p	p
First interim	0.3400	0.1703	0.5103	n/a
Second interim	0.4926	0.0000	0.4926	n/a
Third interim	0.2512	0.2628	0.5140	0.5091
Final	0.1740	0.3270	0.5010	0.5314

Sterling Class 'R' Income shares

Interest distributions for the year to 30 June	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
	p	p	p	p
First interim	0.1478	0.4778	0.6256	0.6763
Second interim	0.3612	0.2482	0.6094	0.6731
Third interim	0.2525	0.3654	0.6179	0.6269
Final	0.2623	0.3492	0.6115	0.6563

Sterling Class 'R' Accumulation shares

Interest distributions for the year to 30 June	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
	p	p	p	p
First interim	0.0165	0.3831	0.3996	0.4441
Second interim	0.0676	0.2988	0.3664	0.4307
Third interim	0.2654	0.1451	0.4105	0.3911
Final	0.2609	0.1083	0.3692	0.4111

Sterling Class 'X' Income shares

Interest distributions for the year to 30 June	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
	p	p	p	p
First interim	0.1043	0.2925	0.3968	0.4306
Second interim	0.0923	0.2939	0.3862	0.4276
Third interim	0.0996	0.2916	0.3912	0.3980
Final	0.0244	0.3625	0.3869	0.4167

Sterling Class 'X' Accumulation shares

Interest distributions for the year to 30 June	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
	p	p	p	p
First interim	0.0776	0.1755	0.2531	0.2895
Second interim	0.0677	0.1549	0.2226	0.2765
Third interim	0.1048	0.1596	0.2644	0.2461
Final	0.1380	0.0849	0.2229	0.2585

Swiss franc Class 'A-H' Accumulation shares

Interest distributions for the year to 30 June	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
	¢	¢	¢	¢
First interim	0.4405	2.1958	2.6363	3.1229
Second interim	0.6258	0.6717	1.2975	2.9247
Third interim	n/a	n/a	n/a	2.6046
Final	n/a	n/a	n/a	2.6905

Swiss franc Class 'C-H' Accumulation shares

Interest distributions for the year to 30 June	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
	¢	¢	¢	¢
First interim	0.0468	4.1282	4.1750	4.6595
Second interim	0.3332	1.7143	2.0475	4.5201
Third interim	n/a	n/a	n/a	4.1646
Final	n/a	n/a	n/a	4.3889

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23 Interest distribution tables (continued)

US dollar Class 'A-H' Income shares				
Interest distributions for the year to 30 June	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution	
			2019	2018
	€	€	€	€
First interim	3.0469	2.3609	5.4078	5.8686
Second interim	2.6380	0.0000	2.6380	5.7055
Third interim	n/a	n/a	n/a	5.3681
Final	n/a	n/a	n/a	5.5642

US dollar Class 'A-H' Accumulation shares				
Interest distributions for the year to 30 June	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution	
			2019	2018
	€	€	€	€
First interim	1.4207	1.1937	2.6144	2.9733
Second interim	0.2615	1.0003	1.2618	2.7577
Third interim	n/a	n/a	n/a	2.5014
Final	n/a	n/a	n/a	2.5470

US dollar Class 'C-H' Income shares				
Interest distributions for the year to 30 June	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution	
			2019	2018
	€	€	€	€
First interim	3.1812	2.2518	5.4330	5.8413
Second interim	2.6674	0.0000	2.6674	5.7407
Third interim	n/a	n/a	n/a	5.4177
Final	n/a	n/a	n/a	5.6095

US dollar Class 'C-H' Accumulation shares				
Interest distributions for the year to 30 June	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution	
			2019	2018
	€	€	€	€
First interim	2.8837	1.2055	4.0892	4.4215
Second interim	2.0048	0.0000	2.0048	4.2642
Third interim	n/a	n/a	n/a	3.9805
Final	n/a	n/a	n/a	4.1039

M&G European Corporate Bond Fund

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M&G European High Yield Bond Fund

Authorised Corporate Director's Report

Investment objective

The fund aims to provide income and capital growth.

Investment policy

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

Investment approach

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

Risk profile

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

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

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

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

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



The above number:

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

Investment review

As at 1 July 2019, for the year ended 30 June 2019

Performance against objective

Between 2 July 2018 (the start of the review period) and 1 July 2019, the M&G European High Yield Bond Fund delivered a positive total return (the combination of income and growth of capital) for its Sterling Class 'I' (Income & Accumulation) and 'X' (Accumulation) shares. The fund's Sterling Class 'A' (Income & Accumulation) and 'X' (Income) shares, which closed on 9 January 2019, delivered negative returns.

The Swiss franc 'A-H' (Accumulation) and 'C-H' (Accumulation), US dollar 'C-H' (Income & Accumulation) and Euro 'C' (Income) class shares closed on 3 August 2018. The remainder of the fund's non-sterling share classes, which in January 2019 merged into the M&G (Lux) Global High Yield Bond Fund, a Luxembourg-authorised fund, delivered mixed returns.*

In this reporting period, the fund has met its objective of providing income** and capital growth, and it has also met its objective over three and five years and since launch.

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

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

M&G European High Yield Bond Fund

Authorised Corporate Director's Report

Investment review

Investment performance

The 12 months under review was a challenging period for high yield bond markets. (High yield bonds are loans paying fixed interest issued by companies with a low credit rating. Credit ratings are independent assessments of a borrower's ability to repay loans. Bonds from low-rated companies are considered riskier than those issued by companies with a high credit rating. They therefore pay a higher rate of interest than their higher-rated counterparts, to compensate investors for the greater possibility that the issuer might be unable to make the regular interest payments or repay the loan – in other words, default.)

After delivering solid returns in 2016 and 2017, high yield markets faced a more difficult market environment throughout much of 2018. A variety of factors weighed on sentiment during the year, including concerns about the negative impact of rising US interest rates, escalating trade war tensions between the US and China, and political turmoil in Europe and several emerging markets.

There was a change of fortune in 2019, with high yield markets recovering strongly in the first few months of the year. While global economic activity remained lacklustre, sentiment was boosted by the prospect that further US interest rate rises would be postponed for the time being. But high yield bond markets experienced further weakness in May as a resurfacing of trade war tensions led to another period of risk aversion.

From a regional perspective, US high yield bonds outperformed other regions in the 12-month period, thanks in part to the continued resilience of the US economy. High yields bonds in Europe and emerging markets, however, endured a more challenging backdrop, with ongoing political uncertainty and slowing economic momentum weighing on returns.

The fund's defensive sector positioning and modest exposure to the periphery of the eurozone proved helpful overall, although this was partly offset by a bias towards the financial sector, which generally underperformed.

Investment activities

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

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

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

During the 12 months under review, the overall average credit risk of the fund was broadly unchanged. We maintain a slight preference for more highly rated BB bonds, while also keeping a small exposure to investment grade BBB bonds.

We continue to see attractive opportunities in the primary high yield market and participated in a broad range of new deals during the period, including issues from financial services company Intertrust and construction business James Hardie. In terms of sales, we closed or reduced our positions in several names where we were beginning to see less value relative to fundamentals, such as Balkan telecom provider United Group and debt management firm Garfunkelux.

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 bonds offer an attractive source of income. Following market weakness throughout much of 2018, we believe these assets 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. UK fashion retailers in particular have been experiencing higher input costs as a result of the depreciation in sterling, coupled with signs of a slowdown in consumer spending. The sector is also facing longer 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.

M&G European High Yield Bond Fund

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Investments

Portfolio statement

as at 30 June Holding	2019 €'000	2019 %	2018 %
EQUITIES	230	0.70	0.53
Travel & leisure	230	0.70	0.53
41,307 Codere	230	0.70	
Non-renewable energy	0	0.00	0.00
2,414,365 New World Resources ^[a]	0	0.00	
FIXED INCOME	28,233	86.19	93.77
Debt securities	27,899	85.16	92.73
'AAA' credit rated bonds	912	2.78	11.75
€514,702 Germany (Federal Republic of) 0.01% 08/04/2022	526	1.60	
€372,140 Germany (Federal Republic of) 0.01% 15/08/2026	386	1.18	
'A' credit rated bonds	1,243	3.79	2.56
€400,000 Banco Bilbao Vizcaya Argentaria Var. Rate 6% Perpetual	420	1.28	
€472,000 Société Générale Var. Rate 6.75% Perpetual	503	1.53	
€288,000 Total Var. Rate 3.369% Perpetual	320	0.98	
'BBB' credit rated bonds	1,984	6.05	4.60
€250,000 American International Var. Rate 1.412% 15/03/2067	201	0.61	
€400,000 Banco de Sabadell Var. Rate 6.5% Perpetual	398	1.21	
\$225,000 GE Capital International Funding Co Unlimited 4.418% 15/11/2035	194	0.59	
£199,000 GKN Holdings 4.625% 12/05/2032	219	0.67	
€372,000 Unicredit Var. Rate 5.375% Perpetual	338	1.03	
€350,000 Unicredit Var. Rate 6.75% Perpetual	350	1.07	
\$300,000 Vodafone Var. Rate 2079 7% 04/04/2079	284	0.87	
'BB' credit rated bonds	13,559	41.39	42.34
€200,000 Ardagh Packaging Finance 2.75% 15/03/2024	206	0.63	
£397,000 Arrow Global Finance 5.125% 15/09/2024	434	1.32	
€189,000 Arrow Global Finance FRN 2.875% 01/04/2025	180	0.55	
€290,000 Axalta Coating Systems 3.75% 15/01/2025	301	0.92	
€218,000 Axalta Coating Systems 4.25% 15/08/2024	226	0.69	
€200,000 Bankia Var. Rate 6.375% Perpetual	209	0.64	
€175,000 Belden 3.375% 15/07/2027	182	0.56	
£200,000 Cabot Financial Luxembourg 7.5% 01/10/2023	230	0.70	
€400,000 CaixaBank Var. Rate 5.25% Perpetual	374	1.14	
€386,000 Cemex 2.75% 05/12/2024	393	1.20	
€324,000 Chemours 4% 15/05/2026	324	0.99	
€193,000 Colfax 3.25% 15/05/2025	199	0.61	
€331,000 CPI Property Var. Rate 4.375% Perpetual	326	1.00	
\$225,000 Credit Suisse Var. Rate 7.125% Perpetual	209	0.64	
\$485,000 Credit Suisse Var. Rate 7.5% Perpetual	469	1.43	
€300,000 Crown European Holdings 3.375% 15/05/2025	333	1.02	

Portfolio statement (continued)

as at 30 June Holding	2019 €'000	2019 %	2018 %
'BB' credit rated bonds (continued)			
€216,000 Digi Communications 5% 15/10/2023	223	0.68	
£140,000 Drax Finco 4.25% 01/05/2022	159	0.49	
€154,000 Dufry Finance 4.5% 01/08/2023	158	0.48	
€304,000 Gestamp Funding Luxembourg 3.5% 15/05/2023	309	0.94	
€657,000 Hanesbrands Finance Luxemburg 3.5% 15/06/2024	719	2.19	
€386,000 HT1 Funding Var. Rate 1.786% Perpetual	370	1.13	
€103,000 Intertrust 3.375% 15/11/2025	109	0.33	
€197,000 Interxion Holding 4.75% 15/06/2025	214	0.65	
€150,000 Intesa Sanpaolo 3.928% 15/09/2026	160	0.49	
€328,000 Intesa Sanpaolo Var. Rate 7% Perpetual	345	1.05	
€213,000 Intesa Sanpaolo Var. Rate 7.75% Perpetual	240	0.73	
€380,000 Intrum 3.125% 15/07/2024	385	1.18	
€201,000 James Hardie International Finance 3.625% 01/10/2026	213	0.65	
€220,000 Levi Strauss & Co. 3.375% 15/03/2027	235	0.72	
€212,000 Lincoln Financing 3.625% 01/04/2024	219	0.67	
€200,000 Lloyds Banking Var. Rate 6.375% Perpetual	207	0.63	
€145,000 Louvre Bidco 4.25% 30/09/2024	143	0.44	
€486,000 Netflix 3.625% 15/05/2027	530	1.62	
€121,000 Netflix 4.625% 15/05/2029	137	0.42	
€655,000 OI European 3.125% 15/11/2024	710	2.17	
€100,000 Orano 4.875% 23/09/2024	114	0.35	
£100,000 Petrobras Global Finance 6.625% 16/01/2034	124	0.38	
€125,000 Playtech 4.25% 07/03/2026	132	0.40	
€366,000 QuintilesIMS 3.25% 15/03/2025	377	1.15	
€155,000 Repsol International Finance Var. Rate 4.5% 25/03/2075	176	0.54	
€110,000 Samhallsbyggnadsbolaget i Norden Var. Rate 4.625% Perpetual	112	0.34	
€358,000 Smurfit Kappa Acquisitions 2.75% 01/02/2025	388	1.18	
€200,000 Telefonica Europe Var. Rate 4.375% Perpetual	217	0.66	
€566,100 Telenet Finance VI 4.875% 15/07/2027	614	1.87	
€197,000 Teva Pharmaceutical Finance 4.5% 01/03/2025	188	0.57	
€288,000 Unitymedia Hessen 4% 15/01/2025	299	0.91	
€100,000 Volvo Car 2.125% 02/04/2024	102	0.31	
€341,000 Wind Tre FRN 2024 2.75% 20/01/2024	336	1.03	
'B' credit rated bonds	9,105	27.80	27.24
€458,000 Adient Global Holdings 3.5% 15/08/2024	380	1.16	
€194,000 Adler Pelzer 4.125% 01/04/2024	177	0.54	
€300,000 Altice France 5.875% 01/02/2027	324	0.99	
€28,737 Altice Luxembourg 7.25% 15/05/2022	29	0.09	
\$200,000 Altice Luxembourg 10.5% 15/05/2027	179	0.55	
€300,000 ARD Finance 6.625% 15/09/2023	311	0.95	
£364,000 Ardagh Packaging Finance 4.75% 15/07/2027	395	1.21	
£328,000 Barclays Var. Rate 5.875% Perpetual	354	1.08	
€100,000 Burger King France 6% 01/05/2024	107	0.33	
€100,000 Casino Guichard Perrachon 4.498% 07/03/2024	86	0.26	
€161,000 CMA CGM 5.25% 15/01/2025	124	0.38	
€170,000 CMF 9% 15/06/2022	143	0.44	

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Portfolio statement (continued)				
as at 30 June Holding	2019 €'000	2019 %	2018 %	
'B' credit rated bonds (continued)				
€118,000 Diamond (BC) 5.625% 15/08/2025	99	0.30		
€324,000 Eagle Intermediate Global Holding BV/Ruyi US Finance 5.375% 01/05/2023	308	0.94		
€123,000 Energizer Gamma Acquisition 4.625% 15/07/2026	129	0.39		
€200,000 Fire BC FRN 4.75% 30/09/2024	202	0.62		
€357,000 Gamenet FRN 3.75% 27/04/2023	361	1.10		
£200,000 Garfunkelux Holdco 8.5% 01/11/2022	200	0.61		
€222,000 Grupo Antolin-Irausa 3.25% 30/04/2024	207	0.63		
€224,000 HEMA Bondco I FRN 6.25% 15/07/2022	200	0.61		
£654,000 Iceland Bondco 4.625% 15/03/2025	655	2.00		
€200,000 LSF10 Wolverine Investments 5% 15/03/2024	205	0.63		
€200,000 Matterhorn Telecom 3.875% 01/05/2022	202	0.62		
€170,000 Paprec Holding FRN 3.5% 31/03/2025	160	0.49		
€200,000 Picard FRN 3% 30/11/2023	189	0.58		
£235,000 Premier Foods Finance 6.25% 15/10/2023	277	0.85		
€258,000 Refinitiv US Holdings 6.875% 15/11/2026	262	0.80		
€242,000 Schmolz+Bickenbach 5.625% 15/07/2022	208	0.62		
€238,000 Scientific Games International 5.5% 15/02/2026	229	0.70		
€527,000 Selecta 5.875% 01/02/2024	549	1.68		
€265,000 Starfruit 6.5% 01/10/2026	267	0.81		
€171,000 Techem Verwaltungsgesellschaft 674 mbH 6% 30/07/2026	181	0.55		
€228,000 Vallourec 6.375% 15/10/2023	201	0.61		
€104,000 Vallourec 6.625% 15/10/2022	94	0.29		
€150,000 Veritas 7.5% 01/02/2023	143	0.44		
\$389,000 VTR Finance 6.875% 15/01/2024	352	1.07		
€598,000 Ziggo 3.75% 15/01/2025	616	1.88		
'CCC' credit rated bonds				
€181,718 NewCo 8% 15/12/2022	187	0.57		
€100,000 Swissport Financing SARL 9.75% 15/12/2022	107	0.33		
€159,000 Unilabs Subholding 5.75% 15/05/2025	162	0.49		
€224,000 Verisure Holdings 5.75% 01/12/2023	231	0.71		
Bonds with no credit rating				
€245,964 Hellas Telecom III 1% 01/01/2049 ^[b]	0	0.00		
€250,000 Lehman Brothers 1% 26/09/2040 ^[b]	0	0.00		
£154,000 Ocado 4% 15/06/2024	177	0.54		
€120,000 Stora Enso 2.5% 21/03/2028	126	0.39		
€100,000 Tasty Bondco 1 6.25% 15/05/2026	106	0.32		
Debt derivatives				
	334	1.03	1.04	
Credit default swaps				
€(3,000,000) Markit iTraxx Europe Xover Series 31 5 Year Jun 2024	334	1.03		

Portfolio statement (continued)

as at 30 June Holding	2019 €'000	2019 %	2018 %
CURRENCY			
	72	0.22	0.17
Forward currency contracts			
	72	0.22	0.17
£168,830 Bought for €188,822 (expires 28.08.19)	(1)	0.00	
£(3,134,957) Sold for €3,533,504 (expires 28.08.19)	46	0.14	
\$(2,075,341) Sold for €1,842,544 (expires 28.08.19)	27	0.08	
Portfolio of investments	28,535	87.11	94.47
CASH EQUIVALENTS			
	3,123	9.53	0.00
'AAA' rated money market funds ^[c]			
3,188,620 Northern Trust Global Fund - Euro	3,123	9.53	
SHARE CLASS HEDGING			
	0	0.00	0.00
Forward currency contracts for share class hedging			
	0	0.00	0.00
Total portfolio (notes 2c & 2d on page 7)	31,658	96.64	94.47
Net other assets / (liabilities)	1,100	3.36	5.53
Net assets attributable to shareholders	32,758	100.00	100.00

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

^[a] Suspended.

^[b] Defaulted bond.

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

M&G European High Yield Bond Fund

Financial highlights

Fund performance

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

The following charts and tables show the performance for Sterling Class 'I' (Accumulation) shares.

We show performance for this share class because:

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

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 (3), which is available free of charge either from our website at www.mandg.co.uk/prospectuses or by calling M&G Customer Relations.

Fund level performance

Fund net asset value			
as at 30 June	2019 €'000	2018 €'000	2017 €'000
Fund net asset value (NAV)	32,758	114,385	123,245

Performance since launch

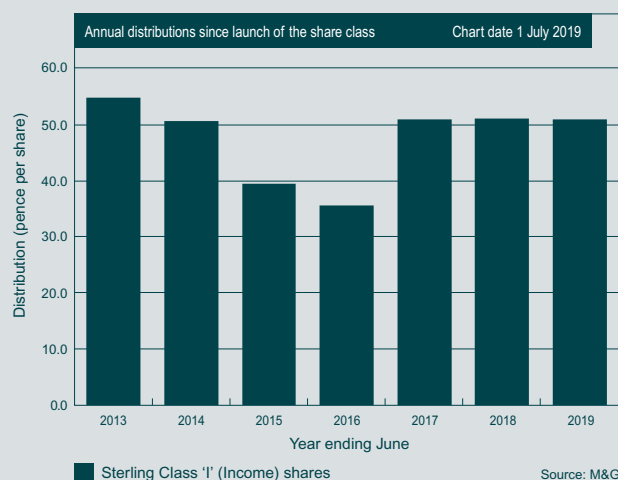
To give an indication of how the fund has performed since launch, the chart below shows total return of Sterling Class 'I' (Accumulation) shares.



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

Distribution

The charts below show the annual distribution of Sterling Class 'A' (Income) shares over ten years and Sterling Class 'I' (Income) shares since launch.



M&G European High Yield Bond Fund

Financial highlights

Fund performance

To give an indication of the performance of the fund, the following table shows the compound rate of return, per annum, to 3 August 2018 for the five closed non-sterling share classes, to 25 January 2019 for the remaining non-sterling share classes merged into the M&G (Lux) Global High Yield Bond Fund and all sterling share classes with exception of three sterling share classes merged into the M&G Global High Yield Bond Fund. Calculated on a price to price basis with income reinvested.

Long-term performance by share class				
	From 02.07.18 % ^[a]	From 01.07.16 % p.a.	From 01.07.14 % p.a.	Since launch % p.a.
Euro ^[b]				
Class 'A'	-0.1	+3.0	+1.8	+6.9 ^[c]
Class 'B'	-0.4	+2.5	+1.3	+3.1 ^[d]
Class 'C'	+0.2	+3.5	+2.3	+6.7 ^[c]
Sterling ^[e]				
Class 'A'	-2.1	+4.2	+3.2	-12.4 ^[f]
Class 'I'	+8.7	+7.6	+5.5	+7.6 ^[g]
Class 'R'	-2.0	+4.5	+3.4	+6.3 ^[h]
Class 'X'	+8.2	+7.1	+5.0	+4.8 ^[i]
Swiss franc ^[b]				
Class 'A-H'	+1.4	+3.9	n/a	+3.0 ^[j]
Class 'C-H'	+1.4	+4.5	n/a	+3.5 ^[j]
US dollar ^[b]				
Class 'A-H'	+1.7	+5.3	n/a	+3.8 ^[k]
Class 'C-H'	+1.7	+7.1	n/a	+4.7 ^[l]

^[a] Absolute basis.

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

^[c] 29 November 2002, the launch date of the share class to 25 January 2019, the merger date of the share class.

^[d] 26 July 2013, the launch date of the share class to 25 January 2019, the merger date of the share class.

^[e] Price to price with income reinvested.

^[f] 1 October 2002, the launch date of the share class to 25 January 2019, the merger date of the share class.

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

^[h] 3 August 2012, the launch date of the share class to 25 January 2019, the merger date of the share class.

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

^[j] 25 September 2015, the launch date of the share class to 3 August 2018, the closure date of the share class.

^[k] 8 August 2014, the launch date of the share class to 25 January 2019, the merger date of the share class.

^[l] 8 August 2014, the launch date of the share class to 3 August 2018, the closure date of the share class.

Operating charges and portfolio transaction costs

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

Operating charges

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

- **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.

M&G European High Yield Bond Fund

Financial highlights

Fund performance

Operating charges and portfolio transaction costs

Portfolio transaction costs

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

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

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

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

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

Portfolio transaction costs				
as at 30 June	2019	2018	2017	Average ^[a]
Indirect portfolio transaction costs	%	%	%	%
Average portfolio dealing spread	0.78	0.79	0.68	0.75

^[a] Average of first three columns.

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.

On 3 August 2018, five non-sterling share classes were closed within the M&G European High Yield Bond Fund. The remaining non-sterling share classes were merged into the M&G (Lux) Global High Yield Bond Fund and all sterling share classes with exception of three sterling share classes merged into the M&G Global High Yield Bond Fund on 25 January 2019. The distribution yields for the current year were calculated at the closure/merger date(s).

Euro Class 'A' Income share performance

The share class was launched on 12 July 2013.

for the year to 30 June	2019	2018	2017
Change in NAV per share	Euro ¢	Euro ¢	Euro ¢
Opening NAV	2,382.04	2,488.21	2,398.89
Return before operating charges and after direct portfolio transaction costs	26.84	31.22	240.87
Operating charges	(19.73)	(35.45)	(35.54)
Return after operating charges	7.11	(4.23)	205.33
Distributions	(56.02)	(101.94)	(116.01)
Return to shareholder as a result of share class closure	(2,333.13)	n/a	n/a
Closing NAV	0.00	2,382.04	2,488.21

Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
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	1.44	1.43	1.43
Return after operating charges	+0.30	-0.17	+8.56
Distribution yield	4.19	4.18	4.14
Effect on yield of charges offset against capital	1.40	1.40	1.40

Other information			
Closing NAV (€'000)	0	2,867	3,410
Closing NAV percentage of total fund NAV (%)	0.00	2.51	2.77
Number of shares	0	120,339	137,030
Highest share price (Euro ¢)	2,442.82	2,534.27	2,545.26
Lowest share price (Euro ¢)	2,302.99	2,407.20	2,408.99

M&G European High Yield Bond Fund

Financial highlights

Specific share class performance

Euro Class 'A' Accumulation share performance

The share class was launched on 29 November 2002.

for the year to 30 June Change in NAV per share	2019 Euro ¢	2018 Euro ¢	2017 Euro ¢
Opening NAV	2,954.79	2,961.42	2,725.59
Return before operating charges and after direct portfolio transaction costs	32.80	36.17	276.81
Operating charges	(24.61)	(42.80)	(40.98)
Return after operating charges	8.19	(6.63)	235.83
Distributions	(45.83)	(81.15)	(93.75)
Retained distributions	45.83	81.15	93.75
Return to shareholder as a result of share class closure	(2,962.98)	n/a	n/a
Closing NAV	0.00	2,954.79	2,961.42
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
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	1.44	1.43	1.43
Return after operating charges	+0.28	-0.22	+8.65
Distribution yield	2.79	2.76	2.74
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€'000)	0	45,205	58,025
Closing NAV percentage of total fund NAV (%)	0.00	39.52	47.08
Number of shares	0	1,529,896	1,959,377
Highest share price (Euro ¢)	3,030.08	3,046.46	2,996.33
Lowest share price (Euro ¢)	2,885.75	2,946.71	2,736.87

Euro Class 'B' Income share performance

The share class was launched on 11 September 2015.

for the year to 30 June Change in NAV per share	2019 Euro ¢	2018 Euro ¢	2017 Euro ¢
Opening NAV	942.01	988.88	958.25
Return before operating charges and after direct portfolio transaction costs	10.63	12.49	96.03
Operating charges	(10.52)	(18.94)	(19.17)
Return after operating charges	0.11	(6.45)	76.86
Distributions	(22.12)	(40.42)	(46.23)
Return to shareholder as a result of share class closure	(920.00)	n/a	n/a
Closing NAV	0.00	942.01	988.88
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
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	1.94	1.93	1.93
Return after operating charges	+0.01	-0.65	+8.02
Distribution yield	4.19	4.18	4.14
Effect on yield of charges offset against capital	1.90	1.90	1.90
Other information			
Closing NAV (€'000)	0	772	415
Closing NAV percentage of total fund NAV (%)	0.00	0.67	0.34
Number of shares	0	81,948	42,000
Highest share price (Euro ¢)	964.90	1,005.44	1,011.76
Lowest share price (Euro ¢)	908.39	951.97	962.24

Euro Class 'B' Accumulation share performance

The share class was launched on 26 July 2013.

for the year to 30 June Change in NAV per share	2019 Euro ¢	2018 Euro ¢	2017 Euro ¢
Opening NAV	1,186.09	1,194.70	1,105.07
Return before operating charges and after direct portfolio transaction costs	13.17	14.65	112.04
Operating charges	(13.29)	(23.26)	(22.41)
Return after operating charges	(0.12)	(8.61)	89.63
Distributions	(14.93)	(26.62)	(32.10)
Retained distributions	14.93	26.62	32.10
Return to shareholder as a result of share class closure	(1,185.97)	n/a	n/a
Closing NAV	0.00	1,186.09	1,194.70
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
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	1.94	1.93	1.93
Return after operating charges	-0.01	-0.72	+8.11
Distribution yield	2.29	2.26	2.24
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€'000)	0	2,476	2,210
Closing NAV percentage of total fund NAV (%)	0.00	2.16	1.79
Number of shares	0	208,775	184,957
Highest share price (Euro ¢)	1,214.87	1,226.80	1,208.95
Lowest share price (Euro ¢)	1,155.38	1,185.54	1,109.60

M&G European High Yield Bond Fund

Financial highlights

Specific share class performance

Euro Class 'C' Income share performance

The share class was launched on 8 August 2014.

for the year to 30 June Change in NAV per share	2019 Euro ¢	2018 Euro ¢	2017 Euro ¢
Opening NAV	2,393.41	2,487.33	2,386.06
Return before operating charges and after direct portfolio transaction costs	35.52	31.18	239.59
Operating charges	(2.37)	(23.00)	(22.67)
Return after operating charges	33.15	8.18	216.92
Distributions	n/a	(102.10)	(115.65)
Return to shareholder as a result of share class closure	(2,426.56)	n/a	n/a
Closing NAV	0.00	2,393.41	2,487.33
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
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	0.94	0.92	0.92
Return after operating charges	+1.39	+0.33	+9.09
Distribution yield	4.22	4.19	4.14
Effect on yield of charges offset against capital	0.90	0.90	0.90
Other information			
Closing NAV (€'000)	0	26	27
Closing NAV percentage of total fund NAV (%)	0.00	0.02	0.02
Number of shares	0	1,097	1,097
Highest share price (Euro ¢)	2,429.24	2,538.13	2,544.15
Lowest share price (Euro ¢)	2,392.01	2,418.64	2,396.17

Euro Class 'C' Accumulation share performance

The share class was launched on 29 November 2002.

for the year to 30 June Change in NAV per share	2019 Euro ¢	2018 Euro ¢	2017 Euro ¢
Opening NAV	2,854.57	2,846.75	2,606.98
Return before operating charges and after direct portfolio transaction costs	31.64	34.63	265.22
Operating charges	(15.48)	(26.81)	(25.45)
Return after operating charges	16.16	7.82	239.77
Distributions	(52.64)	(92.65)	(103.70)
Retained distributions	52.64	92.65	103.70
Return to shareholder as a result of share class closure	(2,870.73)	n/a	n/a
Closing NAV	0.00	2,854.57	2,846.75
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
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	0.94	0.93	0.93
Return after operating charges	+0.57	+0.27	+9.20
Distribution yield	3.29	3.27	3.24
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€'000)	0	9,121	17,966
Closing NAV percentage of total fund NAV (%)	0.00	7.97	14.58
Number of shares	0	319,519	631,107
Highest share price (Euro ¢)	2,930.80	2,935.99	2,879.91
Lowest share price (Euro ¢)	2,795.10	2,833.02	2,617.81

Sterling Class 'A' Income share performance

The share class was launched on 1 October 2002.

for the year to 30 June Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	44.69	46.30	41.99
Return before operating charges and after direct portfolio transaction costs	(0.46)	0.97	7.09
Operating charges	(0.37)	(0.67)	(0.65)
Return after operating charges	(0.83)	0.30	6.44
Distributions	(1.04)	(1.91)	(2.13)
Return to shareholder as a result of share class closure	(42.82)	n/a	n/a
Closing NAV	0.00	44.69	46.30
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	1.44	1.43	1.43
Return after operating charges	-1.86	+0.65	+15.34
Distribution yield	4.19	4.18	4.14
Effect on yield of charges offset against capital	1.40	1.40	1.40
Other information			
Closing NAV (€'000)	0	1,459	2,081
Closing NAV percentage of total fund NAV (%)	0.00	1.29	1.69
Number of shares	0	2,891,648	3,948,334
Highest share price (UK p)	46.88	49.64	47.55
Lowest share price (UK p)	43.21	44.75	42.72

M&G European High Yield Bond Fund

Financial highlights

Specific share class performance

Sterling Class 'A' Accumulation share performance

The share class was launched on 1 October 2002.

for the year to 30 June Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	118.38	117.69	102.19
Return before operating charges and after direct portfolio transaction costs	(1.27)	2.41	17.48
Operating charges	(0.99)	(1.72)	(1.60)
Return after operating charges	(2.26)	0.69	15.88
Distributions	(1.82)	(3.24)	(3.68)
Retained distributions	1.82	3.24	3.30
Return to shareholder as a result of share class closure	(116.12)	n/a	n/a
Closing NAV	0.00	118.38	117.69
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges	1.44	1.43	1.43
Return after operating charges	-1.91	+0.59	+15.54
Distribution yield	2.79	2.76	2.74
Effect on yield of charges offset against capital	0.00	0.00	0.00

Other information

Closing NAV (€'000)	0	934	810
Closing NAV percentage of total fund NAV (%)	0.00	0.82	0.66
Number of shares	0	698,803	604,660
Highest share price (UK p)	124.17	126.16	119.53
Lowest share price (UK p)	115.63	117.24	103.96

Sterling Class 'I' Income share performance

The share class was launched on 3 August 2012.

for the year to 30 June Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	1,198.51	1,235.47	1,114.56
Return before operating charges and after direct portfolio transaction costs	106.65	25.59	188.76
Operating charges	(11.43)	(11.55)	(11.17)
Return after operating charges	95.22	14.04	177.59
Distributions	(50.81)	(51.00)	(56.68)
Closing NAV	1,242.92	1,198.51	1,235.47
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	0.96	0.93	0.93
Return after operating charges	+7.94	+1.14	+15.93
Distribution yield	4.56	4.18	4.15
Effect on yield of charges offset against capital	0.90	0.90	0.90
Other information			
Closing NAV (€'000)	8,176	8,166	6,832
Closing NAV percentage of total fund NAV (%)	24.96	7.14	5.54
Number of shares	590,132	603,623	485,908
Highest share price (UK p)	1,258.23	1,325.63	1,268.69
Lowest share price (UK p)	1,150.08	1,199.55	1,134.03

Sterling Class 'I' Accumulation share performance

The share class was launched on 3 August 2012.

for the year to 30 June Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	1,533.81	1,517.21	1,311.52
Return before operating charges and after direct portfolio transaction costs	139.92	31.04	224.64
Operating charges	(14.82)	(14.44)	(13.36)
Return after operating charges	125.10	16.60	211.28
Distributions	(51.97)	(49.63)	(54.60)
Retained distributions	51.97	49.63	49.01
Closing NAV	1,658.91	1,533.81	1,517.21
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	0.96	0.93	0.93
Return after operating charges	+8.16	+1.09	+16.11
Distribution yield	3.67	3.27	3.24
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€'000)	23,470	30,248	16,017
Closing NAV percentage of total fund NAV (%)	71.65	26.44	13.00
Number of shares	1,269,259	1,747,069	927,635
Highest share price (UK p)	1,658.87	1,627.84	1,540.93
Lowest share price (UK p)	1,502.49	1,513.23	1,334.16

M&G European High Yield Bond Fund

Financial highlights

Specific share class performance

Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012.

for the year to 30 June Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	119.26	123.26	111.47
Return before operating charges and after direct portfolio transaction costs	(1.23)	2.53	18.87
Operating charges	(0.82)	(1.45)	(1.42)
Return after operating charges	(2.05)	1.08	17.45
Distributions	(2.78)	(5.08)	(5.66)
Return to shareholder as a result of share class closure	(114.43)	n/a	n/a
Closing NAV	0.00	119.26	123.26
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	1.19	1.18	1.18
Return after operating charges	-1.72	+0.88	+15.65
Distribution yield	4.19	4.18	4.14
Effect on yield of charges offset against capital	1.15	1.15	1.15
Other information			
Closing NAV (€'000)	0	913	64
Closing NAV percentage of total fund NAV (%)	0.00	0.80	0.05
Number of shares	0	678,197	45,874
Highest share price (UK p)	125.16	132.19	126.57
Lowest share price (UK p)	115.49	119.39	113.41

Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012.

for the year to 30 June Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	151.77	150.48	130.36
Return before operating charges and after direct portfolio transaction costs	(1.65)	3.11	22.31
Operating charges	(1.05)	(1.82)	(1.66)
Return after operating charges	(2.70)	1.29	20.65
Distributions	(2.55)	(4.54)	(5.09)
Retained distributions	2.55	4.54	4.56
Return to shareholder as a result of share class closure	(149.07)	n/a	n/a
Closing NAV	0.00	151.77	150.48
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	1.19	1.18	1.18
Return after operating charges	-1.78	+0.86	+15.84
Distribution yield	3.04	3.02	2.99
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€'000)	0	730	17
Closing NAV percentage of total fund NAV (%)	0.00	0.64	0.01
Number of shares	0	425,903	10,000
Highest share price (UK p)	159.25	161.40	152.84
Lowest share price (UK p)	148.45	150.07	132.61

Sterling Class 'X' Income share performance

The share class was launched on 15 October 1999.

for the year to 30 June Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	44.62	46.23	41.91
Return before operating charges and after direct portfolio transaction costs	(0.46)	0.95	7.10
Operating charges	(0.37)	(0.66)	(0.65)
Return after operating charges	(0.83)	0.29	6.45
Distributions	(1.04)	(1.90)	(2.13)
Return to shareholder as a result of share class closure	(42.75)	n/a	n/a
Closing NAV	0.00	44.62	46.23
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges	1.44	1.43	1.43
Return after operating charges	-1.86	+0.63	+15.39
Distribution yield	4.19	4.18	4.14
Effect on yield of charges offset against capital	1.40	1.40	1.40
Other information			
Closing NAV (€'000)	0	9,609	12,836
Closing NAV percentage of total fund NAV (%)	0.00	8.41	10.42
Number of shares	0	19,079,448	24,399,934
Highest share price (UK p)	46.80	49.55	47.47
Lowest share price (UK p)	43.15	44.68	42.64

M&G European High Yield Bond Fund

Financial highlights

Specific share class performance

Sterling Class 'X' Accumulation share performance

The share class was launched on 15 October 1999.

for the year to 30 June Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	118.31	117.62	102.13
Return before operating charges and after direct portfolio transaction costs	10.76	2.40	17.47
Operating charges	(1.74)	(1.71)	(1.60)
Return after operating charges	9.02	0.69	15.87
Distributions	(3.40)	(3.24)	(3.68)
Retained distributions	3.40	3.24	3.30
Closing NAV	127.33	118.31	117.62
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	1.46	1.43	1.43
Return after operating charges	+7.62	+0.59	+15.54
Distribution yield	3.18	2.76	2.74
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€'000)	1,112	1,234	1,897
Closing NAV percentage of total fund NAV (%)	3.39	1.08	1.54
Number of shares	783,588	923,814	1,417,421
Highest share price (UK p)	127.32	126.09	119.46
Lowest share price (UK p)	115.56	117.18	103.89

Swiss franc Class 'A-H' Accumulation share performance

The share class was launched on 25 September 2015.

for the year to 30 June Change in NAV per share	2019 Swiss ¢	2018 Swiss ¢	2017 Swiss ¢
Opening NAV	1,073.76	1,080.21	999.51
Return before operating charges and after direct portfolio transaction costs	15.72	9.31	95.92
Operating charges	(1.60)	(15.76)	(15.22)
Return after operating charges	14.12	(6.45)	80.70
Distributions	n/a	(29.55)	(34.02)
Retained distributions	n/a	29.55	34.02
Return to shareholder as a result of share class closure	(1,087.88)	n/a	n/a
Closing NAV	0.00	1,073.76	1,080.21
Direct portfolio transaction costs	Swiss ¢	Swiss ¢	Swiss ¢
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	1.46	1.44	1.45
Return after operating charges	+1.32	-0.60	+8.07
Distribution yield	2.77	2.74	2.73
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€'000)	0	28	30
Closing NAV percentage of total fund NAV (%)	0.00	0.02	0.02
Number of shares	0	3,002	3,002
Highest share price (Swiss ¢)	1,089.19	1,110.17	1,093.06
Lowest share price (Swiss ¢)	1,073.01	1,073.26	1,003.25

Swiss franc Class 'C-H' Accumulation share performance

The share class was launched on 25 September 2015.

for the year to 30 June Change in NAV per share	2019 Swiss ¢	2018 Swiss ¢	2017 Swiss ¢
Opening NAV	1,088.60	1,089.45	1,003.29
Return before operating charges and after direct portfolio transaction costs	15.76	9.59	96.18
Operating charges	(1.09)	(10.44)	(10.02)
Return after operating charges	14.67	(0.85)	86.16
Distributions	n/a	(35.38)	(39.55)
Retained distributions	n/a	35.38	39.55
Return to shareholder as a result of share class closure	(1,103.27)	n/a	n/a
Closing NAV	0.00	1,088.60	1,089.45
Direct portfolio transaction costs	Swiss ¢	Swiss ¢	Swiss ¢
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	0.95	0.95	0.95
Return after operating charges	+1.35	-0.08	+8.59
Distribution yield	3.26	3.25	3.24
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€'000)	0	28	30
Closing NAV percentage of total fund NAV (%)	0.00	0.02	0.02
Number of shares	0	3,003	3,003
Highest share price (Swiss ¢)	1,104.57	1,121.45	1,102.27
Lowest share price (Swiss ¢)	1,087.89	1,083.93	1,007.13

M&G European High Yield Bond Fund

Financial highlights

Specific share class performance

US dollar Class 'A-H' Income share performance

The share class was launched on 8 August 2014.

for the year to 30 June Change in NAV per share	2019 US ¢	2018 US ¢	2017 US ¢
Opening NAV	985.50	1,005.09	953.43
Return before operating charges and after direct portfolio transaction costs	28.79	36.98	112.90
Operating charges	(8.33)	(14.66)	(14.68)
Return after operating charges	20.46	22.32	98.22
Distributions	(23.65)	(41.91)	(46.56)
Return to shareholder as a result of share class closure	(982.31)	n/a	n/a
Closing NAV	0.00	985.50	1,005.09
Direct portfolio transaction costs	US ¢	US ¢	US ¢
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	1.46	1.45	1.45
Return after operating charges	+2.08	+2.22	+10.30
Distribution yield	4.16	4.19	4.23
Effect on yield of charges offset against capital	1.42	1.42	1.42
Other information			
Closing NAV (€'000)	0	279	302
Closing NAV percentage of total fund NAV (%)	0.00	0.24	0.25
Number of shares	0	32,932	34,290
Highest share price (US ¢)	1,017.25	1,030.79	1,027.40
Lowest share price (US ¢)	967.84	995.82	957.50

US dollar Class 'A-H' Accumulation share performance

The share class was launched on 8 August 2014.

for the year to 30 June Change in NAV per share	2019 US ¢	2018 US ¢	2017 US ¢
Opening NAV	1,160.46	1,136.10	1,028.25
Return before operating charges and after direct portfolio transaction costs	33.75	41.17	123.44
Operating charges	(9.90)	(16.81)	(15.59)
Return after operating charges	23.85	24.36	107.85
Distributions	(18.14)	(31.48)	(35.47)
Retained distributions	18.14	31.48	35.47
Return to shareholder as a result of share class closure	(1,184.31)	n/a	n/a
Closing NAV	0.00	1,160.46	1,136.10
Direct portfolio transaction costs	US ¢	US ¢	US ¢
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	1.46	1.45	1.45
Return after operating charges	+2.06	+2.14	+10.49
Distribution yield	2.75	2.75	2.78
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€'000)	0	253	238
Closing NAV percentage of total fund NAV (%)	0.00	0.22	0.19
Number of shares	0	25,418	23,918
Highest share price (US ¢)	1,198.07	1,181.85	1,148.41
Lowest share price (US ¢)	1,151.31	1,130.77	1,032.54

US dollar Class 'C-H' Income share performance

The share class was launched on 8 August 2014.

for the year to 30 June Change in NAV per share	2019 US ¢	2018 US ¢	2017 US ¢
Opening NAV	993.43	1,008.42	951.57
Return before operating charges and after direct portfolio transaction costs	17.48	36.84	112.98
Operating charges	(1.00)	(9.59)	(9.40)
Return after operating charges	16.48	27.25	103.58
Distributions	n/a	(42.24)	(46.73)
Return to shareholder as a result of share class closure	(1,009.91)	n/a	n/a
Closing NAV	0.00	993.43	1,008.42
Direct portfolio transaction costs	US ¢	US ¢	US ¢
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	0.95	0.94	0.94
Return after operating charges	+1.66	+2.70	+10.89
Distribution yield	4.19	4.20	4.23
Effect on yield of charges offset against capital	0.92	0.92	0.92
Other information			
Closing NAV (€'000)	0	17	18
Closing NAV percentage of total fund NAV (%)	0.00	0.01	0.01
Number of shares	0	2,000	2,000
Highest share price (US ¢)	1,010.74	1,036.64	1,030.71
Lowest share price (US ¢)	993.00	1,003.83	955.66

M&G European High Yield Bond Fund

Financial highlights

Specific share class performance

US dollar Class 'C-H' Accumulation share performance

The share class was launched on 8 August 2014.

for the year to 30 June	2019	2018	2017
Change in NAV per share	US ¢	US ¢	US ¢
Opening NAV	1,183.06	1,151.89	1,037.82
Return before operating charges and after direct portfolio transaction costs	20.70	42.30	124.58
Operating charges	(1.19)	(11.13)	(10.51)
Return after operating charges	19.51	31.17	114.07
Distributions	n/a	(37.99)	(41.43)
Retained distributions	n/a	37.99	41.43
Return to shareholder as a result of share class closure	(1,202.57)	n/a	n/a
Closing NAV	0.00	1,183.06	1,151.89
Direct portfolio transaction costs	US ¢	US ¢	US ¢
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	0.96	0.94	0.95
Return after operating charges	+1.65	+2.71	+10.99
Distribution yield	3.28	3.27	3.28
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€'000)	0	20	20
Closing NAV percentage of total fund NAV (%)	0.00	0.02	0.02
Number of shares	0	2,000	2,000
Highest share price (US ¢)	1,203.63	1,201.66	1,164.31
Lowest share price (US ¢)	1,182.51	1,146.68	1,042.18

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

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

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Statement of total return					
for the year to 30 June	Note	2019		2018	
		€'000	€'000	€'000	€'000
Income					
Net capital gains / (losses)	3		(157)		(3,589)
Revenue	5	3,384		4,974	
Expenses	6	(946)		(1,472)	
Interest payable		(30)		(90)	
Net revenue / (expense) before taxation		2,408		3,412	
Taxation	7	1		0	
Net revenue / (expense) after taxation			2,409		3,412
Total return before distributions			2,252		(177)
Distributions	8		(2,612)		(3,732)
Change in net assets attributable to shareholders from investment activities			(360)		(3,909)

Statement of change in net assets attributable to shareholders				
	2019		2018	
for the year to 30 June	€'000	€'000	€'000	€'000
Opening net assets attributable to shareholders		114,385		123,245
Amounts received on issue of shares	21,997		34,813	
Amounts paid on cancellation of shares	(40,406)		(42,559)	
Transferred to M&G (Lux) Global High Yield Bond Fund	(52,370)		0	
Transferred to M&G Global High Yield Bond Fund	(12,536)		0	
		(83,315)		(7,746)
Dilution adjustments		206		110
Change in net assets attributable to shareholders from investment activities (see above)		(360)		(3,909)
Retained distributions on Accumulation shares		1,841		2,685
Unclaimed distributions		1		0
Closing net assets attributable to shareholders		32,758		114,385

Balance sheet			
as at 30 June	Note	2019	2018
		€'000	€'000
Assets			
Fixed assets			
Investments		28,536	108,071
Current assets			
Debtors	9	1,018	1,035
Cash and bank balances	10	691	6,797
Cash equivalents		3,123	0
Total assets		33,368	115,903
Liabilities			
Investment liabilities		(1)	(14)
Creditors			
Distribution payable		(94)	(266)
Other creditors	11	(515)	(1,238)
Total liabilities		(610)	(1,518)
Net assets attributable to shareholders		32,758	114,385

Notes to the financial statements

1 Accounting policies

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

The fund's functional and presentational currency is euros as this better reflects the currency of its primary economic environment.

2 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.

3 Net capital gains / (losses)

for the year to 30 June	2019	2018
	€'000	€'000
Non-derivative securities	505	(3,440)
Derivative contracts	(547)	216
Currency gains / (losses)	(109)	(362)
Transaction charges	(6)	(3)
Net capital gains / (losses)	(157)	(3,589)

4 Portfolio transactions and associated costs

The following tables show portfolio transactions and their associated transaction costs. For more information about the nature of the costs please see the section on 'Operating charges and portfolio transaction costs' on pages 98 and 99.

for the year to 30 June	2019	2018
	€'000	€'000
a) Purchases		
Debt securities ^[a]	23,365	41,085
b) Sales		
Debt securities ^[a]	47,707	34,095
Other transaction types		
Corporate actions	112	3,284
Total sales	47,819	37,379
c) Direct portfolio transaction costs		
There were no direct portfolio transaction costs		
d) Indirect portfolio transaction costs	%	%
Portfolio dealing spread ^[b]	0.78	0.79

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

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

5 Revenue

for the year to 30 June	2019	2018
	€'000	€'000
Bank interest	5	5
Derivative revenue	250	687
Interest on debt securities	3,129	4,282
Total revenue	3,384	4,974

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6 Expenses

for the year to 30 June	2019 €'000	2018 €'000
Payable to the ACD or associate		
Annual management charge	799	1,266
Administration charge	121	177
	920	1,443
Payable to the Depositary or associate		
Depositary's charge (including VAT)	7	11
Other expenses		
Audit fee (including VAT)	13	13
Legal fees	2	0
Safe custody charge	4	5
	19	18
Total expenses	946	1,472

7 Taxation

for the year to 30 June	2019 €'000	2018 €'000
a) Analysis of charge in the year		
Corporation tax	0	0
Withholding tax	(1)	0
Deferred tax (note 7c)	0	0
Total taxation	(1)	0
b) Factors affecting taxation charge for the year		
Net revenue / (expense) before taxation	2,408	3,412
Corporation tax at 20%	482	682
Effects of:		
Interest distributions	(482)	(682)
Withholding tax	(1)	0
Total tax charge (note 7a)	(1)	0
c) Provision for deferred taxation		
Provision at the start of the year	0	0
Deferred tax in profit and loss account (note 7a)	0	0
Provision at the end of the year	0	0

The fund has not recognised a deferred tax asset in the current financial year (2018: same).

8 Distributions

for the year to 30 June	2019		2018	
	Inc ^[a]	Acc ^[b]	Inc ^[a]	Acc ^[b]
	€'000	€'000	€'000	€'000
Interest distributions				
First interim	248	637	267	607
Second interim	290	788	260	689
Third interim	86	193	251	687
Final	94	223	266	702
Total net distributions		2,559		3,729
Income deducted on cancellation of shares		147		131
Income received on issue of shares		(94)		(128)
Distributions		2,612		3,732
Net revenue / (expense) per statement of total return		2,409		3,412
Expenses offset against capital		203		320
Distributions		2,612		3,732

^[a] Distributions payable on Income shares.

^[b] Retained distributions on Accumulation shares.

9 Debtors

as at 30 June	2019 €'000	2018 €'000
Currency deals outstanding	96	0
Debt security interest receivable	319	1,015
Derivative revenue receivable	3	16
Sales awaiting settlement	597	0
Withholding tax recoverable	3	4
Total debtors	1,018	1,035

10 Cash and bank balances

as at 30 June	2019 €'000	2018 €'000
Cash held as bank balances	691	6,797
Total cash and bank balances	691	6,797

11 Other creditors

as at 30 June	2019 €'000	2018 €'000
ACD's annual management charge payable	8	37
Administration charge payable	1	5
Amounts payable on cancellation of shares	96	0
Currency deals outstanding	96	0
Expenses payable	18	15
Purchases awaiting settlement	296	1,181
Total other creditors	515	1,238

12 Contingent assets, liabilities and outstanding commitments

There were no contingent assets, liabilities or outstanding commitments at the balance sheet date (2018: same).

13 Shares in issue

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

Share class	Opening 01.07.18	Movements		Closing 30.06.19
		Issued	Cancelled	
Euro				
Class 'A' Income	120,339	5,638	(125,977)	0
Class 'A' Accumulation	1,529,896	9,130	(1,539,026)	0
Class 'B' Income	81,948	3,293	(85,241)	0
Class 'B' Accumulation	208,775	4,851	(213,626)	0
Class 'C' Income	1,097	0	(1,097)	0
Class 'C' Accumulation	319,519	2,540	(322,059)	0
Sterling				
Class 'A' Income	2,891,648	113,995	(3,005,643)	0
Class 'A' Accumulation	698,803	98,534	(797,337)	0
Class 'I' Income	603,623	113,621	(127,112)	590,132
Class 'I' Accumulation	1,747,069	1,050,366	(1,528,176)	1,269,259
Class 'R' Income	678,197	73,000	(751,197)	0
Class 'R' Accumulation	425,903	59,434	(485,337)	0
Class 'X' Income	19,079,448	110,471	(19,189,919)	0
Class 'X' Accumulation	923,814	652,587	(792,813)	783,588
Swiss franc				
Class 'A-H' Accumulation	3,002	0	(3,002)	0
Class 'C-H' Accumulation	3,003	0	(3,003)	0
US dollar				
Class 'A-H' Income	32,932	0	(32,932)	0
Class 'A-H' Accumulation	25,418	15,300	(40,718)	0
Class 'C-H' Income	2,000	0	(2,000)	0
Class 'C-H' Accumulation	2,000	0	(2,000)	0

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14 Charging structure

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

Share class	Entry charge %	Exit charge %	Annual management charge %	Share class hedging charge %
Euro				
Class 'A'	3.25	n/a	1.25	n/a
Class 'B'	nil	n/a	1.75	n/a
Class 'C'	1.25	n/a	0.75	n/a
Sterling				
Class 'A'	nil	n/a	1.25	n/a
Class 'I'	nil	n/a	0.75	n/a
Class 'R'	nil	n/a	1.00	n/a
Class 'X'	nil	n/a	1.25	n/a
Swiss franc				
Class 'A-H'	3.25	n/a	1.25	[a]
Class 'C-H'	1.25	n/a	0.75	[a]
US dollar				
Class 'A-H'	3.25	n/a	1.25	[a]
Class 'C-H'	1.25	n/a	0.75	[a]

[a] This charge may vary between 0.01% and 0.055%.

15 Related parties

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

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

At the balance sheet date, shareholders from within Prudential plc, of which M&G Securities Limited is a wholly owned subsidiary, have holdings totalling 0.08% (2018: 0.09%) of the fund's shares.

16 Events after the balance sheet date

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

17 Fair value analysis

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

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

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

Level 2: Valuation technique using observable market data

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

Level 3: Valuation technique using unobservable inputs

This refers to instruments which have been valued using models with unobservable data inputs. This includes single broker-priced instruments, suspended/unquoted securities, private equity, unlisted closed-ended funds and open-ended funds with restrictions on redemption rights.

	Assets 2019 €'000	Liabilities 2019 €'000	Assets 2018 €'000	Liabilities 2018 €'000
as at 30 June				
Basis of valuation				
Level 1	912	0	14,635	0
Level 2	27,394	(1)	93,436	(14)
Level 3	230	0	0	0
	28,536	(1)	108,071	(14)

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

18 Risk management policies

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

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19 Market risk sensitivity and exposure

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

The VaR limit set during the financial year to 30 June 2019 was 12% (2018: 12%).

The lowest, highest and average VaR, as well as utilisation of VaR with reference to the limit above, are calculated during the financial years ended 30 June 2019 and 30 June 2018.

for the year to 30 June	2019 % of VaR	2019 Utilisation of VaR ^[a] 12%	2018 % of VaR	2018 Utilisation of VaR ^[a] 12%
Lowest	0.80	6.67	1.81	15.06
Highest	2.82	23.50	2.84	23.69
Average	1.56	13.03	2.30	19.20

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

20 Credit risk

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

as at 30 June	2019 €'000	2018 €'000
Investment grade securities	4,139	21,638
Below investment grade securities	23,351	81,842
Unrated securities	409	3,193
Other investments	636	1,384
Total	28,535	108,057

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

as at 30 June 2019	Swaps €'000	Forward currency contracts €'000
Barclays Bank	334	0
JPMorgan	0	72
Total	334	72

as at 30 June 2018	Swaps €'000	Forward currency contracts €'000
Bank of America Merrill Lynch	0	(1)
Citigroup	19	10
Goldman Sachs	920	0
HSBC	0	(3)
JPMorgan	249	0
National Australia Bank	0	1
State Street Bank	0	6
UBS	0	183
Total	1,188	196

21 Leverage risk

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

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

The lowest, highest and average level of leverage employed and utilisation of the leverage level calculated during the financial years ended 30 June 2019 and 30 June 2018 are disclosed in the table below.

for the year to 30 June	2019 ^[a] €'000	2019 ^[a] % ^[b]	2018 ^[a] €'000	2018 ^[a] % ^[b]
Lowest	5,932	16.4	32,387	27.4
Highest	64,339	76.8	76,273	64.8
Average	22,035	27.8	38,621	32.5

^[a] Leverage has been calculated using the Gross Sum of Notional Approach for derivative positions only (including forward currency contracts) and excludes all physical holdings.

^[b] Expressed as a percentage over net assets.

22 Exchange rate risk for hedged share classes

Hedged share classes operated currency hedges designed to reduce the impact of exchange rates in certain circumstances. As a result, profit and loss on the currency hedges may impact the liquidity of the overall fund. On a day to day basis this was monitored using reporting from the outsourced provider of the hedged share class service. On an ongoing basis the size of the hedged share classes was monitored to ensure that unforeseen exchange rate volatility can be adequately managed without significantly impacting all shareholders. There were no hedged share classes in existence as at year end.

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23 Interest distribution tables

This fund pays quarterly interest distributions and the following table sets out the distribution periods.

Quarterly distribution periods				
	Start	End	Xd	Payment
First interim	01.07.18	30.09.18	01.10.18	30.11.18
Second interim ^[a]	01.10.18	31.12.18	02.01.19	28.02.19
Third interim	01.01.19	31.03.19	01.04.19	31.05.19
Final	01.04.19	30.06.19	01.07.19	31.08.19

[a] As a result of the merger of M&G European High Yield Bond Fund into M&G (Lux) Global High Yield Bond Fund and M&G Global High Yield Bond Fund on 25 January 2019 ('the effective date'), any income available for distribution to non-sterling share classes and all sterling share classes with exception of three remaining sterling share classes from the start of the period on 1 October 2018 to the effective date of the merger was distributed to shareholders on 28 February 2019.

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

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

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

Euro Class 'A' Income shares				
Interest distributions for the year to 30 June	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019 2018	
	€	€	€	€
First interim	8.0144	16.5070	24.5214	24.9753
Second interim	23.8421	7.6536	31.4957	25.7978
Third interim	n/a	n/a	n/a	24.8648
Final	n/a	n/a	n/a	26.2996

Euro Class 'A' Accumulation shares				
Interest distributions for the year to 30 June	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019 2018	
	€	€	€	€
First interim	11.5573	8.6209	20.1782	19.5472
Second interim	11.2555	14.3985	25.6540	20.4534
Third interim	n/a	n/a	n/a	19.7754
Final	n/a	n/a	n/a	21.3745

Euro Class 'B' Income shares				
Interest distributions for the year to 30 June	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019 2018	
	€	€	€	€
First interim	7.7471	1.9445	9.6916	9.9214
Second interim	7.7862	4.6442	12.4304	10.2348
Third interim	n/a	n/a	n/a	9.8526
Final	n/a	n/a	n/a	10.4077

Euro Class 'B' Accumulation shares				
Interest distributions for the year to 30 June	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019 2018	
	€	€	€	€
First interim	3.1898	3.4402	6.6300	6.4167
Second interim	2.8221	5.4817	8.3038	6.7205
Third interim	n/a	n/a	n/a	6.4588
Final	n/a	n/a	n/a	7.0268

Euro Class 'C' Income shares				
Interest distributions for the year to 30 June	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019 2018	
	€	€	€	€
First interim	n/a	n/a	n/a	24.9570
Second interim	n/a	n/a	n/a	25.8012
Third interim	n/a	n/a	n/a	24.9650
Final	n/a	n/a	n/a	26.3726

Euro Class 'C' Accumulation shares				
Interest distributions for the year to 30 June	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019 2018	
	€	€	€	€
First interim	10.8775	12.1602	23.0377	22.2946
Second interim	21.6322	7.9709	29.6031	23.3226
Third interim	n/a	n/a	n/a	22.6512
Final	n/a	n/a	n/a	24.3828

Sterling Class 'A' Income shares				
Interest distributions for the year to 30 June	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019 2018	
	p	p	p	p
First interim	0.1843	0.2769	0.4612	0.4666
Second interim	0.3661	0.2119	0.5780	0.4847
Third interim	n/a	n/a	n/a	0.4615
Final	n/a	n/a	n/a	0.4934

Sterling Class 'A' Accumulation shares				
Interest distributions for the year to 30 June	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019 2018	
	p	p	p	p
First interim	0.4919	0.3187	0.8106	0.7799
Second interim	0.5919	0.4135	1.0054	0.8208
Third interim	n/a	n/a	n/a	0.7837
Final	n/a	n/a	n/a	0.8563

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23 Interest distribution tables (continued)

Sterling Class 'I' Income shares

Interest distributions for the year to 30 June	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
	p	p	p	p
First interim	5.0868	7.2885	12.3753	12.4650
Second interim	6.7838	5.6513	12.4351	12.9585
Third interim	6.1387	5.5360	11.6747	12.3519
Final	6.4922	7.8375	14.3297	13.2234

Sterling Class 'I' Accumulation shares

Interest distributions for the year to 30 June	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
	p	p	p	p
First interim	4.5642	7.8449	12.4091	11.9355
Second interim	6.2872	6.1561	12.4433	12.5511
Third interim	6.6593	5.3128	11.9721	12.0398
Final	8.0540	7.0901	15.1441	13.1016

Sterling Class 'R' Income shares

Interest distributions for the year to 30 June	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
	p	p	p	p
First interim	0.3652	0.8660	1.2312	1.2439
Second interim	1.0456	0.4984	1.5440	1.2916
Third interim	n/a	n/a	n/a	1.2304
Final	n/a	n/a	n/a	1.3162

Sterling Class 'R' Accumulation shares

Interest distributions for the year to 30 June	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
	p	p	p	p
First interim	0.6287	0.5047	1.1334	1.0988
Second interim	1.0790	0.3351	1.4141	1.1474
Third interim	n/a	n/a	n/a	1.0982
Final	n/a	n/a	n/a	1.1970

Sterling Class 'X' Income shares

Interest distributions for the year to 30 June	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
	p	p	p	p
First interim	0.1218	0.3386	0.4604	0.4661
Second interim	0.2662	0.3109	0.5771	0.4840
Third interim	n/a	n/a	n/a	0.4607
Final	n/a	n/a	n/a	0.4927

Sterling Class 'X' Accumulation shares

Interest distributions for the year to 30 June	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
	p	p	p	p
First interim	0.6869	0.1231	0.8100	0.7798
Second interim	0.3824	0.4207	0.8031	0.8203
Third interim	0.3755	0.4052	0.7807	0.7833
Final	0.5012	0.5018	1.0030	0.8555

Swiss franc Class 'A-H' Accumulation shares

Interest distributions for the year to 30 June	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
	¢	¢	¢	¢
First interim	n/a	n/a	n/a	7.1844
Second interim	n/a	n/a	n/a	7.4552
Third interim	n/a	n/a	n/a	7.1805
Final	n/a	n/a	n/a	7.7271

Swiss franc Class 'C-H' Accumulation shares

Interest distributions for the year to 30 June	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
	¢	¢	¢	¢
First interim	n/a	n/a	n/a	8.5708
Second interim	n/a	n/a	n/a	8.9160
Third interim	n/a	n/a	n/a	8.6308
Final	n/a	n/a	n/a	9.2630

US dollar Class 'A-H' Income shares

Interest distributions for the year to 30 June	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
	¢	¢	¢	¢
First interim	6.0589	4.3956	10.4545	10.3200
Second interim	13.1915	0.0000	13.1915	10.5893
Third interim	n/a	n/a	n/a	10.2097
Final	n/a	n/a	n/a	10.7916

US dollar Class 'A-H' Accumulation shares

Interest distributions for the year to 30 June	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
	¢	¢	¢	¢
First interim	4.4161	3.6137	8.0298	7.6594
Second interim	8.0574	2.0548	10.1122	7.9142
Third interim	n/a	n/a	n/a	7.6780
Final	n/a	n/a	n/a	8.2325

US dollar Class 'C-H' Income shares

Interest distributions for the year to 30 June	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
	¢	¢	¢	¢
First interim	n/a	n/a	n/a	10.4060
Second interim	n/a	n/a	n/a	10.6572
Third interim	n/a	n/a	n/a	10.3064
Final	n/a	n/a	n/a	10.8670

US dollar Class 'C-H' Accumulation shares

Interest distributions for the year to 30 June	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
	¢	¢	¢	¢
First interim	n/a	n/a	n/a	9.2450
Second interim	n/a	n/a	n/a	9.5520
Third interim	n/a	n/a	n/a	9.2568
Final	n/a	n/a	n/a	9.9375

M&G Fund of Investment Trust Shares (closed)

Authorised Corporate Director's Report

Important information

Following shareholder approval on 2 May 2019, shareholders of both Sterling Class 'A' and 'X' Shares in the M&G Fund of Investment Trust Shares received Sterling Class 'A' shares in the M&G Managed Growth Fund of the same type (Income or Accumulation). The transfer of the assets of the M&G Fund of Investment Trust Shares to the M&G Managed Growth Fund were carried out on 14 June 2019 effectively closing the sub-fund.

Investment objective up to 14 June 2019

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

Investment policy up to 14 June 2019

At least 80% of the fund is invested in the shares of investment trust companies. While these stocks are listed in the UK, such assets will be used to give exposure to a wide range of international markets. These investment trust companies may also hold a broad range of investment asset classes including equities, real estate and debt.

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

Investment approach up to 14 June 2019

The fund manager selects investment vehicles from which long-term growth (over five years or more) can be obtained by assessing their investment philosophy, style, objective and the ability of each manager to deliver on them; and the discount at which its shares are trading.

Risk profile

The fund invests in the shares of investment trust companies and is exposed to a wide spread of investments in the UK and overseas stockmarkets. The fund is, therefore, subject to the price volatility of the global stockmarkets and the performance of individual investment trust companies. The fund is also subject to fluctuations in currency exchange rates. Diversification across markets, industries and asset classes is therefore key in managing liquidity risk and reducing market risk. The fund's risks are measured and managed as an integral part of the investment process.

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



The above number:

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

Investment review

As at 1 July 2019, for the period ended 14 June 2019

Performance against objective

Between 2 July 2018 (the start of the review period) and 14 June 2019, when the fund merged into the M&G Managed Growth Fund, the fund's Sterling Class 'A' and 'X' shares each produced a total return (the combination of income and growth of capital) of -0.2%. Meanwhile, the FTSE All-Share Equity Investment Instruments Index, which is an index of comparable investment trusts, returned 4.7%.*

A proportion of the fund's underperformance was due to the effect of swing pricing, which adjusts the share price to protect existing shareholders from a dilution in the fund price that can occur when large deals are placed to buy or sell shares. The method has the effect of moving the single price up or down from the mid-price – known as 'swinging'. Over one year, the price 'swung' lower and had a negative effect on the fund's performance of around -0.9%.

Over five years, the fund has not met its objective, which is to outperform, net of the ongoing charges figure, the FTSE All-Share Equity Investment Instruments Index.

* 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 Fund of Investment Trust Shares (closed)

Authorised Corporate Director's Report

Investment review

Investment performance

Global stockmarkets were volatile over the 12 months. Markets fell sharply during October 2018 due to a greater-than-expected increase in borrowing costs. The strength of the US economy and possible inflationary pressures drove investors' fears that the Federal Reserve may raise interest rates more quickly in 2019, having already raised them four times in 2018. In late 2018, investors also became concerned that US growth was slowing, just as the effect of tax cuts was beginning to wane. In addition, sentiment was hurt by the ongoing trade war between the US and China, despite some encouraging signs that some form of agreement was imminent in the spring.

Investors' risk appetite improved significantly in the new year after the Federal Reserve indicated a slower approach to interest rate hikes, due to the global economic slowdown, lower oil prices and muted domestic inflation. Heightened trade tensions between the US and China led to stockmarket weakness in May 2019, but investors were subsequently encouraged as a weaker US jobs report in June increased expectations of a cut in US interest rates. In this environment, the US stockmarket produced healthy gains, while those from Europe, Asia and emerging markets were more subdued and Japan and the UK lagged behind, all in sterling terms.

One of the largest detractors to the fund's performance over the period was CATCo Reinsurance Opportunities Fund, which sits in the fund's 'specialist' holdings. CATCo tends not to perform in line with stockmarkets and was held in the portfolio in order to provide a useful diversification benefit. However, CATCo was hurt by the effects of recent fires and hurricanes, which were worse than had been expected. The removal of two senior executives for having an undisclosed personal relationship also weighed on CATCo. Performance was also held back by some holdings in the 'flexible investment' component of the portfolio, notably Ruffer Investment Company and Syncona, which is focused on life science investments.

The fund's allocation to smaller companies proved disadvantageous as well. In challenging market conditions, smaller companies are often out of favour with investors, as they are perceived to be higher risk investments. Such companies do, however, tend to perform well when investors are more optimistic. The fund had a meaningful exposure to shares in smaller companies. A number of these featured prominently among detractors – for example, JPMorgan European Smaller Companies Investment Trust, River & Mercantile UK Micro Cap Investment Trust and Baillie Gifford Shin Nippon, which invests in Japanese smaller companies.

Turning to geographic markets, against an uncertain backdrop, the US stockmarket outperformed the broader world stockmarket in the period under review. In terms of holdings in the portfolio, JPMorgan American Investment Trust added modest value, while Gabelli Value Plus+ Trust detracted.

In the UK, the Brexit talks continued to dominate the headlines in the period under review. The original date for Brexit came and went after the European Union (EU) agreed to extend the process, and a new deadline of 31 October 2019 was set. Prime Minister Theresa May announced her resignation, triggering a multi-candidate leadership contest, and Boris Johnson became leader of the Conservative Party and prime minister in July. In other developments, UK economic growth

has been lacklustre; activity has picked up a little recently, but this appears to reflect companies' preparations for potential Brexit-related difficulties. In an uncertain environment, detractors included Artemis Alpha Trust and Keystone Investment Trust, while Finsbury Growth & Income Trust supported performance.

Economic growth in the eurozone remains positive, but exporters in the region have been hurt by a global slowdown, led by weaker growth in China. A row over Italy's controversial budget for 2019 led to market jitters before a revised version was finally approved in December 2018 by the European Commission, the EU's executive arm. A lack of progress in the Brexit negotiations also led to uncertainty. Performance was supported by Fidelity European Values, while The European Investment Trust was weak.

The continued trade tensions between the US and China weighed on many markets over the period under review, with Japanese, Asian and emerging markets particularly affected by trade concerns due to the prospect of reduced demand for their products. In terms of the portfolio, performance was held back by holdings in Baillie Gifford Japan Trust and Weiss Korea Opportunity Fund. However, Utilico Emerging Markets Trust, Edinburgh Dragon Trust and Aberdeen Asian Income Fund added value.

Turning to other assets, the fund's exposure to property detracted, with Ediston Property Investment Company REIT holding back returns. Meanwhile, a position in global infrastructure firm BBGI, which is held in the 'specialist' portion of the fund, added value. In the 'private equity' section of the portfolio, BMO Private Equity Trust (formerly F&C Private Equity Trust) detracted, while Pantheon International was supportive for performance. In the 'global' section, holdings in Scottish Mortgage Investment Trust and Monks Investment Trust were broadly neutral for performance, while Caledonia added some value and Witan cost a little performance.

Investment activities

In the first half of the period under review, we made a number of changes to the portfolio. These included reducing certain holdings following a period of strong performance. For example, we cut back the position in Monks Investment Trust, Syncona, Polar Capital Technology and JPMorgan American Investment Trust. We also sold a holding in Personal Asset Trusts as part of a consolidation process.

After the shareholder vote in May 2019, it was agreed that the M&G Fund of Investment Trust Shares would transition to the M&G Managed Growth Fund, in preparation for the merger, which took place on 14 June 2019.

Our approach was to put all of the stocks in the portfolio into similar 'buckets' as the M&G Managed Growth Fund and methodically reduce and ultimately close the positions. At the same time, and in an orderly fashion, we built up positions in investments held in the new target portfolio.

Richard O'Connor

Fund manager

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

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

M&G Fund of Investment Trust Shares (closed)

Authorised Corporate Director's Report

Investments

The fund had no holdings at year end.

Top ten portfolio transactions	
for the year to 30 June 2019	
Largest purchases	£'000
Invesco Financials S&P US Select Sector ETF	5,474
M&G North American Value Fund ^[a] ^[b]	5,399
M&G Global Select Fund ^[a] ^[b]	5,393
M&G Episode Macro Fund Sterling Class 'S-H' (Accumulation) ^[a] ^[b]	5,388
M&G Japan Fund ^[a] ^[b]	5,375
M&G Global Emerging Markets Fund ^[a] ^[b]	5,360
M&G (Lux) Pan European Select Fund Euro Class 'A' (Accumulation) ^[a] ^[b]	4,954
CATCo Reinsurance Opportunities Fund	122
Keystone Investment Trust	120
Greencoat UK Wind	46
Other purchases	95
Total purchases	37,726
Largest sales	£'000
Scottish Mortgage Investment Trust	2,369
Polar Capital Technology Trust	1,541
Monks Investment Trust	1,471
TR Property Investment Trust	1,357
Pantheon International	1,288
JPMorgan American Investment Trust	1,282
Fidelity European Values	1,274
Syncona	1,264
Edinburgh Dragon Trust	1,134
BBGI	1,025
Other sales	25,233
Total sales	39,238

^[a] All holdings in M&G collective investment schemes are in Sterling Class 'A' (Income) shares unless otherwise stated.

^[b] Related party to the fund.

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

M&G Fund of Investment Trust Shares (closed)

Financial highlights

Fund performance

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

The following charts and tables reflect the key financial information of a representative share class, Sterling Class 'A' (Accumulation) shares. As different share classes have different attributes, for example charging structures and minimum investments, please be aware that their performance may be different.

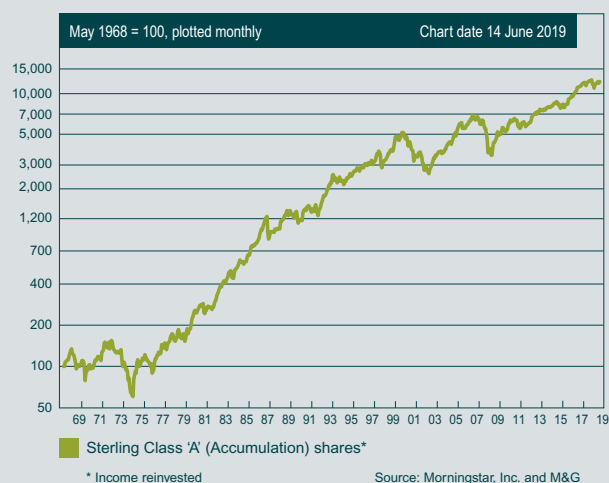
Fund level performance

Fund net asset value

as at 30 June	2019 £'000	2018 £'000	2017 £'000
Fund net asset value (NAV)	0	41,962	38,515

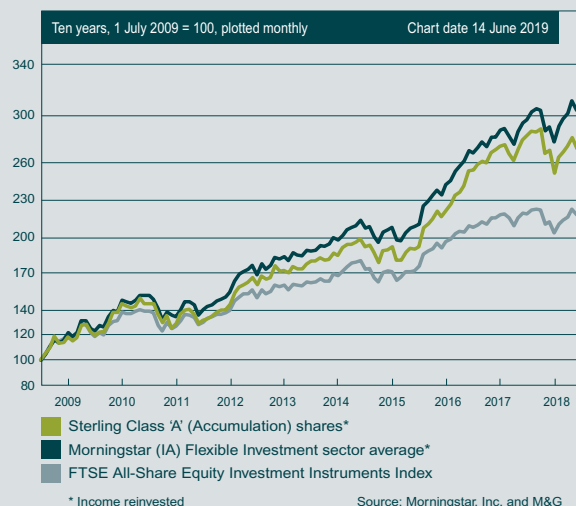
Performance since launch

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



Ten-year performance

Please note that comparative data is not available from fund launch. Therefore a ten-year comparable performance chart is shown below.



To give an indication of the performance of the fund, the following table shows the compound rate of return, over the period to 14 June 2019 when the fund closed and merged into M&G Managed Growth Fund. Calculated on a price to price basis with income reinvested.

Long-term performance by share class

	From 02.07.18 % [a]	From 01.07.16 % p.a.	From 01.07.14 % p.a.	Since launch % p.a.
Sterling [b]				
Class 'A'	-0.2	+13.2	+9.2	+9.9 [c]
Class 'X'	-0.2	+13.1	+9.0	+9.1 [d]

[a] Absolute basis.

[b] Price to price with income reinvested.

[c] 10 May 1968, the end of the initial offer period of the predecessor unit trust.

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

M&G Fund of Investment Trust Shares (closed)

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.

Portfolio transaction costs				
for the year to 30 June	2019	2018	2017	Average ^[a]
Direct portfolio transaction costs ^[b]	%	%	%	%
Broker commission	0.06	0.00	0.01	0.03
Taxes	0.00	0.01	0.00	0.00
Costs before dilution adjustments	0.06	0.01	0.01	0.03
Dilution adjustments ^[c]	(0.01)	(0.01)	(0.01)	(0.01)
Total direct portfolio transaction costs	0.05	0.00	0.00	0.02
as at 30 June	2019	2018	2017	Average ^[d]
Indirect portfolio transaction costs	%	%	%	%
Average portfolio dealing spread	0.00 ^[e]	0.84	0.79	0.82

^[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.

^[d] Average of the 2017 and 2018 columns.

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

M&G Fund of Investment Trust Shares (closed)

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.

The share classes were merged into the M&G Managed Growth Fund on 14 June 2019. The historic yields for the current year were calculated at the merger date.

Sterling Class 'A' Income share performance

The share class was launched on 10 May 1968.

for the year to 30 June Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	2,459.94	2,248.17	1,748.21
Return before operating charges and after direct portfolio transaction costs	32.03	278.78*	558.37
Operating charges	(27.34)	(28.42)*	(24.51)
Return after operating charges	4.69	250.36	533.86
Distributions	(37.73)	(38.59)	(33.90)
Return to shareholder as a result of share class closure	(2,426.90)	n/a	n/a
Closing NAV	0.00	2,459.94	2,248.17
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	1.27	0.26	0.11
Dilution adjustments ^[a]	(0.33)	(0.14)	(0.11)
Total direct portfolio transaction costs	0.94	0.12	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.05	0.00	0.00
Operating charges	1.19	1.19	1.19
Return after operating charges	+0.19	+11.14	+30.54
Historic yield	1.62	1.57	1.49
Effect on yield of charges offset against capital	1.15	1.15	1.15
Other information			
Closing NAV (£'000)	0	16,272	15,182
Closing NAV percentage of total fund NAV (%)	0.00	38.78	39.42
Number of shares	0	661,481	675,331
Highest share price (UK p)	2,556.86	2,536.65	2,331.17
Lowest share price (UK p)	2,189.76	2,271.75	1,759.74

* Restated.

Sterling Class 'A' Accumulation share performance

The share class was launched on 10 May 1968.

for the year to 30 June Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	5,822.37	5,238.14	4,009.95
Return before operating charges and after direct portfolio transaction costs	80.64	650.69*	1,284.56
Operating charges	(64.59)	(66.46)*	(56.37)
Return after operating charges	16.05	584.23	1,228.19
Distributions	(26.27)	(26.44)	(23.70)
Retained distributions	26.27	26.44	23.70
Return to shareholder as a result of share class closure	(5,838.42)	n/a	n/a
Closing NAV	0.00	5,822.37	5,238.14
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	3.02	0.62	0.25
Dilution adjustments ^[a]	(0.77)	(0.33)	(0.25)
Total direct portfolio transaction costs	2.25	0.29	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.05	0.00	0.00
Operating charges	1.18	1.20	1.19
Return after operating charges	+0.28	+11.15	+30.63
Historic yield	0.47	0.45	0.45
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (£'000)	0	24,031	21,664
Closing NAV percentage of total fund NAV (%)	0.00	57.27	56.25
Number of shares	0	412,730	413,580
Highest share price (UK p)	6,052.05	5,951.11	5,385.36
Lowest share price (UK p)	5,200.28	5,292.95	4,035.94

* Restated.

M&G Fund of Investment Trust Shares (closed)

Financial highlights

Specific share class performance

Sterling Class 'X' Income share performance

The share class was launched on 1 October 2002.

for the year to 30 June Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	2,466.22	2,253.91	1,756.77
Return before operating charges and after direct portfolio transaction costs	31.97	279.48*	560.24
Operating charges	(27.26)	(28.48)*	(29.10)
Return after operating charges	4.71	251.00	531.14
Distributions	(37.83)	(38.69)	(34.00)
Return to shareholder as a result of share class closure	(2,433.10)	n/a	n/a
Closing NAV	0.00	2,466.22	2,253.91
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	1.27	0.26	0.11
Dilution adjustments ^[a]	(0.33)	(0.14)	(0.11)
Total direct portfolio transaction costs	0.94	0.12	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.05	0.00	0.00
Operating charges	1.18	1.19	1.42**
Return after operating charges	+0.19	+11.14	+30.23
Historic yield	1.62	1.57	1.49
Effect on yield of charges offset against capital	1.15	1.15	1.15
Other information			
Closing NAV (£'000)	0	1,016	1,028
Closing NAV percentage of total fund NAV (%)	0.00	2.42	2.67
Number of shares	0	41,205	45,605
Highest share price (UK p)	2,563.39	2,543.12	2,337.13
Lowest share price (UK p)	2,195.35	2,277.55	1,768.13

* Restated.

** As the annual management charge had been discounted during the period, 1.19% is a more reliable estimate of the period to 30.06.17 ongoing charges.

Sterling Class 'X' Accumulation share performance

The share class was launched on 1 October 2002.

for the year to 30 June Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	5,459.92	4,912.03	3,768.90
Return before operating charges and after direct portfolio transaction costs	75.95	610.16*	1,205.87
Operating charges	(60.89)	(62.27)*	(62.74)
Return after operating charges	15.06	547.89	1,143.13
Distributions	(24.64)	(24.80)	(12.67)
Retained distributions	24.64	24.80	12.67
Return to shareholder as a result of share class closure	(5,474.98)	n/a	n/a
Closing NAV	0.00	5,459.92	4,912.03
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	2.83	0.58	0.23
Dilution adjustments ^[a]	(0.73)	(0.31)	(0.23)
Total direct portfolio transaction costs	2.10	0.27	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.05	0.00	0.00
Operating charges	1.18	1.19	1.42**
Return after operating charges	+0.28	+11.15	+30.33
Historic yield	0.47	0.45	0.25
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (£'000)	0	643	641
Closing NAV percentage of total fund NAV (%)	0.00	1.53	1.66
Number of shares	0	11,778	13,043
Highest share price (UK p)	5,675.30	5,580.65	5,050.08
Lowest share price (UK p)	4,876.56	4,963.43	3,793.01

* Restated.

** As the annual management charge had been discounted during the period, 1.19% is a more reliable estimate of the period to 30.06.17 ongoing charges.

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

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

M&G Fund of Investment Trust Shares (closed)

Financial statements and notes

Financial statements

Statement of total return					
for the year to 30 June	Note	2019		2018	
		£'000	£'000	£'000	£'000
Income					
Net capital gains / (losses)	3		(841)		4,048
Revenue	5	695		704	
Expenses	6	(455)		(479)	
Net revenue / (expense) before taxation					
		240		225	
Taxation	7	0		0	
Net revenue / (expense) after taxation			240		225
Total return before distributions			(601)		4,273
Distributions	8		(369)		(386)
Change in net assets attributable to shareholders from investment activities			(970)		3,887

Statement of change in net assets attributable to shareholders				
	2019		2018	
for the year to 30 June	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		41,962		38,515
Amounts received on issue of shares	1,428		526	
Amounts paid on cancellation of shares	(4,425)		(1,086)	
Transfer to M&G Managed Growth Fund	(38,116)		0	
		(41,113)		(560)
Dilution adjustments		17		7
Change in net assets attributable to shareholders from investment activities (see above)		(970)		3,887
Retained distributions on Accumulation shares		104		112
Unclaimed distributions		0		1
Closing net assets attributable to shareholders		0		41,962

Balance sheet			
as at 30 June	Note	2019 £'000	2018 £'000
Assets			
Fixed assets			
Investments		0	39,870
Current assets			
Debtors	9	202	126
Cash and bank balances	10	38	520
Cash equivalents		0	1,686
Total assets		240	42,202
Liabilities			
Investment liabilities		0	(40)
Creditors			
Bank overdrafts		(103)	0
Overdrawn positions at futures clearing houses and collateral manager		0	(22)
Distribution payable		(129)	(153)
Other creditors	11	(8)	(25)
Total liabilities		(240)	(240)
Net assets attributable to shareholders		0	41,962

Notes to the financial statements

1 Accounting policies

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

2 Distribution policy

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

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

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

3 Net capital gains / (losses)

for the year to 30 June	2019 £'000	2018 £'000
Non-derivative securities	(976)	3,841
Derivative contracts	123	210
Currency gains / (losses)	0	3
Management charge rebates taken to capital	14	0
Transaction charges	(2)	(6)
Net capital gains / (losses)	(841)	4,048

M&G Fund of Investment Trust Shares (closed)

Financial statements and notes

Notes to the financial statements

4 Portfolio transactions and associated costs

The following tables show portfolio transactions and their associated transaction costs. For more information about the nature of the costs please see the section on 'Operating charges and portfolio transaction costs' on page 117.

for the year to 30 June	2019 £'000	% of transaction	2018 £'000	% of transaction
a) Purchases				
Equities				
Equities before transaction costs	37,723		1,835	
Commissions	2	0.00	0	0.00
Taxes	1	0.00	3	0.16
Total purchases after transaction costs	37,726		1,838	
b) Sales				
Equities				
Equities before transaction costs	38,795		2,803	
Commissions	(18)	0.05	(1)	0.04
Equities after transaction costs	38,777		2,802	
Other transaction types				
Corporate actions	461		42	
Total sales after transaction costs	39,238		2,844	
c) Direct portfolio transaction costs				
	2019 £'000	% of average NAV	2018 £'000	% of average NAV
Commissions paid				
Equities	20	0.06	1	0.00
Taxes paid				
Equities	1	0.00	3	0.01
Total direct portfolio transaction costs [a]	21	0.06	4	0.01
d) Indirect portfolio transaction costs				
		%		%
Portfolio dealing spread [b]		0.00		0.84

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

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

5 Revenue

for the year to 30 June	2019 £'000	2018 £'000
Derivative revenue	1	0
Dividends from equity investments: non-taxable	583	633
Dividends from equity investments: taxable	34	32
Interest distributions	16	6
Management charge rebates	6	0
Stock dividends	55	33
Total revenue	695	704

6 Expenses

for the year to 30 June	2019 £'000	2018 £'000
Payable to the ACD or associate		
Annual management charge	387	405
Administration charge	58	61
	445	466
Payable to the Depositary or associate		
Depositary's charge (including VAT)	4	4
Other expenses		
Audit fee (including VAT)	6	9
Total expenses	455	479

7 Taxation

for the year to 30 June	2019 £'000	2018 £'000
a) Analysis of charge in the year		
Corporation tax	0	0
Withholding tax	0	0
Deferred tax (note 7c)	0	0
Total taxation	0	0
b) Factors affecting taxation charge for the year		
Net revenue / (expense) before taxation	240	225
Corporation tax at 20%	48	45
Effects of:		
Tax on management and administration charge rebates taken to capital	3	0
Dividends from equity investments: non-taxable	(117)	(127)
Stock dividends not taxable	(11)	(7)
Offshore income tax gains	(47)	(12)
Current year expenses not utilised	124	101
Total tax charge (note 7a)	0	0
c) Provision for deferred taxation		
Provision at the start of the year	0	0
Deferred tax in profit and loss account (note 7a)	0	0
Provision at the end of the year	0	0

The fund has not recognised a deferred tax asset of £1,422,000 (2018: £1,298,000) arising as a result of having excess management expenses.

8 Distributions

	2019		2018	
for the year to 30 June	Inc [a]	Acc [b]	Inc [a]	Acc [b]
Dividend distributions	£'000	£'000	£'000	£'000
Interim	122	40	121	36
Final	129	64	153	76
Total net distributions		355		386
Income deducted on cancellation of shares		15		1
Income received on issue of shares		(1)		(1)
Distributions		369		386
Net revenue / (expense) per statement of total return				
		240		225
Expenses offset against capital		184		194
Stock dividends not distributed		(55)		(33)
Distributions		369		386

[a] Distributions payable on Income shares.

[b] Retained distributions on Accumulation shares.

9 Debtors

as at 30 June	2019 £'000	2018 £'000
Amounts receivable from the M&G Managed Growth Fund	202	0
Distributions receivable	0	1
Dividends receivable	0	124
Tax recoverable	0	1
Total debtors	202	126

10 Cash and bank balances

as at 30 June	2019 £'000	2018 £'000
Amounts held at futures clearing houses and collateral manager	0	157
Cash held as bank balances	38	363
Total cash and bank balances	38	520

M&G Fund of Investment Trust Shares (closed)

Financial statements and notes

Notes to the financial statements

11 Other creditors

as at 30 June	2019 £'000	2018 £'000
ACD's annual management charge payable	0	13
Administration charge payable	0	2
Expenses payable	8	10
Total other creditors	8	25

12 Contingent assets, liabilities and outstanding commitments

There were no contingent assets, liabilities or outstanding commitments at the balance sheet date (2018: same).

13 Shares in issue

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

Share class	Opening 01.07.18	Movements		Closing 30.06.19
		Issued	Cancelled	
Sterling				
Class 'A' Income	661,481	6,300	(667,781)	0
Class 'A' Accumulation	412,730	10,685	(423,415)	0
Class 'X' Income	41,205	460	(41,665)	0
Class 'X' Accumulation	11,778	0	(11,778)	0

14 Charging structure

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

Share class	Entry charge %	Exit charge %	Annual management charge %
Class 'A'	nil	n/a	1.00
Class 'X'	nil	n/a	1.00

15 Related parties

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

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

During the year, there were transactions in shares in related parties of M&G Securities Limited with a total value of £31,869,000 (2018: £nil).

At the balance sheet date, shareholders from within Prudential plc, of which M&G Securities Limited is a wholly owned subsidiary, have holdings totalling 0.00% (2018: 1.22%) of the fund's shares.

16 Events after the balance sheet date

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

17 Fair value analysis

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

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

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

Level 2: Valuation technique using observable market data

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

Level 3: Valuation technique using unobservable inputs

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

as at 30 June	Assets 2019 £'000	Liabilities 2019 £'000	Assets 2018 £'000	Liabilities 2018 £'000
Basis of valuation				
Level 1	0	0	39,870	(40)
Level 2	0	0	0	0
Level 3	0	0	0	0
	0	0	39,870	(40)

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

As the fund no longer has any assets or liabilities there is no exposure to fair value.

18 Risk management policies

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

M&G Fund of Investment Trust Shares (closed)

Financial statements and notes

Notes to the financial statements

19 Market risk sensitivity

A five per cent increase in the value of the fund's investment portfolio would have the effect of increasing the return and net assets by £nil (2018: £1,992,000). A five per cent decrease would have an equal and opposite effect.

As the fund closed 14 June 2019 there was no exposure 30 June 2019.

20 Currency risk sensitivity and exposure

As the fund closed 14 June 2019 there was no exposure 30 June 2019.

21 Interest rate risk sensitivity and exposure

As the fund closed 14 June 2019 there was no exposure 30 June 2019.

22 Credit risk

As the fund closed 14 June 2019 there was no exposure 30 June 2019.

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

	Futures £'000
as at 30 June 2018	
Bank of America Merrill Lynch	(40)
Total	(40)

23 Dividend distribution tables

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

Semi-annual distribution periods				
	Start	End	Xd	Payment
Interim	01.07.18	31.12.18	02.01.19	28.02.19
Final	01.01.19	14.06.19	14.06.19	14.08.19

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

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

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

Sterling Class 'A' Income shares				
Ordinary distributions for the year to 30 June	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
	p	p	p	p
Interim	8.4397	9.3619	17.8016	16.7559
Final	10.9808	8.9484	19.9292	21.8324

Sterling Class 'A' Accumulation shares				
Ordinary distributions for the year to 30 June	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
	p	p	p	p
Interim	5.5004	3.9911	9.4915	8.4848
Final	9.0497	7.7307	16.7804	17.9518

Sterling Class 'X' Income shares				
Ordinary distributions for the year to 30 June	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
	p	p	p	p
Interim	8.8984	8.9484	17.8468	16.7984
Final	11.7357	8.2437	19.9794	21.8886

Sterling Class 'X' Accumulation shares				
Ordinary distributions for the year to 30 June	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
	p	p	p	p
Interim	8.5790	0.3238	8.9028	7.9643
Final	4.2234	11.5142	15.7376	16.8355

M&G Fund of Investment Trust Shares (closed)

Financial statements and notes

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M&G Global Government Bond Fund

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Investment objective

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

Investment policy

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

Investment approach

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

Risk profile

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

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

Up to 30% of the fund's assets may be invested in non-investment grade government debt securities, which are higher risk assets that could potentially experience a degree of illiquidity in times of market distress.

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

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



The above number:

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

Investment review

As at 1 July 2019, for the year ended 30 June 2019

Performance against objective

Between 2 July 2018 (the start of the review period) and 1 July 2019, the M&G Global Government Bond Fund recorded positive total returns (the combination of income and growth of capital) across its different share classes. Over the 12 months, mainstream government bond markets generally delivered positive returns, while emerging market government bonds also registered gains. For the fund's sterling and euro share classes, the increase in value of the US dollar (a currency in which the fund held a sizeable exposure) against sterling and the single currency was a factor that provided some further upside to returns.

The fund's objective is to maximise total returns, and it met its objective over three and five years and since launch.*

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

Investment performance

Several themes dampened investors' sentiment in global financial markets during the first half of the 12-month review period. These included signs that economic growth was slowing, while international trade tensions also remained a concern, especially between the US and China.

Much attention also stayed focused on the monetary policy of the US Federal Reserve (Fed). During 2018, the Fed continued its recent trend of raising interest rates as the US economy strengthened. Despite some weaker global economic signals, US interest rates were increased again in September and December, each time by a quarter of a percentage point.

Against this backdrop, areas of the global bond markets recorded subdued performance in the second half of 2018. This included segments of the corporate bond markets, as the performance of these assets can be more sensitive to a weaker economic outlook. In contrast, the performance of government bonds held up relatively well, as these assets are often supported in times of economic uncertainty.

M&G Global Government Bond Fund

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Investment review

Investment performance (continued)

Bonds are loans in the form of securities, usually issued by a government (sovereign bonds) or company (corporate bonds). They normally pay a fixed rate of interest (also known as a coupon) over a given time period, at the end of which the initial amount borrowed is repaid.

However, at the beginning of 2019, the Fed softened its rhetoric about further interest rate increases, largely in response to more moderate economic forecasts. Financial markets even began to consider the possibility that the Fed's next move on monetary policy might be a reduction in interest rates. This outlook also contributed to decisions by the Bank of England and European Central Bank (ECB) to hold interest rates unchanged at low levels.

In turn, this backdrop helped to generate a notable rally among most areas of the global bond markets in the opening months of 2019. Generally, the performance of government bonds in developed and emerging markets was helped in this environment. The performance of bonds, particularly government bonds, is influenced by expected or actual changes in interest rates. Bond prices move inversely to interest rates, so rising interest rates can reduce the returns of bonds, while falling rates tend to be helpful. Given the size and importance of the US market in a global context, the effects of higher or lower US interest rates can be felt internationally.

In addition, investors in Europe became increasingly focused on the possibility of renewed economic stimulus measures by the ECB towards the end of the review period. This resulted from some weak economic data in the eurozone area. The prospect of new ECB stimulus also supported the performance of government bonds in the region, as the central bank's strategy should include measures designed to keep interest rates low.

In the UK, a major theme for investors remained the uncertainty about the terms and timing of its departure from the European Union (EU). While a withdrawal deal was agreed with the EU, the agreement failed to win approval in the UK parliament. Subsequently, the deadline for Brexit was pushed back and Prime Minister Theresa May resigned. As a result, a contest began within the governing Conservative Party to select a replacement. Despite Brexit-related concerns, UK government bonds, helped by their perceived 'safe-haven' status among investors, performed well in the review period.

In the fund, we maintained a globally diversified portfolio of government bonds with holdings across the developed and emerging markets. Through this positioning, the fund generated positive returns. For the fund's sterling and euro share classes, some further upside to performance was provided by factors such as the US dollar's increase in value versus sterling and euro, respectively. This stemmed from the fund's exposure to the US dollar, which was maintained at considerably higher levels than its allocations to sterling and the euro.

Investment activities

The active management of the fund's allocations to individual countries, as well as its currency positioning, continue to be key drivers of its long-term returns. During the period, we kept exposures to a number of industrialised nations, while also favouring government bonds in emerging markets on a selective basis. In our view, appealing long-term value could still be found in the latter area of the market for taking on additional degrees of risk. We maintained this opinion despite concerns about the US/China trade dispute and slowing global economic growth.

Our largest country position remained the US, and we moderately increased this exposure during the period. We took this stance given that at times, against the backdrop of rising US interest rates in 2018, US government bonds experienced some marked price declines. In our view, these price falls were often overdone and left the valuations of these assets looking more attractive.

Among other industrialised nations, the fund's largest allocations continued to include Japan and the UK. We slightly increased these exposures and, at the end of the review period, they ranked as the fund's second and third largest country positions, respectively. Elsewhere, we held a relatively small exposure to the German government bond market, which largely reflected our view that very low yields among mainstream eurozone countries lacked relative value. (Bond yields refer to the interest received from a fixed interest security, which is usually expressed annually as a percentage based on the investment's cost, its current market value or its face value).

In the emerging markets, our selected holdings included government bonds denominated in 'hard' currencies such as the US dollar and euro, as well as those issued by governments in their local currencies. We also maintained globally diversified holdings across the main emerging market regions of Latin America, Asia, emerging Europe, and Africa.

Our fund activity included adding positions via newly issued bonds that we felt were attractively priced. Within this theme, we participated in the first ever international bond offering from the government of Uzbekistan. The US dollar-denominated offer proved heavily oversubscribed among investors. In emerging Europe, we added to the fund's allocation to Romania by buying newly issued euro-denominated government bonds. We selected Romania given its recent solid economic growth track record, while Montenegro and Albania were among our other preferred investments in the region. Elsewhere, we added to exposure in Latin America via purchases of government bonds in Peru and Paraguay. In contrast, an allocation to Sri Lanka was closed as we assessed this smaller market offered less upside potential.

M&G Global Government Bond Fund

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Investment review

Outlook

In addition to our chosen country allocations, the fund's flexible investment approach allows us to position the portfolio so that its performance should be less sensitive to the prospect of rising interest rates – a strategy known as holding short duration. Duration measures the sensitivity of a bond's price to a change in interest rates; it is an estimate of the number of years it takes an investor to recover the price of a bond if interest rates change. Generally, the longer the duration, the more sensitive the bond's price is to changes in interest rates.

Earlier in the review period, we kept a short duration positioning in the fund against the backdrop of actual, or expected, increases in interest rates. However, we adjusted this stance towards the end of 2018 to be less pronounced, given factors such as the slower economic growth outlook. In our opinion, this prospect warrants more moderate expectations regarding the extent of upward moves in interest rates. Consequently, we broadly maintained this adjusted duration stance going into 2019 and for the remainder of the review period.

Among other investment themes, we maintained a globally diversified portfolio of government bonds, not only from large developed nations such as the US, Japan, and the UK, but also from select emerging economies. Despite periods of underperformance from emerging market bonds in 2018, we consider that long-term value can still be found in this area when comparing their valuations to government bonds in developed countries. Relevantly, emerging market bonds offer higher yields relative to developed markets for taking on a higher degree of risk. We also continue to believe that sentiment towards emerging market bonds should be supported by improvements made to their creditworthiness – a measure of a borrower's ability and willingness to repay its debt.

As always, however, the relevant risks need to be monitored closely, including moves to introduce international trade tariffs, as well as mixed signals on the performance of China's economy. Overall, we continue to manage the fund by seeking the most attractive value in the global government bond markets amid the prevailing economic conditions, while avoiding those countries where we believe the outlook is less favourable.

Claudia Calich

Fund manager

An employee of M&G 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 30 June Holding	2019 \$'000	2019 %	2018 %
FIXED INCOME	170,294	97.26	95.41
Debt securities	170,294	97.26	95.41
'AAA' credit rated bonds	16,137	9.22	7.89
AUD3,000,000 Australia (Commonwealth of) 1.75% 21/11/2020	2,123	1.21	
CAD1,500,000 Canada (Govt. of) 2.25% 01/03/2024	1,190	0.68	
IDR20,000,000,000 European Bank for Reconstruction & Development 6.25% 22/12/2021	1,405	0.80	
€2,900,000 Germany (Federal Republic of) 0.25% 15/08/2028	3,489	1.99	
INR60,090,000 International Finance 5.85% 25/11/2022	847	0.49	
INR40,000,000 International Finance 6.3% 25/11/2024	568	0.33	
NOK12,500,000 Norway (Kingdom of) 2% 24/05/2023	1,510	0.86	
SGD4,400,000 Singapore (Govt. of) 3.25% 01/09/2020	3,312	1.89	
SEK14,000,000 Sweden (Kingdom of) 3.5% 01/06/2022	1,693	0.97	
'AA' credit rated bonds	49,690	28.38	24.48
ILS5,000,000 Israel (State of) 1% 30/04/2021	1,416	0.81	
ILS7,500,000 Israel (State of) 1.25% 30/11/2022	2,143	1.22	
\$1,350,000 Israel (State of) 4.5% 30/01/2043	1,548	0.88	
NZD2,000,000 New Zealand (Govt. of) IL 2.5% 20/09/2035	1,788	1.02	
\$556,000 Qatar (State of) 5.103% 23/04/2048	662	0.38	
\$1,000,000 Qatar (State of) 6.4% 20/01/2040	1,384	0.79	
£4,500,000 UK Treasury 2% 22/07/2020	5,788	3.31	
\$16,400,000 US Treasury 1.375% 31/05/2020	16,304	9.31	
\$11,450,000 US Treasury 3.125% 15/11/2028	12,534	7.16	
\$5,500,000 US Treasury IL 0.625% 15/01/2024	6,123	3.50	
'A' credit rated bonds	30,682	17.52	23.80
\$1,945,000 Bermuda (Govt. of) 4.75% 15/02/2029	2,143	1.22	
CLP1,240,000,000 Chile (Republic of) 4% 01/03/2023	1,906	1.09	
CLP451,000,000 Chile (Republic of) 5.5% 05/08/2020	682	0.39	
¥1,800,000,000 Japan (Govt. of) 0.1% 01/10/2020	16,780	9.58	
MYR10,000,000 Malaysia (Govt. of) 3.882% 10/03/2022	2,455	1.40	
MXN42,500,000 Mexico (United Mexican States) 6.5% 09/06/2022	2,153	1.23	
PEN4,800,000 Peru (Republic of) 8.2% 12/08/2026	1,809	1.03	
PLN5,700,000 Poland (Republic of) 3.25% 25/07/2025	1,623	0.93	
\$1,047,000 Saudi Arabia (Kingdom of) 4.375% 16/04/2029	1,131	0.65	
'BBB' credit rated bonds	34,660	19.80	22.34
COP5,262,000,000 Bogota Distrio Capital 9.75% 26/07/2028	1,827	1.04	
€1,000,000 Colombia (Republic of) 3.875% 22/03/2026	1,344	0.77	
€1,000,000 Croatia (Republic of) 3% 11/03/2025	1,303	0.74	
€691,000 Cyprus (Republic of) 2.75% 26/02/2034	963	0.55	
€743,000 Cyprus (Republic of) 2.75% 03/05/2049	1,047	0.60	
€1,000,000 Indonesia (Republic of) 3.75% 14/06/2028	1,356	0.77	
IDR20,000,000,000 Indonesia (Republic of) 8.25% 15/05/2036	1,476	0.84	
£1,000,000 Italy (Republic of) 6% 04/08/2028	1,488	0.85	

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Investments

Portfolio statement (continued)				
as at 30 June Holding	2019 \$'000	2019 %	2018 %	
'BBB' credit rated bonds (continued)				
€1,500,000 Kazakhstan (Republic of) 2.375% 09/11/2028	1,847	1.06		
£1,292,000 Mexico (United Mexican States) 5.625% 19/03/2114	1,697	0.97		
\$1,300,000 Morocco (Kingdom of) 5.5% 11/12/2042	1,475	0.84		
\$1,000,000 Panama (Republic of) 6.7% 26/01/2036	1,359	0.78		
€1,000,000 Peru (Republic of) 3.75% 01/03/2030	1,449	0.83		
\$487,500 Petroleos Mexicano 2.46% 15/12/2025	462	0.26		
\$1,500,000 Philippines (Republic of) 3.75% 14/01/2029	1,635	0.93		
PHP50,000,000 Philippines (Republic of) 6.25% 14/01/2036	1,113	0.64		
\$1,200,000 Portugal (Republic of) 5.125% 15/10/2024	1,338	0.76		
€827,000 Romania (Republic of) 2.875% 11/03/2029	1,043	0.60		
€1,000,000 Romania (Republic of) 3.875% 29/10/2035	1,305	0.75		
€840,000 Romania (Republic of) 4.625% 03/04/2049	1,153	0.66		
RON4,500,000 Romania (Republic of) 5.8% 26/07/2027	1,170	0.67		
€1,000,000 Russia (Federation of) 2.875% 04/12/2025	1,218	0.70		
RUB165,000,000 Russia (Federation of) 8.15% 03/02/2027	2,752	1.57		
THB50,000,000 Thailand (Kingdom of) IL 1.25% 12/03/2028	1,628	0.93		
UYU24,609,000 Uruguay (Republic of) 8.5% 15/03/2028	608	0.35		
UYU21,509,000 Uruguay (Republic of) 9.875% 20/06/2022	604	0.34		
'BB' credit rated bonds				
\$1,500,000 Bahamas (Commonwealth of) 6% 21/11/2028	1,598	0.91		
BRL8,500,000 Brazil (Federal Republic of) 10% 01/01/2025	2,501	1.43		
DOP63,350,000 Dominican Republic 8.9% 15/02/2023	1,256	0.72		
DOP64,000,000 Dominican Republic 9.75% 05/06/2026	1,298	0.74		
\$1,200,000 Guatemala (Republic of) 4.5% 03/05/2026	1,209	0.69		
\$800,000 Honduras (Republic of) 7.5% 15/03/2024	880	0.50		
€1,350,000 Macedonia (Govt. of) 5.625% 26/07/2023	1,779	1.02		
\$1,000,000 Paraguay (Republic of) 6.1% 11/08/2044	1,183	0.67		
€250,000 Serbia (Republic of) 1.5% 26/06/2029	284	0.16		
RSD266,000,000 Serbia (Republic of) 4.5% 11/01/2026	2,692	1.54		
ZAR22,000,000 South Africa (Republic of) 8.75% 28/02/2048	1,399	0.80		
\$617,000 Uzbekistan (Republic of) 4.75% 20/02/2024	644	0.37		
\$953,000 Uzbekistan (Republic of) 5.375% 20/02/2029	1,012	0.58		

Portfolio statement (continued)

as at 30 June Holding	2019 \$'000	2019 %	2018 %
'B' credit rated bonds			
€1,502,000 Albania (Republic of) 3.5% 09/10/2025	1,810	1.03	
€1,238,493 Argentina (Republic of) 7.82% 31/12/2033	1,159	0.66	
ARS11,250,000 Argentina (Republic of) FRN 1% 21/06/2020	258	0.15	
€2,000,000 Benin Government International Bond 5.75% 26/03/2026	2,328	1.33	
\$1,500,000 Cameroon (Republic of) 9.5% 19/11/2025	1,623	0.93	
EGP12,000,000 Egypt (Arab Republic of) 0% 08/10/2019	686	0.39	
EGP14,000,000 Egypt (Arab Republic of) 0% 03/03/2020	750	0.43	
€800,000 Egypt (Arab Republic of) 5.625% 16/04/2030	888	0.51	
€1,100,000 Montenegro (Republic of) 3.375% 21/04/2025	1,301	0.74	
\$1,600,000 Rwanda (Republic of) 6.625% 02/05/2023	1,688	0.96	
€1,248,000 Senegal (Republic of) 4.75% 13/03/2028	1,422	0.81	
€850,000 Turkey (Republic of) 5.2% 16/02/2026	978	0.56	
TRY10,000,000 Turkey (Republic of) 7.4% 05/02/2020	1,598	0.91	
€442,000 Ukraine (Republic of) 6.75% 20/06/2026	533	0.31	
Bonds with no credit rating			
\$2,000,000 Armenia (Republic of) 7.15% 26/03/2025	2,296	1.31	
€1,000,000 Côte d'Ivoire (Republic of) 6.625% 22/03/2048	1,109	0.63	
\$1,300,000 Debt and Asset Trading 1% 10/10/2025	963	0.55	
CURRENCY			
	0	0.00	0.02
Forward currency contracts			
	0	0.00	0.02
Portfolio of investments			
	170,294	97.26	95.43
CASH EQUIVALENTS			
	1,531	0.87	3.07
'AAA' rated money market funds ^[a]			
1,531,000 Northern Trust Global Fund - US Dollar	1,531	0.87	3.07
Total portfolio (notes 2c & 2d on page 7)			
	171,825	98.13	98.50
Net other assets / (liabilities)			
	3,270	1.87	1.50
Net assets attributable to shareholders			
	175,095	100.00	100.00

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

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

M&G Global Government Bond Fund

Financial highlights

Fund performance

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

The following chart and tables 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 sterling share classes. Performance is shown after deduction of this charge. All UK 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.

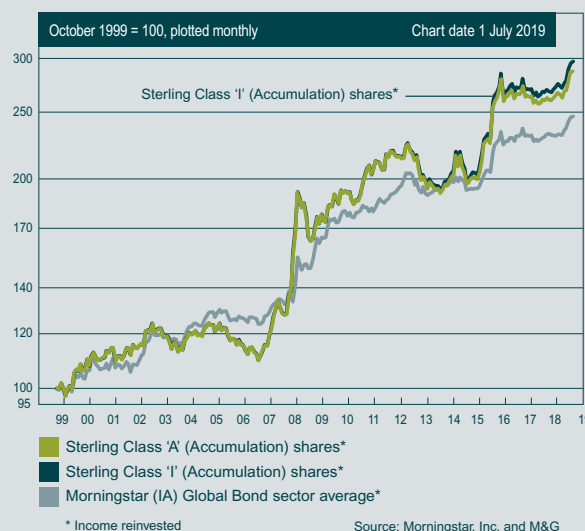
The fund is available for investment in different share classes, each with varying levels of charges and minimum investments; please refer to the Prospectus for M&G Investment Funds (3), which is available free of charge either from our website at www.mandg.co.uk/prospectuses or by calling M&G Customer Relations.

Fund level performance

Fund net asset value			
as at 30 June	2019 \$'000	2018 \$'000	2017 \$'000
Fund net asset value (NAV)	175,095	87,020	76,013

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.



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

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

Long-term performance by share class				
	One year 02.07.18 % [a]	Three years 01.07.16 % p.a.	Five years 01.07.14 % p.a.	Since launch % p.a.
Euro [b]				
Class 'A'	+9.2	+1.3	n/a	+5.7 [c]
Class 'C'	+9.8	+1.8	n/a	+6.3 [c]
Sterling [d]				
Class 'A'	+10.7	+3.6	+8.6	+5.5 [e]
Class 'I'	+11.3	+4.1	+9.0	+4.3 [f]
Class 'R'	+11.0	+3.8	+8.8	+4.1 [f]
Swiss franc [b]				
Class 'A'	+5.2	+2.3	n/a	+4.0 [c]
Class 'C'	+5.8	+2.8	n/a	+4.5 [c]
US dollar [b]				
Class 'A'	+6.3	+1.9	n/a	+2.3 [c]
Class 'C'	+6.8	+2.5	n/a	+2.9 [c]

[a] Absolute basis.

[b] Price to price with gross income reinvested.

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

[d] Price to price with income reinvested.

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

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

M&G Global Government Bond Fund

Financial highlights

Fund performance

Operating charges and portfolio transaction costs

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

Operating charges

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

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

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

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

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

Portfolio transaction costs

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

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

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

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

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

Portfolio transaction costs

for the year to 30 June	2019	2018	2017	Average ^[a]
Direct portfolio transaction costs ^[b]	%	%	%	%
Taxes	0.06	0.00	0.00	0.02
Costs before dilution adjustments	0.06	0.00	0.00	0.02
Dilution adjustments ^[c]	0.00	0.00	0.00	0.00
Total direct portfolio transaction costs	0.06	0.00	0.00	0.02
as at 30 June	2019	2018	2017	Average ^[a]
Indirect portfolio transaction costs	%	%	%	%
Average portfolio dealing spread	0.36	0.35	0.37	0.36

^[a] Average of first three columns.

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

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

M&G Global Government Bond Fund

Financial highlights

Specific share class performance

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

Euro Class 'A' Income share performance

The share class was launched on 22 August 2014.

for the year to 30 June Change in NAV per share	2019 Euro ¢	2018 Euro ¢	2017 Euro ¢
Opening NAV	1,095.80	1,169.78	1,226.01
Return before operating charges and after direct portfolio transaction costs	104.12	(19.41)	(0.38)
Operating charges	(12.14)	(13.78)	(15.07)
Return after operating charges	91.98	(33.19)	(15.45)
Distributions	(39.99)	(40.79)	(40.78)
Closing NAV	1,147.79	1,095.80	1,169.78
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.63	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.63	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.06	0.00	0.00
Operating charges ^[c]	1.09	1.21	1.22
Return after operating charges	+8.39	-2.84	-1.26
Distribution yield	3.63	3.86	3.65
Effect on yield of charges offset against capital	1.00	1.15	1.15
Other information			
Closing NAV (\$'000)	5,816	5,985	3,426
Closing NAV percentage of total fund NAV (%)	3.32	6.88	4.51
Number of shares	445,190	469,187	256,797
Highest share price (Euro ¢)	1,175.75	1,175.37	1,260.56
Lowest share price (Euro ¢)	1,081.26	1,110.72	1,195.42

Euro Class 'A' Accumulation share performance

The share class was launched on 22 August 2014.

for the year to 30 June Change in NAV per share	2019 Euro ¢	2018 Euro ¢	2017 Euro ¢
Opening NAV	1,197.45	1,233.05	1,248.80
Return before operating charges and after direct portfolio transaction costs	115.29	(21.01)	(0.38)
Operating charges	(13.39)	(14.59)	(15.37)
Return after operating charges	101.90	(35.60)	(15.75)
Distributions	(31.31)	(29.31)	(27.44)
Retained distributions	31.31	29.31	27.44
Closing NAV	1,299.35	1,197.45	1,233.05
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.70	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.70	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.06	0.00	0.00
Operating charges ^[c]	1.09	1.21	1.22
Return after operating charges	+8.51	-2.89	-1.26
Distribution yield	2.65	2.70	2.51
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	6,865	9,645	5,521
Closing NAV percentage of total fund NAV (%)	3.92	11.08	7.26
Number of shares	464,153	691,939	392,596
Highest share price (Euro ¢)	1,307.48	1,238.75	1,298.59
Lowest share price (Euro ¢)	1,181.54	1,190.42	1,232.20

Euro Class 'C' Income share performance

The share class was launched on 22 August 2014.

for the year to 30 June Change in NAV per share	2019 Euro ¢	2018 Euro ¢	2017 Euro ¢
Opening NAV	1,106.25	1,175.01	1,225.30
Return before operating charges and after direct portfolio transaction costs	106.20	(18.67)	(0.30)
Operating charges	(6.50)	(8.13)	(8.51)
Return after operating charges	99.70	(26.80)	(8.81)
Distributions	(41.43)	(41.96)	(41.48)
Closing NAV	1,164.52	1,106.25	1,175.01
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.64	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.64	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.06	0.00	0.00
Operating charges ^[c]	0.57	0.71	0.69
Return after operating charges	+9.01	-2.28	-0.72
Distribution yield	3.63	3.85	3.68
Effect on yield of charges offset against capital	0.50	0.65	0.65
Other information			
Closing NAV (\$'000)	7	6	7
Closing NAV percentage of total fund NAV (%)	0.00	0.01	0.01
Number of shares	500	500	500
Highest share price (Euro ¢)	1,192.91	1,180.72	1,261.95
Lowest share price (Euro ¢)	1,093.14	1,119.41	1,201.15

M&G Global Government Bond Fund

Financial highlights

Specific share class performance

Euro Class 'C' Accumulation share performance

The share class was launched on 22 August 2014.

for the year to 30 June Change in NAV per share	2019 Euro €	2018 Euro €	2017 Euro €
Opening NAV	1,222.89	1,252.06	1,261.31
Return before operating charges and after direct portfolio transaction costs	118.43	(20.55)	(0.29)
Operating charges	(6.83)	(8.62)	(8.96)
Return after operating charges	111.60	(29.17)	(9.25)
Distributions	(39.23)	(36.78)	(34.68)
Retained distributions	39.23	36.78	34.68
Closing NAV	1,334.49	1,222.89	1,252.06
Direct portfolio transaction costs	Euro €	Euro €	Euro €
Costs before dilution adjustments	0.71	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.71	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.06	0.00	0.00
Operating charges ^[c]	0.54	0.70	0.70
Return after operating charges	+9.13	-2.33	-0.73
Distribution yield	3.14	3.20	3.02
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	44	7	7
Closing NAV percentage of total fund NAV (%)	0.03	0.01	0.01
Number of shares	2,910	500	500
Highest share price (Euro €)	1,342.68	1,258.23	1,317.31
Lowest share price (Euro €)	1,208.59	1,213.39	1,247.26

Sterling Class 'A' Income share performance

The share class was launched on 4 October 1999.

for the year to 30 June Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	92.57	98.02	96.60
Return before operating charges and after direct portfolio transaction costs	10.06	(0.83)	6.04
Operating charges	(1.02)	(1.17)	(1.22)
Return after operating charges	9.04	(2.00)	4.82
Distributions	(3.42)	(3.45)	(3.40)
Closing NAV	98.19	92.57	98.02
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.05	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.05	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.06	0.00	0.00
Operating charges ^[c]	1.09	1.21	1.21
Return after operating charges	+9.77	-2.04	+4.99
Distribution yield	3.63	3.86	3.65
Effect on yield of charges offset against capital	1.00	1.15	1.15
Other information			
Closing NAV (\$'000)	2,389	2,669	3,813
Closing NAV percentage of total fund NAV (%)	1.37	3.07	5.02
Number of shares	1,917,770	2,193,963	2,997,769
Highest share price (UK p)	100.31	101.37	107.13
Lowest share price (UK p)	91.25	92.03	96.72

Sterling Class 'A' Accumulation share performance

The share class was launched on 4 October 1999.

for the year to 30 June Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	130.10	132.84	126.77
Return before operating charges and after direct portfolio transaction costs	14.30	(1.15)	7.96
Operating charges	(1.45)	(1.59)	(1.62)
Return after operating charges	12.85	(2.74)	6.34
Distributions	(3.44)	(3.19)	(2.95)
Retained distributions	3.44	3.19	2.68
Closing NAV	142.95	130.10	132.84
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.08	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.08	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.06	0.00	0.00
Operating charges ^[c]	1.09	1.21	1.21
Return after operating charges	+9.88	-2.06	+5.00
Distribution yield	2.65	2.70	2.51
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	11,409	7,931	9,228
Closing NAV percentage of total fund NAV (%)	6.52	9.11	12.14
Number of shares	6,290,218	4,639,906	5,352,374
Highest share price (UK p)	143.46	137.39	140.69
Lowest share price (UK p)	128.23	126.85	127.07

M&G Global Government Bond Fund

Financial highlights

Specific share class performance

Sterling Class 'I' Income share performance

The share class was launched on 3 August 2012.

for the year to 30 June Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	1,080.60	1,138.41	1,116.35
Return before operating charges and after direct portfolio transaction costs	117.89	(9.74)	69.83
Operating charges	(6.44)	(7.92)	(8.36)
Return after operating charges	111.45	(17.66)	61.47
Distributions	(40.03)	(40.15)	(39.41)
Closing NAV	1,152.02	1,080.60	1,138.41
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.62	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.62	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.06	0.00	0.00
Operating charges ^[c]	0.58	0.71	0.72
Return after operating charges	+10.31	-1.55	+5.51
Distribution yield	3.63	3.85	3.66
Effect on yield of charges offset against capital	0.50	0.65	0.65
Other information			
Closing NAV (\$'000)	28,067	21,313	17,908
Closing NAV percentage of total fund NAV (%)	16.03	24.49	23.56
Number of shares	1,920,251	1,501,062	1,212,092
Highest share price (UK p)	1,176.87	1,178.24	1,239.86
Lowest share price (UK p)	1,066.72	1,073.24	1,120.21

Sterling Class 'I' Accumulation share performance

The share class was launched on 3 August 2012.

for the year to 30 June Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	1,199.22	1,218.46	1,157.67
Return before operating charges and after direct portfolio transaction costs	132.22	(10.64)	72.55
Operating charges	(7.06)	(8.60)	(8.71)
Return after operating charges	125.16	(19.24)	63.84
Distributions	(38.08)	(35.40)	(33.10)
Retained distributions	38.08	35.40	30.05
Closing NAV	1,324.38	1,199.22	1,218.46
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.70	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.70	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.06	0.00	0.00
Operating charges ^[c]	0.57	0.71	0.71
Return after operating charges	+10.44	-1.58	+5.51
Distribution yield	3.14	3.20	3.00
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	116,146	36,857	35,205
Closing NAV percentage of total fund NAV (%)	66.34	42.35	46.31
Number of shares	6,912,196	2,339,042	2,226,239
Highest share price (UK p)	1,329.09	1,261.12	1,286.17
Lowest share price (UK p)	1,183.83	1,168.21	1,162.28

Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012.

for the year to 30 June Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	107.52	113.55	111.63
Return before operating charges and after direct portfolio transaction costs	11.70	(0.97)	6.97
Operating charges	(0.91)	(1.06)	(1.12)
Return after operating charges	10.79	(2.03)	5.85
Distributions	(3.98)	(4.00)	(3.93)
Closing NAV	114.33	107.52	113.55
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.06	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.06	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.06	0.00	0.00
Operating charges ^[c]	0.83	0.96	0.96
Return after operating charges	+10.04	-1.79	+5.24
Distribution yield	3.63	3.86	3.66
Effect on yield of charges offset against capital	0.75	0.90	0.90
Other information			
Closing NAV (\$'000)	406	345	136
Closing NAV percentage of total fund NAV (%)	0.23	0.39	0.18
Number of shares	279,986	244,420	91,923
Highest share price (UK p)	116.80	117.48	123.89
Lowest share price (UK p)	106.06	106.84	111.89

M&G Global Government Bond Fund

Financial highlights

Specific share class performance

Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012.

for the year to 30 June Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	118.72	120.91	115.13
Return before operating charges and after direct portfolio transaction costs	13.04	(1.03)	7.22
Operating charges	(1.00)	(1.16)	(1.17)
Return after operating charges	12.04	(2.19)	6.05
Distributions	(3.46)	(3.20)	(2.99)
Retained distributions	3.46	3.20	2.72
Closing NAV	130.76	118.72	120.91
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.07	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.07	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.06	0.00	0.00
Operating charges ^[c]	0.82	0.96	0.96
Return after operating charges	+10.14	-1.81	+5.25
Distribution yield	2.89	2.95	2.76
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	1,826	499	102
Closing NAV percentage of total fund NAV (%)	1.04	0.57	0.13
Number of shares	1,100,961	319,986	65,122
Highest share price (UK p)	131.22	125.09	127.83
Lowest share price (UK p)	117.09	115.69	115.49

Swiss franc Class 'A' Accumulation share performance

The share class was launched on 22 August 2014.

for the year to 30 June Change in NAV per share	2019 Swiss ¢	2018 Swiss ¢	2017 Swiss ¢
Opening NAV	1,148.24	1,116.80	1,124.23
Return before operating charges and after direct portfolio transaction costs	59.60	45.50	5.64
Operating charges	(12.47)	(14.06)	(13.07)
Return after operating charges	47.13	31.44	(7.43)
Distributions	(29.01)	(28.98)	(25.61)
Retained distributions	29.01	28.98	25.61
Closing NAV	1,195.37	1,148.24	1,116.80
Direct portfolio transaction costs	Swiss ¢	Swiss ¢	Swiss ¢
Costs before dilution adjustments	0.66	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.66	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.06	0.00	0.00
Operating charges ^[c]	1.08	1.20	1.16
Return after operating charges	+4.10	+2.82	-0.66
Distribution yield	2.65	2.75	2.57
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	403	217	6
Closing NAV percentage of total fund NAV (%)	0.23	0.25	0.01
Number of shares	32,832	18,800	500
Highest share price (Swiss ¢)	1,213.55	1,195.76	1,151.12
Lowest share price (Swiss ¢)	1,102.66	1,115.74	1,102.10

Swiss franc Class 'C' Accumulation share performance

The share class was launched on 22 August 2014.

for the year to 30 June Change in NAV per share	2019 Swiss ¢	2018 Swiss ¢	2017 Swiss ¢
Opening NAV	1,170.87	1,132.69	1,134.62
Return before operating charges and after direct portfolio transaction costs	62.37	46.10	5.61
Operating charges	(6.61)	(7.92)	(7.54)
Return after operating charges	55.76	38.18	(1.93)
Distributions	(36.99)	(35.90)	(31.57)
Retained distributions	36.99	35.90	31.57
Closing NAV	1,226.63	1,170.87	1,132.69
Direct portfolio transaction costs	Swiss ¢	Swiss ¢	Swiss ¢
Costs before dilution adjustments	0.67	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.67	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.06	0.00	0.00
Operating charges ^[c]	0.56	0.67	0.66
Return after operating charges	+4.76	+3.37	-0.17
Distribution yield	3.14	3.27	3.06
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	6	6	6
Closing NAV percentage of total fund NAV (%)	0.00	0.01	0.01
Number of shares	500	500	500
Highest share price (Swiss ¢)	1,244.45	1,215.94	1,166.80
Lowest share price (Swiss ¢)	1,126.33	1,131.71	1,114.64

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Specific share class performance

US dollar Class 'A' Income share performance

The share class was launched on 22 August 2014.

for the year to 30 June Change in NAV per share	2019 US ¢	2018 US ¢	2017 US ¢
Opening NAV	961.21	1,005.29	1,029.66
Return before operating charges and after direct portfolio transaction costs	68.15	4.57	21.55
Operating charges	(10.44)	(12.36)	(12.18)
Return after operating charges	57.71	(7.79)	9.37
Distributions	(34.39)	(36.29)	(33.74)
Closing NAV	984.53	961.21	1,005.29
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.54	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.54	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.06	0.00	0.00
Operating charges ^[c]	1.09	1.21	1.22
Return after operating charges	+6.00	-0.77	+0.91
Distribution yield	3.63	3.86	3.65
Effect on yield of charges offset against capital	1.00	1.15	1.15
Other information			
Closing NAV (\$'000)	243	207	166
Closing NAV percentage of total fund NAV (%)	0.14	0.24	0.22
Number of shares	24,631	21,536	16,558
Highest share price (US ¢)	1,005.78	1,051.51	1,060.36
Lowest share price (US ¢)	945.00	981.87	959.92

US dollar Class 'A' Accumulation share performance

The share class was launched on 22 August 2014.

for the year to 30 June Change in NAV per share	2019 US ¢	2018 US ¢	2017 US ¢
Opening NAV	1,050.84	1,059.91	1,049.32
Return before operating charges and after direct portfolio transaction costs	75.70	4.10	23.24
Operating charges	(11.52)	(13.17)	(12.65)
Return after operating charges	64.18	(9.07)	10.59
Distributions	(26.95)	(26.08)	(22.80)
Retained distributions	26.95	26.08	22.80
Closing NAV	1,115.02	1,050.84	1,059.91
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.60	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.60	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.06	0.00	0.00
Operating charges ^[c]	1.09	1.21	1.21
Return after operating charges	+6.11	-0.86	+1.01
Distribution yield	2.65	2.70	2.52
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	1,438	1,304	177
Closing NAV percentage of total fund NAV (%)	0.82	1.50	0.23
Number of shares	128,952	124,082	16,714
Highest share price (US ¢)	1,118.99	1,127.49	1,080.56
Lowest share price (US ¢)	1,033.13	1,052.81	991.45

US dollar Class 'C' Income share performance

The share class was launched on 22 August 2014.

for the year to 30 June Change in NAV per share	2019 US ¢	2018 US ¢	2017 US ¢
Opening NAV	970.38	1,009.77	1,029.02
Return before operating charges and after direct portfolio transaction costs	69.75	5.32	22.78
Operating charges	(5.71)	(6.82)	(6.86)
Return after operating charges	64.04	(1.50)	15.92
Distributions	(35.67)	(37.89)	(35.17)
Closing NAV	998.75	970.38	1,009.77
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.55	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.55	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.06	0.00	0.00
Operating charges ^[c]	0.59	0.66	0.68
Return after operating charges	+6.60	-0.15	+1.55
Distribution yield	3.63	3.89	3.69
Effect on yield of charges offset against capital	0.50	0.65	0.65
Other information			
Closing NAV (\$'000)	5	5	5
Closing NAV percentage of total fund NAV (%)	0.00	0.01	0.01
Number of shares	500	500	500
Highest share price (US ¢)	1,020.48	1,059.42	1,060.83
Lowest share price (US ¢)	956.04	991.95	961.81

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Specific share class performance

US dollar Class 'C' Accumulation share performance

The share class was launched on 22 August 2014.

for the year to 30 June	2019	2018	2017
Change in NAV per share	US ¢	US ¢	US ¢
Opening NAV	1,073.94	1,077.79	1,060.08
Return before operating charges and after direct portfolio transaction costs	77.84	4.11	24.55
Operating charges	(6.46)	(7.96)	(6.84)
Return after operating charges	71.38	(3.85)	17.71
Distributions	(33.12)	(32.14)	(29.87)
Retained distributions	33.12	32.14	29.87
Closing NAV	1,145.32	1,073.94	1,077.79
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.61	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.61	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.06	0.00	0.00
Operating charges ^[c]	0.59	0.71	0.69
Return after operating charges	+6.65	-0.36	+1.67
Distribution yield	3.14	3.20	3.07
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	25	24	300
Closing NAV percentage of total fund NAV (%)	0.01	0.03	0.39
Number of shares	2,216	2,216	27,800
Highest share price (US ¢)	1,149.40	1,149.77	1,092.93
Lowest share price (US ¢)	1,057.65	1,072.19	1,004.75

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

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

^[c] The annual management charge has been discounted, please see the table of changes in the 'Important information' section of this report on page 2 for more details.

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Statement of total return

for the year to 30 June	Note	2019 \$'000	2018 \$'000
Income			
Net capital gains / (losses)	3	5,876	(2,865)
Revenue	5	4,344	3,161
Expenses	6	(839)	(769)
Net revenue / (expense) before taxation		3,505	2,392
Taxation	7	(29)	(25)
Net revenue / (expense) after taxation		3,476	2,367
Total return before distributions		9,352	(498)
Distributions	8	(3,704)	(2,583)
Change in net assets attributable to shareholders from investment activities		5,648	(3,081)

Statement of change in net assets attributable to shareholders

for the year to 30 June		2019 \$'000	2018 \$'000
Opening net assets attributable to shareholders		87,020	76,013
Amounts received on issue of shares	117,278		37,323
Amounts paid on cancellation of shares	(38,115)		(24,960)
		79,163	12,363
Dilution adjustments		165	70
Change in net assets attributable to shareholders from investment activities (see above)		5,648	(3,081)
Retained distributions on Accumulation shares		3,099	1,655
Closing net assets attributable to shareholders		175,095	87,020

Balance sheet

as at 30 June	Note	2019 \$'000	2018 \$'000
Assets			
Fixed assets			
Investments		170,294	83,046
Current assets			
Debtors	9	4,301	1,665
Cash and bank balances	10	1,569	277
Cash equivalents		1,531	2,668
Total assets		177,695	87,656
Liabilities			
Creditors			
Distribution payable		(663)	(597)
Other creditors	11	(1,937)	(39)
Total liabilities		(2,600)	(636)
Net assets attributable to shareholders		175,095	87,020

Notes to the financial statements

1 Accounting policies

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

The fund's functional and presentational currency is US dollars as this better reflects the currency of its primary economic environment.

2 Distribution policy

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

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

3 Net capital gains / (losses)

for the year to 30 June	2019 \$'000	2018 \$'000
Non-derivative securities	5,951	(2,758)
Derivative contracts	(143)	(158)
Currency gains / (losses)	73	56
Transaction charges	(5)	(5)
Net capital gains / (losses)	5,876	(2,865)

4 Portfolio transactions and associated costs

The following tables show portfolio transactions and their associated transaction costs. For more information about the nature of the costs please see the section on 'Operating charges and portfolio transaction costs' on page 130.

for the year to 30 June	2019 \$'000	% of transaction	2018 \$'000	% of transaction
a) Purchases				
Debt securities	162,184		65,222	
b) Sales				
Debt securities				
Debt securities before transaction costs	80,044		50,654	
Taxes	(67)	0.08	0	0.00
Debt securities after transaction costs	79,977		50,654	
Other transaction types				
Corporate actions	1,030		1,172	
Total sales after transaction costs	81,007		51,826	
c) Direct portfolio transaction costs	2019 \$'000	% of average NAV	2018 \$'000	% of average NAV
Taxes paid				
Debt securities	67	0.06	0	0.00
Total direct portfolio transaction costs [a]	67	0.06	0	0.00
d) Indirect portfolio transaction costs		%		%
Portfolio dealing spread [b]		0.36		0.35

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

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

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5 Revenue

	2019 \$'000	2018 \$'000
for the year to 30 June		
Bank interest	2	0
Interest distributions	31	12
Interest on debt securities	4,311	3,149
Total revenue	4,344	3,161

6 Expenses

	2019 \$'000	2018 \$'000
for the year to 30 June		
Payable to the ACD or associate		
Annual management charge	607	561
Administration charge	177	129
	784	690
Payable to the Depositary or associate		
Depositary's charge (including VAT)	11	8
Other expenses		
Audit fee (including VAT)	14	13
Interest payable	3	31
Safe custody charge	21	27
Tax fees (including VAT)	6	0
	44	71
Total expenses	839	769

7 Taxation

	2019 \$'000	2018 \$'000
for the year to 30 June		
a) Analysis of charge in the year		
Corporation tax	0	0
Withholding tax	30	25
Capital gains tax (India)	(1)	0
Deferred tax (note 7c)	0	0
Total taxation	29	25
b) Factors affecting taxation charge for the year		
Net revenue / (expense) before taxation	3,505	2,392
Corporation tax at 20%	701	478
Effects of:		
Interest distributions	(701)	(478)
Withholding tax	30	25
Capital gains tax (India)	(1)	0
Total tax charge (note 7a)	29	25
c) Provision for deferred taxation		
Provision at the start of the year	0	0
Deferred tax in profit and loss account (note 7a)	0	0
Provision at the end of the year	0	0

The fund has not recognised a deferred tax asset in the current financial year (2018: same).

8 Distributions

	2019		2018	
for the year to 30 June	Inc ^[a]	Acc ^[b]	Inc ^[a]	Acc ^[b]
Interest distributions	\$'000	\$'000	\$'000	\$'000
Interim	647	1,053	429	819
Final	663	2,046	597	836
Total net distributions		4,409		2,681
Income deducted on cancellation of shares		295		184
Income received on issue of shares		(1,000)		(282)
Distributions		3,704		2,583
Net revenue / (expense) per statement of total return		3,476		2,367
Expenses offset against capital		229		216
Capital gains tax offset against capital		(1)		0
Distributions		3,704		2,583

^[a] Distributions payable on Income shares.

^[b] Retained distributions on Accumulation shares.

9 Debtors

	2019 \$'000	2018 \$'000
as at 30 June		
Amounts receivable on issues of shares	1,402	468
Currency deals outstanding	892	0
Debt security interest receivable	1,992	1,193
Distributions receivable	3	1
Withholding tax recoverable	12	3
Total debtors	4,301	1,665

10 Cash and bank balances

	2019 \$'000	2018 \$'000
as at 30 June		
Cash held as bank balances	1,569	277
Total cash and bank balances	1,569	277

11 Other creditors

	2019 \$'000	2018 \$'000
as at 30 June		
ACD's annual management charge payable	23	17
Administration charge payable	8	4
Amounts payable on cancellation of shares	299	0
Currency deals outstanding	893	0
Expenses payable	28	18
Purchases awaiting settlement	686	0
Total other creditors	1,937	39

12 Contingent assets, liabilities and outstanding commitments

There were no contingent assets, liabilities or outstanding commitments at the balance sheet date (2018: same).

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13 Shares in issue

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

Share class	Opening 01.07.18	Movements		Closing 30.06.19
		Issued	Cancelled	
Euro				
Class 'A' Income	469,187	210,509	(234,506)	445,190
Class 'A' Accumulation	691,939	547,267	(775,053)	464,153
Class 'C' Income	500	0	0	500
Class 'C' Accumulation	500	391,060	(388,650)	2,910
Sterling				
Class 'A' Income	2,193,963	352,845	(629,038)	1,917,770
Class 'A' Accumulation	4,639,906	6,025,705	(4,375,393)	6,290,218
Class 'I' Income	1,501,062	913,989	(494,800)	1,920,251
Class 'I' Accumulation	2,339,042	4,733,989	(160,835)	6,912,196
Class 'R' Income	244,420	227,091	(191,525)	279,986
Class 'R' Accumulation	319,986	797,140	(16,165)	1,100,961
Swiss franc				
Class 'A' Accumulation	18,800	23,873	(9,841)	32,832
Class 'C' Accumulation	500	0	0	500
US dollar				
Class 'A' Income	21,536	6,095	(3,000)	24,631
Class 'A' Accumulation	124,082	32,447	(27,577)	128,952
Class 'C' Income	500	0	0	500
Class 'C' Accumulation	2,216	0	0	2,216

14 Charging structure

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

Share class	Entry charge %	Exit charge %	Annual management charge %
Euro			
Class 'A'	4.00	n/a	0.85
Class 'C'	1.25	n/a	0.35
Sterling			
Class 'A'	nil	n/a	0.85
Class 'I'	nil	n/a	0.35
Class 'R'	nil	n/a	0.60
Swiss franc			
Class 'A'	4.00	n/a	0.85
Class 'C'	1.25	n/a	0.35
US dollar			
Class 'A'	4.00	n/a	0.85
Class 'C'	1.25	n/a	0.35

15 Related parties

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

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

At the balance sheet date, there were no material shareholders from within Prudential plc, of which M&G Securities Limited is a wholly owned subsidiary (2018: same).

16 Events after the balance sheet date

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

17 Fair value analysis

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

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

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

Level 2: Valuation technique using observable market data

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

Level 3: Valuation technique using unobservable inputs

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

	Assets 2019 \$'000	Liabilities 2019 \$'000	Assets 2018 \$'000	Liabilities 2018 \$'000
as at 30 June				
Basis of valuation				
Level 1	63,696	0	27,676	0
Level 2	106,598	0	55,370	0
Level 3	0	0	0	0
	170,294	0	83,046	0

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

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18 Risk management policies

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

19 Market risk sensitivity and exposure

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

The VaR limit set during the financial year to 30 June 2019 was 18% (2018: 18%).

The lowest, highest and average VaR, as well as utilisation of VaR with reference to the limit above, are calculated during the financial years ended 30 June 2019 and 30 June 2018.

for the year to 30 June	2019 % of VaR	2019 Utilisation of VaR ^[a] 18%	2018 % of VaR	2018 Utilisation of VaR ^[a] 18%
Lowest	1.90	10.53	2.24	12.43
Highest	3.23	17.94	3.97	22.06
Average	2.33	12.96	3.21	17.86

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

20 Credit risk

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

as at 30 June	2019 \$'000	2018 \$'000
Investment grade securities	131,169	68,321
Below investment grade securities	34,757	12,142
Unrated securities	4,368	2,564
Other investments	0	19
Total	170,294	83,046

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

as at 30 June 2018	Forward currency contracts \$'000
National Bank Australia	19
Total	19

21 Leverage risk

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

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

The lowest, highest and average level of leverage employed and utilisation of the leverage level calculated during the financial years ended 30 June 2019 and 30 June 2018 are disclosed in the table below.

for the year to 30 June	2019 ^[a] \$'000	2019 ^[a] % ^[b]	2018 ^[a] \$'000	2018 ^[a] % ^[b]
Lowest	0	0.0	2,458	2.8
Highest	14,393	16.1	17,676	21.1
Average	2,784	2.9	8,238	9.6

^[a] Leverage has been calculated using the Gross Sum of Notional Approach for derivative positions only (including forward currency contracts) and excludes all physical holdings.

^[b] Expressed as a percentage over net assets.

22 Interest distribution tables

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

Semi-annual distribution periods	Start	End	Xd	Payment
Interim	01.07.18	31.12.18	02.01.19	28.02.19
Final	01.01.19	30.06.19	01.07.19	31.08.19

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

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

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

M&G Global Government Bond Fund

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22 Interest distribution tables (continued)

Euro Class 'A' Income shares				
Interest distributions for the year to 30 June	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019 2018	
	€	€	€	€
Interim	5.3839	13.9865	19.3704	19.3302
Final	15.2539	5.3650	20.6189	21.4614

Euro Class 'A' Accumulation shares				
Interest distributions for the year to 30 June	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019 2018	
	€	€	€	€
Interim	5.8667	8.8541	14.7208	13.6824
Final	11.2826	5.3098	16.5924	15.6262

Euro Class 'C' Income shares				
Interest distributions for the year to 30 June	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019 2018	
	€	€	€	€
Interim	20.2918	0.0000	20.2918	19.8749
Final	21.1420	0.0000	21.1420	22.0840

Euro Class 'C' Accumulation shares				
Interest distributions for the year to 30 June	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019 2018	
	€	€	€	€
Interim	18.8971	0.0000	18.8971	17.2789
Final	15.9424	4.3855	20.3279	19.5020

Sterling Class 'A' Income shares				
Interest distributions for the year to 30 June	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019 2018	
	p	p	p	p
Interim	0.7874	0.8691	1.6565	1.6354
Final	1.0490	0.7148	1.7638	1.8130

Sterling Class 'A' Accumulation shares				
Interest distributions for the year to 30 June	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019 2018	
	p	p	p	p
Interim	0.9194	0.6995	1.6189	1.4881
Final	0.8707	0.9549	1.8256	1.6976

Sterling Class 'I' Income shares				
Interest distributions for the year to 30 June	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019 2018	
	p	p	p	p
Interim	3.1148	16.2466	19.3614	19.0189
Final	9.1192	11.5484	20.6676	21.1335

Sterling Class 'I' Accumulation shares				
Interest distributions for the year to 30 June	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019 2018	
	p	p	p	p
Interim	5.5663	12.4135	17.9798	16.5736
Final	10.1177	9.9856	20.1033	18.8249

Sterling Class 'R' Income shares				
Interest distributions for the year to 30 June	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019 2018	
	p	p	p	p
Interim	0.3966	1.5279	1.9245	1.8949
Final	0.3044	1.7478	2.0522	2.1040

Sterling Class 'R' Accumulation shares				
Interest distributions for the year to 30 June	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019 2018	
	p	p	p	p
Interim	0.1369	1.4912	1.6281	1.4979
Final	0.4059	1.4215	1.8274	1.7061

Swiss franc Class 'A' Accumulation shares				
Interest distributions for the year to 30 June	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019 2018	
	€	€	€	€
Interim	9.4879	4.2589	13.7468	13.9858
Final	8.1155	7.1483	15.2638	14.9990

Swiss franc Class 'C' Accumulation shares				
Interest distributions for the year to 30 June	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019 2018	
	€	€	€	€
Interim	18.2603	0.0000	18.2603	16.9936
Final	2.1004	16.6316	18.7320	18.9100

US dollar Class 'A' Income shares				
Interest distributions for the year to 30 June	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019 2018	
	€	€	€	€
Interim	12.8737	3.8405	16.7142	17.4603
Final	11.7268	5.9519	17.6787	18.8302

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22 Interest distribution tables (continued)

US dollar Class 'A' Accumulation shares				
Interest distributions for the year to 30 June	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution	
			2019	2018
	¢	¢	¢	¢
Interim	3.6741	9.0343	12.7084	12.3656
Final	7.2186	7.0199	14.2385	13.7123

US dollar Class 'C' Income shares				
Interest distributions for the year to 30 June	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution	
			2019	2018
	¢	¢	¢	¢
Interim	17.5656	0.0000	17.5656	18.0102
Final	18.1060	0.0000	18.1060	19.8760

US dollar Class 'C' Accumulation shares				
Interest distributions for the year to 30 June	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution	
			2019	2018
	¢	¢	¢	¢
Interim	15.6486	0.0000	15.6486	15.2412
Final	11.6943	5.7780	17.4723	16.9028

M&G Recovery Fund

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Investment objective and policy up to 28 February 2019

The fund predominantly invests in a diversified range of securities issued by companies which are out of favour, in difficulty or whose future prospects are not fully recognised by the market. The sole aim of the fund is capital growth. There is no particular income yield target.

Investment approach up to 28 February 2019

The M&G Recovery Fund invests in companies that are out of favour with the stockmarket where a good management team is making concerted efforts to turn the business around. The fund manager takes a long-term view with a typical holding period of five years or more and aims to provide a diversified portfolio of up to 100 stocks. Developing a constructive dialogue with company management is a fundamental part of the investment process and the fund manager will not invest in a company unless he has met the management team first.

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 that of the FTSE All-Share Index over any five-year period.

Investment policy from 1 March 2019

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

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

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

Derivatives may be used for efficient portfolio management and hedging.

Investment approach from 1 March 2019

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

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

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

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

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

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

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

Risk profile

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

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



The above number:

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

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As at 1 July 2019, for the year ended 30 June 2019

Performance against objective

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

Between 2 July 2018 (the start of the review period) and 1 July 2019, the fund produced a negative total return (the combination of income and growth of capital) across all share classes. The fund's returns in all share classes were behind that of the FTSE All-Share Index. Over the same period, returns for the index were 3.4% and 1.9% in sterling and euros, respectively.*

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

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

Investment performance

The fund delivered negative returns over the 12-month review period and underperformed its comparative index, the FTSE All-Share Index. This was due to the adverse market conditions in the first half and the fund's differentiated positioning relative to the market. In addition, the portfolio consists of companies that are mostly on the mend and therefore perceived to be high risk, even if they are very attractively valued. Consequently, the past 12 months has been disappointing in performance terms for most investors, but the fund has been particularly vulnerable. Nevertheless, there were some encouraging developments, especially within the fund's holdings in biotechnology companies, even if, ultimately, these were not recognised by the market in the short term.

UK company shares (equities) were volatile over the 12 months. Like other major stockmarkets, the UK was in decline during the second half of 2018 as investors became concerned that the US economy was slowing, just as the effect of President Trump's tax cuts was beginning to wane. Sentiment was also hurt due to the ongoing trade war between the US and China, despite encouraging signs that some form of agreement was imminent in the spring.

Investors' risk appetite improved significantly at the start of 2019 after the US Federal Reserve indicated a slower approach to interest rate hikes, due to the global economic slowdown, lower oil prices and muted domestic inflation. Heightened trade tensions between the US and China led to stockmarket weakness late in the period under review, before hopes of lower US interest rates, as well as some reconciliation on trade, led to a partial recovery. Against this backdrop, the UK stockmarket made very modest progress over the 12 months.

In terms of political developments, the UK's Brexit talks continued to dominate the headlines. Former prime minister Theresa May secured a withdrawal agreement with the European Union, but the House of Commons rejected the deal three times. The original date for Brexit passed, along with its successor in April, and a new deadline of 31 October 2019 was agreed. In other developments, Mrs May announced her resignation in May, triggering a leadership contest.

UK economic activity is uninspiring, with domestic companies affected by uncertainty relating to Brexit as well as slower growth in the global economy. Meanwhile, interest rates stand at 0.75% after the Bank of England raised them by a quarter of a percentage point in August 2018. Future changes are likely to be closely connected to developments in the Brexit negotiations and prospects for the economy.

Larger companies outperformed over the 12 months as they benefited from the boost to their overseas revenues from the pound's Brexit-related weakness. Conversely, more domestically focused medium-sized and smaller companies underperformed, reflecting the flagging economy, higher import costs and a slowdown in business investment.

Miners, beverages, pharmaceuticals, media, non-life insurance, financial services and technology outperformed. In contrast, chemicals, industrials, tobacco, retailers, banks, travel & leisure, telecoms and utilities were among the weakest. Notably, consumer staples (excluding tobacco) companies attracted support, reflecting their steady earnings growth characteristics. Technology was helped by the strength of the US sector, but it is a very small part of the UK market. The energy sector was lacklustre, as the oil price ended the 12-month period down slightly at US\$67 per barrel from US\$77 at the start, although this disguised a rise to above US\$86 in October, followed by a steep fall to US\$50 by the end of 2018, before supply constraints, US sanctions and tensions with Iran over tankers in the Gulf caused the trend to reverse.

Amongst the fund's top contributors to performance over the 12-month period were biotech firm GW Pharmaceuticals, pub operator Ei, tech group Micro Focus, emergency home cover supplier HomeServe, flexible workspace provider IWG, coal producer MC Mining and media company Entertainment One. In addition, sector allocation made a positive contribution, principally through avoiding tobacco stocks in the portfolio, which sold off sharply in 2018 and have staged only a partial recovery so far in 2019.

GW Pharmaceuticals recovered from a short-lived sell-off driven by risk aversion at the end of 2018. The company is making considerable progress in the US commercialising Epidiolex, its ground-breaking treatment for severe epilepsy in children. Ei (formerly Enterprise Inns) benefited from the announcement that it intended to sell some of its property portfolio. Micro Focus' shares have doubled since being added to the portfolio following their collapse last year. The market rewarded the software firm after the results showed it was beginning to recover from its acquisition of HP Enterprise's software business. HomeServe held a well-received capital markets day where it published new targets for the main business and its online portal Checkatrade. IWG was helped by the successful franchising of its Japanese business, which has been sold recently for a price materially above its UK stockmarket rating. Shares in MC Mining, which produces high-quality coking and thermal coal, rallied after it was granted some mining rights for a South African project after a five-year wait. Entertainment One is delivering on growth expectations for its franchises, Peppa Pig and MGC, and is seeing increased success in its television content division.

Conversely, the main detractors included biotech firms Oxford Biomedica and Hutchison China MediTech – with the former succumbing to profit-taking, and the latter affected by a share sale at a 20% discount to the market by its parent company for accounting purposes. Encouragingly, the Hutchison stock was snapped up by institutional investors and the company issued a very positive update on Surufatinib, its treatment for non-pancreatic tumours, which means it can stop the Phase III trial early, bringing it closer to the formal

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Investment review

Investment performance (continued)

approval and production stage. In addition, a new holding, Kier announced that it had made a loss in its first half and cut the dividend. However, Kier is in the early stages of the recovery cycle, has a full order book and is potentially a strong cash generator. Elsewhere, easyJet, the low-cost carrier, was weaker on poor first-half results which it blamed on Brexit uncertainty, a late Easter and the Gatwick drone disruption; we took the opportunity to add to the fund's position as easyJet is a solid business with good growth opportunities. In the resources sectors, some of the fund's positions (First Quantum Minerals, Bluejay Mining, Tullow Oil, Nostrum Oil & Gas) were affected by weakening demand for raw materials and the fall in the oil price.

Investment activities

We made six new purchases and five complete sales over the year in accordance with our one-in-one-out policy. In addition, a holding went into liquidation – we expect at least one business to fail per annum on the fund.

Positions were established in construction firm Kier, oil services supplier Petrofac, corporate broking firm plus wealth manager WH Ireland, energy infrastructure firm National Grid and cardboard packaging manufacturer Smurfit Kappa, along with gold and silver miner Troy Resources.

Kier is a smaller company, which undertakes infrastructure projects for the government, NHS and local authorities. Kier came to the portfolio after we underwrote part of what became a troubled rights issue by the company that failed as the share price collapsed below the issue price for technical reasons rather than fundamentals. As the fund was left holding the stock, we decided to increase the position by participating in the placing by other underwriting institutions that did not want to be investors in Kier. The company appointed a new chief executive in April who has announced a strategic review and sale of some non-core businesses.

Petrofac is a medium-sized company specialising in large oil projects, mainly in the Middle East and Asia. It made a strategic error by increasing its downstream production and refining activities, which came under pressure from a falling oil price, leaving the company with excessive levels of debt in a complex business. Petrofac is in the process of withdrawing from these areas and expects this to leave it in a cash-positive position. Another issue for the company is that it has been under investigation by the Serious Fraud Office (SFO), which resulted in the chief executive being arrested in May 2017, causing the shares to fall sharply. Petrofac could afford to pay a fine if it was felt that was appropriate; however, the SFO have produced no evidence of wrongdoing (it is not obliged to), and while the company has cooperated with the investigation, it has struggled to understand what it is meant to have done. Petrofac has a sensible board and a good track record. We have carried out a thorough due-diligence check on the business and have met the chairman (ex finance director of Anglo American) and chief executive, Ayman Asfari, who is also the founder, and agree with the many businesses in the industry that show their confidence in him by continuing to fill the firm's order book.

Listed on AIM (Alternative Investment Market), WH Ireland is another company where the shares have been under pressure due to issues with the regulator. We believe that the two parts to WH Ireland's business, corporate broking and wealth management, together with a

large cash balance for its size, are worth more than its market capitalisation (number of WH Ireland shares in issue multiplied by the share price). The wealth management business has a private client book worth approximately £1 billion and includes eight regional offices in the UK and the Isle of Man.

Utilities have been a painful area of the market, due to the threat from increased regulation and nationalisation. National Grid recently announced full-year profits that had fallen by nearly a third, which it blamed on one-off factors in the UK such as the cancellation of two nuclear power stations, a seven-month labour dispute in the US that has been resolved, as well as restructuring programmes in the US and UK. However, valuations look attractive and over 50% of National Grid's business is in the US and performing very well.

Smurfit Kappa is a Dublin-based, FTSE 100-listed company that has suffered from cyclical pricing issues in the paper market, as well as the devaluation of the bolivar and seizure of one of its plants in Venezuela late last year. The authorities accused Smurfit Kappa of price speculation and destabilising the Venezuelan economy, which it denies. Although a small part of its international business, the write-down of its assets in Venezuela caused the company's annual results to swing into loss.

Troy Resources was the final purchase during the period. We took advantage of a capital-raising exercise in May to start a small position. The gold and silver miner has operations in Australia and South America – in particular the Karouni gold mine in Guyana.

We also participated in a number of refinancings of existing holdings, the most significant of which were Mercantile Ports & Logistics, Mothercare and African low-cost carrier Fastjet. In the case of the former, the refinancing resulted in the fund establishing a substantial holding in the Indian port developer and operator, which is building a new port in Mumbai where the state-run dockside facilities have become clogged-up. We believe the company's valuation is appreciably below its true worth and expect it to ramp-up its freight-handling sales. In a very good sign for the future of the business, a local firm has taken a 22% stake in the company as it also recognises the potential.

Sales included three companies in stage 1 (unloved) of our recovery process: Dixons Carphone, African Petroleum and Saga. These had been long-term holdings, but had not made satisfactory progress with improving their operational performance, leading to a loss of conviction in their investment case. Dixons Carphone was originally acquired as Carphone Warehouse and performed well initially, enabling us to exit most of the position profitably earlier on, but the share price has been lacklustre recently. The other complete sales were UDG Healthcare, a provider of medical equipment and healthcare services to the pharmaceutical sector, and insurer Prudential. Shares in both companies had enjoyed a significant run-up and their businesses had reached stage 3 (recovering well) of our recovery process.

KSK Power Venture, a stage 1 company, went into liquidation. The Indian power generator had quite high leverage and was affected by a change in the law, due to a banking crisis in India, requiring banks to foreclose on their debts to power companies and as a result KSK Power Venture lost control of its main assets.

In other activity, we realised some profits in other stage 3 holdings such as biotechnology firm GW Pharmaceuticals, emergency repairs business HomeServe, media group Entertainment One, pub operator Ei, industrial thread manufacturer Coats and tech firm Micro Focus, as well as a stage 4 (mature) holding, cruise line operator Carnival. The proceeds were recycled into some of our more recently acquired

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Investment review

Investment activities (continued)

stage 1 holdings, including outsourcer Capita and African gold miner Hummingbird Resources. We also took the opportunity to increase another stage 1 company, BT, which has been held in the portfolio for some time. The telecoms group's shares had fallen 20% over the first six months of 2018 and looked friendless and overly cheap. Elsewhere, we took some cash out of Lloyds Banking, as the shares underwent a very strong run-up in the new year on the back of a positive outlook for revenue growth in 2019 and short-lived optimism about the global economic outlook.

Outlook

The UK equity market has proved to be remarkably sanguine so far this year, notwithstanding a deterioration in the economic outlook at home and abroad, an increase in trade tensions between the US and its major trading partners, sabre rattling in the Strait of Hormuz and concerns around Brexit.

The main reasons behind the market's support have been the Bank of England's maintenance of a low interest rate policy together with the ultra-low level of bond yields – the benchmark 10-year gilt yield is currently at 0.56%. Another factor, however, has been a remarkably resilient consumer until now, helped by unemployment at a 44-year low and wage growth that has finally overtaken the inflation rate. In addition, UK equities began 2019 looking relatively cheap as investors reacted to the increased uncertainty over Brexit. Despite this year's rally, the UK equity market still represents fair value compared to other equity markets, although it is likely to remain at a discount to them until the complexity of the Brexit process has run its course.

Sterling has tended to be more immediately reflective of the Brexit outlook and it is expected to rally if 'no deal' is avoided, and sell off sharply in the wake of a hard Brexit. A deal would also support the equity market, especially domestic stocks, and may potentially reduce the risk of a Labour government, worries about which have also acted as a restraint on the market's upward progress. But even in the circumstances of a no-deal scenario, with 75% of FTSE 100 companies' earnings derived from overseas, the market should find some support.

Longer term, UK companies' balance sheets are well capitalised, and earnings and dividend growth supportive, assisted by the Bank of England's stimulative monetary policy.

Tom Dobell

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 30 June Holding	2019 £'000	2019 %	2018 ^[a] %
EQUITIES	2,210,023	99.92	100.19
Software & computer services	58,197	2.63	1.78
6,615,674 Actual Experience ^[b]	9,923	0.45	
11,302,515 Blanco Technology ^[b]	14,128	0.64	
120,629,158 eServGlobal ^[b]	6,273	0.28	
1,252,696 Micro Focus International	25,837	1.17	
2,916,666 Watchstone ^[b]	2,036	0.09	
Technology hardware & equipment	2,465	0.11	0.18
7,951,272 Frontier Smart Technologies	2,465	0.11	
Telecommunication service providers	36,710	1.66	1.34
27,359,073 Avanti Communications ^[b]	439	0.02	
18,500,000 BT	36,271	1.64	
Medical equipment & services	0	0.00	0.28
Pharmaceuticals & biotechnology	335,785	15.18	13.57
5,356,802 Eco Animal Health ^[b]	19,820	0.90	
1,000,000 GW Pharmaceuticals ADR	134,132	6.06	
2,340,838 Hutchison China Meditech ADR	55,645	2.51	
54,539,412 Mesoblast	44,419	2.01	
1,038,939 Mesoblast ADR	4,119	0.19	
11,156,679 Oxford Biomedica	77,650	3.51	
Banks	349,133	15.78	14.38
28,400,000 HSBC	186,361	8.42	
130,480,000 Lloyds Banking	74,269	3.36	
17,600,000 Royal Bank of Scotland	38,491	1.74	
7,030,000 Standard Chartered	50,012	2.26	
Investment banking & brokerage services	23,772	1.08	1.19
17,657,142 IP	13,207	0.60	
2,550,000 TP ICAP	7,678	0.35	
6,415,444 WH Ireland ^[b]	2,887	0.13	
Equity investment instruments	4,722	0.21	0.15
410,580 Gresham House Strategic ^[b]	4,722	0.21	
Life insurance	33,327	1.51	5.16
8,050,000 Aviva	33,327	1.51	
Household goods & home construction	11,239	0.51	0.29
8,240,000 McCarthy & Stone	11,239	0.51	
Media	81,104	3.67	3.95
11,500,000 Entertainment One	45,379	2.05	
16,600,000 ITV	17,820	0.81	
2,175,000 Pearson	17,905	0.81	
Retailers	20,674	0.93	2.27
1,200,000 Dignity	7,836	0.35	
63,238,935 Mothercare	12,838	0.58	
Travel & leisure	166,644	7.53	8.97
341,502 Carnival	11,874	0.53	
5,650,000 Dalata Hotel	24,102	1.09	
3,442,000 easyJet	32,052	1.45	
25,901,129 Ei	51,025	2.31	
745,331,981 fastjet	11,925	0.54	
9,321,340 fastjet wts. 2021	0	0.00	
8,850,000 National Express	35,666	1.61	
Food producers	30,348	1.37	1.57
7,287,630 REA	9,620	0.43	
2,380,000 Tate & Lyle	17,602	0.80	
46,304,408 Zambeef Products ^[b]	3,126	0.14	

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Investments

Portfolio statement (continued)				
as at 30 June Holding	2019 £'000	2019 %	2018 ^[a] %	
Construction & materials	101,993	4.61	4.21	
12,900,000 Balfour Beatty	31,270	1.41		
2,530,000 CRH	64,692	2.93		
5,548,239 Kier	6,031	0.27		
Aerospace & defence	73,388	3.32	2.82	
19,800,000 Cobham	20,909	0.94		
2,670,000 Meggitt	13,937	0.63		
4,350,000 QinetiQ	12,093	0.55		
1,980,000 Rolls-Royce	16,573	0.75		
146,309,150 TP ^[b]	9,876	0.45		
Electronic & electrical equipment	4,100	0.19	0.41	
5,000,000 Xaar	4,100	0.19		
General industrials	60,886	2.75	2.99	
35,000,000 Coats	28,402	1.28		
1,200,000 Smiths	18,732	0.85		
580,000 Smurfit Kappa	13,752	0.62		
Industrial engineering	33,794	1.53	1.41	
27,500,000 Renold ^[b]	8,965	0.41		
36,300,000 Severfield	24,829	1.12		
Industrial support services	166,061	7.51	6.41	
28,719,340 Capita	29,911	1.35		
4,500,000 Essentra	19,107	0.87		
1,680,000 Grafton	13,852	0.63		
2,650,000 HomeServe	31,455	1.42		
21,000,000 IWG	71,736	3.24		
Industrial transportation	37,102	1.68	1.67	
5,812,903 Avation	15,695	0.71		
346,934,550 Mercantile Ports ^[b]	6,592	0.30		
13,846,267 Stobart	14,815	0.67		
Industrial metals & mining	179,793	8.13	7.82	
13,456,784 Bacanora Lithium ^[b]	4,979	0.22		
103,636,364 Bluejay Mining ^[b]	7,337	0.33		
7,063,300 First Quantum Minerals	52,095	2.36		
13,500,000 Hummingbird Resources ^[b]	2,329	0.11		
17,855,335 Kenmare Resources	32,496	1.47		
40,788 Kenmare Resources wts. 2019	0	0.00		
23,346,347 MC Mining ^[b]	9,572	0.43		
1,355,000 Rio Tinto	65,650	2.97		
96,615,969 White Energy Company	5,335	0.24		
Precious metals & mining	64,274	2.91	2.93	
75,128,263 Petra Diamonds	14,845	0.67		
22,933,549 St Barbara	37,229	1.68		
28,247,500 Sylvania Platinum ^[b]	8,333	0.38		
74,500,000 Troy Resources	3,867	0.18		
Non-renewable energy	310,883	14.05	14.13	
37,400,000 BP	205,401	9.29		
16,622,508 Great Eastern Energy GDR	7,480	0.34		
12,000,000 Lamprell	7,848	0.35		
8,970,675 Nostrum Oil & Gas	4,261	0.19		
2,650,000 Petrofac	11,347	0.51		
87,688,530 Providence Resources ^[b]	7,278	0.33		
32,170,000 Tullow Oil	67,268	3.04		
Electricity	8,098	0.37	0.31	
49,079,566 OPG Power Ventures ^[b]	8,098	0.37		
Gas, water & multi-utilities	15,531	0.70	0.00	
1,860,000 National Grid	15,531	0.70		

Portfolio statement (continued)

as at 30 June Holding	2019 £'000	2019 %	2018 ^[a] %
Unquoted / unlisted ^[c]	0	0.00	0.00
38,761,085 African Minerals	0	0.00	
39,868,814 Alizyme	0	0.00	
3,094,020 Izodia	0	0.00	
34,149,791 KSK Power Ventur	0	0.00	
Portfolio of investments	2,210,023	99.92	100.19
CASH EQUIVALENTS	8,051	0.36	0.00
'AAA' rated money market funds ^[d]	8,051	0.36	0.00
8,051,000 Northern Trust Global Fund - Sterling	8,051	0.36	
Total portfolio (notes 2c & 2d on page 7)	2,218,074	100.28	100.19
Net other assets / (liabilities)	(6,167)	(0.28)	(0.19)
Net assets attributable to shareholders	2,211,907	100.00	100.00

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

^[a] The portfolio has been reclassified to more appropriately reflect how the fund is managed. 2018 comparatives have been restated to reflect this.

^[b] AIM quoted.

^[c] Suspended.

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

Top ten portfolio transactions

for the year to 30 June 2019

Largest purchases	£'000
Kier	21,537
Petrofac	15,834
National Grid	15,691
Smurfit Kappa	14,099
Capita	9,795
Rolls-Royce	8,895
St Barbara	8,715
Mothercare	8,335
fastjet	7,744
ITV	6,404
Other purchases	44,432
Total purchases	161,481
Largest sales	£'000
Prudential ^[a]	74,209
BP	43,566
GW Pharmaceuticals ADR	41,790
Entertainment One	32,371
Ei	31,310
Carnival	30,558
HomeServe	25,074
Coats	21,948
Aviva	21,623
HSBC	19,696
Other sales	118,529
Total sales	460,674

^[a] Related party to the fund.

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

M&G Recovery Fund

Financial highlights

Fund performance

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

The following charts and tables 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 sterling share classes. Performance is shown after deduction of this charge. All UK 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.

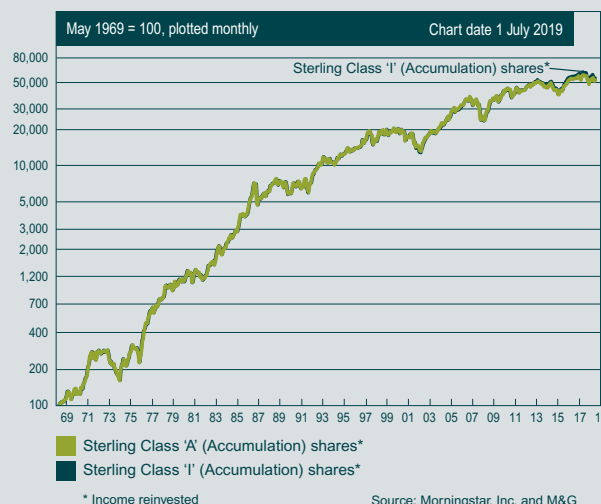
The fund is available for investment in different share classes, each with varying levels of charges and minimum investments; please refer to the Prospectus for M&G Investment Funds (3), which is available free of charge either from our website at www.mandg.co.uk/prospectuses or by calling M&G Customer Relations.

Fund level performance

Fund net asset value			
as at 30 June	2019 £'000	2018 £'000	2017 £'000
Fund net asset value (NAV)	2,211,907	2,809,729	3,085,097

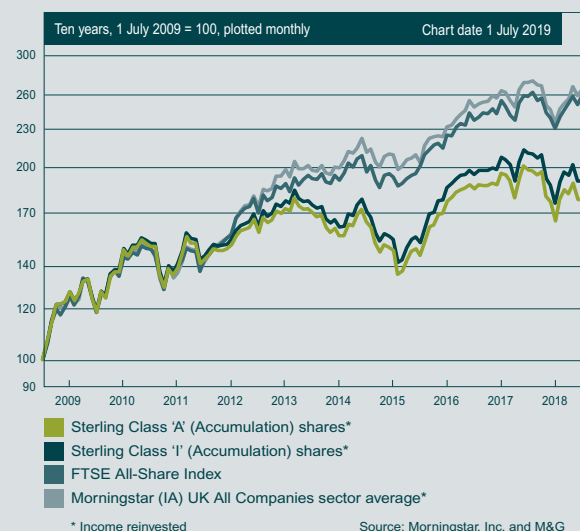
Performance since launch

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.



Ten-year performance

Please note that comparative data is not available from fund launch. Therefore a ten-year comparable performance chart is shown below.



The fund's Sterling Class 'I' (Accumulation) shares were launched on 15 January 2010. Performance data shown prior to this date is that of the fund's Sterling Class 'A' (Accumulation) shares.

M&G Recovery Fund

Financial highlights

Fund performance

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

Long-term performance by share class				
	One year 02.07.18 % ^[a]	Three years 01.07.16 % p.a.	Five years 01.07.14 % p.a.	Since launch % p.a.
Euro ^[b]				
Class 'A'	-10.5	+4.1	-1.4	+5.6 ^[c]
Class 'C'	-9.8	+4.9	-0.7	+6.4 ^[c]
Sterling ^[d]				
Class 'A'	-9.2	+6.6	+0.9	+13.3 ^[e]
Class 'C'	-7.8	+8.2	+2.4	+8.3 ^[f]
Class 'I'	-8.5	+7.4	+1.6	+4.2 ^[g]
Class 'PP'	n/a	n/a	n/a	-15.4 ^[h]
Class 'R'	-8.7	+7.1	+1.4	+3.5 ^[i]
Class 'X'	-9.2	+6.6	+0.9	+8.0 ^[j]

^[a] Absolute basis.

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

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

^[d] Price to price with income reinvested.

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

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

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

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

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

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

Operating charges and portfolio transaction costs

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

Operating charges

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

- **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.

M&G Recovery Fund

Financial highlights

Fund performance

Operating charges and portfolio transaction costs

Portfolio transaction costs

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

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

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

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

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

Portfolio transaction costs				
for the year to 30 June	2019	2018	2017	Average ^[a]
Direct portfolio transaction costs ^[b]	%	%	%	%
Broker commission	0.01	0.01	0.03	0.02
Taxes	0.02	0.02	0.02	0.02
Costs before dilution adjustments	0.03	0.03	0.05	0.04
Dilution adjustments ^[c]	(0.02)	(0.02)	(0.04)	(0.03)
Total direct portfolio transaction costs	0.01	0.01	0.01	0.01
as at 30 June	2019	2018	2017	Average ^[a]
Indirect portfolio transaction costs	%	%	%	%
Average portfolio dealing spread	0.69	0.59	0.69	0.66

^[a] Average of first three columns.

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

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

Specific share class performance

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

Historic yields for the current year are calculated as at 12 July 2019.

Euro Class 'A' Accumulation share performance

The share class was launched on 29 November 2002.

for the year to 30 June	2019	2018	2017
Change in NAV per share	Euro ¢	Euro ¢	Euro ¢
Opening NAV	2,751.81	2,588.06	2,161.61
Return before operating charges and after direct portfolio transaction costs	(268.28)	207.49	467.57
Operating charges	(42.60)	(43.74)	(41.12)
Return after operating charges	(310.88)	163.75	426.45
Distributions	(30.61)	(19.50)	(9.77)
Retained distributions	30.61	19.50	9.77
Closing NAV	2,440.93	2,751.81	2,588.06
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.81	0.84	1.21
Dilution adjustments ^[a]	(0.57)	(0.61)	(1.06)
Total direct portfolio transaction costs	0.24	0.23	0.15
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.01	0.01
Operating charges	1.66	1.66	1.66
Return after operating charges	-11.30	+6.33	+19.73
Historic yield	1.24	0.71	0.37
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (£'000)	5,281	8,815	10,739
Closing NAV percentage of total fund NAV (%)	0.24	0.31	0.35
Number of shares	241,155	361,578	472,232
Highest share price (Euro ¢)	2,780.15	2,889.21	2,716.96
Lowest share price (Euro ¢)	2,226.86	2,419.72	2,076.74

M&G Recovery Fund

Financial highlights

Specific share class performance

Euro Class 'C' Accumulation share performance

The share class was launched on 29 November 2002.

for the year to 30 June Change in NAV per share	2019 Euro €	2018 Euro €	2017 Euro €
Opening NAV	3,098.39	2,892.31	2,397.69
Return before operating charges and after direct portfolio transaction costs	(302.97)	233.02	519.83
Operating charges	(26.44)	(26.94)	(25.21)
Return after operating charges	(329.41)	206.08	494.62
Distributions	(55.94)	(44.04)	(31.40)
Retained distributions	55.94	44.04	31.40
Closing NAV	2,768.98	3,098.39	2,892.31
Direct portfolio transaction costs	Euro €	Euro €	Euro €
Costs before dilution adjustments	0.91	0.94	1.35
Dilution adjustments ^[a]	(0.65)	(0.68)	(1.18)
Total direct portfolio transaction costs	0.26	0.26	0.17
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.01	0.01
Operating charges	0.91	0.91	0.91
Return after operating charges	-10.63	+7.12	+20.63
Historic yield	2.00	1.42	1.07
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (£'000)	4,014	11,892	14,157
Closing NAV percentage of total fund NAV (%)	0.18	0.42	0.46
Number of shares	161,571	433,231	557,008
Highest share price (Euro €)	3,131.01	3,250.49	3,033.18
Lowest share price (Euro €)	2,516.52	2,707.52	2,303.84

Sterling Class 'A' Income share performance

The share class was launched on 27 June 1977.

for the year to 30 June Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	146.31	139.67	111.85
Return before operating charges and after direct portfolio transaction costs	(12.79)	12.42	32.75
Operating charges	(2.24)	(2.37)	(2.20)
Return after operating charges	(15.03)	10.05	30.55
Distributions	(3.85)	(3.41)	(2.73)
Closing NAV	127.43	146.31	139.67
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.04	0.05	0.06
Dilution adjustments ^[a]	(0.03)	(0.03)	(0.06)
Total direct portfolio transaction costs	0.01	0.02	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.01	0.01
Operating charges	1.66	1.66	1.66
Return after operating charges	-10.27	+7.20	+27.31
Historic yield	3.00	2.34	1.93
Effect on yield of charges offset against capital	1.65	1.65	1.65
Other information			
Closing NAV (£'000)	378,214	467,858	529,572
Closing NAV percentage of total fund NAV (%)	17.10	16.65	17.17
Number of shares	296,790,684	319,778,985	379,165,975
Highest share price (UK p)	147.56	154.04	144.26
Lowest share price (UK p)	119.75	132.92	110.93

Sterling Class 'A' Accumulation share performance

The share class was launched on 23 May 1969.

for the year to 30 June Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	346.76	323.47	254.06
Return before operating charges and after direct portfolio transaction costs	(29.95)	28.80	74.38
Operating charges	(5.33)	(5.51)	(4.97)
Return after operating charges	(35.28)	23.29	69.41
Distributions	(3.91)	(2.46)	(1.22)
Retained distributions	3.91	2.46	1.22
Closing NAV	311.48	346.76	323.47
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.10	0.11	0.15
Dilution adjustments ^[a]	(0.07)	(0.08)	(0.13)
Total direct portfolio transaction costs	0.03	0.03	0.02
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.01	0.01
Operating charges	1.66	1.66	1.66
Return after operating charges	-10.17	+7.20	+27.32
Historic yield	1.24	0.71	0.37
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (£'000)	536,905	634,597	769,199
Closing NAV percentage of total fund NAV (%)	24.27	22.59	24.93
Number of shares	172,372,639	183,009,631	237,792,926
Highest share price (UK p)	349.75	360.34	330.04
Lowest share price (UK p)	285.39	310.94	251.92

Sterling Class 'C' Income share performance

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

The share class was launched on 1 July 2004.

for the year to 30 June Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	151.14	142.12	112.10
Return before operating charges and after direct portfolio transaction costs	(13.27)	12.75	32.99
Operating charges	(0.22)	(0.23)	(0.21)
Return after operating charges	(13.49)	12.52	32.78
Distributions	(4.01)	(3.50)	(2.76)
Closing NAV	133.64	151.14	142.12
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.04	0.05	0.07
Dilution adjustments ^[a]	(0.03)	(0.03)	(0.06)
Total direct portfolio transaction costs	0.01	0.02	0.01
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.01	0.01
Operating charges	0.16	0.16	0.16
Return after operating charges	-8.93	+8.81	+29.24
Historic yield	2.97	2.32	1.91
Effect on yield of charges offset against capital	0.15	0.15	0.15
Other information			
Closing NAV (£'000)	70,012	93,253	105,916
Closing NAV percentage of total fund NAV (%)	3.17	3.32	3.43
Number of shares	52,386,777	61,700,616	74,523,640
Highest share price (UK p)	152.51	158.86	146.56
Lowest share price (UK p)	124.67	136.82	111.22

M&G Recovery Fund

Financial highlights

Specific share class performance

Sterling Class 'C' Accumulation share performance

Sterling Class 'C' shares are not generally available to all investors.
The share class was launched on 1 July 2004.

for the year to 30 June Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	424.80	390.40	302.06
Return before operating charges and after direct portfolio transaction costs	(36.84)	35.04	88.91
Operating charges	(0.63)	(0.64)	(0.57)
Return after operating charges	(37.47)	34.40	88.34
Distributions	(10.77)	(9.06)	(6.92)
Retained distributions	10.77	9.06	6.92
Closing NAV	387.33	424.80	390.40
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.12	0.13	0.18
Dilution adjustments ^[a]	(0.09)	(0.09)	(0.15)
Total direct portfolio transaction costs	0.03	0.04	0.03
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.01	0.01
Operating charges	0.16	0.16	0.16
Return after operating charges	-8.82	+8.81	+29.25
Historic yield	2.75	2.14	1.75
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (£'000)	360,330	482,882	546,007
Closing NAV percentage of total fund NAV (%)	16.29	17.19	17.70
Number of shares	93,028,828	113,673,926	139,858,895
Highest share price (UK p)	428.66	440.73	397.70
Lowest share price (UK p)	352.19	379.57	299.58

Sterling Class 'I' Income share performance

The share class was launched on 15 January 2010.

for the year to 30 June Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	148.43	140.63	111.77
Return before operating charges and after direct portfolio transaction costs	(12.98)	12.56	32.81
Operating charges	(1.25)	(1.31)	(1.21)
Return after operating charges	(14.23)	11.25	31.60
Distributions	(3.93)	(3.45)	(2.74)
Closing NAV	130.27	148.43	140.63
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.04	0.05	0.06
Dilution adjustments ^[a]	(0.03)	(0.03)	(0.06)
Total direct portfolio transaction costs	0.01	0.02	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.01	0.01
Operating charges	0.91	0.91	0.91
Return after operating charges	-9.59	+8.00	+28.27
Historic yield	2.99	2.33	1.92
Effect on yield of charges offset against capital	0.90	0.90	0.90
Other information			
Closing NAV (£'000)	140,143	173,323	175,603
Closing NAV percentage of total fund NAV (%)	6.34	6.17	5.69
Number of shares	107,582,769	116,769,431	124,865,425
Highest share price (UK p)	149.74	156.15	145.14
Lowest share price (UK p)	121.96	134.61	110.87

Sterling Class 'I' Accumulation share performance

The share class was launched on 15 January 2010.

for the year to 30 June Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	368.26	340.98	265.81
Return before operating charges and after direct portfolio transaction costs	(31.86)	30.48	78.06
Operating charges	(3.12)	(3.20)	(2.89)
Return after operating charges	(34.98)	27.28	75.17
Distributions	(6.73)	(5.24)	(3.68)
Retained distributions	6.73	5.24	3.68
Closing NAV	333.28	368.26	340.98
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.11	0.11	0.15
Dilution adjustments ^[a]	(0.08)	(0.08)	(0.14)
Total direct portfolio transaction costs	0.03	0.03	0.01
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.01	0.01
Operating charges	0.91	0.91	0.91
Return after operating charges	-9.50	+8.00	+28.28
Historic yield	2.00	1.43	1.06
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (£'000)	468,848	643,242	672,526
Closing NAV percentage of total fund NAV (%)	21.20	22.89	21.80
Number of shares	140,675,920	174,669,140	197,234,721
Highest share price (UK p)	371.53	382.38	347.63
Lowest share price (UK p)	304.20	329.64	263.60

Sterling Class 'PP' Accumulation share performance

The share class was launched on 8 April 2019.

for the year to 30 June Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	100.00	n/a	n/a
Return before operating charges and after direct portfolio transaction costs	(4.03)	n/a	n/a
Operating charges	(0.16)	n/a	n/a
Return after operating charges	(4.19)	n/a	n/a
Distributions	(1.21)	n/a	n/a
Retained distributions	1.21	n/a	n/a
Closing NAV	95.81	n/a	n/a
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.01	n/a	n/a
Dilution adjustments ^[a]	(0.01)	n/a	n/a
Total direct portfolio transaction costs	0.00	n/a	n/a
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	n/a	n/a
Operating charges	0.71*	n/a	n/a
Return after operating charges	-4.19	n/a	n/a
Historic yield	1.80	n/a	n/a
Effect on yield of charges offset against capital	0.00	n/a	n/a
Other information			
Closing NAV (£'000)	522	n/a	n/a
Closing NAV percentage of total fund NAV (%)	0.02	n/a	n/a
Number of shares	544,596	n/a	n/a
Highest share price (UK p)	102.00	n/a	n/a
Lowest share price (UK p)	94.55	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.

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Specific share class performance

Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012.

for the year to 30 June Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	127.02	120.65	96.13
Return before operating charges and after direct portfolio transaction costs	(11.12)	10.78	28.20
Operating charges	(1.36)	(1.45)	(1.33)
Return after operating charges	(12.48)	9.33	26.87
Distributions	(3.35)	(2.96)	(2.35)
Closing NAV	111.19	127.02	120.65

Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.04	0.04	0.06
Dilution adjustments ^[a]	(0.03)	(0.03)	(0.05)
Total direct portfolio transaction costs	0.01	0.01	0.01

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.01	0.01
Operating charges	1.16	1.16	1.16
Return after operating charges	-9.83	+7.73	+27.95
Historic yield	2.99	2.33	1.92
Effect on yield of charges offset against capital	1.15	1.15	1.15

Other information

Closing NAV (£'000)	11,259	12,469	2,130
Closing NAV percentage of total fund NAV (%)	0.51	0.44	0.07
Number of shares	10,125,699	9,816,918	1,765,807
Highest share price (UK p)	128.13	133.66	124.54
Lowest share price (UK p)	104.23	115.26	95.35

Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012.

for the year to 30 June Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	140.22	130.16	101.72
Return before operating charges and after direct portfolio transaction costs	(12.12)	11.64	29.85
Operating charges	(1.51)	(1.58)	(1.41)
Return after operating charges	(13.63)	10.06	28.44
Distributions	(2.23)	(1.66)	(1.10)
Retained distributions	2.23	1.66	1.10
Closing NAV	126.59	140.22	130.16

Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.04	0.04	0.06
Dilution adjustments ^[a]	(0.03)	(0.03)	(0.05)
Total direct portfolio transaction costs	0.01	0.01	0.01

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.01	0.01
Operating charges	1.16	1.16	1.16
Return after operating charges	-9.72	+7.73	+27.96
Historic yield	1.75	1.19	0.83
Effect on yield of charges offset against capital	0.00	0.00	0.00

Other information

Closing NAV (£'000)	72,636	72,805	1,032
Closing NAV percentage of total fund NAV (%)	3.28	2.59	0.03
Number of shares	57,380,182	51,920,764	792,930
Highest share price (UK p)	141.46	145.64	132.73
Lowest share price (UK p)	115.69	125.59	100.87

Sterling Class 'X' Income share performance

The share class was launched on 1 October 2002.

for the year to 30 June Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	147.26	140.58	112.58
Return before operating charges and after direct portfolio transaction costs	(12.86)	12.50	32.97
Operating charges	(2.25)	(2.38)	(2.22)
Return after operating charges	(15.11)	10.12	30.75
Distributions	(3.88)	(3.44)	(2.75)
Closing NAV	128.27	147.26	140.58

Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.04	0.05	0.07
Dilution adjustments ^[a]	(0.03)	(0.03)	(0.06)
Total direct portfolio transaction costs	0.01	0.02	0.01

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.01	0.01
Operating charges	1.66	1.66	1.66
Return after operating charges	-10.26	+7.20	+27.31
Historic yield	3.00	2.34	1.93
Effect on yield of charges offset against capital	1.65	1.65	1.65

Other information

Closing NAV (£'000)	58,168	74,042	90,478
Closing NAV percentage of total fund NAV (%)	2.63	2.64	2.93
Number of shares	45,349,600	50,279,512	64,361,188
Highest share price (UK p)	148.53	155.05	145.20
Lowest share price (UK p)	120.53	133.79	111.65

Sterling Class 'X' Accumulation share performance

The share class was launched on 1 October 2002.

for the year to 30 June Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	343.12	320.08	251.40
Return before operating charges and after direct portfolio transaction costs	(29.63)	28.49	73.65
Operating charges	(5.28)	(5.45)	(4.97)
Return after operating charges	(34.91)	23.04	68.68
Distributions	(3.87)	(2.43)	(1.21)
Retained distributions	3.87	2.43	1.21
Closing NAV	308.21	343.12	320.08

Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.10	0.10	0.15
Dilution adjustments ^[a]	(0.07)	(0.08)	(0.13)
Total direct portfolio transaction costs	0.03	0.02	0.02

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.01	0.01
Operating charges	1.66	1.66	1.66
Return after operating charges	-10.17	+7.20	+27.32
Historic yield	1.24	0.71	0.37
Effect on yield of charges offset against capital	0.00	0.00	0.00

Other information

Closing NAV (£'000)	105,575	134,551	167,738
Closing NAV percentage of total fund NAV (%)	4.77	4.79	5.44
Number of shares	34,253,763	39,213,889	52,404,180
Highest share price (UK p)	346.08	356.56	326.59
Lowest share price (UK p)	282.40	307.68	249.28

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

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

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Statement of total return					
for the year to 30 June	Note	2019 £'000		2018 £'000	
Income					
Net capital gains / (losses)	3		(305,856)		178,317
Revenue	5	69,671		69,897	
Expenses	6	(27,506)		(32,748)	
Net revenue / (expense) before taxation		42,165		37,149	
Taxation	7	(22)		(59)	
Net revenue / (expense) after taxation			42,143		37,090
Total return before distributions			(263,713)		215,407
Distributions	8		(51,744)		(48,470)
Change in net assets attributable to shareholders from investment activities			(315,457)		166,937

Statement of change in net assets attributable to shareholders					
for the year to 30 June		2019 £'000		2018 £'000	
Opening net assets attributable to shareholders			2,809,729		3,085,097
Amounts received on issue of shares		72,506		133,780	
Amounts paid on cancellation of shares		(386,179)		(604,603)	
			(313,673)		(470,823)
Dilution adjustments			1,583		1,841
Change in net assets attributable to shareholders from investment activities (see above)			(315,457)		166,937
Retained distributions on Accumulation shares			29,688		26,638
Unclaimed distributions			37		39
Closing net assets attributable to shareholders			2,211,907		2,809,729

Balance sheet			
as at 30 June	Note	2019 £'000	2018 £'000
Assets			
Fixed assets			
Investments		2,210,023	2,815,068
Current assets			
Debtors	9	7,379	9,122
Cash and bank balances	10	4,071	2,840
Cash equivalents		8,051	0
Total assets		2,229,524	2,827,030
Liabilities			
Creditors			
Distribution payable		(11,246)	(10,809)
Other creditors	11	(6,371)	(6,492)
Total liabilities		(17,617)	(17,301)
Net assets attributable to shareholders		2,211,907	2,809,729

Notes to the financial statements

1 Accounting policies

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

2 Distribution policy

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

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

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

3 Net capital gains / (losses)

for the year to 30 June	2019 £'000	2018 £'000
Non-derivative securities	(305,851)	178,346
Currency gains / (losses)	1	(22)
Transaction charges	(6)	(7)
Net capital gains / (losses)	(305,856)	178,317

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4 Portfolio transactions and associated costs

The following tables show portfolio transactions and their associated transaction costs. For more information about the nature of the costs please see the section on 'Operating charges and portfolio transaction costs' on pages 149 and 150.

for the year to 30 June	2019 £'000	% of transaction	2018 £'000	% of transaction
a) Purchases				
Equities				
Equities before transaction costs	160,045		171,740	
Commissions	50	0.03	55	0.03
Taxes	521	0.33	584	0.34
Equities after transaction costs	160,616		172,379	
Other transaction types				
Corporate actions	865		27,725	
Total purchases after transaction costs	161,481		200,104	
b) Sales				
Equities				
Equities before transaction costs	460,865		649,996	
Commissions	(190)	0.04	(282)	0.04
Taxes	(1)	0.00	(2)	0.00
Equities after transaction costs	460,674		649,712	
Other transaction types				
Corporate actions	0		20,730	
Total sales after transaction costs	460,674		670,442	
c) Direct portfolio transaction costs				
Commissions paid				
Equities	240	0.01	337	0.01
Taxes paid				
Equities	522	0.02	586	0.02
Total direct portfolio transaction costs [a]	762	0.03	923	0.03
d) Indirect portfolio transaction costs				
Portfolio dealing spread [b]				
		0.69		0.59

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

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

5 Revenue

for the year to 30 June	2019 £'000	2018 £'000
Bank interest	4	1
Dividends from equity investments: non-taxable	69,128	69,911
Dividends from equity investments: taxable	47	(30)
Interest distributions	27	15
Underwriting commission	465	0
Total revenue	69,671	69,897

6 Expenses

for the year to 30 June	2019 £'000	2018 £'000
Payable to the ACD or associate		
Annual management charge	23,622	28,112
Administration charge	3,638	4,370
	27,260	32,482
Payable to the Depositary or associate		
Depositary's charge (including VAT)	97	111
Other expenses		
Audit fee (including VAT)	9	9
Interest payable	18	18
Safe custody charge	122	128
	149	155
Total expenses	27,506	32,748

7 Taxation

for the year to 30 June	2019 £'000	2018 £'000
a) Analysis of charge in the year		
Corporation tax	0	0
Withholding tax	22	59
Deferred tax (note 7c)	0	0
Total taxation	22	59
b) Factors affecting taxation charge for the year		
Net revenue / (expense) before taxation	42,165	37,149
Corporation tax at 20%	8,433	7,430
Effects of:		
Dividends from equity investments: non-taxable	(13,826)	(13,982)
Current year expenses not utilised	5,393	6,552
Withholding tax	22	59
Total tax charge (note 7a)	22	59
c) Provision for deferred taxation		
Provision at the start of the year	0	0
Deferred tax in profit and loss account (note 7a)	0	0
Provision at the end of the year	0	0

The fund has not recognised a deferred tax asset of £158,430,000 (2018: £153,037,000) arising as a result of having excess management expenses. We do not expect this asset to be utilised in the foreseeable future.

8 Distributions

for the year to 30 June	2019		2018	
	Inc [a] £'000	Acc [b] £'000	Inc [a] £'000	Acc [b] £'000
Dividend distributions				
Interim	9,029	11,965	8,922	10,937
Final	11,246	17,723	10,809	15,701
Total net distributions		49,963		46,369
Income deducted on cancellation of shares		2,284		2,563
Income received on issue of shares		(503)		(462)
Distributions		51,744		48,470
Net revenue / (expense) per statement of total return		42,143		37,090
Expenses offset against capital		9,600		11,380
Undistributed income brought forward		1		1
Undistributed income carried forward		0		(1)
Distributions		51,744		48,470

[a] Distributions payable on Income shares.

[b] Retained distributions on Accumulation shares.

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9 Debtors

as at 30 June	2019 £'000	2018 £'000
Amounts receivable on issues of shares	147	289
Distributions receivable	6	1
Dividends receivable	3,616	3,836
Sales awaiting settlement	3,399	4,793
Withholding tax recoverable	211	203
Total debtors	7,379	9,122

10 Cash and bank balances

as at 30 June	2019 £'000	2018 £'000
Cash held as bank balances	4,071	2,840
Total cash and bank balances	4,071	2,840

11 Other creditors

as at 30 June	2019 £'000	2018 £'000
ACD's annual management charge payable	662	829
Administration charge payable	101	130
Amounts payable on cancellation of shares	3,641	5,493
Expenses payable	25	18
Purchases awaiting settlement	1,942	22
Total other creditors	6,371	6,492

12 Contingent assets, liabilities and outstanding commitments

There were no contingent assets, liabilities or outstanding commitments at the balance sheet date (2018: same).

13 Shares in issue

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

Share class	Opening 01.07.18	Movements		Closing 30.06.19
		Issued	Cancelled	
Euro				
Class 'A' Accumulation	361,578	9,326	(129,749)	241,155
Class 'C' Accumulation	433,231	44,152	(315,812)	161,571
Sterling				
Class 'A' Income	319,778,985	5,482,952	(28,471,253)	296,790,684
Class 'A' Accumulation	183,009,631	8,390,413	(19,027,405)	172,372,639
Class 'C' Income	61,700,616	809,553	(10,123,392)	52,386,777
Class 'C' Accumulation	113,673,926	1,747,014	(22,392,112)	93,028,828
Class 'I' Income	116,769,431	5,562,054	(14,748,716)	107,582,769
Class 'I' Accumulation	174,669,140	1,624,288	(35,617,508)	140,675,920
Class 'PP' Accumulation	0	550,000	(5,404)	544,596
Class 'R' Income	9,816,918	1,663,686	(1,354,905)	10,125,699
Class 'R' Accumulation	51,920,764	8,542,277	(3,082,859)	57,380,182
Class 'X' Income	50,279,512	919,110	(5,849,022)	45,349,600
Class 'X' Accumulation	39,213,889	563,562	(5,523,688)	34,253,763

14 Charging structure

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

Share class	Entry charge %	Exit charge %	Annual management charge %
Euro			
Class 'A'	5.25	n/a	1.50
Class 'C'	3.25	n/a	0.75
Sterling			
Class 'A'	nil	n/a	1.50
Class 'C'	nil	n/a	nil
Class 'I'	nil	n/a	0.75
Class 'PP'	nil	n/a	up to 0.75
Class 'R'	nil	n/a	1.00
Class 'X'	nil	n/a	1.50

15 Related parties

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

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

During the year, there were transactions in Prudential plc, a related party of M&G Securities Limited with a total value of £74,209,000 (2018: £24,800,000).

At the balance sheet date, the fund held shares in related parties of M&G Securities Limited with a value of £nil (2018: £80,869,000).

At the balance sheet date, shareholders from within Prudential plc, of which M&G Securities Limited is a wholly owned subsidiary, have holdings totalling 14.70% (2018: 14.31%) of the fund's shares.

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16 Events after the balance sheet date

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

17 Fair value analysis

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

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

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

Level 2: Valuation technique using observable market data

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

Level 3: Valuation technique using unobservable inputs

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

as at 30 June Basis of valuation	Assets 2019 £'000	Liabilities 2019 £'000	Assets 2018 £'000	Liabilities 2018 £'000
Level 1	2,210,023	0	2,815,068	0
Level 2	0	0	0	0
Level 3	0	0	0	0
	2,210,023	0	2,815,068	0

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

18 Risk management policies

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

19 Market risk sensitivity

A five per cent increase in the value of the fund's investment portfolio would have the effect of increasing the return and net assets by £110,501,000 (2018: £140,753,000). A five per cent decrease would have an equal and opposite effect.

20 Currency risk sensitivity and exposure

A five per cent increase in the value of the fund's currency exposure would have the effect of increasing the return and net assets by £110,595,000 (2018: £140,486,000). A five per cent decrease would have an equal and opposite effect.

as at 30 June	2019 £'000	2018 £'000
Currency exposure in respect of the fund		
Australian dollar	90,849	97,616
Canadian dollar	52,095	75,566
Euro	24,095	42,117
Norwegian krone	0	2,215
Sterling	1,850,761	2,392,261
US dollar	194,107	199,954
Total	2,211,907	2,809,729

21 Interest rate risk sensitivity and exposure

As the majority of the fund's financial assets are non-interest bearing, the risk is not considered significant and is therefore not disclosed.

22 Credit risk

Credit risk is not considered significant for the fund and is therefore not disclosed.

23 Dividend distribution tables

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

Semi-annual distribution periods				
	Start	End	Xd	Payment
Interim	01.07.18	31.12.18	02.01.19	28.02.19
Final	01.01.19	30.06.19	01.07.19	31.08.19

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

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

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

M&G Recovery Fund

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23 Dividend distribution tables (continued)

Euro Class 'A' Accumulation shares

Ordinary distributions for the year to 30 June	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
	€	€	€	€
Interim	2.8854	7.3504	10.2358	6.3730
Final	9.0659	11.3115	20.3774	13.1263

Euro Class 'C' Accumulation shares

Ordinary distributions for the year to 30 June	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
	€	€	€	€
Interim	0.3705	21.8602	22.2307	17.7165
Final	18.9465	14.7635	33.7100	26.3244

Sterling Class 'A' Income shares

Ordinary distributions for the year to 30 June	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
	p	p	p	p
Interim	0.6647	1.0089	1.6736	1.4847
Final	1.2778	0.9028	2.1806	1.9281

Sterling Class 'A' Accumulation shares

Ordinary distributions for the year to 30 June	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
	p	p	p	p
Interim	0.0864	1.2193	1.3057	0.8039
Final	0.0000	2.6004	2.6004	1.6540

Sterling Class 'C' Income shares

Ordinary distributions for the year to 30 June	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
	p	p	p	p
Interim	0.7313	1.0028	1.7341	1.5156
Final	1.5350	0.7426	2.2776	1.9841

Sterling Class 'C' Accumulation shares

Ordinary distributions for the year to 30 June	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
	p	p	p	p
Interim	1.3625	3.2144	4.5769	3.8712
Final	4.9340	1.2575	6.1915	5.1860

Sterling Class 'I' Income shares

Ordinary distributions for the year to 30 June	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
	p	p	p	p
Interim	0.7850	0.9155	1.7005	1.4974
Final	1.0014	1.2231	2.2245	1.9523

Sterling Class 'I' Accumulation shares

Ordinary distributions for the year to 30 June	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
	p	p	p	p
Interim	1.0102	1.6646	2.6748	2.1136
Final	2.0454	2.0121	4.0575	3.1289

Sterling Class 'PP' Accumulation shares

Ordinary distributions for the year to 30 June	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
	p	p	p	p
Interim	n/a	n/a	n/a	n/a
Final	0.2356	0.9761	1.2117	n/a

Sterling Class 'R' Income shares

Ordinary distributions for the year to 30 June	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
	p	p	p	p
Interim	0.4427	1.0118	1.4545	1.2840
Final	0.9369	0.9631	1.9000	1.6717

Sterling Class 'R' Accumulation shares

Ordinary distributions for the year to 30 June	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
	p	p	p	p
Interim	0.2561	0.5988	0.8549	0.6464
Final	0.5758	0.8040	1.3798	1.0175

Sterling Class 'X' Income shares

Ordinary distributions for the year to 30 June	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
	p	p	p	p
Interim	0.7403	0.9443	1.6846	1.4944
Final	1.4616	0.7331	2.1947	1.9406

Sterling Class 'X' Accumulation shares

Ordinary distributions for the year to 30 June	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
	p	p	p	p
Interim	0.5878	0.7041	1.2919	0.7955
Final	2.0565	0.5167	2.5732	1.6368

M&G Smaller Companies Fund

Authorised Corporate Director's Report

Investment objective

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

Investment policy

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

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

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

Investment approach

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

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

Risk profile

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

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



The above number:

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

Investment review

As at 1 July 2019, for the year ended 30 June 2019

Performance against objective

Between 2 July 2018 (the start of the review period) and 1 July 2019, the M&G Smaller Companies Fund delivered a negative total return (the combination of income and growth of capital) across all of its share classes.* The fund finished the period ahead of a comparative index, the Numis Smaller Companies Index (excluding Investment Companies), which returned -4.7%.

The fund met its investment objective of delivering a higher total return than the Numis Smaller Companies Index (excluding Investment Companies) over any five-year period for all share classes. The index returned 6.2% in the five years to 1 July 2019.

* 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 Smaller Companies Fund

Authorised Corporate Director's Report

Investment review

Investment performance

The UK stockmarket was volatile over the 12 months under review. Like other major stockmarkets, the UK market fell sharply during October 2018 as investors became concerned that the US economy was slowing, just as the effect of tax cuts was beginning to wane. Sentiment was also hurt due to the ongoing trade war between the US and China, despite some encouraging signs that some form of agreement was imminent in the spring.

Investors' risk appetite improved significantly in the new year after the US Federal Reserve indicated a slower approach to interest rate hikes, due to the global economic slowdown, lower oil prices and muted domestic inflation. Heightened trade tensions between the US and China led to stockmarket weakness late in the period under review, before hopes of lower US interest rates, as well as some reconciliation on trade, led to a partial recovery. Against this backdrop, the UK stockmarket and the fund fell over the 12 months.

In terms of political developments, the UK's Brexit talks continued to dominate the headlines over the period under review. Prime Minister Theresa May secured a Withdrawal Treaty with the European Union, but members of parliament rejected the treaty three times. The original date for Brexit came and went, and a new deadline of 31 October 2019 was agreed. In other developments, Theresa May announced her resignation in May, triggering a multi-candidate leadership contest, and Boris Johnson became leader of the Conservative Party and prime minister in July.

UK economic activity is uninspiring, with domestic companies affected by uncertainty relating to Brexit as well as slower growth in the global economy. Meanwhile, domestic interest rates stand at 0.75%, after the Bank of England raised levels by a quarter of a percentage point in August 2018. Future changes are likely to be closely connected to developments in the Brexit negotiations and prospects for economic activity.

Share prices in both large and small companies declined over the 12-month period, with generally solid gains for much of 2019 to date failing to outweigh the sharp falls in the final quarter of 2018. The largest UK companies held up best with the smallest decline while medium-sized companies were behind the broader market. Meanwhile, small caps were the weakest size grouping over the period under review.

Within the smaller companies universe, utilities and telecommunications were among the strongest performing sectors over the period. In contrast, oil & gas and healthcare were among the weakest.

Against this background, the M&G Smaller Companies Fund finished the 12-month period ahead of the Numis Smaller Companies ex Investment Companies Index. Performance was supported by stock selection and, to a lesser extent, asset allocation. A below-index weighting in oil & gas and basic materials was beneficial for performance, as was an above-index allocation to technology. Meanwhile, a below-index presence in consumer services and telecommunications cost some performance.

At the stock selection level, stocks in financials, industrials and technology supported performance. However, performance was held back by stocks in basic materials.

Contributors to performance included exhibition and events firm Tarsus, healthcare software provider EMIS, Games Workshop, a miniature wargaming manufacturing company, and corporate foreign exchange specialist Alpha FX.

Shares in Tarsus rose in value after the firm received a takeover bid, which is scheduled to close in August. A number of firms benefited from positive financial results: EMIS issued encouraging full-year figures in March, while investors also favoured the firm's new management and strategy. Games Workshop is trading strongly, with its latest two trading statements ahead of expectations, while Alpha FX also produced some strong results, driven in particular by investments beyond its traditional small and medium-sized customer base into new service lines.

Other contributors to fund performance included 4imprint, a US firm supplying branded goods to corporate customers. 4imprint issued a positive trading outlook, which was well received by investors.

Meanwhile, Softcat, a value-added reseller of software products, was boosted by IT spending in the UK. Despite a challenging market environment, Softcat is benefiting from customers' need to invest to keep up with technology changes in areas such as anti-virus and cloud-related software.

In contrast, detractors included Staffline, a UK blue collar temporary recruitment business, branded clothing retailer Superdry, and specialty chemicals manufacturer Synthomer.

Shares in Staffline were suspended earlier in 2019 due to accounting queries; confidence in the firm subsequently declined, and more recently, Staffline issued a profit warning and announced refinancing measures. Meanwhile, Superdry's trading figures have been disappointing, largely reflecting the difficulties of the broader retail sector. Superdry's shares were also hurt in the spring when the original founder of the company led a shareholder revolt in April, which led to the removal of the existing management. Synthomer is very sensitive to prospects for the economy and was hurt by concerns about the pace of global growth, rather than any stock-specific concerns. We remain supportive of the company's investment case.

Similarly, Elementis, which is also a specialist chemicals business, detracted because of investors' worries over the global economy. Elementis was a new holding during the period but, in our opinion, following an acquisition, the company has run up excessive levels of debt and we reduced the holding.

Meanwhile, private hospital operator Spire Healthcare was weak after issuing a disappointing trading update.

Investment activities

In addition to starting new holdings in Games Workshop and 4imprint, both mentioned previously, we initiated new positions in Marshalls, Essentra and TT Electronics.

Games Workshop is a well-run niche business, which is pursuing a wide range of initiatives to expand its top-line and is trading at a reasonable valuation, while 4imprint has a high-growth business model and looks attractively valued given its growth prospects.

Marshalls, a UK-based manufacturer of paving stones, is growing strongly given the strength of its residential and public-infrastructure end markets. Meanwhile, Essentra is a global supplier of industrial products manufactured from plastic and fibre and we were able to start the holding at a good price. We also initiated a holding in TT Electronics, a global manufacturer of electronic components.

M&G Smaller Companies Fund

Authorised Corporate Director's Report

Investment review

Investment activities (continued)

Turning to complete sales, trading software firm Fidessa left the portfolio in connection with its takeover by Irish rival Ion.

We sold some positions on valuation grounds following good performance. Such disposals included Victrex, a hi-tech plastics manufacturer, and global specialty insurer Lancashire.

After some difficult trading and a change of management, we reassessed the position in financial publishing and training business Wilmington. In our opinion, prospects remain challenging for the firm and we sold the holding.

We also sold the holding in construction, services and property business Kier. We had initially supported Kier's emergency fundraising, but sold the position as it emerged that an accounting restatement was necessary for the firm. Subsequent to leaving the portfolio, Kier issued a further profit warning and the shares fell significantly.

We also exited the positions in Spire Healthcare, Staffline and Superdry, mentioned earlier.

Outlook

At the time of writing, the UK's economic outlook is still relatively uncertain due to a lack of clarity about Brexit, while the global economy appears to be decelerating amid a continuation of international trade wars. These factors may weigh on the UK economy, in the short term at least. Longer term, we are more optimistic about prospects for the domestic economy, given the UK's broadly positive fundamentals of low inflation and high employment. Furthermore, some form of clarity regarding Brexit is expected to emerge in the coming months, which should reduce the present uncertainty.

Against this backdrop, we will continue to adopt a relatively cautious approach to new investments. Nevertheless, it is encouraging that corporate earnings have so far held up well and that, in the main, company balance sheets remain well capitalised. Longer term we continue to believe that smaller companies remain the most dynamic part of the UK stockmarket, with the potential to offer attractive investment returns.

Garfield Kiff

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 30 June Holding	2019 £'000	2019 %	2018 ^[a] %
EQUITIES	397,268	95.96	96.00
Software & computer services	53,355	12.89	11.82
766,747 accesso Technology ^[b]	5,060	1.22	
311,836 Computacenter	4,203	1.02	
930,744 EMIS ^[b]	11,132	2.69	
690,725 FDM	6,313	1.52	
1,229,956 GB ^[b]	6,802	1.64	
1,701,161 SDL	8,387	2.03	
1,168,545 Softcat	11,458	2.77	
Medical equipment & services	12,919	3.12	4.74
872,577 Consort Medical	7,417	1.79	
4,891,152 Medica	5,502	1.33	
Pharmaceuticals & biotechnology	5,643	1.36	1.51
2,475,000 PureTech Health	5,643	1.36	
Finance & credit services	11,839	2.86	3.74
2,043,480 Charter Court Financial Services	6,120	1.48	
1,564,949 OneSavings Bank	5,719	1.38	
Investment banking & brokerage services	28,637	6.92	6.06
1,242,574 Alpha FX ^[b]	9,568	2.31	
3,255,772 Arrow Global	7,443	1.80	
2,337,500 Brewin Dolphin	7,199	1.74	
199,868 Rathbone Brothers	4,427	1.07	
Non-life insurance	8,910	2.15	3.48
3,294,020 Sabre Insurance	8,910	2.15	
Real estate investment & services	9,048	2.19	1.65
2,396,759 Helical	9,048	2.19	
Real estate investment trusts	22,118	5.34	5.82
6,704,784 Hansteen	6,544	1.58	
3,781,627 LondonMetric Property	7,858	1.90	
879,309 Workspace	7,716	1.86	
Household goods & home construction	22,902	5.53	5.79
1,990,834 Countryside Properties	5,929	1.43	
807,115 Galliford Try	5,044	1.22	
773,366 Redrow	4,184	1.01	
3,750,569 Watkin Jones ^[b]	7,745	1.87	
Leisure goods	9,183	2.22	0.79
183,877 Games Workshop	9,183	2.22	
Personal goods	0	0.00	1.53
Media	28,714	6.94	5.25
382,121 4imprint	10,202	2.46	
1,905,240 Ascential	6,817	1.65	
2,738,842 Tarsus	11,695	2.83	
Retailers	0	0.00	2.03
Travel & leisure	14,071	3.40	1.31
2,016,343 Loungers ^[b]	4,355	1.05	
1,835,578 On the Beach	8,668	2.10	
255,709 Trainline	1,048	0.25	
Beverages	7,016	1.70	1.30
3,146,091 Stock Spirits	7,016	1.70	
Food producers	0	0.00	1.33
Construction & materials	36,798	8.89	7.70
3,385,076 Forterra	9,969	2.41	
1,292,963 Marshalls	8,812	2.13	
2,185,040 Polypipe	9,632	2.33	
3,472,244 Tyman	8,385	2.02	

M&G Smaller Companies Fund

Authorised Corporate Director's Report

Investments

Portfolio statement (continued)			
as at 30 June	2019	2019	2018 ^[a]
Holding	£'000	%	%
Aerospace & defence	14,217	3.43	1.90
2,541,420 Senior	5,383	1.30	
539,999 Ultra Electronics	8,834	2.13	
Electronic & electrical equipment	8,629	2.08	1.05
3,672,041 TT Electronics	8,629	2.08	
General industrials	11,561	2.79	2.81
9,000,000 Coats	7,303	1.76	
780,488 Vesuvius	4,258	1.03	
Industrial engineering	18,162	4.39	4.08
860,625 Hill & Smith	10,250	2.48	
685,000 Vitec	7,912	1.91	
Industrial support services	47,167	11.39	11.64
3,697,971 Alpha Financial Markets Consulting ^[b]	8,283	2.00	
4,655,211 Boku ^[b]	5,121	1.24	
2,006,192 Essentra	8,518	2.06	
6,408,639 Kin & Carta	6,505	1.57	
1,235,000 PageGroup	6,354	1.53	
1,899,444 Restore ^[b]	7,465	1.80	
697,045 Sanne	4,921	1.19	
Industrial transportation	8,217	1.99	2.02
434,753 James Fisher & Sons	8,217	1.99	
Chemicals	11,321	2.73	4.80
2,051,069 Elementis	2,825	0.68	
2,282,706 Synthomer	8,496	2.05	
Non-renewable energy	6,841	1.65	1.85
3,958,901 Cairn Energy	6,841	1.65	
Portfolio of investments	397,268	95.96	96.00
CASH EQUIVALENTS	20,372	4.92	4.05
'AAA' rated money market funds ^[c]	20,372	4.92	4.05
20,371,858 Northern Trust Global Fund - Sterling	20,372	4.92	
Total portfolio (notes 2c & 2d on page 7)	417,640	100.88	100.05
Net other assets / (liabilities)	(3,630)	(0.88)	(0.05)
Net assets attributable to shareholders	414,010	100.00	100.00

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

^[a] The portfolio has been reclassified to more appropriately reflect how the fund is managed. 2018 comparatives have been restated to reflect this.

^[b] AIM quoted.

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

Top ten portfolio transactions

for the year to 30 June 2019

Largest purchases	£'000
Essentra	8,349
Watkin Jones ^[a]	8,326
Elementis	7,663
4imprint	7,597
TT Electronics	7,525
Games Workshop	6,991
PageGroup	6,687
accesso Technology ^[a]	6,058
Senior	5,969
Marshalls	5,806
Other purchases	73,966
Total purchases	144,937
Largest sales	£'000
Greencore	9,467
Lancashire	7,862
Victrex	7,792
Equiniti	7,204
Fidessa	7,170
Dechra Pharmaceuticals	7,111
Wilmington	7,037
Kier	6,520
Safestore	6,448
Renewi	4,909
Other sales	87,394
Total sales	158,914

^[a] AIM quoted.

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

M&G Smaller Companies Fund

Financial highlights

Fund performance

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

The following charts and tables 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 sterling share classes. Performance is shown after deduction of this charge. All UK 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.

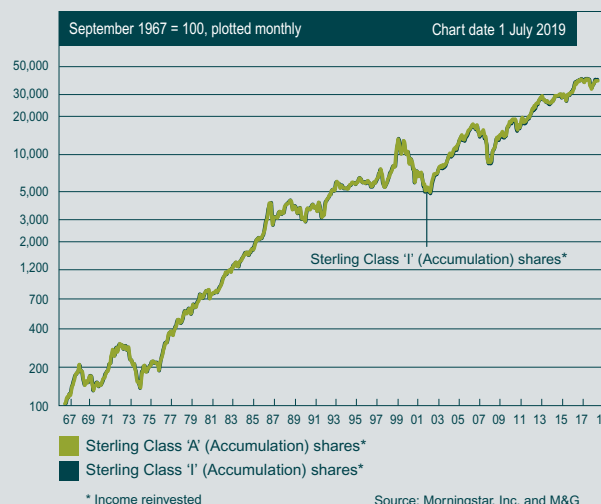
The fund is available for investment in different share classes, each with varying levels of charges and minimum investments; please refer to the Prospectus for M&G Investment Funds (3), which is available free of charge either from our website at www.mandg.co.uk/prospectuses or by calling M&G Customer Relations.

Fund level performance

Fund net asset value			
as at 30 June	2019 £'000	2018 £'000	2017 £'000
Fund net asset value (NAV)	414,010	449,970	432,033

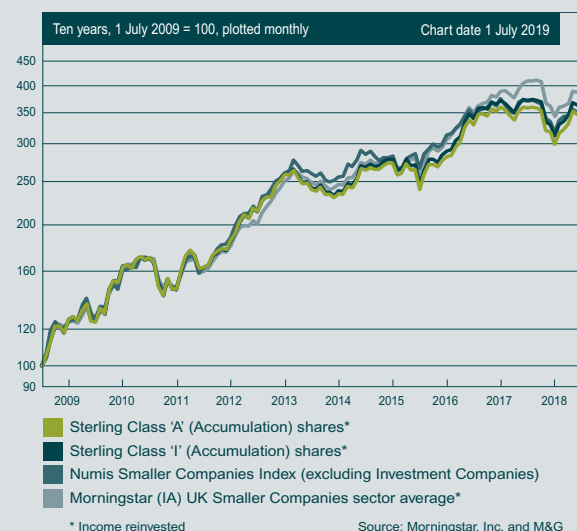
Performance since launch

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.



Ten-year performance

Please note that comparative data is not available from fund launch. Therefore a ten-year comparable performance chart is shown below.



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

M&G Smaller Companies Fund

Financial highlights

Fund performance

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

Long-term performance by share class

	One year 02.07.18 % ^[a]	Three years 01.07.16 % p.a.	Five years 01.07.14 % p.a.	Since launch % p.a.
Sterling ^[b]				
Class 'A'	-2.2	+12.8	+7.8	+12.2 ^[c]
Class 'C'	-0.7	+14.5	+9.4	+10.5 ^[d]
Class 'I'	-1.5	+13.7	+8.6	+12.2 ^[e]
Class 'R'	-1.7	+13.4	+8.3	+11.9 ^[e]
Class 'X'	-2.2	+12.8	+7.8	+12.9 ^[f]

^[a] Absolute basis.

^[b] Price to price with income reinvested.

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

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

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

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

Operating charges and portfolio transaction costs

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

Operating charges

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

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

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

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

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

Portfolio transaction costs

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

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

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

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

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

Portfolio transaction costs

for the year to 30 June	2019	2018	2017	Average ^[a]
Direct portfolio transaction costs ^[b]	%	%	%	%
Broker commission	0.03	0.03	0.04	0.03
Taxes	0.13	0.11	0.11	0.12
Costs before dilution adjustments	0.16	0.14	0.15	0.15
Dilution adjustments ^[c]	(0.01)	0.00	(0.01)	(0.01)
Total direct portfolio transaction costs	0.15	0.14	0.14	0.14
as at 30 June	2019	2018	2017	Average ^[a]
Indirect portfolio transaction costs	%	%	%	%
Average portfolio dealing spread	0.67	0.67	0.50	0.61

^[a] Average of first three columns.

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

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

M&G Smaller Companies Fund

Financial highlights

Specific share class performance

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

Historic yields for the current year are calculated as at 12 July 2019.

Sterling Class 'A' Income share performance

The share class was launched on 27 September 1967.

for the year to 30 June Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	369.03	348.07	256.37
Return before operating charges and after direct portfolio transaction costs	(5.82)	35.78	105.09
Operating charges	(5.73)	(6.10)	(5.14)
Return after operating charges	(11.55)	29.68	99.95
Distributions	(10.96)	(8.72)	(8.25)
Closing NAV	346.52	369.03	348.07

Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.56	0.49	0.45
Dilution adjustments ^[a]	(0.02)	(0.02)	(0.02)
Total direct portfolio transaction costs	0.54	0.47	0.43

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.15	0.14	0.14
Operating charges	1.66	1.66	1.66
Return after operating charges	-3.13	+8.53	+38.99
Historic yield	3.17	2.37	2.36
Effect on yield of charges offset against capital	1.65	1.65	1.65

Other information

Closing NAV (£'000)	109,944	122,473	130,658
Closing NAV percentage of total fund NAV (%)	26.56	27.22	30.24
Number of shares	31,727,678	33,187,811	37,537,892
Highest share price (UK p)	375.26	385.20	362.84
Lowest share price (UK p)	304.69	346.37	247.53

Sterling Class 'A' Accumulation share performance

The share class was launched on 27 September 1967.

for the year to 30 June Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	949.64	875.06	628.59
Return before operating charges and after direct portfolio transaction costs	(13.18)	89.97	259.15
Operating charges	(14.83)	(15.39)	(12.68)
Return after operating charges	(28.01)	74.58	246.47
Distributions	(13.73)	(6.76)	(7.74)
Retained distributions	13.73	6.76	7.74
Closing NAV	921.63	949.64	875.06

Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	1.44	1.24	1.11
Dilution adjustments ^[a]	(0.05)	(0.04)	(0.06)
Total direct portfolio transaction costs	1.39	1.20	1.05

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.15	0.14	0.14
Operating charges	1.66	1.66	1.66
Return after operating charges	-2.95	+8.52	+39.21
Historic yield	1.50	0.71	0.88
Effect on yield of charges offset against capital	0.00	0.00	0.00

Other information

Closing NAV (£'000)	33,354	38,151	40,706
Closing NAV percentage of total fund NAV (%)	8.06	8.48	9.42
Number of shares	3,619,045	4,017,459	4,651,811
Highest share price (UK p)	965.67	977.55	900.46
Lowest share price (UK p)	784.06	870.78	606.86

Sterling Class 'C' Income share performance

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

The share class was launched on 3 January 2006.

for the year to 30 June Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	388.41	360.88	261.79
Return before operating charges and after direct portfolio transaction costs	(5.91)	37.27	108.09
Operating charges	(0.60)	(0.62)	(0.51)
Return after operating charges	(6.51)	36.65	107.58
Distributions	(11.64)	(9.12)	(8.49)
Closing NAV	370.26	388.41	360.88

Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.59	0.51	0.46
Dilution adjustments ^[a]	(0.02)	(0.02)	(0.02)
Total direct portfolio transaction costs	0.57	0.49	0.44

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.15	0.14	0.14
Operating charges	0.16	0.16	0.16
Return after operating charges	-1.68	+10.16	+41.09
Historic yield	3.15	2.36	2.34
Effect on yield of charges offset against capital	0.15	0.15	0.15

Other information

Closing NAV (£'000)	175,806	187,664	178,146
Closing NAV percentage of total fund NAV (%)	42.45	41.71	41.23
Number of shares	47,481,931	48,316,209	49,364,337
Highest share price (UK p)	396.31	405.12	375.74
Lowest share price (UK p)	323.08	359.18	252.86

M&G Smaller Companies Fund

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Specific share class performance

Sterling Class 'I' Income share performance

The share class was launched on 3 August 2012.

for the year to 30 June Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	2,031.62	1,901.88	1,390.20
Return before operating charges and after direct portfolio transaction costs	(31.48)	195.98	571.97
Operating charges	(17.38)	(18.37)	(15.37)
Return after operating charges	(48.86)	177.61	556.60
Distributions	(60.61)	(47.87)	(44.92)
Closing NAV	1,922.15	2,031.62	1,901.88

Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	3.07	2.70	2.45
Dilution adjustments ^[a]	(0.11)	(0.09)	(0.13)
Total direct portfolio transaction costs	2.96	2.61	2.32

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.15	0.14	0.14
Operating charges	0.91	0.91	0.91
Return after operating charges	-2.40	+9.34	+40.04
Historic yield	3.16	2.13	2.35
Effect on yield of charges offset against capital	0.90	0.90	0.90

Other information

Closing NAV (£'000)	52,949	57,307	50,774
Closing NAV percentage of total fund NAV (%)	12.79	12.73	11.75
Number of shares	2,754,654	2,820,730	2,669,660
Highest share price (UK p)	2,069.45	2,119.86	1,981.38
Lowest share price (UK p)	1,683.65	1,892.74	1,342.51

Sterling Class 'I' Accumulation share performance

The share class was launched on 3 August 2012.

for the year to 30 June Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	2,260.31	2,067.30	1,473.92
Return before operating charges and after direct portfolio transaction costs	(30.72)	213.08	609.77
Operating charges	(19.47)	(20.07)	(16.39)
Return after operating charges	(50.19)	193.01	593.38
Distributions	(48.83)	(32.55)	(31.73)
Retained distributions	48.83	32.55	31.73
Closing NAV	2,210.12	2,260.31	2,067.30

Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	3.44	2.95	2.61
Dilution adjustments ^[a]	(0.12)	(0.10)	(0.14)
Total direct portfolio transaction costs	3.32	2.85	2.47

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.15	0.14	0.14
Operating charges	0.91	0.91	0.91
Return after operating charges	-2.22	+9.34	+40.26
Historic yield	2.22	1.44	1.53
Effect on yield of charges offset against capital	0.00	0.00	0.00

Other information

Closing NAV (£'000)	24,091	26,197	21,077
Closing NAV percentage of total fund NAV (%)	5.82	5.82	4.88
Number of shares	1,090,021	1,158,983	1,019,549
Highest share price (UK p)	2,302.40	2,325.89	2,126.07
Lowest share price (UK p)	1,873.18	2,057.36	1,423.15

Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012.

for the year to 30 June Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	202.12	189.69	139.01
Return before operating charges and after direct portfolio transaction costs	(3.15)	19.55	57.13
Operating charges	(2.20)	(2.35)	(1.96)
Return after operating charges	(5.35)	17.20	55.17
Distributions	(6.02)	(4.77)	(4.49)
Closing NAV	190.75	202.12	189.69

Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.30	0.27	0.25
Dilution adjustments ^[a]	(0.01)	(0.01)	(0.01)
Total direct portfolio transaction costs	0.29	0.26	0.24

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.15	0.14	0.14
Operating charges	1.16	1.16	1.16
Return after operating charges	-2.65	+9.07	+39.69
Historic yield	3.17	2.37	2.35
Effect on yield of charges offset against capital	1.15	1.15	1.15

Other information

Closing NAV (£'000)	2,526	2,427	538
Closing NAV percentage of total fund NAV (%)	0.61	0.54	0.13
Number of shares	1,324,519	1,200,768	283,787
Highest share price (UK p)	205.77	210.93	197.66
Lowest share price (UK p)	167.29	188.77	134.23

Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012.

for the year to 30 June Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	222.63	204.13	145.90
Return before operating charges and after direct portfolio transaction costs	(3.04)	21.05	60.26
Operating charges	(2.44)	(2.55)	(2.03)
Return after operating charges	(5.48)	18.50	58.23
Distributions	(4.28)	(2.69)	(2.69)
Retained distributions	4.28	2.69	2.69
Closing NAV	217.15	222.63	204.13

Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.34	0.29	0.25
Dilution adjustments ^[a]	(0.01)	(0.01)	(0.01)
Total direct portfolio transaction costs	0.33	0.28	0.24

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.15	0.14	0.14
Operating charges	1.16	1.16	1.16
Return after operating charges	-2.46	+9.06	+39.91
Historic yield	1.98	1.21	1.31
Effect on yield of charges offset against capital	0.00	0.00	0.00

Other information

Closing NAV (£'000)	8,605	7,569	74
Closing NAV percentage of total fund NAV (%)	2.08	1.68	0.02
Number of shares	3,962,631	3,399,718	36,061
Highest share price (UK p)	226.65	229.12	209.97
Lowest share price (UK p)	184.27	203.14	140.87

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Specific share class performance

Sterling Class 'X' Income share performance

The share class was launched on 1 October 2002.

for the year to 30 June Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	368.86	347.91	256.25
Return before operating charges and after direct portfolio transaction costs	(5.81)	35.75	105.04
Operating charges	(5.73)	(6.09)	(5.13)
Return after operating charges	(11.54)	29.66	99.91
Distributions	(10.96)	(8.71)	(8.25)
Closing NAV	346.36	368.86	347.91
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.56	0.49	0.45
Dilution adjustments ^[a]	(0.02)	(0.02)	(0.02)
Total direct portfolio transaction costs	0.54	0.47	0.43
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.15	0.14	0.14
Operating charges	1.66	1.66	1.66
Return after operating charges	-3.13	+8.53	+38.99
Historic yield	3.17	2.37	2.36
Effect on yield of charges offset against capital	1.65	1.65	1.65
Other information			
Closing NAV (£'000)	4,342	5,094	6,711
Closing NAV percentage of total fund NAV (%)	1.05	1.13	1.55
Number of shares	1,253,711	1,381,035	1,928,862
Highest share price (UK p)	375.09	385.02	362.67
Lowest share price (UK p)	304.54	346.21	247.41

Sterling Class 'X' Accumulation share performance

The share class was launched on 1 October 2002.

for the year to 30 June Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	938.41	864.71	621.15
Return before operating charges and after direct portfolio transaction costs	(13.02)	88.91	256.08
Operating charges	(14.66)	(15.21)	(12.52)
Return after operating charges	(27.68)	73.70	243.56
Distributions	(13.57)	(6.68)	(7.65)
Retained distributions	13.57	6.68	7.65
Closing NAV	910.73	938.41	864.71
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	1.42	1.23	1.09
Dilution adjustments ^[a]	(0.05)	(0.04)	(0.06)
Total direct portfolio transaction costs	1.37	1.19	1.03
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.15	0.14	0.14
Operating charges	1.66	1.66	1.66
Return after operating charges	-2.95	+8.52	+39.21
Historic yield	1.50	0.71	0.88
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (£'000)	2,393	3,088	3,349
Closing NAV percentage of total fund NAV (%)	0.58	0.69	0.78
Number of shares	262,702	329,122	387,234
Highest share price (UK p)	954.25	965.99	889.81
Lowest share price (UK p)	774.79	860.49	599.68

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

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

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Statement of total return					
for the year to 30 June	Note	2019		2018	
		£'000	£'000	£'000	£'000
Income					
Net capital gains / (losses)	3		(20,741)		33,270
Revenue	5	13,241		10,825	
Expenses	6	(3,641)		(4,051)	
Net revenue / (expense) before taxation		9,600		6,774	
Taxation	7	2		0	
Net revenue / (expense) after taxation			9,602		6,774
Total return before distributions			(11,139)		40,044
Distributions	8		(12,289)		(9,743)
Change in net assets attributable to shareholders from investment activities			(23,428)		30,301

Statement of change in net assets attributable to shareholders				
	2019		2018	
for the year to 30 June	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		449,970		432,033
Amounts received on issue of shares	6,916		23,164	
Amounts paid on cancellation of shares	<u>(20,766)</u>		<u>(36,341)</u>	
		(13,850)		(13,177)
Dilution adjustments		69		53
Change in net assets attributable to shareholders from investment activities (see above)		(23,428)		30,301
Retained distributions on Accumulation shares		1,245		751
Unclaimed distributions		4		9
Closing net assets attributable to shareholders		414,010		449,970

Balance sheet			
as at 30 June	Note	2019 £'000	2018 £'000
Assets			
Fixed assets			
Investments		397,268	431,980
Current assets			
Debtors	9	1,638	1,901
Cash and bank balances	10	1,599	4,149
Cash equivalents		20,372	18,204
Total assets		420,877	456,234
Liabilities			
Creditors			
Distribution payable		(6,450)	(5,251)
Other creditors	11	(417)	(1,013)
Total liabilities		(6,867)	(6,264)
Net assets attributable to shareholders		414,010	449,970

Notes to the financial statements

1 Accounting policies

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

2 Distribution policy

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

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

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

3 Net capital gains / (losses)

for the year to 30 June	2019 £'000	2018 £'000
Non-derivative securities	(20,736)	33,276
Transaction charges	(5)	(6)
Net capital gains / (losses)	(20,741)	33,270

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4 Portfolio transactions and associated costs

The following tables show portfolio transactions and their associated transaction costs. For more information about the nature of the costs please see the section on 'Operating charges and portfolio transaction costs' on page 164.

for the year to 30 June	2019 £'000	% of transaction	2018 £'000	% of transaction
a) Purchases				
Equities				
Equities before transaction costs	144,330		132,176	
Commissions	59	0.04	51	0.04
Taxes	548	0.38	490	0.37
Equities after transaction costs	144,937		132,717	
Other transaction types				
Corporate actions	0		2,436	
Total purchases after transaction costs	144,937		135,153	
b) Sales				
Equities				
Equities before transaction costs	148,481		148,560	
Commissions	(63)	0.04	(65)	0.04
Equities after transaction costs	148,418		148,495	
Other transaction types				
Corporate actions	10,496		5,936	
Total sales after transaction costs	158,914		154,431	
c) Direct portfolio transaction costs				
Commissions paid				
Equities	122	0.03	116	0.03
Taxes paid				
Equities	548	0.13	490	0.11
Total direct portfolio transaction costs [a]	670	0.16	606	0.14
d) Indirect portfolio transaction costs				
Portfolio dealing spread [b]				
		0.67		0.67

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

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

5 Revenue

for the year to 30 June	2019 £'000	2018 £'000
Bank interest	1	1
Dividends from equity investments: non-taxable	12,275	9,939
Dividends from equity investments: taxable	830	761
Interest distributions	135	59
Stock dividends	0	65
Total revenue	13,241	10,825

6 Expenses

for the year to 30 June	2019 £'000	2018 £'000
Payable to the ACD or associate		
Annual management charge	2,980	3,333
Administration charge	623	677
	3,603	4,010
Payable to the Depositary or associate		
Depositary's charge (including VAT)	29	32
Other expenses		
Audit fee (including VAT)	9	9
Total expenses	3,641	4,051

7 Taxation

for the year to 30 June	2019 £'000	2018 £'000
a) Analysis of charge in the year		
Corporation tax	0	0
Withholding tax	(2)	0
Deferred tax (note 7c)	0	0
Total taxation	(2)	0
b) Factors affecting taxation charge for the year		
Net revenue / (expense) before taxation	9,600	6,774
Corporation tax at 20%	1,920	1,355
Effects of:		
Dividends from equity investments: non-taxable	(2,455)	(1,988)
Stock dividends not taxable	0	(13)
Current year expenses not utilised	417	764
Withholding tax	(2)	0
Prior year adjustment to expenses not utilised	118	(118)
Total tax charge (note 7a)	(2)	0
c) Provision for deferred taxation		
Provision at the start of the year	0	0
Deferred tax in profit and loss account (note 7a)	0	0
Provision at the end of the year	0	0

The fund has not recognised a deferred tax asset of £10,622,000 (2018: £10,205,000) arising as a result of having excess management expenses. We do not expect this asset to be utilised in the foreseeable future.

8 Distributions

for the year to 30 June	2019		2018	
	Inc [a] £'000	Acc [b] £'000	Inc [a] £'000	Acc [b] £'000
Dividend distributions				
Interim	4,496	428	3,657	219
Final	6,450	817	5,251	532
Total net distributions		12,191		9,659
Income deducted on cancellation of shares		119		160
Income received on issue of shares		(21)		(76)
Distributions		12,289		9,743
Net revenue / (expense) per statement of total return				
		9,602		6,774
Expenses offset against capital		2,687		3,034
Stock dividends not distributed		0		(65)
Distributions		12,289		9,743

[a] Distributions payable on Income shares.

[b] Retained distributions on Accumulation shares.

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9 Debtors

as at 30 June	2019 £'000	2018 £'000
Amounts receivable on issues of shares	17	105
Distributions receivable	11	6
Dividends receivable	1,610	1,790
Total debtors	1,638	1,901

10 Cash and bank balances

as at 30 June	2019 £'000	2018 £'000
Cash held as bank balances	1,599	4,149
Total cash and bank balances	1,599	4,149

11 Other creditors

as at 30 June	2019 £'000	2018 £'000
ACD's annual management charge payable	91	100
Administration charge payable	19	21
Amounts payable on cancellation of shares	295	627
Expenses payable	12	11
Purchases awaiting settlement	0	254
Total other creditors	417	1,013

12 Contingent assets, liabilities and outstanding commitments

There were no contingent assets, liabilities or outstanding commitments at the balance sheet date (2018: same).

13 Shares in issue

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

Share class	Opening 01.07.18	Movements		Closing 30.06.19
		Issued	Cancelled	
Sterling				
Class 'A' Income	33,187,811	348,902	(1,809,035)	31,727,678
Class 'A' Accumulation	4,017,459	39,252	(437,666)	3,619,045
Class 'C' Income	48,316,209	261,804	(1,096,082)	47,481,931
Class 'I' Income	2,820,730	31,628	(97,704)	2,754,654
Class 'I' Accumulation	1,158,983	69,070	(138,032)	1,090,021
Class 'R' Income	1,200,768	201,791	(78,040)	1,324,519
Class 'R' Accumulation	3,399,718	788,630	(225,717)	3,962,631
Class 'X' Income	1,381,035	38,974	(166,298)	1,253,711
Class 'X' Accumulation	329,122	16,475	(82,895)	262,702

14 Charging structure

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

Share class	Entry charge %	Exit charge %	Annual management charge %
Sterling			
Class 'A'	nil	n/a	1.50
Class 'C'	nil	n/a	nil
Class 'I'	nil	n/a	0.75
Class 'R'	nil	n/a	1.00
Class 'X'	nil	n/a	1.50

15 Related parties

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

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

At the balance sheet date, shareholders from within Prudential plc, of which M&G Securities Limited is a wholly owned subsidiary, have holdings totalling 58.51% (2018: 57.99%) of the fund's shares.

16 Events after the balance sheet date

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

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17 Fair value analysis

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

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

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

Level 2: Valuation technique using observable market data

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

Level 3: Valuation technique using unobservable inputs

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

as at 30 June	Assets	Liabilities	Assets	Liabilities
Basis of valuation	2019	2019	2018	2018
	£'000	£'000	£'000	£'000
Level 1	397,268	0	431,980	0
Level 2	0	0	0	0
Level 3	0	0	0	0
	397,268	0	431,980	0

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

18 Risk management policies

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

19 Market risk sensitivity

A five per cent increase in the value of the fund's investment portfolio would have the effect of increasing the return and net assets by £19,863,000 (2018: £21,599,000). A five per cent decrease would have an equal and opposite effect.

20 Currency risk sensitivity and exposure

Currency risk is not considered significant for the fund and is therefore not disclosed.

21 Interest rate risk sensitivity and exposure

As the majority of the fund's financial assets are non-interest bearing, the risk is not considered significant and is therefore not disclosed.

22 Credit risk

Credit risk is not considered significant for the fund and is therefore not disclosed.

23 Dividend distribution tables

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

Semi-annual distribution periods				
	Start	End	Xd	Payment
Interim	01.07.18	31.12.18	02.01.19	28.02.19
Final	01.01.19	30.06.19	01.07.19	31.08.19

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

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

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

Sterling Class 'A' Income shares				
Ordinary distributions for the year to 30 June	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
	p	p	p	p
Interim	3.0743	1.4070	4.4813	3.5430
Final	5.2031	1.2767	6.4798	5.1755

Sterling Class 'A' Accumulation shares				
Ordinary distributions for the year to 30 June	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
	p	p	p	p
Interim	1.6551	2.5274	4.1825	1.5220
Final	6.0391	3.5110	9.5501	5.2377

Sterling Class 'C' Income shares				
Ordinary distributions for the year to 30 June	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
	p	p	p	p
Interim	3.0718	1.6628	4.7346	3.6876
Final	6.1468	0.7558	6.9026	5.4327

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23 Dividend distribution tables (continued)

Sterling Class 'I' Income shares				
Ordinary distributions for the year to 30 June	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution	
	p	p	2019	2018
Interim	12.1769	12.5412	24.7181	19.3964
Final	25.2055	10.6831	35.8886	28.4746

Sterling Class 'I' Accumulation shares				
Ordinary distributions for the year to 30 June	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution	
	p	p	2019	2018
Interim	11.1719	6.7694	17.9413	11.5490
Final	22.0686	8.8171	30.8857	20.9989

Sterling Class 'R' Income shares				
Ordinary distributions for the year to 30 June	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution	
	p	p	2019	2018
Interim	1.3695	1.0881	2.4576	1.9334
Final	2.1039	1.4594	3.5633	2.8377

Sterling Class 'R' Accumulation shares				
Ordinary distributions for the year to 30 June	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution	
	p	p	2019	2018
Interim	0.8825	0.6222	1.5047	0.8793
Final	2.1030	0.6704	2.7734	1.8121

Sterling Class 'X' Income shares				
Ordinary distributions for the year to 30 June	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution	
	p	p	2019	2018
Interim	3.2059	1.2733	4.4792	3.5412
Final	5.7271	0.7497	6.4768	5.1673

Sterling Class 'X' Accumulation shares				
Ordinary distributions for the year to 30 June	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution	
	p	p	2019	2018
Interim	2.6600	1.4731	4.1331	1.5041
Final	8.7956	0.6416	9.4372	5.1768

M&G Investment Funds (3)

Other regulatory disclosures

Remuneration

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

The remuneration policies are designed to ensure that any relevant conflicts of interest can be managed appropriately at all times and that the remuneration of its staff is in line with the risk policies and objectives of the UCITS funds it manages. Further details of the remuneration policy applicable at an M&G Limited level can be found here: www.mandg.com/about-us/policies-and-business-principles. M&G's remuneration policy and its implementation is reviewed on an annual basis, or more frequently where required, and approved by the M&G Remuneration Committee. The latest review found that the remuneration policy continued to align to all local regulatory requirements and continued to operate as intended.

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

M&G Securities Limited does not directly employ any staff members. However, for the financial year ended 31 December 2018, aggregate remuneration of £47,703,371 (£7,395,780 in respect of fixed remuneration and £40,307,591 in respect of variable remuneration) was paid to individuals whose actions may have a material impact on the risk profile of the UCITS Manager, of which £3,523,355 related to senior management.

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.

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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