

M&G Investment Funds (3)

**Annual Long Report and audited Financial Statements
for the year ended 30 June 2021**

Contents

Authorised Corporate Director's Report	1
Directors' statement	4
Depository's Responsibilities and Report	5
Independent Auditor's Report	6
Financial statements and notes	9
Authorised Corporate Director's Reports, including the financial highlights and financial statements and notes for:	
M&G Corporate Bond Fund	15
M&G Dividend Fund	57
M&G Emerging Markets Bond Fund	90
M&G European Corporate Bond Fund	130
M&G Global Government Bond Fund	167
M&G Recovery Fund	202
M&G Smaller Companies Fund	238
Other regulatory disclosures	266
Glossary	267

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 2021.

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 seven 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 2021 none of the funds held shares of the other funds within this OEIC.

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

Fund managers

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

M&G Corporate Bond Fund

Richard Woolnough & Ben Lord

M&G Dividend Fund

Michael Stiasny

M&G Emerging Markets Bond Fund

Claudia Calich

M&G European Corporate Bond Fund

Stefan Isaacs

M&G Global Government Bond Fund

Eva Sun-Wai

Please note that effective from 4 January 2021, Eva Sun-Wai replaced Claudia Calich as fund manager.

M&G Recovery Fund

Michael Stiasny

Please note that effective from 31 December 2020, Michael Stiasny replaced Tom Dobell as fund manager.

M&G Smaller Companies Fund

Garfield Kiff

Please note that effective from 1 July 2021, James Taylor replaced Garfield Kiff as fund manager.

ACD

M&G Securities Limited,
10 Fenchurch Avenue, London EC3M 5AG, UK
Telephone: 0800 390 390 (UK only)
(Authorised and regulated by the Financial Conduct Authority. M&G Securities Limited is a member of the Investment Association and of the Investing and Saving Alliance)

Directors of the ACD

N J Brooks*, C Dobson (non executive director),
S A Fitzgerald, P R Jelfs,
M McGrade (non executive director), L J Mumford

* Appointed 19 May 2021.

Authorised Corporate Director's Report

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

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

Depository

NatWest Trustee & Depository Services Limited,
House A, Floor 0, 175 Glasgow Road, Gogarburn,
Edinburgh EH12 1HQ, UK
(Authorised and regulated by the Financial Conduct Authority)

Independent auditor

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

Annual value assessment

An annual assessment report is available which shows the value provided to investors in each of M&G's UK-based funds. The assessment report evaluates whether M&G's charges are justified in the context of the overall service delivered to its investors. The report can be found at www.mandg.co.uk/valueassessment

Important information

On 16 July 2020, the following share classes were closed within the M&G Global Government Bond Fund: Euro Class 'C' Income and US dollar Class 'C' Income.

On 15 December 2020, the following share classes were closed within the M&G Corporate Bond Fund and the M&G Recovery Fund: Euro Class 'A' Accumulation and Euro Class 'C' Accumulation.

On 15 December 2020, the following share classes were closed within the M&G Global Government Bond Fund: Euro Class 'A' Income, Euro Class 'A' Accumulation, Euro Class 'C' Accumulation, Swiss franc Class 'A' Accumulation, Swiss franc Class 'C' Accumulation, US dollar Class 'A' Income, US dollar Class 'A' Accumulation and US dollar Class 'C' Accumulation.

There was a reduction in the annual charge on some share classes from 15 February 2021. The reduction in annual charge varies across the M&G funds and the detail was communicated in the shareholder letter dated 15 January 2021.

On 15 March 2021 the Sterling Class 'PP-H' Income share and Sterling Class 'PP-H' Accumulation share were launched in M&G Emerging Markets Bond Fund.

On 25 March 2021 the investment policy was changed for M&G Corporate Bond Fund.

On 19 April 2021 the investment objective and benchmark were changed for M&G Global Government Bond Fund.

The World Health Organisation declared the COVID-19 outbreak a pandemic on 11 March 2020.

The COVID-19 pandemic has been an unprecedented event. After an initial period of increased market volatility and uncertainty, there has been a marked recovery in global markets, bolstered by supportive economic policies from governments and positive news on vaccines for COVID-19.

The ACD continues to monitor the ongoing operational risks that are posed to the Company and its service providers due to global and local movement restrictions that have been enacted by various governments.

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

Authorised Corporate Director's Report

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: csmang@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.

Swiss paying agent and representative:

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

Authorised Corporate Director's Report

Authorised Corporate Director's Responsibilities

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

The ACD is required to keep proper accounting records, and to manage the Company in accordance with the Collective Investment Schemes sourcebook, as issued (and amended) by the FCA, the Instrument of Incorporation and the Prospectus, and to take reasonable steps for the prevention and detection of fraud or other irregularities. Additionally, the ACD is responsible for preparing the financial statements on a going concern basis unless it is appropriate to presume that the Company or its sub-funds will not continue in operation.

Directors' statement

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

M&G Securities Limited
18 August 2021

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 year ended 30 June 2021

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
18 August 2021

NatWest Trustee and
Depository Services Limited

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") comprising each of its sub-funds for the year ended 30 June 2021, which comprise the Statement of Total Return, the Statement of Changes in Net Assets Attributable to Shareholders, the Balance Sheet, the related notes and the Distribution Tables, and the accounting policies of the Company, which include 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 2021 and of the net revenue and the net capital gains 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.

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 Financial Reporting Council's (the "FRC") 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.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Authorised Corporate Director's ("the ACD") use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the ACD with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

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 contained within the Annual Report.

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.

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 this gives rise to a material misstatement in the financial statements themselves. 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.

Independent Auditor's Report

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 (the "FCA")

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;
- there is nothing to indicate that adequate accounting records have not been kept or that the financial statements are not in agreement with those records; and
- 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.

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 Collective Investment Schemes Sourcebook of the Financial Conduct Authority requires 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 ACD

As explained more fully in the ACD's responsibilities statement set out on page 4, 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 wind up or terminate 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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Independent Auditor's Report

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are United Kingdom Generally Accepted Accounting Practice the Investment Management Association's Statement of Recommended Practice ("IMA SORP"), the FCA Collective Investment Schemes Sourcebook, the OEIC Regulations, the Company's Instrument of Incorporation and the Prospectus.
- We understood how the Company is complying with those frameworks through discussions with the ACD and the Company's administrators and a review of the Company's documented policies and procedures.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by considering the risk of management override, specifically management's propensity to influence revenue and amounts available for distribution. We identified a fraud risk with respect to the incomplete or inaccurate income recognition through incorrect classification of special dividends and the resulting impact to amounts available for distribution. We tested the appropriateness of management's classification of material special dividends as either a capital or revenue return.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved review of the reporting to the ACD with respect to the application of the documented policies and procedures and review of the financial statements to test compliance with the reporting requirements of the Company.

- Due to the regulated nature of the Company, the Statutory Auditor considered the experience and expertise of the engagement team to ensure that the team had the competence and capabilities, which included the use of specialists where appropriate, to identify non-compliance with the applicable laws and regulations.

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
18 August 2021

Ernst & Young LLP
Statutory Auditor

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 amended in June 2017.

2 Summary of significant accounting policies

a. Basis of preparation

There are no material events that have been identified that may cast significant doubt on the Company's ability to continue as a going concern for the next twelve months from the date these financial statements are authorised for issue. The ACD believes that the Company has adequate resources to continue in operational existence for the foreseeable future and, following consideration of the impact of COVID-19 they continue to adopt the going concern basis in preparing the financial statements. The ACD has made an assessment of each fund's ability to continue as a going concern which is made as at the date of issue of these financial statements and considers liquidity, declines in global capital markets, investor intention, known redemption levels, expense projections, key service provider's operational resilience, and the impact of COVID-19.

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.

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 30 June 2021 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 30 June 2021, 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.

Financial statements and notes

- 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 on debt securities is recognised on an effective interest rate basis. Bank interest is recognised on an accruals basis.
 - Underwriting commission is recognised when the issue takes place.
 - Revenue from derivatives is recognised on an accruals basis.
 - Fee rebates from investing in other collective investment schemes are recognised on an accruals basis.
 - Expenses are recognised on an accruals basis.
- f. Treatment of income and expenses**
- Any increases or decreases in the fair value of investments and gains and losses realised on sales of investments are treated as capital and recognised in net capital gains/(losses).
 - The value of any enhancement to a stock dividend is treated as capital.
 - Ordinary equity dividends, including ordinary stock dividends are treated as revenue.
 - Special dividends, share buy backs or additional share issues may be treated as revenue or capital depending on the facts of each particular case.
 - Distributions from collective investment schemes are treated as revenue in nature, except for any element of equalisation, which represents the average amount of income included in the price paid for the collective investment scheme, which is treated as capital.

Financial statements and notes

- 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 charge, 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.

Financial statements and notes

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.

a. 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.

b. 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.

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.

c. 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 internal 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.

Financial statements and notes

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 Global Government Bond Fund	VaR
M&G Recovery Fund	Commitment
M&G Smaller Companies Fund	Commitment

d. 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 funds.

e. 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.

Financial statements and notes

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.

Authorised Corporate Director's Report

Investment objective

The fund aims to provide a higher total return (the combination of capital growth and income), net of the ongoing charge figure, than the average return of the IA Sterling Corporate Bond Sector over any five-year period.

Investment policy up to 24 March 2021

At least 70% of the fund is invested, directly or indirectly through derivatives, in investment grade corporate debt securities. These securities can be issued by companies from anywhere in the world, including emerging markets. These securities are denominated in sterling or hedged back to sterling.

Other investments may include:

- debt securities issued or guaranteed by governments and their agencies, public authorities, quasi-sovereigns and supranational bodies and denominated in any currency;
- below investment grade and unrated debt securities;
- asset-backed securities; and
- other transferable securities, cash, and near cash, directly or via collective investment schemes (including funds managed by M&G).

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

Investment policy from 25 March 2021

At least 70% of the fund is invested, directly or indirectly through derivatives, in investment grade corporate debt securities including investment grade asset-backed securities. These securities can be issued by companies from anywhere in the world, including emerging markets. These securities are denominated in sterling or hedged back to sterling.

Other investments may include:

- debt securities issued or guaranteed by governments and their agencies, public authorities, quasi-sovereigns and supranational bodies and denominated in any currency;
- below investment grade and unrated debt securities;
- below investment grade and unrated asset-backed securities; and
- other transferable securities, cash, and near cash, directly or via collective investment schemes (including funds managed by M&G).

Investments in asset-backed securities are limited to 20% of the fund.

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

Investment approach

The fund is diversified across a range of investment grade debt securities from a variety of sectors and geographies. The fund's investment approach is based on the principle that returns from corporate bond markets are driven by a combination of macroeconomic, asset class, sector, geographic and stock-level factors. As different factors dominate returns at different stages of the economic cycle, the fund manager applies a flexible investment approach, changing the blend of duration and credit exposure in the portfolio to weight them appropriately.

Individual credit selection is carried out with the assistance of an in-house team of credit analysts to complement the fund manager's views.

Benchmark

Benchmark: IA Sterling Corporate Bond Sector.

The benchmark is a target which the fund seeks to outperform. The sector has been chosen as the fund's benchmark as the fund is a constituent of the sector. The benchmark is used solely to measure the fund's

Authorised Corporate Director's Report

performance and does not constrain the fund's portfolio construction.

The fund is actively managed.

The fund manager has complete freedom in choosing which investments to buy, hold and sell in the fund.

For unhedged share classes, the benchmark is shown in the share class currency.

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 changed during this period. From 1 July 2020 to 16 July 2020 the risk number was 3.

Investment review

As at 1 July 2021, for the year ended 30 June 2021

Performance against objective

Between 1 July 2020 (the start of the review period) and 1 July 2021, the M&G Corporate Bond Fund delivered a positive total return (the combination of income and growth of capital) across its sterling share classes. Between 1 July 2020 and 15 December 2020 (the date the euro share classes closed), the fund delivered a positive total return. Depending on individual share classes, fund performance was either level, slightly behind, or ahead of the average return from the fund's benchmark, the IA Sterling Corporate Bond sector, which was +3.6% as at the end of the review period in sterling terms and +4.5% as at 15 December 2020 in euro terms (the latter reflecting the closing date of the euro share classes).

Over the review period and over five years, the fund has not met its objective, which is to provide a combination of capital growth and income, net of the ongoing charge figure, higher than the average return of the IA Sterling Corporate Bond sector over any five-year period. For the five-year period, all of the fund's share

Authorised Corporate Director's Report

classes recorded positive total returns, although all were behind the average return of its benchmark, which was 4.1% in sterling terms and 3.1% (as at 1 January 2021) in euro terms.

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

Performance review

From the middle of February 2020 to the start of the period under review, the value of riskier assets fell sharply on confirmation that the coronavirus (COVID-19) pandemic would lead to a severe stalling in economic activity worldwide, as governments imposed lockdowns to try to slow down the outbreak. Central banks cut interest rates and purchased debt issued by companies (securities known as corporate bonds) in order to support the market. Many governments resorted to paying the wages of employees no longer able to work because of the lockdown, and to extending loans to businesses to bridge cashflow.

There was a sharp recovery in riskier assets in the months that followed and, on balance, to the end of the period under review. Investors generally took their cue from the fiscal and monetary stimulus of governments and central banks in trying to kickstart economic activity, and the full range of assets rose as a result. By the summer (in the northern hemisphere), lockdowns were gradually eased across Asia and Europe, although the Americas' experience of the pandemic seemed to worsen.

Investor sentiment moved from positive to being more cautious as the summer months gave way to an autumn marked by rising concerns regarding a second peak in the infection rate of COVID-19, and how this may dim the outlook for the global economy, amongst other things. This anxiety combined with a noisy build-up to the US presidential election to generally weaken investor appetite by the end of September and into what is traditionally a mixed October for financial markets.

There were two important drivers of investor sentiment during the winter months and to the end of the period

under review: news of COVID-19 vaccines being rolled out from December 2020 onwards, and the US presidential election reaching closure as Joe Biden defeated Donald Trump with room to spare. In general, risky assets responded to these key drivers with price gains as the year came to an end. Overall, it was a positive period for corporate bonds around this period.

However, it was a mixed start to 2021, with some signs of volatility starting to emerge as modest changes took place in the prices of many assets. Returns from major government bond markets fell as yields (which move inversely to bond prices) rose on US Treasuries, UK gilts, and German bunds. This pattern of selling persisted in the months to the end of the period under review, as some investors sold their positions in major government bonds on the perceived threat of rising inflation over the coming years. Equally, returns from most corporate bonds were mixed for most of the remaining months of the review period, and only really started to recover by the spring. Performance was certainly not as strong as in most of 2020, with US companies' bonds performing marginally better than UK and European corporate bonds, largely reflecting what was a better outlook for the US economy compared to other major economies in the period.

Against a backdrop of further vaccine rollouts and also the reopening of economies, the final weeks of the period under review saw an improvement in the value of corporate bonds. Meanwhile central banks attempted to reassure investors that monetary policy would remain supportive in the coming months, and indeed inflationary forces could be more fleeting than previously suggested.

Turning to fund performance over the period under review, the biggest contribution to positive returns came mainly from credit selection, as holdings in corporate bonds issued by insurers Aviva, Axa and Legal & General added to returns. There was also a turnaround in the performance of bonds issued by Gatwick in the period, with lots of talk about easing lockdown restrictions throughout the spring and summer being a positive for the travel sector. The bonds reversed earlier losses to post strong gains

Authorised Corporate Director's Report

towards the end of the period under review. Detractors to performance came in the form of oil companies' bonds, including Shell.

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' and measured in years. Being shorter duration means that a fund is relatively less sensitive to changes in interest rates than longer-duration funds. The fund has a shorter duration position compared to the iBoxx Sterling Corporate Index (a corporate bond index comprising liquid bonds developed by financial information provider Markit), and so can detract from performance as the prices of major government bonds rise (and can detract from performance as the yields fall). Equally, the fund can benefit when the prices of major government bonds fall (equally, the fund can benefit when yields rise), such as in the first quarter of 2021.

Bond yields, which move inversely to bond prices, 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. The higher the yield on a bond, the higher the risk of default – that is, the risk that the issuer will fail to pay the interest or repay the full amount borrowed.

During the period under review, portfolio duration was trimmed slightly from around 6.8 years to 6.4 years, roughly 1.4 years underweight the iBoxx Sterling Corporate Index. It is our view that government bonds are an unattractive investment in an environment of rebounding economic growth and rising inflation - and we think this inflation is more permanent than some views suggest.

Investment activities

While we continue to favour the investment opportunity provided by holding good quality corporate bonds, we are aware that valuations are rising all the time. In this regard, we have continued to trim credit risk and sold sectors facing tough challenges in the months ahead, or indeed are nearing what we view as expensive valuations.

Some examples of corporate bonds that we have sold in the period under review include US dollar bonds issued by Vodafone and Orange, and some high-quality sterling bonds issued by Apple and Microsoft. We have added US dollar bonds issued by Boeing and Exxon Mobil during this time, some senior secured bonds issued by New York Life and an AAA bond issued by the European Investment Bank. In light of another political crisis in Italy, we reduced (in January) portfolio risk by selling both Italian corporate bonds and a small holding of sterling-denominated BTPs (Italian government bonds). Towards the end of the review period, we added to names such as Bank of America, NatWest and BNP. We also engaged in some relative value trades such as in bonds issued by Gatwick and Boeing (selling their shorter-dated bonds and buying longer-dated ones).

Finally, we continue to reduce the fund's exposure to long-dated US dollar investment grade corporate bonds, which have performed well in the review period.

Outlook

As we enter the second half of 2021 – a year that has been certainly more settled than last year – we continue to see valuations on corporate bonds compared to major government bonds as historically narrow. However, we believe the strong economic recovery coupled with accommodative monetary policy should keep default rates on corporate bonds low, which in turn is supportive for valuations. On the other hand, we believe long-dated government bond yields will continue to rise, reflecting the better macroeconomic outlook.

Richard Woolnough & Ben Lord

Co-fund managers

Employees of M&G FA 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

Holding	as at 30.06.21 £'000	as at 30.06.21 %	as at 30.06.20 %
Fixed income	2,584,570	94.75	95.02
Debt securities	2,587,180	94.84	95.11
'AAA' credit rated bonds	517,833	18.98	6.77
£5,000,000 Bank of Scotland 4.875% 20/12/2024	5,750	0.21	
£4,846,000 Barclays Bank FRN 0.53% 15/05/2023	4,877	0.18	
£3,840,000 Broadgate Financing 4.821% 05/07/2033	4,950	0.18	
£155,491 Broadgate Financing 4.949% 05/04/2029	181	0.01	
£5,375,632 Canada Square Funding 2021-1 FRN 0.999% 17/06/2058	5,408	0.20	
£4,459,000 Canada Square Funding 2021-2 FRN 1% 17/06/2058	4,466	0.16	
£10,000,000 Canadian Imperial Bank of Commerce FRN 0.5159% 10/01/2022	10,016	0.37	
£13,187,000 Canadian Imperial Bank of Commerce FRN 0.5298% 28/10/2022	13,252	0.49	
£6,429,000 Canadian Imperial Bank of Commerce FRN 1.0501% 23/06/2026	6,658	0.24	
£1,477,287 Charter Mortgage Funding 2018-1 FRN 0.5543% 12/06/2055	1,476	0.05	
£2,505,038 CMF 2020-1 FRN 0.6497% 16/01/2057	2,508	0.09	
£4,600,000 Compagnie de Financement Foncier 5.5% 26/01/2027	5,755	0.21	
£5,000,000 Coventry Building Society FRN 0.5695% 15/01/2025	5,057	0.19	
€12,000,000 DNB Boligkreditt 0.01% 08/10/2027	10,381	0.38	
£4,766,000 Economic Master Issuer 2020-1 FRN 0.5199% 25/06/2072	4,780	0.17	
£4,284,721 Elvet Mortgages 2020-1 FRN 0.8991% 22/03/2065	4,309	0.16	
£10,364,000 European Bank for Reconstruction & Development FRN 1.0501% 20/11/2025	10,738	0.39	
£20,000,000 European Investment Bank 3.75% 07/12/2027	23,821	0.87	
£20,000,000 European Investment Bank 5.5% 15/04/2025	23,779	0.87	
£5,000,000 European Investment Bank FRN 0.3901% 12/03/2026	5,044	0.18	
£10,417,000 European Investment Bank FRN 1.0501% 08/09/2025	10,791	0.40	
£20,000,000 European Investment Bank FRN 1.0497% 18/01/2027	20,901	0.77	
£1,003,480 Friary No. 4 FRN 0.4709% 21/01/2050	1,004	0.04	
£3,251,070 Friary No. 6 FRN 0.7688% 21/11/2067	3,277	0.12	
£3,864,954 Gemgarto 2021-1 FRN 0.639% 16/12/2067	3,878	0.14	
£746,768 Hawksmoor Mortgage Funding 2019-1 FRN 1.0988% 25/05/2053	750	0.03	
£2,958,006 Hops Hill No. 1 FRN 1% 27/05/2054	2,980	0.11	

Investments

Portfolio statement (continued)

Holding	as at 30.06.21 £'000	as at 30.06.21 %	as at 30.06.20 %
Fixed income (continued)			
Debt securities (continued)			
'AAA' credit rated bonds (continued)			
€6,000,000 Johnson & Johnson 0.65% 20/05/2024	5,274	0.19	
US\$500,000 Johnson & Johnson 3.55% 01/03/2036	419	0.02	
£9,754,166 Jupiter Mortgage No. 1 FRN 0.8484% 20/07/2060	9,754	0.36	
£1,000,000 KFW 5.5% 18/06/2025	1,197	0.04	
£40,000,000 Kreditanstalt fuer Wiederaufbau 1.375% 15/12/2025	41,485	1.52	
£7,650,000 Lanark Master Issuer FRN 0.6188% 22/12/2069	7,691	0.28	
£4,100,000 Lanark Master Issuer FRN 0.8188% 22/12/2069	4,123	0.15	
£12,273,000 Leeds Building Society FRN 0.5895% 15/01/2025	12,420	0.46	
£20,000,000 Lloyds Bank 5.125% 07/03/2025	23,320	0.85	
£3,313,000 London Wall Mortgage Capital FRN 1% 15/05/2051	3,322	0.12	
£2,441,837 London Wall Mortgage Capital FRN 0.8059% 15/05/2050	2,445	0.09	
£4,100,000 National Australia Bank FRN 0.5499% 04/02/2025	4,140	0.15	
£4,973,000 National Westminster Bank FRN 0.6501% 22/03/2023	5,013	0.18	
£12,500,000 Nationwide Building Society FRN 0.4501% 24/02/2031	12,493	0.46	
£7,500,000 Nationwide Building Society FRN 0.5994% 10/01/2025	7,598	0.28	
£11,000,000 Nationwide Building Society FRN 0.7994% 10/01/2024	11,165	0.41	
£2,150,576 Orbita Funding 2020-1 FRN 0.6297% 17/03/2027	2,152	0.08	
£4,605,000 PCL Funding IV FRN 1.0997% 15/09/2024	4,627	0.17	
£1,500,000 Permanent Master Issuer FRN 0.6289% 15/07/2058	1,506	0.05	
£5,972,721 Residential Mortgage Securities 32 FRN 1.299% 20/06/2070	6,038	0.22	
£2,776,670 Residential Mortgage Securities No. 30 FRN 0.8811% 20/03/2050	2,778	0.10	
£20,000,000 Royal Bank of Canada FRN 0.5198% 30/01/2025	20,167	0.74	
£18,000,000 Royal Bank of Canada FRN 0.6302% 03/10/2024	18,210	0.67	
£20,000,000 Santander FRN 0.5999% 12/02/2027	20,273	0.74	
£12,000,000 Santander FRN 0.6499% 12/11/2024	12,163	0.45	
£10,000,000 Santander FRN 0.7799% 12/02/2024	10,144	0.37	
£4,000,000 Silverstone Master Issuer FRN 0.5189% 21/01/2070	4,012	0.15	
£475,000 Silverstone Master Issuer FRN 0.5739% 21/01/2070	477	0.02	
£2,736,000 Skipton Building Society FRN 0.73% 22/02/2024	2,771	0.10	
£5,889,000 Stratton Mortgage Funding 2021-1 FRN 0.899% 25/09/2051	5,897	0.22	

Investments

Portfolio statement (continued)

Holding	as at 30.06.21 £'000	as at 30.06.21 %	as at 30.06.20 %
Fixed income (continued)			
Debt securities (continued)			
'AAA' credit rated bonds (continued)			
£6,749,000	Stratton Mortgage Funding 2021-3 FRN 1% 12/12/2043	6,747	0.25
£809,846	Together Asset Backed Securitisation No. 1 FRN 1.0843% 12/03/2049	810	0.03
£5,000,000	Toronto-Dominion Bank FRN 0.5201% 24/06/2022	5,019	0.18
£7,025,000	Tower Bridge Funding FRN 1% 21/07/2064	7,045	0.26
£4,250,000	TSB Bank FRN 0.4201% 22/06/2028	4,249	0.16
£5,000,000	Twin Bridges 2021-1 FRN 1% 12/03/2055	5,024	0.18
£7,711,000	Wellcome Trust 2.517% 07/02/2118	9,582	0.35
€5,000,000	Yorkshire Building Society 0.01% 13/10/2027	4,302	0.16
£15,000,000	Yorkshire Building Society FRN 0.63% 21/11/2024	15,194	0.56
'AA' credit rated bonds		359,455	13.18
US\$6,250,000	Apple 2.2% 11/09/2029	4,683	0.17
US\$1,887,000	Apple 4.65% 23/02/2046	1,805	0.07
£815,000	Broadgate Financing 4.999% 05/10/2031	934	0.03
£7,500,000	Deutsche Bahn Finance 1.375% 07/07/2025	7,702	0.28
£8,500,000	Deutsche Pfandbriefbank FRN 1.0498% 26/04/2024	8,673	0.32
€5,000,000	Exxon Mobil 0.142% 26/06/2024	4,321	0.16
€4,000,000	Exxon Mobil 0.835% 26/06/2032	3,417	0.13
US\$5,603,000	Exxon Mobil 4.227% 19/03/2040	4,820	0.18
£4,101,000	Federal National Mortgage Association 5.375% 07/12/2028	5,350	0.20
£7,800,000	Grosvenor UK Finance 6.5% 29/09/2026	9,521	0.35
£10,000,000	Land Securities Capital Markets 1.974% 08/02/2024	10,233	0.38
£11,326,000	Land Securities Capital Markets 2.375% 29/03/2027	11,915	0.44
£7,877,000	Land Securities Capital Markets 2.399% 08/02/2029	8,305	0.30
£553,000	Land Securities Capital Markets Var. Rate 5.391% 31/03/2027	633	0.02
£18,660,000	MassMutual Global Funding II 1.375% 15/12/2026	19,043	0.70
£6,807,000	Mercantile Investment Trust 6.125% 25/02/2030	8,863	0.32
£9,426,000	Metropolitan Life Global Funding I 0.625% 08/12/2027	9,082	0.33
£2,000,000	Metropolitan Life Global Funding I 1.625% 21/09/2029	2,037	0.07
£20,000,000	New York Life Global Funding 0.75% 14/12/2028	19,297	0.71

Investments

Portfolio statement (continued)

Holding	as at 30.06.21 £'000	as at 30.06.21 %	as at 30.06.20 %
Fixed income (continued)			
Debt securities (continued)			
'AA' credit rated bonds (continued)			
£4,840,000 New York Life Global Funding 1.25% 17/12/2026	4,899	0.18	
£12,500,000 SNCF Réseau 4.83% 25/03/2060	22,094	0.81	
£10,000,000 SNCF Réseau 5% 11/03/2052	17,266	0.63	
£10,000,000 SNCF Réseau 5.25% 07/12/2028	13,005	0.48	
£6,000,000 SNCF Réseau 5.25% 31/01/2035	8,719	0.32	
£11,429,000 Svensk Exportkredit 0.125% 15/12/2025	11,208	0.41	
£2,187,191 Telereal Securitisation 1.3657% 10/12/2031	2,215	0.08	
£30,000,000 UK Treasury 0.125% 31/01/2023	30,033	1.10	
£35,000,000 UK Treasury 0.5% 22/07/2022	35,174	1.29	
£5,000,000 UK Treasury 0.625% 22/10/2050	4,254	0.16	
£20,000,000 UK Treasury 3.25% 22/01/2044	28,014	1.03	
£15,000,000 UK Treasury 4.25% 07/12/2040	23,053	0.84	
£15,000,000 University of Oxford 2.544% 08/12/2117	18,887	0.69	
'A' credit rated bonds	234,371	8.59	18.78
£4,000,000 Anglian Water Services Financing 2.75% 26/10/2029	4,406	0.16	
£3,250,000 Assura Financing 3% 19/07/2028	3,597	0.13	
£266,160 Autolink Concessionaires 8.39% 15/06/2022	279	0.01	
£13,500,000 Bank of America 2.3% 25/07/2025	14,263	0.52	
£10,000,000 Bank of America Var. Rate 1.667% 02/06/2029	10,053	0.37	
£6,472,000 BMW International Investment 0.75% 08/03/2024	6,495	0.24	
US\$3,474,000 Cloverie Var. Rate 5.625% 24/06/2046	2,898	0.11	
£15,000,000 Comcast 5.5% 23/11/2029	19,648	0.72	
£274,665 Coventry & Rugby Hospital IL 3.246% 30/06/2040	695	0.03	
£4,000,000 Grand Union 4.625% 04/12/2043	5,396	0.20	
£1,536,394 Greater Gabbard OFTO 4.137% 29/11/2032	1,782	0.06	
£2,192,000 Housing Finance 5% 30/09/2027	2,550	0.09	
£2,916,268 Housing Finance 8.625% 13/11/2023	3,410	0.12	
£2,381,269 Integrated Accommodation Services 6.48% 31/03/2029	2,886	0.11	
£12,387,000 JPMorgan Chase Var. Rate 0.991% 28/04/2026	12,392	0.45	
£8,622,000 JPMorgan Chase Var. Rate 1.895% 28/04/2033	8,688	0.32	

Investments

Portfolio statement (continued)

Holding	as at 30.06.21 £'000	as at 30.06.21 %	as at 30.06.20 %
Fixed income (continued)			
Debt securities (continued)			
'A' credit rated bonds (continued)			
£2,000,000 London & Quadrant Housing Trust 2.625% 28/02/2028	2,159	0.08	
£4,000,000 London Merchant Securities 6.5% 16/03/2026	4,848	0.18	
£7,477,000 Moat Homes Finance 5% 23/09/2041	10,826	0.40	
£6,275,000 Nestlé 0.625% 18/12/2025	6,259	0.23	
£3,750,000 Northern Powergrid Yorkshire 4.375% 05/07/2032	4,666	0.17	
£5,000,000 Notting Hill Genesis 3.25% 12/10/2048	5,992	0.22	
£5,000,000 Orbit Capital 3.375% 14/06/2048	6,103	0.22	
£4,984,000 Orbit Capital 3.5% 24/03/2045	6,126	0.22	
€8,970,000 Philip Morris International 1.875% 06/11/2037	8,019	0.29	
£3,000,000 Places for People 3.625% 22/11/2028	3,431	0.13	
£293,356 Road Management Services IL 3.642% 31/03/2028	599	0.02	
£22,445,000 Shell International Finance 1.75% 10/09/2052	19,193	0.70	
£5,000,000 Société Nationale SNCF 5.375% 18/03/2027	6,185	0.23	
£2,731,000 Southern Housing 3.5% 19/10/2047	3,236	0.12	
£414,674 THFC Social Housing Finance 8.75% 18/12/2021	428	0.02	
£10,000,000 TotalEnergies Capital International 1.405% 03/09/2031	9,800	0.36	
£11,060,000 Toyota Motor Credit 0.75% 19/11/2026	10,921	0.40	
£5,400,000 Trafford Centre Finance FRN 0.8113% 28/07/2038	4,701	0.17	
£1,000,000 UNITE (USAF) II 3.374% 30/06/2023	1,042	0.04	
£2,211,000 Wales & West Utilities Finance 4.625% 13/12/2023	2,425	0.09	
£8,000,000 Wales & West Utilities Finance 5% 07/03/2028	9,798	0.36	
£4,500,000 Wales & West Utilities Finance 5.75% 29/03/2030	5,998	0.22	
US\$1,000,000 Willow No. 2 Var. Rate 4.25% 01/10/2045	781	0.03	
£1,250,000 Yorkshire Building Society 3.5% 21/04/2026	1,397	0.05	
'BBB' credit rated bonds	1,363,260	49.98	49.88
£5,000,000 3i 5.75% 03/12/2032	6,737	0.25	
€1,115,000 Altria 2.2% 15/06/2027	1,031	0.04	
€3,000,000 Altria 3.125% 15/06/2031	2,953	0.11	
US\$1,212,000 Altria 3.4% 06/05/2030	924	0.03	
US\$10,000,000 Altria 3.4% 04/02/2041	6,843	0.25	

Investments

Portfolio statement (continued)

Holding	as at 30.06.21 £'000	as at 30.06.21 %	as at 30.06.20 %
Fixed income (continued)			
Debt securities (continued)			
'BBB' credit rated bonds (continued)			
US\$6,000,000 Altria 3.875% 16/09/2046	4,271	0.16	
US\$5,000,000 Altria 4% 04/02/2061	3,463	0.13	
US\$3,476,000 Altria 5.375% 31/01/2044	2,977	0.11	
US\$4,000,000 Altria 5.8% 14/02/2039	3,554	0.13	
US\$7,500,000 Altria 5.95% 14/02/2049	6,895	0.25	
£4,000,000 America Movil 4.948% 22/07/2033	5,242	0.19	
£10,000,000 América Móvil 4.375% 07/08/2041	12,955	0.47	
£3,500,000 Anglian Water Services Financing 4.5% 22/02/2026	4,008	0.15	
£8,000,000 Anglo American Capital 3.375% 11/03/2029	8,740	0.32	
£5,186,000 Anheuser-Busch InBev 2.25% 24/05/2029	5,445	0.20	
US\$7,712,000 Anheuser-Busch InBev Worldwide 5.45% 23/01/2039	7,334	0.27	
US\$2,500,000 Anheuser-Busch InBev Worldwide 5.55% 23/01/2049	2,483	0.09	
US\$5,000,000 Anheuser-Busch InBev Worldwide 5.8% 23/01/2059	5,212	0.19	
£3,889,000 Annington Funding 3.184% 12/07/2029	4,237	0.16	
£3,000,000 Annington Funding 3.685% 12/07/2034	3,471	0.13	
£2,812,000 Annington Funding 3.935% 12/07/2047	3,512	0.13	
£5,752,000 APT Pipelines 3.125% 18/07/2031	6,237	0.23	
£5,000,000 Aroundtown 3% 16/10/2029	5,326	0.20	
€1,822,000 Assicurazioni Generali Var. Rate 5.5% 27/10/2047	1,923	0.07	
£5,846,000 Australia & New Zealand Banking Var. Rate 1.809% 16/09/2031	5,859	0.21	
£5,412,000 Aviva Var. Rate 4% 03/06/2055	6,032	0.22	
£9,950,000 Aviva Var. Rate 4.375% 12/09/2049	11,273	0.41	
£12,000,000 Aviva Var. Rate 6.125% 14/11/2036	14,658	0.54	
£6,500,000 AXA Var. Rate 5.453% Perpetual	7,511	0.28	
£15,000,000 AXA Var. Rate 5.625% 16/01/2054	19,059	0.70	
£14,630,000 AXA Var. Rate 6.6862% Perpetual	17,856	0.65	
£3,800,000 Banco Santander 1.5% 14/04/2026	3,816	0.14	
£15,000,000 Bank of America 5.5% 22/11/2021	15,274	0.56	
£50,000,000 BAT International Finance 2.25% 09/09/2052	37,229	1.36	
£14,125,000 BAT International Finance 4% 23/11/2055	14,501	0.53	

Investments

Portfolio statement (continued)

Holding	as at 30.06.21 £'000	as at 30.06.21 %	as at 30.06.20 %
Fixed income (continued)			
Debt securities (continued)			
'BBB' credit rated bonds (continued)			
£10,500,000 BAT International Finance 5.75% 05/07/2040	13,661	0.50	
US\$3,327,000 Bayer US Finance II 4.7% 15/07/2064	2,866	0.11	
£5,000,000 BNP Paribas 1.25% 13/07/2031	4,682	0.17	
£8,000,000 BNP Paribas 1.875% 14/12/2027	8,157	0.30	
£4,926,000 BNP Paribas 3.375% 23/01/2026	5,375	0.20	
US\$5,909,000 BNP Paribas 4.625% 13/03/2027	4,803	0.18	
£9,000,000 BNP Paribas Var. Rate 2% 24/05/2031	9,071	0.33	
US\$10,000,000 Boeing 5.805% 01/05/2050	9,740	0.36	
US\$5,500,000 Boeing 5.93% 01/05/2060	5,460	0.20	
£7,000,000 BP Capital Markets Var. Rate 4.25% Perpetual	7,413	0.27	
£9,000,000 BPCE 5.25% 16/04/2029	11,101	0.41	
£8,000,000 British Telecommunications 3.125% 21/11/2031	8,626	0.32	
US\$5,000,000 British Telecommunications 9.625% 15/12/2030	5,599	0.21	
US\$3,000,000 Broadcom 3.469% 15/04/2034	2,279	0.08	
US\$5,000,000 Broadcom 4.3% 15/11/2032	4,101	0.15	
£5,000,000 BUPA Finance 1.75% 14/06/2027	5,104	0.19	
£2,000,000 BUPA Finance 4.125% 14/06/2035	2,243	0.08	
£3,000,000 BUPA Finance 5% 08/12/2026	3,502	0.13	
£13,455,000 Cadent Finance 2.125% 22/09/2028	13,955	0.51	
£1,666,000 Channel Link Enterprises Finance 3.848% 30/06/2050	1,866	0.07	
£10,000,000 Channel Link Enterprises Finance Var. Rate 3.043% 30/06/2050	10,109	0.37	
£5,892,000 Citigroup 4.5% 03/03/2031	7,126	0.26	
£10,000,000 CK Hutchison Group Telecom Finance 2.625% 17/10/2034	10,347	0.38	
£7,000,000 CK Hutchison Telecom Finance 2% 17/10/2027	7,149	0.26	
£2,500,000 Compagnie de Saint-Gobain 4.625% 09/10/2029	3,072	0.11	
£9,233,000 Cooperatieve Rabobank 4.625% 23/05/2029	10,989	0.40	
£4,301,000 Coventry Building Society 2% 20/12/2030	4,366	0.16	
£3,785,000 CPUK Finance 3.69% 28/08/2028	4,192	0.15	
£6,000,000 CPUK Finance 7.239% 28/02/2024	6,908	0.25	
£2,700,000 Crédit Agricole Var. Rate 1.874% 09/12/2031	2,708	0.10	

Investments

Portfolio statement (continued)

Holding	as at 30.06.21 £'000	as at 30.06.21 %	as at 30.06.20 %
Fixed income (continued)			
Debt securities (continued)			
'BBB' credit rated bonds (continued)			
£2,000,000 Credit Suisse Var. Rate 2.125% 12/09/2025	2,052	0.08	
£2,703,000 CRH Finance 4.125% 02/12/2029	3,228	0.12	
£2,217,091 Delamare Finance 5.5457% 19/02/2029	2,547	0.09	
£8,920,000 Delamare Finance 6.067% 19/02/2029	11,032	0.40	
£582,000 Deutsche Telekom 3.125% 06/02/2034	657	0.02	
US\$7,632,000 Deutsche Telekom International Finance 8.75% 15/06/2030	8,241	0.30	
£1,083,000 DP World 4.25% 25/09/2030	1,225	0.04	
£2,640,000 DWR Cymru Financing 2.375% 31/03/2034	2,709	0.10	
US\$3,757,000 Électricité de France 6% 22/01/2114	3,862	0.14	
£10,000,000 Électricité de France 6% 23/01/2114	17,712	0.65	
£5,000,000 Electricity North West 8.875% 25/03/2026	6,773	0.25	
£8,000,000 Enel 5.75% 22/06/2037	11,579	0.42	
US\$1,016,000 Enel Finance International 3.5% 06/04/2028	802	0.03	
£2,500,000 Enel Finance International 5.625% 14/08/2024	2,870	0.11	
US\$500,000 Energy Transfer 4.9% 15/03/2035	415	0.02	
€15,583,000 Engie 5.95% 16/03/2111	25,909	0.95	
US\$2,500,000 Eni 4.75% 12/09/2028	2,110	0.08	
£132,000 ENW Capital Finance 6.125% 21/07/2021	132	0.00	
£2,000,000 Eversholt Funding 3.529% 07/08/2042	2,235	0.08	
£7,352,000 Gatwick Funding 2.625% 07/10/2046	6,859	0.25	
£9,626,000 Gatwick Funding 2.875% 05/07/2049	9,370	0.34	
£17,500,000 Gatwick Funding 3.125% 28/09/2039	17,954	0.66	
£10,000,000 Gatwick Funding 3.25% 26/02/2048	10,448	0.38	
£1,355,000 Gatwick Funding 4.625% 27/03/2034	1,624	0.06	
£6,296,000 Gatwick Funding 6.125% 02/03/2026	7,540	0.28	
£552,901 General Electric 6.44% 15/11/2022	569	0.02	
US\$1,000,000 General Motors 5.15% 01/04/2038	878	0.03	
£3,781,000 Grainger 3% 03/07/2030	3,987	0.15	
£2,048,191 Greene King Finance 4.0643% 15/03/2035	2,240	0.08	
£2,070,850 Greene King Finance 5.318% 15/09/2031	2,378	0.09	

Investments

Portfolio statement (continued)

Holding	as at 30.06.21 £'000	as at 30.06.21 %	as at 30.06.20 %
Fixed income (continued)			
Debt securities (continued)			
'BBB' credit rated bonds (continued)			
£12,000,000 Hammerson 6% 23/02/2026	13,820	0.51	
£10,000,000 Hammerson 7.25% 21/04/2028	12,574	0.46	
£1,093,000 Heathrow Funding 2.75% 13/10/2029	1,137	0.04	
£1,960,000 Heathrow Funding 2.75% 09/08/2049	1,939	0.07	
£2,500,000 Heathrow Funding 5.225% 15/02/2023	2,674	0.10	
£12,000,000 Heathrow Funding 6.75% 03/12/2026	15,155	0.56	
£8,000,000 Heathrow Funding 7.075% 04/08/2028	10,606	0.39	
£3,354,161 Highbury Finance 7.017% 20/03/2023	3,637	0.13	
£3,500,000 Iberdrola Finanzas 7.375% 29/01/2024	4,082	0.15	
US\$772,000 Imperial Brands Finance 3.5% 26/07/2026	598	0.02	
£30,000,000 Imperial Brands Finance 4.875% 07/06/2032	35,299	1.29	
£14,250,000 Imperial Brands Finance 5.5% 28/09/2026	16,839	0.62	
£3,566,000 Informa 3.125% 05/07/2026	3,796	0.14	
€4,000,000 ING Var. Rate 0.875% 09/06/2032	3,428	0.13	
£8,000,000 InterContinental Hotels 2.125% 24/08/2026	8,132	0.30	
£1,631,000 InterContinental Hotels 3.375% 08/10/2028	1,761	0.06	
£2,500,000 Intesa Sanpaolo 2.5% 15/01/2030	2,569	0.09	
US\$500,000 Kinder Morgan 5.05% 15/02/2046	436	0.02	
£12,500,000 KPN 5% 18/11/2026	14,434	0.53	
£6,929,000 KPN 5.75% 17/09/2029	8,605	0.32	
£4,638,000 LafargeHolcim Sterling Finance (Netherlands) 3% 12/05/2032	5,034	0.18	
£8,518,000 Leeds Building Society Var. Rate 1.5% 16/03/2027	8,512	0.31	
£2,500,000 Leeds Building Society Var. Rate 3.75% 25/04/2029	2,686	0.10	
£17,500,000 Legal & General Var. Rate 5.125% 14/11/2048	20,672	0.76	
£10,000,000 Legal & General Var. Rate 5.375% 27/10/2045	11,513	0.42	
£20,000,000 Legal & General Var. Rate 5.5% 27/06/2064	25,401	0.93	
£5,000,000 Lloyds Bank 7.625% 22/04/2025	6,199	0.23	
£350,000 Lloyds Bank 11.75% Perpetual	723	0.03	
£5,000,000 Lloyds Banking Var. Rate 1.985% 15/12/2031	5,027	0.18	
£3,518,000 Lloyds Banking Var. Rate 2.707% 03/12/2035	3,597	0.13	

Investments

Portfolio statement (continued)

Holding	as at 30.06.21 £'000	as at 30.06.21 %	as at 30.06.20 %
Fixed income (continued)			
Debt securities (continued)			
'BBB' credit rated bonds (continued)			
£1,562,000	Logicor Financing 2.75% 15/01/2030	1,638	0.06
£1,750,000	Longstone Finance 4.896% 19/04/2031	2,024	0.07
US\$1,000,000	McDonald's 6.3% 01/03/2038	1,038	0.04
£19,000,000	Mexico (United Mexican States) 5.625% 19/03/2114	20,735	0.76
£2,693,680	Mitchells & Butlers Finance 5.574% 15/12/2030	3,066	0.11
£2,845,200	Mitchells & Butlers Finance FRN 0.6813% 15/12/2033	2,496	0.09
£1,000,000	Mondelēz International 3.875% 06/03/2045	1,202	0.04
£1,750,000	Mondelēz International 4.5% 03/12/2035	2,201	0.08
£3,000,000	Morgan Stanley 2.625% 09/03/2027	3,215	0.12
US\$10,000,000	Nationwide Building Society Var. Rate 4.125% 18/10/2032	7,856	0.29
£7,500,000	Natwest Var. Rate 2.875% 19/09/2026	7,971	0.29
£1,548,000	Natwest Var. Rate 3.125% 28/03/2027	1,664	0.06
US\$5,000,000	Natwest Var. Rate 4.892% 18/05/2029	4,196	0.15
£12,500,000	Next 3.625% 18/05/2028	13,761	0.50
£8,000,000	Next 4.375% 02/10/2026	9,058	0.33
£5,000,000	NIE Finance 6.375% 02/06/2026	6,260	0.23
£2,000,000	Northern Powergrid 7.25% 15/12/2022	2,190	0.08
£7,000,000	Northumbrian Water 6.875% 06/02/2023	7,686	0.28
£5,000,000	Orange 8.125% 20/11/2028	7,327	0.27
£7,000,000	Pearson Funding 3.75% 04/06/2030	7,803	0.29
£4,000,000	Scottish Hydro Electric Transmission 2.25% 27/09/2035	4,091	0.15
US\$1,000,000	Security Capital 7.7% 15/06/2028	935	0.03
£1,000,000	Severn Trent IL 1.3% 11/07/2022	1,285	0.05
£5,000,000	Severn Trent Utilities Finance 2.75% 05/12/2031	5,517	0.20
£10,000,000	Severn Trent Utilities Finance 3.625% 16/01/2026	11,168	0.41
£6,195,000	Severn Trent Utilities Finance 6.25% 07/06/2029	8,400	0.31
£2,888,000	Society of Lloyd's Var. Rate 4.875% 07/02/2047	3,328	0.12
£6,176,000	South Eastern Power Networks 5.5% 05/06/2026	7,464	0.27
£8,100,000	South Eastern Power Networks 6.375% 12/11/2031	11,620	0.43
£4,750,000	South West Water Finance 5.875% 16/07/2040	7,182	0.26

Investments

Portfolio statement (continued)

Holding	as at 30.06.21 £'000	as at 30.06.21 %	as at 30.06.20 %
Fixed income (continued)			
Debt securities (continued)			
'BBB' credit rated bonds (continued)			
£5,000,000 Southern Gas Networks 4.875% 05/10/2023	5,462	0.20	
£2,345,000 Southern Water Services Finance 1.625% 30/03/2027	2,336	0.09	
£7,000,000 Southern Water Services Finance 2.375% 28/05/2028	7,237	0.27	
£5,000,000 Southern Water Services Finance 3% 28/05/2037	5,383	0.20	
£5,445,000 SP Transmission 2% 13/11/2031	5,585	0.20	
£6,000,000 SSE 8.375% 20/11/2028	8,783	0.32	
£10,000,000 SSE Var. Rate 3.74% Perpetual	10,548	0.39	
£2,000,000 Student Finance 2.6663% 30/09/2024	2,019	0.07	
£1,334,954 Summit Finance Law 6.484% 31/03/2028	1,520	0.06	
£3,722,000 Swedbank Var. Rate 1.375% 08/12/2027	3,728	0.14	
£6,500,000 Telefónica Emisiones 5.289% 09/12/2022	6,938	0.25	
US\$6,000,000 Telefónica Emisiones 7.045% 20/06/2036	6,206	0.23	
£208,210 Telereal Securitisation 6.1645% 10/12/2031	259	0.01	
£18,984,273 Tesco Property Finance 3 5.744% 13/04/2040	25,320	0.93	
£5,292,162 Tesco Property Finance 4 5.8006% 13/10/2040	7,079	0.26	
£4,889,992 Tesco Property Finance 5 5.6611% 13/10/2041	6,542	0.24	
£5,000,000 Thames Water Utilities Finance 1.875% 24/01/2024	5,137	0.19	
£2,000,000 Thames Water Utilities Finance 2.375% 22/04/2040	2,011	0.07	
£5,000,000 Thames Water Utilities Finance 2.625% 24/01/2032	5,292	0.19	
£3,727,000 Thames Water Utilities Finance 3.375% 21/07/2021	6,280	0.23	
£5,000,000 Thames Water Utilities Finance 3.5% 25/02/2028	5,572	0.20	
£2,500,000 Thames Water Utilities Finance 4% 19/06/2025	2,796	0.10	
£10,000,000 Thames Water Utilities Finance 4.375% 03/07/2034	12,525	0.46	
£3,000,000 Thames Water Utilities Finance 5.125% 28/09/2037	4,142	0.15	
£12,500,000 Thames Water Utilities Finance 6.75% 16/11/2028	16,828	0.62	
£5,000,000 Verizon Communications 1.875% 19/09/2030	5,049	0.19	
US\$3,628,000 Vodafone 5.125% 19/06/2059	3,414	0.13	
£6,000,000 Volkswagen Financial Services 1.875% 03/12/2024	6,182	0.23	
£1,100,000 Volkswagen International Finance 3.375% 16/11/2026	1,220	0.04	
£15,000,000 Volkswagen International Finance 4.125% 17/11/2031	18,142	0.67	

Investments

Portfolio statement (continued)

Holding	as at 30.06.21 £'000	as at 30.06.21 %	as at 30.06.20 %
Fixed income (continued)			
Debt securities (continued)			
'BBB' credit rated bonds (continued)			
£3,000,000 Walgreens Boots Alliance 3.6% 20/11/2025	3,274	0.12	
£20,000,000 Wells Fargo 2% 28/07/2025	20,704	0.76	
£7,728,000 Wells Fargo 2.125% 24/09/2031	7,849	0.29	
£1,500,000 Wells Fargo 4.875% 29/11/2035	1,951	0.07	
£20,000,000 Wells Fargo Bank 5.25% 01/08/2023	21,782	0.80	
£5,000,000 Welltower 4.5% 01/12/2034	6,109	0.22	
£5,000,000 Welltower 4.8% 20/11/2028	5,977	0.22	
£962,000 Wm Morrison Supermarkets 2.5% 01/10/2031	977	0.04	
£2,628,000 WPP Finance 2.875% 14/09/2046	2,632	0.10	
£9,994,000 WPP Finance 3.75% 19/05/2032	11,425	0.42	
£1,288,000 Yorkshire Building Society Var. Rate 3% 18/04/2025	1,358	0.05	
£3,426,000 Yorkshire Power Finance 7.25% 04/08/2028	4,693	0.17	
£7,600,000 Yorkshire Water Finance 1.75% 26/11/2026	7,805	0.29	
£6,000,000 Yorkshire Water Finance 6.5876% 21/02/2023	6,579	0.24	
	98,330	3.60	3.20
'BB' credit rated bonds			
£3,500,000 Assicurazioni Generali Var. Rate 6.269% Perpetual	4,051	0.15	
US\$2,000,000 Charter Communications Operating 3.85% 01/04/2061	1,418	0.05	
£2,050,000 Daily Mail & General Trust 6.375% 21/06/2027	2,381	0.09	
£7,000,000 Ford Motor Credit 4.535% 06/03/2025	7,497	0.27	
£8,000,000 H.J. Heinz Finance 6.25% 18/02/2030	10,269	0.38	
£2,500,000 John Lewis 4.25% 18/12/2034	2,599	0.10	
£11,000,000 Kraft Heinz Foods 4.125% 01/07/2027	12,292	0.45	
US\$3,524,000 Kraft Heinz Foods 4.875% 01/10/2049	3,054	0.11	
£3,000,000 Lloyds Banking Var. Rate 7.625% Perpetual	3,283	0.12	
£3,367,000 Lloyds Banking Var. Rate 7.875% Perpetual	4,289	0.16	
£787,064 Marston's Issuer Var. Rate 1.4033% 15/10/2027	735	0.03	
£2,000,000 Marston's Issuer Var. Rate 5.1774% 15/07/2032	2,090	0.08	
£276,248 Mitchells & Butlers Finance 5.965% 15/12/2023	288	0.01	
£1,092,952 Mitchells & Butlers Finance 6.013% 15/12/2028	1,202	0.04	
£921,000 Nationwide Building Society Var. Rate 5.875% Perpetual	1,013	0.04	

Investments

Portfolio statement (continued)

Holding	as at 30.06.21 £'000	as at 30.06.21 %	as at 30.06.20 %
Fixed income (continued)			
Debt securities (continued)			
'BB' credit rated bonds (continued)			
£10,000,000 Natwest Var. Rate 2.105% 28/11/2031	10,048	0.37	
£2,931,000 Natwest Var. Rate 3.622% 14/08/2030	3,127	0.11	
US\$2,244,000 Natwest Var. Rate 3.754% 01/11/2029	1,720	0.06	
£9,300,000 Peel South East 10% 30/04/2026	9,246	0.34	
£3,543,000 Thames Water Utilities Finance 2.875% 03/05/2027	3,680	0.13	
£4,000,000 Thames Water Utilities Finance Var. Rate 5.75% 13/09/2030	4,194	0.15	
£5,000,000 Time Warner Cable 5.25% 15/07/2042	6,654	0.24	
£2,500,000 Time Warner Cable 5.75% 02/06/2031	3,200	0.12	
'CCC' credit rated bonds	13,858	0.51	0.00
£527,736 INTU Metrocentre 1% 23/12/2023	533	0.02	
£7,000,000 INTU Metrocentre Finance 8.75% 06/12/2023	3,531	0.13	
£4,000,000 SGS Finance 3.875% 17/03/2023	2,741	0.10	
£4,808,000 SGS Finance 4.25% 17/09/2030	3,291	0.12	
£5,500,000 SGS Finance 4.625% 17/03/2028	3,762	0.14	
'D' credit rated bonds	73	0.00	0.00
£189,933 INTU Debenture 5.562% 31/12/2027	73	0.00	
Bonds with no credit rating	0	0.00	6.14
£250,000 Washington Mutual Bank 5.5% 10/06/2059 ^a	0	0.00	
Debt derivatives	(2,610)	(0.09)	(0.09)
Credit default swaps	0	0.00	0.01
Interest rate futures	(2,610)	(0.09)	(0.10)
(950) 10 Year US Treasury Ultra Sep 2021	(1,180)	(0.04)	
(94) Euro-Bund Sep 2021	(63)	0.00	
(170) Euro-Buxl Sep 2021	(447)	(0.02)	
(375) UK Long Gilt Bond Sep 2021	(330)	(0.01)	
(75) US Long Treasury Bond Sep 2021	(142)	0.00	
(100) US Ultra Treasury Bond Sep 2021	(448)	(0.02)	
Currency	(937)	(0.04)	(0.19)
Forward currency contracts	(937)	(0.04)	(0.19)
€(29,974,354) Sold for £25,997,057 (expires 28.07.21)	284	0.01	

Investments

Portfolio statement (continued)

Holding	as at 30.06.21 £'000	as at 30.06.21 %	as at 30.06.20 %
Currency (continued)			
Forward currency contracts (continued)			
€(27,700,517) Sold for £23,902,032 (expires 25.08.21)	128	0.00	
€(26,822,152) Sold for £23,056,831 (expires 22.09.21)	25	0.00	
US\$23,875,409 Bought for £17,092,979 (expires 28.07.21)	128	0.00	
US\$10,004,728 Bought for £7,171,827 (expires 25.08.21)	44	0.00	
US\$(89,082,317) Sold for £64,155,559 (expires 28.07.21)	(99)	0.00	
US\$(83,236,020) Sold for £58,725,040 (expires 25.08.21)	(1,310)	(0.05)	
US\$(61,968,785) Sold for £44,555,575 (expires 22.09.21)	(137)	0.00	
Portfolio of investments	2,583,633	94.71	94.83
Cash equivalents	115,433	4.23	3.22
'AAA' rated money market funds^b	115,433	4.23	3.22
115,433,137 Northern Trust Global Fund - Sterling	115,433	4.23	
Total portfolio (notes 2c & 2d on page 9)	2,699,066	98.94	98.05
Net other assets / (liabilities)	28,831	1.06	1.95
Net assets attributable to shareholders	2,727,897	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.

Financial highlights

Fund performance

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

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

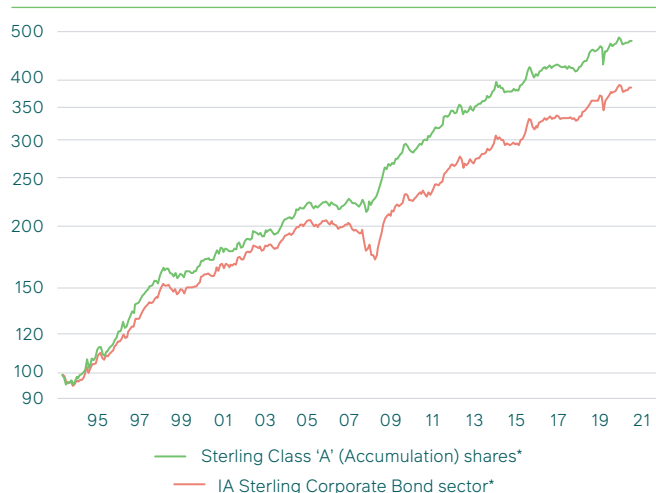
Fund level performance

Fund net asset value as at	30.06.21 £'000	30.06.20 £'000	30.06.19 £'000
Fund net asset value (NAV)	2,727,897	3,129,444	3,505,536

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.

April 1994 = 100, plotted monthly
Chart date 1 July 2021



Source: Morningstar, Inc. and M&G

*Income reinvested

Long-term performance by share class

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 15 December 2020 for the non-sterling share classes and 1 July 2021 for sterling share classes. Calculated on a price to price basis with income reinvested.

Share class	One year 01.07.20 % ^a	Three years 02.07.18 % pa	Five years 01.07.16 % pa	Since launch % pa
Euro^b				
Class 'A'	+3.8	+4.5	+2.1	+4.1 ^c
Class 'C'	+4.1	+5.3	+2.9	+4.6 ^c
Sterling^b				
Class 'A'	+3.3	+4.4	+3.5	+5.9 ^d
Class 'I'	+3.8	+4.9	+4.0	+6.3 ^e
Class 'PP'	+4.0	n/a	n/a	+5.3 ^f
Class 'R'	+3.6	+4.7	+3.7	+4.4 ^g
Class 'X'	+3.3	+4.4	+3.5	+5.8 ^h

^a Absolute basis.

^b Price to price with income reinvested.

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

^d 15th 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.

^e 2 July 2007, the launch date of the share class.

^f 8 April 2019, the launch date of the share class.

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

^h 15 April 1994, the end of the initial offer period of the predecessor unit trust.

Financial highlights

Operating charges and portfolio transaction costs

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

Operating charges

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

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

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

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

Portfolio transaction costs

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

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

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

To protect existing investors, portfolio transaction costs incurred as a result of investors buying and selling shares in the fund are recovered from those investors through a 'dilution adjustment' to the price they pay or

Financial highlights

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 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 Indirect portfolio transaction costs	2021 %	2020 %	2019 %	Average ^a %
Average portfolio dealing spread	0.66	1.06	0.80	0.84

^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.

Euro Class 'A' Accumulation share performance

The share class was launched on 29 November 2002. The share class closed on 15 December 2020.

for the year to 30 June Change in NAV per share	2021 Euro ¢	2020 Euro ¢	2019 Euro ¢
Opening NAV	1,968.86	1,921.75	1,847.42
Return before operating charges	107.36	74.38	100.77
Operating charges	(12.78)	(27.27)	(26.44)
Return after operating charges	94.58	47.11	74.33
Distributions	(7.02)	(38.83)	(42.46)
Retained distributions	7.02	38.83	42.46
Return to shareholder as a result of share class closure	(2,063.44)	n/a	n/a
Closing NAV	0.00	1,968.86	1,921.75
Direct transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.02	0.04	0.02
Dilution adjustments ^a	0.00	0.00	0.00
Total direct transaction costs	0.02	0.04	0.02
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.00	0.00
Operating charges ^c	1.34	1.35	1.41
Return after charges	+4.80	+2.45	+4.02
Distribution yield	0.00	1.80	2.14
Other information			
Closing NAV (£'000)	0	7,441	9,331
Closing NAV (%)	0.00	0.24	0.27
Number of shares	0	413,721	541,193
Highest share price (Euro ¢)	2,091.58	2,178.23	1,976.54
Lowest share price (Euro ¢)	1,973.24	1,697.48	1,793.34

Financial highlights

Euro Class 'C' Accumulation share performance

The share class was launched on 29 November 2002.
The share class closed on 15 December 2020.

for the year to 30 June	2021	2020	2019
Change in NAV per share	Euro ¢	Euro ¢	Euro ¢
Opening NAV	2,139.31	2,072.44	1,977.46
Return before operating charges	115.50	79.95	108.24
Operating charges	(6.13)	(13.08)	(13.26)
Return after operating charges	109.37	66.87	94.98
Distributions	(11.65)	(58.36)	(60.46)
Retained distributions	11.65	58.36	60.46
Return to shareholder as a result of share class closure	(2,248.68)	n/a	n/a
Closing NAV	0.00	2,139.31	2,072.44
Direct transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.02	0.04	0.02
Dilution adjustments ^a	0.00	0.00	0.00
Total direct transaction costs	0.02	0.04	0.02
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.00	0.00
Operating charges ^c	0.59	0.60	0.66
Return after charges	+5.11	+3.23	+4.80
Distribution yield	0.00	2.55	2.89
Other information			
Closing NAV (£'000)	0	1,152	1,482
Closing NAV (%)	0.00	0.04	0.04
Number of shares	0	58,938	79,693
Highest share price (Euro ¢)	2,279.06	2,360.36	2,129.24
Lowest share price (Euro ¢)	2,147.28	1,840.55	1,926.74

Sterling Class 'A' Income share performance

The share class was launched on 15 April 1994.

for the year to 30 June	2021	2020	2019
Change in NAV per share	UK p	UK p	UK p
Opening NAV	40.90	40.43	39.70
Return before operating charges	1.77	2.27	2.64
Operating charges	(0.41)	(0.45)	(0.46)
Return after operating charges	1.36	1.82	2.18
Distributions	(1.08)	(1.35)	(1.45)
Closing NAV	41.18	40.90	40.43
Direct 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 transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.00	0.00
Operating charges ^c	0.98	1.10	1.16
Return after charges	+3.33	+4.50	+5.49
Distribution yield	2.47	3.14	3.53
Other information			
Closing NAV (£'000)	134,499	142,625	158,362
Closing NAV (%)	4.93	4.56	4.52
Number of shares	326,647,151	348,704,444	391,692,816
Highest share price (UK p)	42.57	41.99	40.84
Lowest share price (UK p)	40.75	36.53	38.61

Financial highlights

Sterling Class 'A' Accumulation share performance

The share class was launched on 15 April 1994.

for the year to 30 June	2021	2020	2019
Change in NAV per share	UK p	UK p	UK p
Opening NAV	76.39	73.04	69.17
Return before operating charges	3.29	4.18	4.68
Operating charges	(0.77)	(0.83)	(0.81)
Return after operating charges	2.52	3.35	3.87
Distributions	(1.26)	(1.64)	(1.76)
Retained distributions	1.26	1.64	1.76
Closing NAV	78.91	76.39	73.04
Direct 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 transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.00	0.00
Operating charges ^c	0.98	1.10	1.16
Return after charges	+3.30	+4.59	+5.59
Distribution yield	1.68	2.05	2.39
Other information			
Closing NAV (£'000)	240,643	273,644	309,130
Closing NAV (%)	8.82	8.74	8.82
Number of shares	304,947,635	358,218,656	423,211,540
Highest share price (UK p)	80.17	77.15	73.11
Lowest share price (UK p)	76.24	67.11	68.16

Sterling Class 'I' Income share performance

The share class was launched on 2 July 2007.

for the year to 30 June	2021	2020	2019
Change in NAV per share	UK p	UK p	UK p
Opening NAV	41.75	41.06	40.12
Return before operating charges	1.80	2.32	2.68
Operating charges	(0.22)	(0.25)	(0.27)
Return after operating charges	1.58	2.07	2.41
Distributions	(1.10)	(1.38)	(1.47)
Closing NAV	42.23	41.75	41.06
Direct 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 transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.00	0.00
Operating charges ^c	0.52	0.60	0.66
Return after charges	+3.78	+5.04	+6.01
Distribution yield	2.47	3.13	3.53
Other information			
Closing NAV (£'000)	1,270,004	1,579,582	2,054,827
Closing NAV (%)	46.56	50.47	58.62
Number of shares	3,007,594,723	3,783,337,526	5,004,202,980
Highest share price (UK p)	43.55	42.77	41.48
Lowest share price (UK p)	41.67	37.23	39.12

Financial highlights

Sterling Class 'I' Accumulation share performance

The share class was launched on 2 July 2007.

for the year to 30 June	2021	2020	2019
Change in NAV per share	UK p	UK p	UK p
Opening NAV	80.77	76.84	72.40
Return before operating charges	3.48	4.40	4.93
Operating charges	(0.43)	(0.47)	(0.49)
Return after operating charges	3.05	3.93	4.44
Distributions	(1.72)	(2.13)	(2.21)
Retained distributions	1.72	2.13	2.21
Closing NAV	83.82	80.77	76.84
Direct 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 transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.00	0.00
Operating charges ^c	0.52	0.60	0.66
Return after charges	+3.78	+5.11	+6.13
Distribution yield	2.08	2.55	2.89
Other information			
Closing NAV (£'000)	466,497	510,336	554,172
Closing NAV (%)	17.10	16.31	15.81
Number of shares	556,530,586	631,854,911	721,174,779
Highest share price (UK p)	84.98	81.40	76.91
Lowest share price (UK p)	80.61	70.86	71.50

Sterling Class 'PP' Income share performance

The share class was launched on 5 August 2019.

for the year to 30 June	2021	2020	2019
Change in NAV per share	UK p	UK p	UK p
Opening NAV	99.56	100.00	n/a
Return before operating charges	4.29	3.22	n/a
Operating charges	(0.39)	(0.41)	n/a
Return after operating charges	3.90	2.81	n/a
Distributions	(2.63)	(3.25)	n/a
Closing NAV	100.83	99.56	n/a
Direct 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 transaction costs	0.00	0.00	n/a
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.00	n/a
Operating charges	0.39	0.44	n/a
Return after charges	+3.92	+2.81	n/a
Distribution yield	2.47	3.13	n/a
Other information			
Closing NAV (£'000)	227,261	212,426	n/a
Closing NAV (%)	8.33	6.79	n/a
Number of shares	225,397,749	213,365,789	n/a
Highest share price (UK p)	103.93	101.93	n/a
Lowest share price (UK p)	99.37	88.75	n/a

Financial highlights

Sterling Class 'PP' Accumulation share performance

The share class was launched on 8 April 2019.

for the year to 30 June	2021	2020	2019
Change in NAV per share	UK p	UK p	UK p
Opening NAV	108.24	102.82	100.00
Return before operating charges	4.66	5.90	2.94
Operating charges	(0.42)	(0.48)	(0.12)
Return after operating charges	4.24	5.42	2.82
Distributions	(2.45)	(3.01)	(0.81)
Retained distributions	2.45	3.01	0.81
Closing NAV	112.48	108.24	102.82
Direct 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 transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.00	0.00
Operating charges ^c	0.38	0.45	0.51
Return after charges	+3.92	+5.27	+2.82
Distribution yield	2.18	2.70	3.04
Other information			
Closing NAV (£'000)	8,592	3,570	493
Closing NAV (%)	0.31	0.11	0.01
Number of shares	7,639,029	3,298,600	479,751
Highest share price (UK p)	113.97	109.02	102.90
Lowest share price (UK p)	108.03	94.92	100.00

Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012.

for the year to 30 June	2021	2020	2019
Change in NAV per share	UK p	UK p	UK p
Opening NAV	110.46	108.91	106.69
Return before operating charges	4.75	6.13	7.09
Operating charges	(0.86)	(0.94)	(0.97)
Return after operating charges	3.89	5.19	6.12
Distributions	(2.91)	(3.64)	(3.90)
Closing NAV	111.44	110.46	108.91
Direct 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 transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.00	0.00
Operating charges ^c	0.76	0.85	0.91
Return after charges	+3.52	+4.77	+5.74
Distribution yield	2.47	3.13	3.53
Other information			
Closing NAV (£'000)	11,054	10,580	9,810
Closing NAV (%)	0.41	0.34	0.28
Number of shares	9,919,513	9,577,914	9,007,249
Highest share price (UK p)	115.09	113.29	110.01
Lowest share price (UK p)	110.25	98.58	103.89

Financial highlights

Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012.

for the year to 30 June	2021	2020	2019
Change in NAV per share	UK p	UK p	UK p
Opening NAV	142.04	135.48	127.97
Return before operating charges	6.13	7.75	8.69
Operating charges	(1.12)	(1.19)	(1.18)
Return after operating charges	5.01	6.56	7.51
Distributions	(2.66)	(3.40)	(3.58)
Retained distributions	2.66	3.40	3.58
Closing NAV	147.05	142.04	135.48
Direct 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 transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.00	0.00
Operating charges ^c	0.76	0.85	0.91
Return after charges	+3.53	+4.84	+5.87
Distribution yield	1.83	2.30	2.64
Other information			
Closing NAV (£'000)	20,587	18,982	18,304
Closing NAV (%)	0.75	0.61	0.52
Number of shares	13,999,883	13,363,338	13,510,595
Highest share price (UK p)	149.26	143.31	135.59
Lowest share price (UK p)	141.77	124.70	126.24

Sterling Class 'X' Income share performance

The share class was launched on 15 April 1994.

for the year to 30 June	2021	2020	2019
Change in NAV per share	UK p	UK p	UK p
Opening NAV	40.86	40.39	39.67
Return before operating charges	1.76	2.27	2.63
Operating charges	(0.41)	(0.45)	(0.46)
Return after operating charges	1.35	1.82	2.17
Distributions	(1.07)	(1.35)	(1.45)
Closing NAV	41.14	40.86	40.39
Direct 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 transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.00	0.00
Operating charges ^c	0.98	1.10	1.16
Return after charges	+3.30	+4.51	+5.47
Distribution yield	2.47	3.14	3.53
Other information			
Closing NAV (£'000)	333,522	353,157	372,605
Closing NAV (%)	12.23	11.28	10.63
Number of shares	810,738,634	864,228,323	922,450,949
Highest share price (UK p)	42.53	41.95	40.80
Lowest share price (UK p)	40.71	36.49	38.57

Financial highlights

Sterling Class 'X' Accumulation share performance

The share class was launched on 15 April 1994.

for the year to 30 June	2021	2020	2019
Change in NAV per share	UK p	UK p	UK p
Opening NAV	74.14	70.89	67.13
Return before operating charges	3.20	4.05	4.55
Operating charges	(0.75)	(0.80)	(0.79)
Return after operating charges	2.45	3.25	3.76
Distributions	(1.22)	(1.60)	(1.71)
Retained distributions	1.22	1.60	1.71
Closing NAV	76.59	74.14	70.89
Direct 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 transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.00	0.00
Operating charges ^c	0.98	1.10	1.16
Return after charges	+3.30	+4.58	+5.60
Distribution yield	1.68	2.05	2.39
Other information			
Closing NAV (£'000)	15,238	15,949	17,020
Closing NAV (%)	0.56	0.51	0.48
Number of shares	19,895,708	21,511,791	24,007,590
Highest share price (UK p)	77.81	74.88	70.96
Lowest share price (UK p)	74.00	65.14	66.15

^a In respect of direct portfolio transaction costs.

^b As a percentage of average net asset value.

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

Financial statements and notes

Financial statements

Statement of total return

for the year to 30 June	Note	2021		2020	
		£'000	£'000	£'000	£'000
Income					
Net capital gains/(losses)	3		49,437		72,285
Revenue	5	79,742		110,686	
Expenses	6	(19,775)		(24,877)	
Net revenue/(expense) before taxation		59,967		85,809	
Taxation	7	(4)		120	
Net revenue/(expense) after taxation			59,963		85,929
Total return before distributions			109,400		158,214
Distributions	8		(73,722)		(103,329)
Change in net assets attributable to shareholders from investment activities			35,678		54,885

Statement of change in net assets attributable to shareholders

for the year to 30 June	2021		2020	
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		3,129,444		3,505,536
Amounts received on issue of shares	143,768		377,537	
Amounts paid on cancellation of shares	(598,076)		(833,962)	
		(454,308)		(456,425)
Dilution adjustments		2,099		3,889
Change in net assets attributable to shareholders from investment activities (see above)		35,678		54,885
Retained distributions on Accumulation shares		14,954		21,544
Unclaimed distributions		30		15
Closing net assets attributable to shareholders		2,727,897		3,129,444

Financial statements and notes

Financial statements

Balance sheet

as at 30 June	Note	2021 £'000	2020 £'000
Assets			
Fixed assets			
Investments		2,587,789	2,979,923
Current assets			
Debtors	9	32,004	71,043
Cash and bank balances	10	17,574	34,038
Cash equivalents		115,433	100,592
Total assets		2,752,800	3,185,596
Liabilities			
Investment liabilities		(4,156)	(12,206)
Creditors			
Overdrawn positions at futures clearing houses and collateral manager		0	(285)
Distribution payable		(12,447)	(18,235)
Other creditors	11	(8,300)	(25,426)
Total liabilities		(24,903)	(56,152)
Net assets attributable to shareholders		2,727,897	3,129,444

Financial statements and notes

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 9 to 12.

2 Distribution policy

In determining the amount available for distribution to Income shares, the annual charge is 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	2021 £'000	2020 £'000
Non-derivative securities	(37,940)	157,912
Derivative contracts	85,097	(89,594)
Currency gains/(losses)	2,280	3,966
Transaction charges	0	1
Net capital gains/(losses)	49,437	72,285

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 34 to 35.

for the year to 30 June	2021 £'000	2020 £'000		
a) Purchases				
Debt securities ^a	1,104,528	972,175		
b) Sales				
Debt securities ^a	1,399,655	1,473,840		
Other transaction types				
Corporate actions	44,553	11,426		
Total sales	1,444,208	1,485,266		
	2021 £'000	% of average NAV	2020 £'000	% of average NAV
c) Direct portfolio transaction costs				
Commissions paid				
Derivatives	12	0.00	31	0.00
Taxes paid				
Derivatives	15	0.00	32	0.00
Total direct portfolio transaction costs^b	27	0.00	63	0.00

Financial statements and notes

	%	%
d) Indirect portfolio transaction costs		
Portfolio dealing spread ^c	0.66	1.06

^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.

5 Revenue

for the year to 30 June	2021 £'000	2020 £'000
Bank interest	16	62
Derivative revenue	(2,823)	(2,459)
Interest distributions	40	1,127
Interest on debt securities	81,963	111,386
Rebate of ongoing charges from underlying funds	546	570
Total revenue	79,742	110,686

6 Expenses

for the year to 30 June	2021 £'000	2020 £'000
Payable to the ACD or associate		
Annual charge	19,762	22,325
Annual management charge ^a	0	2,002
Administration charge ^a	0	479
	19,762	24,806
Payable to the Depositary or associate		
Depositary's charge (including VAT) ^a	0	12
Other expenses		
Audit fee (including VAT) ^a	0	1
Interest payable	24	46
Safe custody charge ^a	(11)	12
	13	59
Total expenses	19,775	24,877

^a The segregated charges shown above for annual management, administration, depositary, audit and safe custody are those paid by the fund up to and including 31 July 2019. As of 1 August 2019 these charges have been replaced by the single annual charge.

Audit fees for the financial year ending 2021 were £11,000 (2020: £11,000) (including VAT), which are covered by the annual charge.

Financial statements and notes

7 Taxation

for the year to 30 June	2021 £'000	2020 £'000
a) Analysis of charge in the year		
Corporation tax	0	0
Withholding tax	4	(120)
Deferred tax (note 7c)	0	0
Total taxation	4	(120)
b) Factors affecting taxation charge for the year		
Net revenue/(expense) before taxation	59,967	85,809
Corporation tax at 20%	11,993	17,162
Effects of:		
Interest distributions	(11,993)	(17,162)
Withholding tax	4	(120)
Total tax charge (note 7a)	4	(120)
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 (2020: same).

Financial statements and notes

8 Distributions

for the year to 30 June	2021		2020	
	Inc ^a	Acc ^b	Inc ^a	Acc ^b
Interest distributions	£'000	£'000	£'000	£'000
First interim	15,808	4,021	21,915	6,021
Second interim	15,532	3,770	20,868	5,478
Third interim	13,764	3,481	18,771	5,111
Final	12,447	3,682	18,235	4,934
Total net distributions		72,505		101,333
Income deducted on cancellation of shares		1,780		4,222
Income received on issue of shares		(563)		(2,226)
Distributions		73,722		103,329
Net revenue/(expense) per statement of total return		59,963		85,929
Expenses offset against capital		13,758		17,401
Undistributed income brought forward		5		4
Undistributed income carried forward		(4)		(5)
Distributions		73,722		103,329

^a Distributions payable on Income shares.

^b Retained distributions on Accumulation shares.

9 Debtors

as at 30 June	2021	2020
	£'000	£'000
Amounts receivable on issues of shares	462	1,541
Currency deals outstanding	0	6,623
Debt security interest receivable	30,445	42,849
Distributions receivable	0	20
Management charge rebates due	20	21
Rebate of ongoing charges from underlying funds	3	3
Sales awaiting settlement	1,074	19,986
Total debtors	32,004	71,043

10 Cash and bank balances

as at 30 June	2021	2020
	£'000	£'000
Amounts held at futures clearing houses and collateral manager	6,814	23,222
Cash held as bank balances	10,760	10,816
Total cash and bank balances	17,574	34,038

Financial statements and notes

11 Other creditors

as at 30 June	2021 £'000	2020 £'000
Amounts payable on cancellation of shares	2,638	3,783
Annual charge payable	612	941
Bank overdraft interest payable	4	4
Currency deals outstanding	0	6,564
Derivative expense payable	588	365
Expenses payable	0	12
Purchases awaiting settlement	4,458	13,757
Total other creditors	8,300	25,426

12 Contingent assets, liabilities and outstanding commitments

There were no contingent assets, liabilities or outstanding commitments at the balance sheet date (2020: 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 01.07.20	Movements		Closing 30.06.21
		Issued	Cancelled	
Euro				
Class 'A' Accumulation	413,721	18,794	(432,515)	0
Class 'C' Accumulation	58,938	12,984	(71,922)	0
Sterling				
Class 'A' Income	348,704,444	9,859,623	(31,916,916)	326,647,151
Class 'A' Accumulation	358,218,656	1,894,009	(55,165,030)	304,947,635
Class 'I' Income	3,783,337,526	188,772,680	(964,515,483)	3,007,594,723
Class 'I' Accumulation	631,854,911	6,722,329	(82,046,654)	556,530,586
Class 'PP' Income	213,365,789	35,508,346	(23,476,386)	225,397,749
Class 'PP' Accumulation	3,298,600	5,265,486	(925,057)	7,639,029
Class 'R' Income	9,577,914	1,234,010	(892,411)	9,919,513
Class 'R' Accumulation	13,363,338	1,852,544	(1,215,999)	13,999,883
Class 'X' Income	864,228,323	12,282,395	(65,772,084)	810,738,634
Class 'X' Accumulation	21,511,791	1,042,854	(2,658,937)	19,895,708

Financial statements and notes

14 Charging structure

The table below sets out the charging structure for each class of share in existence at the balance sheet date. The charging structure is the same for both Income and Accumulation shares of each class.

Share class	Annual charge ^a to 14.02.21 %	Annual charge ^a from 15.02.21 %
Sterling		
Class 'A'	1.15	0.85
Class 'I'	0.65	0.45
Class 'PP'	0.50	0.35
Class 'R'	0.90	0.70
Class 'X'	1.15	0.85

^a The amounts shown are the maximum annual charge. M&G will apply a discount of 0.02% for every £1 billion of a fund's net asset value. This is assessed quarterly and implemented on a forward basis no later than 13 business days after quarter end.

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 annual charge, ACD's annual management charge and administration charge are disclosed in note 6. Amounts due at the year end in respect of the annual charge are disclosed in note 11.

At the balance sheet date, shareholders from within M&G plc, of which M&G Securities Limited is a wholly owned subsidiary, have holdings totalling 36.72% (2020: 39.66%) of the fund's shares.

16 Events after the balance sheet date

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

Financial statements and notes

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.

as at 30 June	Assets 2021 £'000	Liabilities 2021 £'000	Assets 2020 £'000	Liabilities 2020 £'000
Basis of valuation				
Level 1	120,528	(2,610)	121,195	(2,903)
Level 2	2,466,728	(1,546)	2,858,728	(9,303)
Level 3	533	0	0	0
	2,587,789	(4,156)	2,979,923	(12,206)

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'.

Financial statements and notes

18 Risk management policies

The general risk management policies for the fund are set out in note 3 to the financial statements on pages 12 to 14.

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 2021 was 15% (2020: 15%).

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 2021 and 30 June 2020.

for the year to 30 June	2021 % of VaR	2021 Utilisation of VaR ^a 15%	2020 % of VaR	2020 Utilisation of VaR ^a 15%
Lowest	3.01	20.07	1.72	11.47
Highest	7.00	46.67	10.05	67.00
Average	4.40	29.32	4.19	27.96

^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	2021 £'000	2020 £'000
Investment grade securities	2,474,919	2,683,933
Below investment grade securities	112,261	100,267
Unrated securities	0	192,082
Other investments	(3,547)	(8,565)
Total	2,583,633	2,967,717

Financial statements and notes

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 2021		Forward currency contracts £'000	Futures £'000
Bank of America Merrill Lynch		284	(2,610)
BNP Paribas		44	0
Citigroup		(1,345)	0
HSBC		(55)	0
JPMorgan		(21)	0
Standard Chartered Bank		2	0
State Street Bank		144	0
UBS		10	0
Total		(937)	(2,610)

as at 30 June 2020	Swaps £'000	Forward currency contracts £'000	Futures £'000
Bank of America Merrill Lynch	0	(783)	(2,903)
Barclays Bank	260	(15)	0
BNP Paribas	0	(353)	0
Citigroup	0	(487)	0
HSBC	0	(142)	0
JPMorgan	0	372	0
Royal Bank of Canada	0	3	0
Standard Chartered Bank	0	(1,306)	0
State Street Bank	0	(2,458)	0
UBS	0	(753)	0
Total	260	(5,922)	(2,903)

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.

Financial statements and notes

The lowest, highest and average level of leverage employed and utilisation of the leverage level calculated during the financial years ended 30 June 2021 and 30 June 2020 are disclosed in the table below.

for the year to 30 June	2021 ^a £'000	2021 ^a % ^b	2020 ^a £'000	2020 ^a % ^b
Lowest	482,100	17.59	1,086,102	33.70
Highest	1,378,823	43.43	1,731,143	51.90
Average	828,385	27.02	1,286,727	38.70

^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 fund valuation.

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	01.07.20	30.09.20	01.10.20	30.11.20
Second interim	01.10.20	31.12.20	04.01.21	28.02.21
Third interim	01.01.21	31.03.21	01.04.21	31.05.21
Final	01.04.21	30.06.21	01.07.21	31.08.21

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	Group 2 Equalisation	Group 1 & 2 Distribution	
	2021 Euro ¢	2021 Euro ¢	2021 Euro ¢	2020 Euro ¢
First interim	0.9225	6.0944	7.0169	10.4490
Second interim	0.0000	0.0000	0.0000	10.0523
Third interim	0.0000	0.0000	0.0000	9.3979
Final	0.0000	0.0000	0.0000	8.9307

Financial statements and notes

Euro Class 'C' Accumulation shares

Interest distributions for the year to 30 June	Income	Group 2	Group 1 & 2	
	2021 Euro ¢	Equalisation 2021 Euro ¢	2021 Euro ¢	2020 Euro ¢
First interim	5.3886	6.2642	11.6528	15.3052
Second interim	0.0000	0.0000	0.0000	15.1238
Third interim	0.0000	0.0000	0.0000	14.2384
Final	0.0000	0.0000	0.0000	13.6909

Sterling Class 'A' Income shares

Interest distributions for the year to 30 June	Income	Group 2	Group 1 & 2	
	2021 UK p	Equalisation 2021 UK p	2021 UK p	2020 UK p
First interim	0.0975	0.1853	0.2828	0.3588
Second interim	0.1317	0.1476	0.2793	0.3380
Third interim	0.0822	0.1718	0.2540	0.3292
Final	0.0966	0.1629	0.2595	0.3247

Sterling Class 'A' Accumulation shares

Interest distributions for the year to 30 June	Income	Group 2	Group 1 & 2	
	2021 UK p	Equalisation 2021 UK p	2021 UK p	2020 UK p
First interim	0.1345	0.1853	0.3198	0.4400
Second interim	0.1279	0.1811	0.3090	0.4097
Third interim	0.0756	0.2203	0.2959	0.4001
Final	0.1495	0.1853	0.3348	0.3939

Sterling Class 'I' Income shares

Interest distributions for the year to 30 June	Income	Group 2	Group 1 & 2	
	2021 UK p	Equalisation 2021 UK p	2021 UK p	2020 UK p
First interim	0.1482	0.1406	0.2888	0.3645
Second interim	0.1205	0.1652	0.2857	0.3439
Third interim	0.1010	0.1589	0.2599	0.3356
Final	0.1700	0.0959	0.2659	0.3312

Financial statements and notes

Sterling Class 'I' Accumulation shares

Interest distributions for the year to 30 June	Income	Group 2	Group 1 & 2	
	2021 UK p	Equalisation 2021 UK p	2021 UK p	2020 UK p
First interim	0.2255	0.2139	0.4394	0.5615
Second interim	0.2045	0.2278	0.4323	0.5314
Third interim	0.1972	0.2101	0.4073	0.5212
Final	0.2287	0.2122	0.4409	0.5168

Sterling Class 'PP' Income shares

Interest distributions for the year to 30 June	Income	Group 2	Group 1 & 2	
	2021 UK p	Equalisation 2021 UK p	2021 UK p	2020 UK p
First interim	0.2987	0.3903	0.6890	0.8411
Second interim	0.2509	0.4307	0.6816	0.8186
Third interim	0.2637	0.3567	0.6204	0.7995
Final	0.1381	0.4969	0.6350	0.7897

Sterling Class 'PP' Accumulation shares

Interest distributions for the year to 30 June	Income	Group 2	Group 1 & 2	
	2021 UK p	Equalisation 2021 UK p	2021 UK p	2020 UK p
First interim	0.1616	0.4681	0.6297	0.7911
Second interim	0.0564	0.5654	0.6218	0.7514
Third interim	0.1733	0.4079	0.5812	0.7378
Final	0.1804	0.4399	0.6203	0.7330

Sterling Class 'R' Income shares

Interest distributions for the year to 30 June	Income	Group 2	Group 1 & 2	
	2021 UK p	Equalisation 2021 UK p	2021 UK p	2020 UK p
First interim	0.3353	0.4287	0.7640	0.9667
Second interim	0.3732	0.3819	0.7551	0.9115
Third interim	0.1967	0.4900	0.6867	0.8882
Final	0.4009	0.3013	0.7022	0.8767

Financial statements and notes

Sterling Class 'R' Accumulation shares

Interest distributions for the year to 30 June	Income	Group 2	Group 1 & 2	
	2021 UK p	Equalisation 2021 UK p	2021 UK p	2020 UK p
First interim	0.3777	0.3060	0.6837	0.9032
Second interim	0.3344	0.3328	0.6672	0.8482
Third interim	0.3181	0.3063	0.6244	0.8304
Final	0.4268	0.2535	0.6803	0.8208

Sterling Class 'X' Income shares

Interest distributions for the year to 30 June	Income	Group 2	Group 1 & 2	
	2021 UK p	Equalisation 2021 UK p	2021 UK p	2020 UK p
First interim	0.0983	0.1842	0.2825	0.3584
Second interim	0.0822	0.1969	0.2791	0.3377
Third interim	0.0955	0.1582	0.2537	0.3289
Final	0.0967	0.1625	0.2592	0.3244

Sterling Class 'X' Accumulation shares

Interest distributions for the year to 30 June	Income	Group 2	Group 1 & 2	
	2021 UK p	Equalisation 2021 UK p	2021 UK p	2020 UK p
First interim	0.1140	0.1964	0.3104	0.4270
Second interim	0.1442	0.1557	0.2999	0.3976
Third interim	0.1795	0.1077	0.2872	0.3883
Final	0.1118	0.2131	0.3249	0.3823

Authorised Corporate Director's Report

Investment objective

The fund has three aims:

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

Investment policy

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

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

Derivatives may be used for efficient portfolio management and hedging.

Investment approach

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

Benchmark

Benchmark: FTSE All-Share Index.

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

The fund is actively managed.

The fund manager has complete freedom in choosing which investments to buy, hold and sell in the fund. The fund's holdings may deviate significantly from the benchmark's constituents.

For unhedged and hedged share classes, the benchmark is shown in the share class currency.

Authorised Corporate Director's Report

Risk profile

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

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



The above number:

- is based on the rate at which the value of the fund has moved up and down in the past and is based on historical data so may not be a reliable indicator of the future risk profile of the fund.
- is not guaranteed and may change over time and the lowest risk number does not mean risk free.
- has changed during this period. From 1 July 2020 to 30 September 2020 the risk number was 5.

Investment review

As at 1 July 2021, for the year ended 30 June 2021

Performance against objective

The fund achieved the objective of growing its income distribution over the 12-month review period. The fund distributed income of 2.511p per Sterling Class 'A' (Income) share, an increase of 1.7% over the 2.469p payment made in the same period last year. The inflation rate in June 2021 was 3.9%, as measured by

the Retail Prices Index (RPI), while on the Consumer Prices Index (CPI) measure it was 2.5%.

On 1 July 2021, the 4.62% yield on the fund's Sterling Class 'A' (Income) shares was 37.3% above the benchmark FTSE All-Share Index yield of 2.78%, meeting the fund's objective to exceed the index yield.

Over five years, the fund has lagged the benchmark FTSE All-Share Index in total return terms (the combination of capital growth and income), thereby missing its objective. Over this period, the index returned 6.5% pa.

For details of the fund's historic yields and the performance of each share class, please refer to the 'Specific share class performance' tables and the 'Long-term performance by share class' table in the 'Financial highlights' section of this report.

Performance review

The fund finished the 12-month period well ahead of the FTSE All-Share Index total return of 23.0% (the combination of income and capital growth) and in the process recouped the performance deficit of the previous financial year.

The year to July 2021 witnessed some distinct phases for global markets, with a number of key events catalysing the subsequent direction in sentiment. Behind the return from the FTSE All-Share Index were some significant events starting with the shockwaves wrought by the COVID-19 pandemic and the global response to this event, including two of three UK lockdowns. The vaccine success and subsequent rollout, the US election and the 'completion' of Brexit after years of procrastination also had a big effect on the UK equity market.

For the first 10 months of calendar year 2020, the market saw a distinct flight to quality. That held firm during the collapse in equities during February and March, the recovery through April and May, and then a period of digestion up to November. Structural growth, quality characteristics, defensiveness (companies that do well even when the economy is weak) and ESG (environmental, social and governance) credentials

Authorised Corporate Director's Report

were strongly rewarded. Cyclical (businesses that are economically sensitive), companies with poor ESG characteristics, and companies with high levels of debt and structural concerns suffered greatly. The bifurcation between 'quality' stocks, such as 'growth' companies (those with reliable, albeit potentially lower, earnings streams, like those offered by consumer staples companies) and 'value' stocks (those with cheaper valuations) had been underway for most of the past decade, but the pandemic provided a turbo-boost.

That all changed as we progressed through November and into 2021, with a series of positive news events catalysing a dramatic rotation in market performance, with 'value' as an investment theme very much in the ascendency. First came the vaccine announcements forming a bridge to a post-COVID normalisation. These were followed by Democratic Party success in the Georgia Senate run-off, which handed President Biden a less restrictive route to push through war-time levels of fiscal stimulus. The combination of these events fuelled a meteoric rise in expectations for economic growth and inflation. In response, economy re-opening plays, inflation protection, cyclical and 'value' stocks took over the market leadership, which provided a considerable boost to the fund.

UK equities lost their momentum, though, with the arrival of summer in June. The market rally was stalled by a series of events including a delay in lifting the third lockdown restrictions until July in the wake of a rise in the Delta variant of the coronavirus, as well as concerns about the scaling back of COVID support measures and increased friction with the EU over the Northern Ireland Protocol. In addition, there was a brief setback when the Federal Reserve signalled that US interest rates might be raised sooner than expected, albeit still a long way off in 2023. This was a reaction to a spike in inflation, which is being felt across the OECD countries, including the UK. However, markets subsequently decided that the impact of reflationary forces caused by the recovering global economy would be transitory. The change in market sentiment saw 'growth' as an investment theme gain the upper hand once more.

Against this background, the main source of added value within the fund came from stock selection, particularly within larger companies. Entain (formerly GVC), owner of Ladbrokes Coral bookmakers, benefited from an increase in its online business, especially in the US, and an ultimately unsuccessful bid from its US joint venture partner MGM. The takeover of rival William Hill by Las Vegas casino owner Caesars served to highlight the attractions of strategic assets in the gaming sector. Mining company shares had an exceptional period of positive performance, not least the fund's large holding in Rio Tinto. The Anglo-Australian miner is considered to be the 'best of breed', with low production costs, and the share price rose off the back of a rapidly increasing iron ore price, given a strong recovery in China's demand for commodities and more recently President Biden's infrastructure spending ambitions.

Stock selection within smaller companies also notably added value, led by Reach, Kier and Marston's. Reach (formerly Trinity Mirror), aside from its iconic national brands, owns a large number of regional newspapers and benefited from its digital footprint as customers eschewed the printed format in the lockdowns. Kier has used a fund-raising exercise in the market to sort out its balance sheet problems, which will assist the construction group in winning government contracts. Brewer and pub operator Marston's has begun to benefit from the easing of lockdown restrictions.

The fund's overseas holdings, which represent around 5% of the portfolio added further value despite a stronger trend in the pound over the 12 months, which has the effect of reducing returns for a sterling-based investor. Prominent among these were Methanex, a Canadian methanol producer that benefited from rising energy prices, and Finnish winter tyre manufacturer Nokian Renkaat, which has a strong position in a niche market.

The fund surrendered some performance, however, through its natural defensive bias at a sector level as above-average market positions in higher yielding stocks detracted as they tended to suffer the most from dividend cuts. Elsewhere, holdings within larger companies also detracted value, including tobacco

Authorised Corporate Director's Report

manufacturers, drugmakers, telecoms firms and water utilities, along with a below-average market position in miners.

Investment activities

The focus of activity during the first half of the period under review was concentrated on mitigating the impact of dividend cuts and increasing the fund's exposure to companies with higher dividend yields as far as possible, without damaging the portfolio's total return credentials. Subsequently, activity in the second half reflected the more positive backdrop in the market and turned to taking advantage of income and valuation opportunities. There are still risks from the pandemic given the impact of rolling lockdowns, but we are starting to see some degree of normality return to the market and corporate behaviour.

Accordingly, we sold events firm Informa and cinema chain Cineworld where business had collapsed, and BT, whose share price we consider to be very cheap, but which will not be paying a dividend for the next couple of years. The proceeds were switched into mobile network operator Vodafone, which is maintaining its dividend this year after administering a cut in 2019. We also switched the fund's position in Royal Dutch Shell into BP on a more attractive yield. In addition, we believe BP has a better strategy for taking the oil major forward in terms of pivoting towards green energy and becoming carbon-neutral by 2050.

Elsewhere, we exited auto parts and bicycle retailer Halfords, which had performed well for the fund, and auto insurer Hastings post a cash bid, recycling the proceeds into another auto insurer, Direct Line, which reinstated its dividend policy and paid the dividend missed earlier in 2020.

There were a number of complete sales following outperformance and a decline in yield, including meat packaging business Hilton Food, private equity firm 3i, retailer DFS Furniture, flexible workspace provider IWG, miniature wargames manufacturer Games Workshop, Swiss drugmaker Roche, Scandinavian financial services group Sampo and Finnish winter tyre manufacturer Nokian Renkaat. We also sold out of

bookmaker William Hill to fund other opportunities as the share price reflected the Caesars bid premium.

We introduced several new holdings on what we considered to be attractive yields during the period, including pensions consultancy firm XPS Pensions Group, student accommodation and rental residential property developer Watkins Jones, housebuilder Vistry, online trading platform IG Group, merchant bank Close Brothers, supermarket operator Tesco, reinsurer Conduit and commercial ship investment company Taylor Maritime Investments.

XPS Pensions operates in a growing industry servicing and supporting pension funds. Watkins Jones and Vistry were added, taking advantage of a bout of weakness to increase the fund's exposure to residential construction stocks and diversify the portfolio within the sector. These companies have strong balance sheets with substantial landbanks to develop and benefit from demographic tailwinds.

IG Group typically benefits from heightened levels of market volatility and is supported by cashflow and a solid dividend, underpinned by a significant increase in earnings in 2020. Close Brothers is a non-mainstream bank which has signalled that it will resume paying a dividend after it was cut for the first time in 35 years earlier last year. A cautiously managed institution, historically, Close Brothers has been very successful in raising and deploying capital at the correct point in the economic cycle.

Tesco returned capital from the sale of its operation in Thailand and paid down its pension fund deficit. The supermarket chain is a sound business, much improved from where it was five years ago. The discounters are less of a threat these days as they have no online exposure and offer fewer product lines – factors that have proved crucial in the current environment. Conduit is a start-up reinsurance company which raised more than £800 million in an IPO (initial public offering or flotation). This will enable the company to deploy capital and take advantage of significant price hardening in a difficult insurance market for the incumbents who have weathered massive losses.

Authorised Corporate Director's Report

Taylor Maritime Investments raised finance through an IPO to acquire a high yielding portfolio of Handysize and Supramax dry bulk ships. The aim is to take advantage of improving charter rates as a result of strong demand for dry bulks at a time of low supply of new-build ships.

Outlook

The UK economy is starting to show signs of improvement in the manufacturing, construction and services sectors, despite having effectively been in lockdown since November 2020. Economic activity has been assisted by the successful coronavirus vaccine rollout and steps by companies to adapt to COVID-19 restrictions and the new post-Brexit environment. Following the 9.9% slump in 2020, the latest Treasury survey of independent forecasts is showing an average forecast of a 6.8% economic expansion for 2021 and 5.4% in 2022, which compares with an historic average of around 2.5%.

Barring unforeseen setbacks, the UK could see most pandemic-related restrictions lifted by the summer. Given the huge increase in household savings during the past year, there is expected to be a significant rise in consumer spending as the restrictions are lifted, resulting in a rapid recovery in the economy in the second half of the year. Encouragingly, these trends should allow the economy to return to its pre-pandemic size by the middle of next year. Naturally, there is always the potential for unexpected disappointments and the route back to growth may not follow a linear path.

Despite a strong recovery from the lows of March 2020, we think the UK equity market remains relatively attractively valued versus its global peers and bonds. Meanwhile, domestic corporate earnings forecasts appear to have regained their positive momentum after last year's declines and there has been a resumption in company dividend payments, providing further support for share prices. Encouragingly, merger and acquisition activity has picked up, indicating that the corporate sector has recognised the opportunity in the UK; many IPOs and fund raisings have been oversubscribed, reflecting the depth of market support at current levels. As matters stand, the backdrop bodes relatively well for

the UK market, particularly as Brexit has now been accomplished and a trade deal agreed.

Distribution prospects

We paid a final distribution of 1.2p in August, to bring the total distribution to around 2.5p for the fund's 2020/2021 financial year ending in June.

The backdrop for dividends continued to be tough, especially in the first half, and thus the fund's annual distribution over its financial year ending 30 June 2021 represented a small 1.7% increase on the 2019/2020 year. However, this compares favourably with our current expectation of a 14% reduction in the 2020/2021 distribution from the FTSE All-Share Index. This year's distribution maintained a premium yield for the fund compared to the benchmark FTSE All-Share Index.

We have witnessed a slightly better environment for dividends of late as many companies have resumed their dividend payments, a trend that we believe should continue as economic activity picks up again. At this stage further, or renewed, dividend suspensions appear unlikely, but clearly some downside risk will remain until the pandemic is firmly under control globally. Against this background, we are focused on rebuilding the fund's income growth record from here, through a combination of underlying dividend growth from companies held and the active management of holdings. We remain convinced of the longer term opportunity presented by higher yielding equities and the UK market.

Michael Stiasny

Fund manager

An employee of M&G FA 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

Holding	as at 30.06.21 £'000	as at 30.06.21 %	as at 30.06.20 %
Equities	987,716	101.58	101.87
Software & computer services	23,228	2.39	1.54^a
2,600,000 Micro Focus International	14,331	1.47	
3,461,907 Moneysupermarket.com	8,897	0.92	
Technology hardware & equipment	0	0.00	0.80
Telecommunication service providers	24,766	2.55	3.27
20,410,000 Vodafone	24,766	2.55	
Pharmaceuticals & biotechnology	95,055	9.78	12.84
150,000 AbbVie	12,150	1.25	
470,000 AstraZeneca	40,862	4.20	
2,772,584 GlaxoSmithKline	39,376	4.05	
110,000 Takeda Pharmaceutical	2,667	0.28	
Banks	53,557	5.51	4.24
222,000 Close Brothers	3,355	0.34	
5,010,000 HSBC	20,869	2.15	
63,143,113 Lloyds Banking	29,333	3.02	
Investment banking & brokerage services	75,913	7.81	6.36^a
189,166 Ashmore	711	0.08	
1,620,000 Brewin Dolphin	5,646	0.58	
9,408,227 Duke Royalty ^b	3,528	0.36	
715,909 IG	6,164	0.64	
877,000 Intermediate Capital	18,891	1.94	
3,444,257 Jupiter Fund Management	9,651	0.99	
151,600 Schroders	3,896	0.40	
969,500 St. James's Place	14,295	1.47	
3,715,000 Standard Life Aberdeen	10,090	1.04	
2,228,085 XPS Pensions	3,041	0.31	
Equity investment instruments	4,411	0.45	0.26
3,786,255 SDCL Energy Efficiency Income Trust	4,411	0.45	
Non-equity investment instruments	11,107	1.14	0.92
1,157,000 Honeycomb Investment Trust	11,107	1.14	
Life insurance	72,026	7.41	6.49^a
5,875,000 Aviva	23,829	2.45	

Investments

Portfolio statement (continued)

Holding	as at 30.06.21 £'000	as at 30.06.21 %	as at 30.06.20 %
Equities (continued)			
Life insurance (continued)			
2,964,566 Chesnara	7,915	0.82	
6,475,000 Legal & General	16,719	1.72	
3,520,000 Phoenix	23,563	2.42	
Non-life insurance	42,848	4.41	6.15
186,000 Admiral	5,891	0.61	
1,500,000 Conduit	7,785	0.80	
6,205,293 Direct Line Insurance	17,840	1.84	
4,240,000 Sabre Insurance	10,897	1.12	
1,500 Zurich Insurance	435	0.04	
Real estate investment & services	5,127	0.53	0.61
11,651,595 Grit Real Estate Income	5,127	0.53	
Real estate investment trusts	37,655	3.87	3.45
2,319,130 Home REIT	2,621	0.27	
6,275,000 NewRiver REIT	5,321	0.55	
9,171,951 Regional REIT	7,824	0.80	
806,000 UNITE REIT	8,576	0.88	
1,540,000 Urban Logistics REIT ^b	2,425	0.25	
7,307,676 Warehouse REIT ^b	10,888	1.12	
Automobiles & parts	0	0.00	0.81
Household goods & home construction	29,169	3.00	2.18
317,500 Persimmon	9,347	0.96	
960,000 Vistry	11,275	1.16	
3,975,000 Watkin Jones ^b	8,547	0.88	
Leisure goods	0	0.00	0.84
Media	59,558	6.13	3.24^a
9,250,000 ITV	11,539	1.19	
10,105,000 Reach	27,991	2.88	
982,983 STV	3,244	0.33	
1,722,829 WPP	16,784	1.73	

Investments

Portfolio statement (continued)

Holding	as at 30.06.21 £'000	as at 30.06.21 %	as at 30.06.20 %
Equities (continued)			
Retailers	11,781	1.21	1.19
1,761,606 ScS	5,390	0.55	
405,766 WH Smith	6,391	0.66	
Travel & leisure	40,842	4.20	4.64
1,870,500 Entain	32,462	3.34	
369,648 Go-Ahead	4,170	0.43	
4,800,000 Marston's	4,210	0.43	
Beverages	10,175	1.05	1.45
1,090,000 Britvic	10,175	1.05	
Food producers	5,060	0.52	0.53
2,540,000 Devro	4,958	0.51	
13,690 Tate & Lyle	102	0.01	
Tobacco	87,620	9.01	10.26
1,745,000 British American Tobacco	48,764	5.01	
2,493,980 Imperial Brands	38,856	4.00	
Personal care, drug & grocery stores	22,021	2.26	1.27^a
5,135,000 Tesco	11,433	1.17	
250,000 Unilever	10,588	1.09	
Construction & materials	4,583	0.47	0.12
3,603,114 Kier	4,583	0.47	
Electronic & electrical equipment	3,545	0.36	0.98^a
206,000 IMI	3,545	0.36	
General industrials	19,507	2.01	2.27
4,660,000 DS Smith	19,507	2.01	
Industrial support services	15,665	1.61	2.50
3,290,000 Essentra	10,544	1.08	
900,000 PayPoint	5,121	0.53	
Industrial transportation	6,950	0.71	0.00
9,132,121 Taylor Maritime Investments	6,950	0.71	
Industrial materials	8,146	0.84	0.56
300,000 UPM-Kymmene	8,146	0.84	

Investments

Portfolio statement (continued)

Holding	as at 30.06.21 £'000	as at 30.06.21 %	as at 30.06.20 %
Equities (continued)			
Industrial metals & mining	54,249	5.58	4.87^a
550,000 Central Asia Metals ^b	1,312	0.14	
882,000 Rio Tinto	52,937	5.44	
Chemicals	17,939	1.84	1.68
242,000 Methanex	5,778	0.59	
477,626 Victrex	12,161	1.25	
Non-renewable energy	80,812	8.31	8.12^a
16,020,000 BP	50,279	5.17	
12,166,151 Diversified Energy	12,677	1.30	
2,990,875 Prosafe	273	0.03	
535,000 TOTAL	17,583	1.81	
Electricity	31,062	3.19	1.85
2,245,000 Drax	9,600	0.99	
1,427,500 SSE	21,462	2.20	
Gas, water & multi-utilities	33,339	3.43	5.58
300,000 Engie	2,947	0.30	
2,738,000 National Grid	25,053	2.58	
550,000 United Utilities	5,339	0.55	
Unquoted / unlisted^c	0	0.00	0.00
377,518 Izodia	0	0.00	
Portfolio of investments (notes 2c & 2d on page 9)	987,716	101.58	101.87
Net other assets / (liabilities)	(15,386)	(1.58)	(1.87)
Net assets attributable to shareholders	972,330	100.00	100.00

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

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

^b AIM quoted.

^c Suspended.

Investments

Top ten portfolio transactions for the year to 30 June 2021

Largest purchases	£'000
Direct Line Insurance	12,901
Vistry	10,462
Tesco	8,228
Conduit	7,500
SSE	6,873
Moneysupermarket.com	6,855
Watkin Jones ^a	6,649
Taylor Maritime Investments	6,464
GlaxoSmithKline	6,127
IG	5,940
Other purchases	95,013
Total purchases	173,012

Largest sales	£'000
Entain	27,562
Countryside Properties	20,103
Admiral	17,322
Hastings	12,515
AstraZeneca	11,831
Pennon	11,467
Nokian Renkaat	11,076
IMI	10,059
Games Workshop	9,637
Intermediate Capital	9,562
Other sales	204,889
Total sales	346,023

^a AIM quoted.

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

Financial highlights

Fund performance

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

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

Fund level performance

Fund net asset value as at	30.06.21 £'000	30.06.20 £'000	30.06.19 £'000
Fund net asset value (NAV)	972,330	952,130	1,134,711

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.

May 1964 = 100, plotted monthly
Chart date 1 July 2021



Source: Morningstar, Inc. and M&G

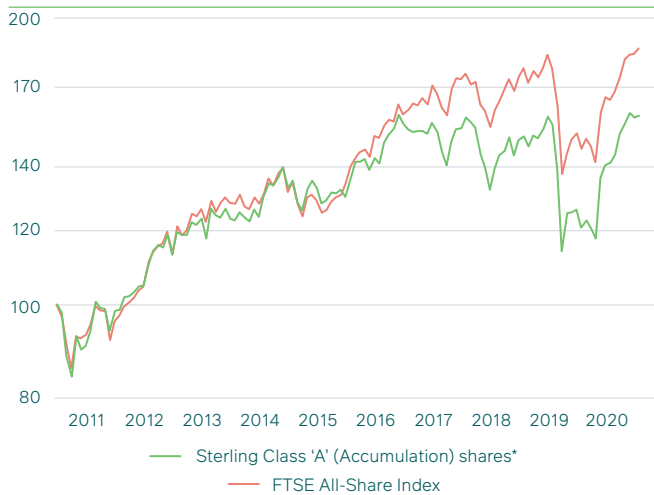
*Income reinvested

Financial highlights

Ten-year performance

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

Ten years, 1 July 2011 = 100, plotted monthly
Chart date 1 July 2021



Source: Morningstar, Inc. and M&G

*Income reinvested

Historic yield

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

Yield comparison from May 1964, plotted monthly
Chart date 1 July 2021



Source: Morningstar, Inc. and M&G

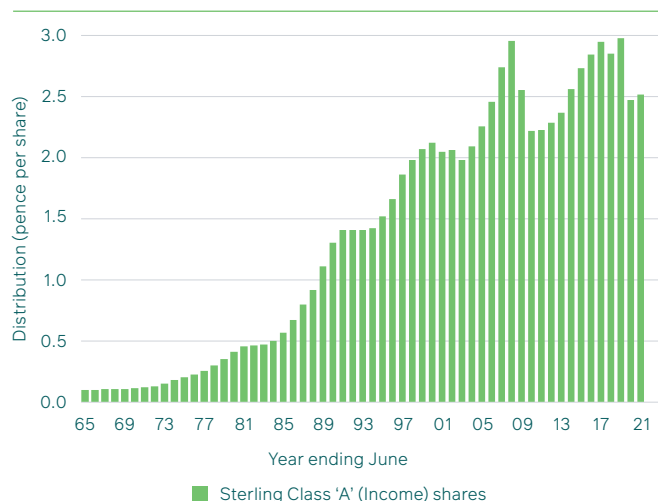
Historic yield: The historic yield reflects distributions declared over the past twelve months as a percentage of the mid-market price, as at the date shown. It does not include any preliminary charge and investors may be subject to tax on their distributions.

Financial highlights

Distribution since launch

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

Annual distributions since launch of the share class
Chart date 1 July 2021



Source: M&G

Long-term performance by share class

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.

Share class	One year 01.07.20 % ^a	Three years 02.07.18 % pa	Five years 01.07.16 % pa	Since launch % pa
Sterling^b				
Class 'A'	+27.9	+1.6	+3.5	+10.5 ^c
Class 'C'	+29.3	+2.9	+4.9	+5.8 ^d
Class 'I'	+28.5	+2.2	+4.1	+6.0 ^e
Class 'R'	+28.2	+1.9	+3.9	+5.7 ^e
Class 'X'	+27.9	+1.6	+3.5	+6.5 ^f

^a Absolute basis.

^b Price to price with income reinvested.

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

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

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

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

Operating charges and portfolio transaction costs

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

Operating charges

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

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

Financial highlights

- **Ongoing charges from underlying funds:** From 1 August 2019 ongoing charges from underlying funds managed by the ACD (excluding Investment Trust Companies and Real Estate Investment Trusts) will be rebated. Holdings in all other underlying funds are not rebated.

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

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

Portfolio transaction costs

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

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

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

To protect existing investors, portfolio transaction costs incurred as a result of investors buying and selling shares in the fund are recovered from those investors through a 'dilution adjustment' to the price they pay or

receive. The table below shows direct portfolio transaction costs paid by the fund before and after that part of the dilution adjustment relating to direct portfolio transaction costs. To give an indication of the indirect portfolio dealing costs the table also shows the average portfolio dealing spread.

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

Portfolio transaction costs

for the year to 30 June	2021	2020	2019	Average ^a
Direct portfolio transaction costs^b	%	%	%	%
Broker commission	0.02	0.02	0.04	0.03
Taxes	0.06	0.10	0.18	0.11
Costs before dilution adjustments	0.08	0.12	0.22	0.14
Dilution adjustments ^c	(0.02)	(0.05)	(0.03)	(0.03)
Total direct portfolio transaction costs	0.06	0.07	0.19	0.11
as at 30 June	2021	2020	2019	Average ^a
Indirect portfolio transaction costs	%	%	%	%
Average portfolio dealing spread	0.21	0.25	0.11	0.19

^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.

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 9 July 2021.

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	2021 UK p	2020 UK p	2019 UK p
Opening NAV	45.44	56.65	61.07
Return before operating charges	11.85	(8.08)	(0.47)
Operating charges	(0.56)	(0.66)	(0.98)
Return after operating charges	11.29	(8.74)	(1.45)
Distributions	(2.51)	(2.47)	(2.97)
Closing NAV	54.22	45.44	56.65
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.04	0.06	0.13
Dilution adjustments ^a	(0.01)	(0.03)	(0.02)
Total direct transaction costs	0.03	0.03	0.11
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.06	0.07	0.19
Operating charges ^c	1.20	1.22	1.70
Return after charges	+24.85	-15.43	-2.37
Historic yield	4.60	5.60	5.21
Other information			
Closing NAV (£'000)	228,185	204,137	264,442
Closing NAV (%)	23.47	21.44	23.30
Number of shares	420,846,175	449,275,012	466,775,318
Highest share price (UK p)	56.73	60.72	63.11
Lowest share price (UK p)	42.00	37.94	52.08

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	2021 UK p	2020 UK p	2019 UK p
Opening NAV	580.23	687.64	702.83
Return before operating charges	153.93	(99.35)	(3.77)
Operating charges	(7.28)	(8.06)	(11.42)
Return after operating charges	146.65	(107.41)	(15.19)
Distributions	(25.22)	(22.20)	(23.50)
Retained distributions	25.22	22.20	23.50
Closing NAV	726.88	580.23	687.64
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.51	0.75	1.47
Dilution adjustments ^a	(0.16)	(0.35)	(0.23)
Total direct transaction costs	0.35	0.40	1.24
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.06	0.07	0.19
Operating charges ^c	1.20	1.22	1.70
Return after charges	+25.27	-15.62	-2.16
Historic yield	3.45	3.94	3.40
Other information			
Closing NAV (£'000)	63,512	52,150	67,252
Closing NAV (%)	6.53	5.48	5.93
Number of shares	8,737,714	8,987,698	9,780,117
Highest share price (UK p)	743.96	739.07	726.56
Lowest share price (UK p)	540.88	466.67	600.55

Financial highlights

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	2021 UK p	2020 UK p	2019 UK p
Opening NAV	56.87	70.03	74.35
Return before operating charges	14.94	(10.08)	(0.53)
Operating charges	0.00	(0.01)	(0.14)
Return after operating charges	14.94	(10.09)	(0.67)
Distributions	(3.16)	(3.07)	(3.65)
Closing NAV	68.65	56.87	70.03
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.05	0.08	0.16
Dilution adjustments ^a	(0.02)	(0.04)	(0.02)
Total direct transaction costs	0.03	0.04	0.14
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.06	0.07	0.19
Operating charges ^c	0.06	0.01	0.20
Return after charges	+26.27	-14.41	-0.90
Historic yield	4.57	5.56	5.18
Other information			
Closing NAV (£'000)	516,000	551,154	658,664
Closing NAV (%)	53.06	57.89	58.04
Number of shares	751,664,821	969,200,915	940,507,184
Highest share price (UK p)	71.79	75.53	76.94
Lowest share price (UK p)	52.78	47.32	63.90

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	2021 UK p	2020 UK p	2019 UK p
Opening NAV	920.61	1,141.74	1,221.44
Return before operating charges	240.92	(163.78)	(8.93)
Operating charges	(6.80)	(7.47)	(11.06)
Return after operating charges	234.12	(171.25)	(19.99)
Distributions	(51.01)	(49.88)	(59.71)
Closing NAV	1,103.72	920.61	1,141.74
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.80	1.22	2.55
Dilution adjustments ^a	(0.25)	(0.58)	(0.41)
Total direct transaction costs	0.55	0.64	2.14
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.06	0.07	0.19
Operating charges ^c	0.74	0.70	0.95
Return after charges	+25.43	-15.00	-1.64
Historic yield	4.59	5.58	5.20
Other information			
Closing NAV (£'000)	93,337	86,111	72,423
Closing NAV (%)	9.60	9.04	6.38
Number of shares	8,456,571	9,353,766	6,343,173
Highest share price (UK p)	1,154.64	1,227.11	1,263.06
Lowest share price (UK p)	852.43	767.62	1,045.65

Financial highlights

Sterling Class 'I' Accumulation share performance

The share class was launched on 3 August 2012.

for the year to 30 June	2021	2020	2019
Change in NAV per share	UK p	UK p	UK p
Opening NAV	1,332.37	1,570.70	1,593.43
Return before operating charges	354.46	(227.78)	(8.19)
Operating charges	(10.01)	(10.55)	(14.54)
Return after operating charges	344.45	(238.33)	(22.73)
Distributions	(64.82)	(58.71)	(64.98)
Retained distributions	64.82	58.71	64.98
Closing NAV	1,676.82	1,332.37	1,570.70
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	1.17	1.71	3.35
Dilution adjustments ^a	(0.37)	(0.81)	(0.53)
Total direct transaction costs	0.80	0.90	2.82
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.06	0.07	0.19
Operating charges ^c	0.74	0.70	0.95
Return after charges	+25.85	-15.17	-1.43
Historic yield	3.84	4.54	4.11
Other information			
Closing NAV (£'000)	20,194	16,263	20,241
Closing NAV (%)	2.08	1.71	1.78
Number of shares	1,204,324	1,220,640	1,288,692
Highest share price (UK p)	1,715.93	1,693.26	1,648.33
Lowest share price (UK p)	1,244.06	1,070.09	1,366.64

Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012.

for the year to 30 June	2021	2020	2019
Change in NAV per share	UK p	UK p	UK p
Opening NAV	90.24	112.20	120.34
Return before operating charges	23.59	(16.05)	(0.90)
Operating charges	(0.92)	(1.01)	(1.37)
Return after operating charges	22.67	(17.06)	(2.27)
Distributions	(4.99)	(4.90)	(5.87)
Closing NAV	107.92	90.24	112.20
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.08	0.12	0.25
Dilution adjustments ^a	(0.02)	(0.06)	(0.04)
Total direct transaction costs	0.06	0.06	0.21
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.06	0.07	0.19
Operating charges ^c	0.99	0.95	1.20
Return after charges	+25.12	-15.20	-1.89
Historic yield	4.60	5.59	5.20
Other information			
Closing NAV (£'000)	16,682	13,073	15,838
Closing NAV (%)	1.72	1.37	1.40
Number of shares	15,457,189	14,486,440	14,115,564
Highest share price (UK p)	112.90	120.44	124.41
Lowest share price (UK p)	83.49	75.30	102.89

Financial highlights

Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012.

for the year to 30 June	2021	2020	2019
Change in NAV per share	UK p	UK p	UK p
Opening NAV	130.60	154.35	156.97
Return before operating charges	34.69	(22.35)	(0.82)
Operating charges	(1.34)	(1.40)	(1.80)
Return after operating charges	33.35	(23.75)	(2.62)
Distributions	(5.98)	(5.39)	(6.02)
Retained distributions	5.98	5.39	6.02
Closing NAV	163.95	130.60	154.35
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.12	0.17	0.33
Dilution adjustments ^a	(0.04)	(0.08)	(0.05)
Total direct transaction costs	0.08	0.09	0.28
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.06	0.07	0.19
Operating charges ^c	0.99	0.95	1.20
Return after charges	+25.54	-15.39	-1.67
Historic yield	3.63	4.25	3.88
Other information			
Closing NAV (£'000)	18,764	14,929	16,887
Closing NAV (%)	1.93	1.57	1.49
Number of shares	11,444,756	11,430,916	10,940,930
Highest share price (UK p)	167.79	166.16	162.34
Lowest share price (UK p)	121.84	104.96	134.46

Sterling Class 'X' Income share performance

The share class was launched on 1 October 2002.

for the year to 30 June	2021	2020	2019
Change in NAV per share	UK p	UK p	UK p
Opening NAV	45.64	56.91	61.35
Return before operating charges	11.91	(8.13)	(0.46)
Operating charges	(0.56)	(0.66)	(0.99)
Return after operating charges	11.35	(8.79)	(1.45)
Distributions	(2.52)	(2.48)	(2.99)
Closing NAV	54.47	45.64	56.91
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.04	0.06	0.13
Dilution adjustments ^a	(0.01)	(0.03)	(0.02)
Total direct transaction costs	0.03	0.03	0.11
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.06	0.07	0.19
Operating charges ^c	1.20	1.22	1.70
Return after charges	+24.87	-15.45	-2.36
Historic yield	4.60	5.60	5.21
Other information			
Closing NAV (£'000)	13,401	12,504	16,516
Closing NAV (%)	1.38	1.31	1.46
Number of shares	24,603,687	27,395,252	29,018,907
Highest share price (UK p)	57.00	61.00	63.40
Lowest share price (UK p)	42.19	38.12	52.32

Financial highlights

Sterling Class 'X' Accumulation share performance

The share class was launched on 1 October 2002.

for the year to 30 June	2021	2020	2019
Change in NAV per share	UK p	UK p	UK p
Opening NAV	573.98	680.23	695.26
Return before operating charges	152.28	(98.26)	(3.72)
Operating charges	(7.21)	(7.99)	(11.31)
Return after operating charges	145.07	(106.25)	(15.03)
Distributions	(24.95)	(21.96)	(23.25)
Retained distributions	24.95	21.96	23.25
Closing NAV	719.05	573.98	680.23
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.51	0.74	1.46
Dilution adjustments ^a	(0.16)	(0.35)	(0.23)
Total direct transaction costs	0.35	0.39	1.23
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.06	0.07	0.19
Operating charges ^c	1.20	1.22	1.70
Return after charges	+25.27	-15.62	-2.16
Historic yield	3.45	3.94	3.40
Other information			
Closing NAV (£'000)	2,255	1,809	2,448
Closing NAV (%)	0.23	0.19	0.22
Number of shares	313,654	315,200	359,867
Highest share price (UK p)	735.95	731.11	718.73
Lowest share price (UK p)	535.05	461.64	594.08

^a In respect of direct portfolio transaction costs.

^b As a percentage of average net asset value.

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

Financial statements and notes

Financial statements

Statement of total return

for the year to 30 June	Note	2021		2020	
		£'000	£'000	£'000	£'000
Income					
Net capital gains/(losses)	3		190,824		(210,361)
Revenue	5	50,829		51,071	
Expenses	6	(4,317)		(5,123)	
Net revenue/(expense) before taxation		46,512		45,948	
Taxation	7	(506)		(779)	
Net revenue/(expense) after taxation			46,006		45,169
Total return before distributions			236,830		(165,192)
Distributions	8		(49,349)		(49,214)
Change in net assets attributable to shareholders from investment activities			187,481		(214,406)

Statement of change in net assets attributable to shareholders

for the year to 30 June	2021		2020	
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		952,130		1,134,711
Amounts received on issue of shares	34,048		154,352	
Amounts paid on cancellation of shares	(205,729)		(127,035)	
		(171,681)		27,317
Dilution adjustments		435		958
Change in net assets attributable to shareholders from investment activities (see above)		187,481		(214,406)
Retained distributions on Accumulation shares		3,754		3,444
Unclaimed distributions		211		106
Closing net assets attributable to shareholders		972,330		952,130

Financial statements and notes

Financial statements

Balance sheet

as at 30 June	Note	2021 £'000	2020 £'000
Assets			
Fixed assets			
Investments		987,716	969,888
Current assets			
Debtors	9	11,670	4,056
Cash and bank balances	10	955	117
Total assets		1,000,341	974,061
Liabilities			
Creditors			
Bank overdrafts		0	(7)
Distribution payable		(19,341)	(17,112)
Other creditors	11	(8,670)	(4,812)
Total liabilities		(28,011)	(21,931)
Net assets attributable to shareholders		972,330	952,130

Financial statements and notes

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 9 to 12.

2 Distribution policy

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

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

3 Net capital gains/(losses)

for the year to 30 June	2021 £'000	2020 £'000
Non-derivative securities	190,841	(210,305)
Derivative contracts	(1)	(210)
Currency gains/(losses)	(16)	156
Transaction charges	0	(2)
Net capital gains/(losses)	190,824	(210,361)

Financial statements and notes

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 69 to 70.

for the year to 30 June	2021 £'000	% of transaction	2020 £'000	% of transaction
a) Purchases				
Equities				
Equities before transaction costs	169,005		280,148	
Commissions	56	0.03	106	0.04
Taxes	599	0.35	1,024	0.36
Equities after transaction costs	169,660		281,278	
Collective investment schemes				
Collective investment schemes before transaction costs	3,352		424	
Commissions	0	0.00	1	0.12
Taxes	0	0.00	2	0.50
Collective investment schemes after transaction costs	3,352		427	
Total purchases after transaction costs	173,012		281,705	
b) Sales				
Equities				
Equities before transaction costs	342,173		263,966	
Commissions	(135)	0.04	(109)	0.04
Taxes	(1)	0.00	0	0.00
Equities after transaction costs	342,037		263,857	
Collective investment schemes				
Collective investment schemes before transaction costs	3,988		0	
Commissions	(2)	0.05	0	0.00
Collective investment schemes after transaction costs	3,986		0	
Total sales after transaction costs	346,023		263,857	

Financial statements and notes

	2021 £'000	% of average NAV	2020 £'000	% of average NAV
c) Direct portfolio transaction costs				
Commissions paid				
Equities	191	0.02	215	0.02
Collective investment schemes	2	0.00	1	0.00
Total commissions paid	193	0.02	216	0.02
Taxes paid				
Equities	600	0.06	1,024	0.10
Collective investment schemes	0	0.00	2	0.00
Total taxes paid	600	0.06	1,026	0.10
Total direct portfolio transaction costs^a	793	0.08	1,242	0.12
		%		%
d) Indirect portfolio transaction costs				
Portfolio dealing spread ^b		0.21		0.25

^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	2021 £'000	2020 £'000
Bank interest	1	1
Distributions from collective investment schemes: taxable	960	940
Dividends from equity investments: non-taxable	47,809	47,900 ^a
Dividends from equity investments: taxable	34	57 ^a
Interest distributions	0	67
Property distribution: non-taxable	89	400 ^a
Property distribution: taxable	1,055	1,648 ^a
Rebate of ongoing charges from underlying funds	0	7
Stock dividends	841	48
Underwriting commission	40	3
Total revenue	50,829	51,071

^a The prior year amounts have been restated due to the reclassification of revenue in the current year.

Financial statements and notes

6 Expenses

for the year to 30 June	2021 £'000	2020 £'000
Payable to the ACD or associate		
Annual charge	4,286	4,381
Annual management charge ^a	0	572
Administration charge ^a	0	157
	4,286	5,110
Payable to the Depositary or associate		
Depositary's charge (including VAT) ^a	0	5
Other expenses		
Audit fee (including VAT) ^a	0	1
Interest payable	33	9
Safe custody charge ^a	(2)	(2)
	31	8
Total expenses	4,317	5,123

^a The segregated charges shown above for annual management, administration, depositary, audit and safe custody are those paid by the fund up to and including 31 July 2019. As of 1 August 2019 these charges have been replaced by the single annual charge.

Audit fees for the financial year ending 2021 were £10,000 (2020: £9,000) (including VAT), which are covered by the annual charge.

Financial statements and notes

7 Taxation

for the year to 30 June	2021 £'000	2020 £'000
a) Analysis of charge in the year		
Corporation tax	0	0
Withholding tax	506	779
Deferred tax (note 7c)	0	0
Total taxation	506	779
b) Factors affecting taxation charge for the year		
Net revenue/(expense) before taxation	46,512	45,948
Corporation tax at 20%	9,302	9,190
Effects of:		
Dividends from equity investments: non-taxable	(9,580)	(9,660)
Stock dividends not taxable	(168)	(10)
Current year expenses not utilised	446	480
Withholding tax	506	779
Total tax charge (note 7a)	506	779
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 £38,829,000 (2020: £38,383,000) arising as a result of having excess management expenses. We do not expect this asset to be utilised in the foreseeable future.

Financial statements and notes

8 Distributions

for the year to 30 June Dividend distributions	2021		2020	
	Inc ^a £'000	Acc ^b £'000	Inc ^a £'000	Acc ^b £'000
First interim	6,698	535	n/a	n/a
Second interim	6,468	496	15,014	1,165
Third interim	10,569	872	14,282	1,044
Final	19,341	1,851	17,112	1,235
Total net distributions	46,830		49,852	
Income deducted on cancellation of shares	2,853		1,792	
Income received on issue of shares	(334)		(2,430)	
Distributions	49,349		49,214	
Net revenue/(expense) per statement of total return	46,006		45,169	
Expenses offset against capital	3,343		4,044	
Undistributed income brought forward	0		1	
Distributions	49,349		49,214	

^a Distributions payable on Income shares.

^b Retained distributions on Accumulation shares.

9 Debtors

as at 30 June	2021 £'000	2020 £'000
Amounts receivable on issues of shares	82	27
Currency deals outstanding	687	22
Dividends receivable	4,213	2,363
Sales awaiting settlement	5,332	0
Withholding tax recoverable	1,356	1,644
Total debtors	11,670	4,056

10 Cash and bank balances

as at 30 June	2021 £'000	2020 £'000
Cash held as bank balances	955	117
Total cash and bank balances	955	117

Financial statements and notes

11 Other creditors

as at 30 June	2021 £'000	2020 £'000
Amounts payable on cancellation of shares	7,783	1,251
Annual charge payable	200	173
Currency deals outstanding	687	22
Expenses payable	0	10
Purchases awaiting settlement	0	3,356
Total other creditors	8,670	4,812

12 Contingent assets, liabilities and outstanding commitments

There were no contingent assets, liabilities or outstanding commitments at the balance sheet date (2020: 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 01.07.20	Issued	Movements Cancelled	Closing 30.06.21
Sterling				
Class 'A' Income	449,275,012	7,164,276	(35,593,113)	420,846,175
Class 'A' Accumulation	8,987,698	243,057	(493,041)	8,737,714
Class 'C' Income	969,200,915	40,256,987	(257,793,081)	751,664,821
Class 'I' Income	9,353,766	69,133	(966,328)	8,456,571
Class 'I' Accumulation	1,220,640	122,028	(138,344)	1,204,324
Class 'R' Income	14,486,440	2,821,461	(1,850,712)	15,457,189
Class 'R' Accumulation	11,430,916	869,086	(855,246)	11,444,756
Class 'X' Income	27,395,252	215,345	(3,006,910)	24,603,687
Class 'X' Accumulation	315,200	40,627	(42,173)	313,654

Financial statements and notes

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	Annual charge ^a to 14.02.21 %	Annual charge ^a from 15.02.21 %
Sterling		
Class 'A'	1.20	1.10
Class 'C'	0.00	0.00
Class 'I'	0.70	0.70
Class 'R'	0.95	0.95
Class 'X'	1.20	1.10

^a The amounts shown are the maximum annual charge. M&G will apply a discount of 0.02% for every £1 billion of a fund's net asset value. This is assessed quarterly and implemented on a forward basis no later than 13 business days after quarter end.

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 annual charge, ACD's annual management charge and administration charge are disclosed in note 6. Amounts due at the year end in respect of the annual charge are disclosed in note 11.

At the balance sheet date, shareholders from within M&G plc, of which M&G Securities Limited is a wholly owned subsidiary, have holdings totalling 60.75% (2020: 65.21%) 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.

Financial statements and notes

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 2021 £'000	Liabilities 2021 £'000	Assets 2020 £'000	Liabilities 2020 £'000
Level 1	987,716	0	969,888	0
Level 2	0	0	0	0
Level 3	0	0	0	0
	987,716	0	969,888	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 12 to 14.

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 £48,617,000 (2020: £48,494,000). 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 table below show the exposure to counterparties. Collateral is posted daily, in the form of cash or high-quality government bonds, to minimise this exposure. There is no exposure to counterparties to disclose for the current year.

as at 30 June 2020	Forward currency contracts £'000
Bank of America Merrill Lynch	(783)
Total	(783)

Financial statements and notes

23 Dividend distribution tables

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

Quarterly distribution periods

	Start	End	Xd	Payment
First interim	01.07.20	30.09.20	01.10.20	30.11.20
Second interim	01.10.20	31.12.20	04.01.21	28.02.21
Third interim	01.01.21	31.03.21	01.04.21	31.05.21
Final	01.04.21	30.06.21	01.07.21	31.08.21

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	Group 2 Equalisation	Group 1 & 2 Distribution	
	2021 UK p	2021 UK p	2021 UK p	2020 UK p
First interim	0.0000	0.3500	0.3500	n/a
Second interim	0.0000	0.3500	0.3500	0.8250
Third interim	0.0000	0.6000	0.6000	0.7425
Final	0.2738	0.9372	1.2110	0.9012

Sterling Class 'A' Accumulation shares

Ordinary distributions for the year to 30 June	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2021 UK p	2021 UK p	2021 UK p	2020 UK p
First interim	1.3321	2.2679	3.6000	n/a
Second interim	0.0000	3.3000	3.3000	7.4000
Third interim	0.9874	4.8126	5.8000	6.7500
Final	3.6567	8.8639	12.5206	8.0526

Financial statements and notes

Sterling Class 'C' Income shares

Ordinary distributions for the year to 30 June	Income	Group 2	Group 1 & 2	
	2021 UK p	Equalisation 2021 UK p	2021 UK p	2020 UK p
First interim	0.0605	0.3780	0.4385	n/a
Second interim	0.0000	0.4400	0.4400	1.0250
Third interim	0.0000	0.7550	0.7550	0.9250
Final	0.1489	1.3800	1.5289	1.1196

Sterling Class 'I' Income shares

Ordinary distributions for the year to 30 June	Income	Group 2	Group 1 & 2	
	2021 UK p	Equalisation 2021 UK p	2021 UK p	2020 UK p
First interim	0.0000	7.1000	7.1000	n/a
Second interim	0.0000	7.1000	7.1000	16.6500
Third interim	0.0000	12.2000	12.2000	15.0000
Final	5.9303	18.6775	24.6078	18.2316

Sterling Class 'I' Accumulation shares

Ordinary distributions for the year to 30 June	Income	Group 2	Group 1 & 2	
	2021 UK p	Equalisation 2021 UK p	2021 UK p	2020 UK p
First interim	0.0000	9.1000	9.1000	n/a
Second interim	0.0000	8.8000	8.8000	19.5000
Third interim	0.9366	14.2634	15.2000	17.7500
Final	10.6525	21.0669	31.7194	21.4609

Sterling Class 'R' Income shares

Ordinary distributions for the year to 30 June	Income	Group 2	Group 1 & 2	
	2021 UK p	Equalisation 2021 UK p	2021 UK p	2020 UK p
First interim	0.0000	0.6950	0.6950	n/a
Second interim	0.0000	0.7000	0.7000	1.6400
Third interim	0.0000	1.2000	1.2000	1.4700
Final	0.6922	1.7059	2.3981	1.7862

Financial statements and notes

Sterling Class 'R' Accumulation shares

Ordinary distributions for the year to 30 June	Income	Group 2	Group 1 & 2	
	2021 UK p	Equalisation 2021 UK p	2021 UK p	2020 UK p
First interim	0.0000	0.8500	0.8500	n/a
Second interim	0.0000	0.8000	0.8000	1.8000
Third interim	0.0477	1.3523	1.4000	1.6300
Final	0.8741	2.0606	2.9347	1.9642

Sterling Class 'X' Income shares

Ordinary distributions for the year to 30 June	Income	Group 2	Group 1 & 2	
	2021 UK p	Equalisation 2021 UK p	2021 UK p	2020 UK p
First interim	0.0000	0.3515	0.3515	n/a
Second interim	0.0000	0.3500	0.3500	0.8250
Third interim	0.0000	0.6000	0.6000	0.7500
Final	0.2125	1.0085	1.2210	0.9051

Sterling Class 'X' Accumulation shares

Ordinary distributions for the year to 30 June	Income	Group 2	Group 1 & 2	
	2021 UK p	Equalisation 2021 UK p	2021 UK p	2020 UK p
First interim	1.0309	2.5191	3.5500	n/a
Second interim	0.0000	3.3000	3.3000	7.3000
Third interim	0.0000	5.7500	5.7500	6.7000
Final	3.0811	9.2677	12.3488	7.9633

Authorised Corporate Director's Report

Investment objective

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

* The composite index is made up of one third JPM EMBI Global Diversified Index, one third JPM CEMBI Broad Diversified Index and one third JPM GBI-EM Global Diversified Index.

Investment policy

At least 80% of the fund is invested, directly or indirectly through derivatives, in emerging market debt securities. These securities can be issued or guaranteed by emerging market governments and their agencies, public authorities, quasi-sovereigns, supranational bodies and companies that are incorporated, domiciled, listed or do most of their business in emerging markets. These securities can be denominated in any currency, including emerging market currencies.

Other investments may include:

- asset-backed securities; and
- other transferable securities, cash, and near cash, directly or via collective investment schemes (including funds managed by M&G).

There are no credit quality restrictions applicable to the fund's investments.

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

Investment approach

The fund is globally diversified across a range of emerging market debt securities and issuers from a variety of sectors and geographies. The fund's investment approach is flexible and begins with an assessment of macroeconomic factors such as global risk appetite and the catalysts of global economic growth.

On a regional and country-specific level, factors such as monetary and fiscal policies, capital flows, and political

and regulatory environments are assessed. The result of this analysis will help inform the country, currency allocations and duration of the portfolio.

Individual credit selection is carried out with the assistance of an in-house team of credit analysts to complement the fund manager's views.

Benchmark

A composite index comprising:

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

The benchmark is a target which the fund seeks to outperform. The composite index has been chosen as the fund's benchmark as it best reflects the scope of the fund's investment policy. The benchmark does not constrain the fund's portfolio construction.

The fund is actively managed.

The fund manager has complete freedom in choosing which assets to buy, hold and sell in the fund. The fund's holdings may deviate significantly from the benchmark's constituents.

For unhedged and hedged share classes, the benchmark is shown in the share class currency.

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

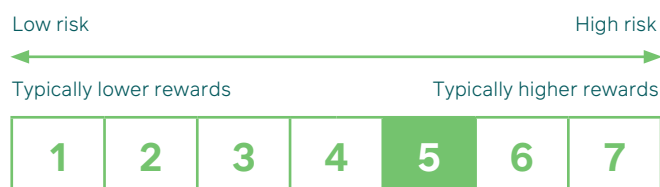
Authorised Corporate Director's Report

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 changed during this period. From 1 July 2020 to 14 February 2021 the risk number was 4.

Investment review

As at 1 July 2021, for the year ended 30 June 2021

Performance against objective

Between 1 July 2020 (the start of the review period) and 1 July 2021, the M&G Emerging Markets Bond Fund delivered a negative total return (the combination of income and growth of capital) across all of its sterling

unhedged share classes. A rise in the value of sterling against the US dollar helped the fund's sterling hedged share classes to record a positive return, as the fund maintained a sizeable exposure to the US dollar.

In comparison, the fund's benchmark recorded a return of -3.1% in the same period. The fund's benchmark is a composite index consisting of 1/3 JP Morgan Emerging Markets Bond (EMBI) Global Diversified Index, 1/3 JP Morgan Corporate EMBI (CEMBI) Broad Diversified Index, and 1/3 JPM GBI-EM Global Diversified Index.

Over five years, the fund has achieved its objective of providing a combination of capital growth and income, net of the ongoing charge figure, higher than that of this benchmark composite index over any five-year period. The return of the benchmark composite index was 3.8% pa over this period.

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

Performance review

During the 12 months under review, emerging market bonds lagged the performance of other riskier asset classes during the continued global recovery following the COVID-19-induced sell-off, seen just before the start of the review period, in March 2020.

The uncertainty and volatility that had plagued financial markets in the first half of 2020 continued to ease throughout the remainder of that year, despite fresh lockdowns and restrictions causing immense economic damage around the world. Huge levels of government and central bank support buoyed investor sentiment, despite a slew of extremely poor economic data that reflected the severity of the COVID-19 crisis.

In the second half of 2020, emerging market debt yields continued to decline, albeit with some bouts of volatility due to new virus outbreaks and some general risk-off sentiment, including in the period leading up to the US presidential election. 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

Authorised Corporate Director's Report

value. The higher the yield on a bond, the higher the risk of default – that is, the risk that the issuer will fail to pay the interest or repay the full amount borrowed. We maintained a decent amount of risk in the fund, particularly in some of the more cyclical parts of the market that appeared oversold to us. Our patience was rewarded as many issuers in these areas strongly rebounded in the fourth quarter, contributing to the fund's outperformance during the second half of the year.

Markets received a significant boost in November following news of several successful COVID-19 vaccine trials and greater clarity over the likely outcome of the highly contentious US election result. A weakening US dollar, the commencement of the global vaccine roll-out and investors' hunt for yield were all supportive factors for the asset class during this period.

Most bond markets moved sharply lower during the first quarter of 2021, as US Treasuries and other government bonds sold off and yields (which move inversely to bond prices) rose due to investors betting on the recovery causing a spike in consumer prices. The main catalyst of the moves were growing expectations of increased fiscal spending in the US economy in order to boost the economic recovery from the pandemic. This raised the prospect of an imminent period of significantly higher inflation. The resultant rising US Treasury yields and stronger US dollar hurt emerging market debt and currencies in the first quarter.

Despite more infectious new waves of COVID-19 cases, particularly in India, the second quarter of the year proved to be a much stronger period for emerging market debt. Positive global economic news flow coincided with falling US Treasury yields, creating a supportive environment for emerging market debt and currencies. This backdrop enabled local currency sovereigns bonds to drive investment returns in the asset class, particularly during April and May as they benefited from their strongly performing currencies. The fund's outperformance during this period was driven by its above-benchmark weight to high yield issuers. However, our lack of exposure to some of the strongest-performing currencies (particularly the South

African rand, Hungarian forint and Brazilian real) was a detractor at times.

The fund maintained a sizeable exposure to the US dollar during the period under review. This exposure had a significant impact on the returns of the fund's unhedged sterling share classes, as the US dollar's depreciation against sterling acted as a drag on performance (hedging seeks to reduce the extent to which currency exchange rate fluctuations affect returns). Emerging market currencies generally performed well, reflecting the increased optimism around rebounding global economic growth and ongoing levels of financial stimulus and support from governments.

Investment activities

Throughout the period, we maintained the belief that a key performance contributor when investing in emerging market bonds is the right allocation of a portfolio's assets between corporate bonds – those issued by companies – and government bonds, denominated in either local currencies or 'hard' currencies such as the US dollar and euro. We continued to favour investing the portfolio in a diversified way across emerging market regions, with allocations to each of these different segments of the market. This positioning supported the fund's outperformance of the benchmark during the latter half of 2020 in particular, as we were able to flexibly allocate to areas of the market we favoured during different stages of the recovery.

The fund remained underweight (meaning it held less of this asset class than the benchmark) local currency issuers for much of the early part of the period – a position adopted following the sell-off earlier in the year. Our relatively large allocation to hard currency government bonds rewarded fund performance during the second half of 2020, as the actions of central banks in developed markets provided a vital backstop for global bond markets, boosting the returns of hard currency bonds. However, as valuations among some investment grade bonds in the hard currency segment became less appealing to us, we started to increase our local currency exposure on a selective basis, using an

Authorised Corporate Director's Report

assessment of country and currency fundamentals to identify areas of relative value in the market. For example, we increased exposure to Indian local sovereign bonds in August due to a more favourable outlook for the country's trade position and an increased likelihood that its central bank would leave interest rates unchanged in the near term. We also added exposure to the local sovereign bonds of Kazakhstan, Philippines, Thailand and Uzbekistan (an off-benchmark position) during this period. We had almost closed our underweight position to local currency issuers by the end of the period.

We were very active in the new bond issues market throughout much of the year, participating in some attractively priced issues where we felt we were being adequately compensated for risks. However, in our opinion there was little sign of value towards the end of the period, and we have passed on some opportunities to invest in several new issues due to what we consider unattractive valuations. In June, we increased exposure to corporate issuers slightly, investing in some select Brazilian issuers, as well as some Peruvian issuers on the back of some market weakness following the country's election results.

The fund remains fully invested, holding a small balance in cash and AAA rated risk-free bonds.

Outlook

After staging an impressive rebound in the second half of 2020, the performance of emerging market debt assets stalled somewhat during the first half of 2021, as a strong second quarter could not make up for a weaker first quarter.

Valuations are now starting to look expensive by historical standards, even though pockets of value can still be found in the sovereign high yield market. Emerging market currencies still look broadly undervalued to us and could also provide opportunities in the second half of the year.

In summary, we see several reasons to maintain a positive outlook on emerging market debt for the remainder of the year. The first half witnessed very strong US economic growth, resulting in a historically

low growth differential with emerging markets where the economic rebound has been more uneven. We are now seeing indications that US growth could be peaking. Additionally, COVID-19 vaccination take-up across many emerging market countries is accelerating, with recent data from UBS showing that emerging nations are vaccinating 0.75% of their population daily, compared to 0.59% for developed nations. This could imply some growth upside for emerging nations as the vaccination gap closes, even though the risk from new COVID-19 variants remains.

While the risk of a sharp rise in US Treasury yields can't be excluded, we still expect US central bank policy to remain favourable for the foreseeable future. On the other hand, many central banks in emerging markets have already acted. Several have started hiking interest rates (Brazil, Russia, Mexico, for instance) or are indicating in their communications that they will do so shortly, although this is positive for yields and should support their currencies. These moves should also help ease concerns over a potential resurgence in persistent inflation in emerging markets. Such a scenario seems unlikely in our view, especially given that most emerging market countries are forecast to have significant spare capacity in their economies well into 2022.

Despite our overall optimism for the asset class moving forward, the stretched valuations we are seeing in some areas, including among investment grade and BB rated bonds, has prompted us to look for potential opportunities to reduce risk.

M&G's emerging market fixed income team takes a 'go anywhere' approach to the asset class that stands it in good stead to deal with what is a highly diverse and growing investment universe. This flexible approach means we are not constrained by the fund's benchmark and can invest anywhere in emerging market debt, including in bonds issued by governments or companies, denominated in hard or local currencies. The team uses a combination of top-down analysis of macroeconomic factors with bottom-up issuer selection based on country and company fundamentals. This investment approach leads to a portfolio of our 'best

Authorised Corporate Director's Report

ideas' that we believe should help the fund to navigate different market conditions.

Claudia Calich

Fund manager

An employee of M&G FA 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

Holding		as at 30.06.21 \$'000	as at 30.06.21 %	as at 30.06.20 %
	Fixed income	1,306,352	96.24	98.73
	Debt securities	1,306,352	96.24	98.73
	'AAA' credit rated bonds	13,145	0.97	4.19
VND50,000,000,000	European Bank for Reconstruction & Development 1.38% 04/02/2022	2,176	0.16	
INR350,000,000	International Finance 5.85% 25/11/2022	4,730	0.35	
INR450,000,000	International Finance 6.3% 25/11/2024	6,239	0.46	
	'AA' credit rated bonds	34,023	2.50	3.18
CZK520,000,000	Czech (Republic of) 1% 26/06/2026	23,429	1.72	
US\$8,000,000	Qatar (State of) 5.103% 23/04/2048	10,594	0.78	
	'A' credit rated bonds	37,577	2.77	4.18
US\$1,250,000	BOC Aviation 2.625% 17/09/2030	1,237	0.09	
US\$3,000,000	BOC Aviation 3.875% 27/04/2026	3,243	0.24	
CLP6,500,000,000	Chile (Republic of) 4% 01/03/2023	9,228	0.68	
CNY45,000,000	China (Republic of) 3.27% 19/11/2030	7,060	0.52	
US\$3,879,000	HCL America 1.375% 10/03/2026	3,843	0.28	
US\$3,497,000	SA Global Sukuk 2.694% 17/06/2031	3,534	0.26	
US\$2,209,000	Saudi Arabian Oil 2.25% 24/11/2030	2,169	0.16	
US\$1,925,000	Tencent 3.24% 03/06/2050	1,864	0.14	
US\$5,000,000	Tencent 3.84% 22/04/2051	5,399	0.40	
	'BBB' credit rated bonds	346,985	25.56	18.00
US\$7,432,000	Abu Dhabi (Emirate of) 3.9% 09/09/2050	6,947	0.51	
US\$2,766,000	ALROSA Finance 3.1% 25/06/2027	2,835	0.21	
US\$1,500,000	Banco de Crédito del Perú Var. Rate 3.125% 01/07/2030	1,488	0.11	
US\$2,833,000	Banco de Crédito del Perú Var. Rate 3.25% 30/09/2031	2,812	0.21	
US\$2,630,000	Bank Leumi Le-Israel Var. Rate 3.275% 29/01/2031	2,698	0.20	
US\$2,690,000	Burgan Bank SAK Var. Rate 5.7492% Perpetual	2,715	0.20	
US\$4,000,000	China Construction Bank Var. Rate 2.45% 24/06/2030	4,081	0.30	
COP20,000,000,000	Columbia (Republic of) 7.25% 18/10/2034	5,210	0.38	
COP48,000,000,000	Columbia (Republic of) 7.25% 26/10/2050	11,638	0.86	
US\$5,040,000	Commercial Bank of Qatar Var. Rate 4.5% Perpetual	5,060	0.37	
US\$1,564,000	Corporación Inmobiliaria 3.625% 13/05/2031	1,576	0.12	
KZT2,653,000,000	Development Bank of Kazakhstan 8.95% 04/05/2023	6,088	0.45	
COP13,919,000,000	Empresas Publicas de Medellin ESP 8.375% 08/11/2027	3,489	0.26	

Investments

Portfolio statement (continued)

Holding	as at 30.06.21 \$'000	as at 30.06.21 %	as at 30.06.20 %
Fixed income (continued)			
Debt securities (continued)			
'BBB' credit rated bonds (continued)			
US\$2,624,000 Gaz Capital 7.288% 16/08/2037	3,650	0.27	
€1,325,000 Globalworth Real Estate Investments 2.95% 29/07/2026	1,703	0.13	
US\$1,088,000 Huarong Finance 3.75% 27/04/2022	905	0.07	
US\$3,185,000 Hutama Karya 3.75% 11/05/2030	3,406	0.25	
US\$4,100,000 Indofood CBP Sukses Makmur 3.398% 09/06/2031	4,149	0.31	
IDR65,000,000,000 Indonesia (Republic of) 7.5% 15/06/2035	4,627	0.34	
IDR243,881,000,000 Indonesia (Republic of) 8.25% 15/05/2036	18,438	1.36	
IDR65,000,000,000 Indonesia (Republic of) 8.375% 15/03/2034	4,952	0.36	
IDR97,667,000,000 Indonesia (Republic of) 8.375% 15/04/2039	7,444	0.55	
KZT1,500,000,000 Kazakhstan (Republic of) 5% 15/05/2023	3,208	0.24	
KZT1,900,000,000 Kazakhstan (Republic of) 5.3% 19/03/2022	4,321	0.32	
KZT1,000,000,000 Kazakhstan (Republic of) 7% 29/08/2023	2,196	0.16	
US\$2,200,000 Lenovo 3.421% 02/11/2030	2,288	0.17	
US\$3,667,000 Lenovo 5.875% 24/04/2025	4,157	0.31	
MYR66,366,000 Malaysia (Govt. of) 3.882% 10/03/2022	16,215	1.19	
MYR23,000,000 Malaysia (Govt. of) 3.885% 15/08/2029	5,816	0.43	
US\$2,795,000 Meituan 3.05% 28/10/2030	2,748	0.20	
£4,250,000 Mexico (United Mexican States) 5.625% 19/03/2114	6,430	0.47	
MXN595,790,000 Mexico (United Mexican States) 8.5% 18/11/2038	33,340	2.46	
US\$2,057,000 Mizrahi-Tefahot Bank Var. Rate 3.077% 07/04/2031	2,077	0.15	
INR630,000,000 National Highways 7.3% 18/05/2022	8,560	0.63	
US\$3,500,000 NBK Tier 1 Financing 2 Var. Rate 4.5% Perpetual	3,650	0.27	
US\$8,756,000 Panama Notas del Tesoro 3.75% 17/04/2026	9,406	0.69	
PEN55,000,000 Peru (Republic of) 5.94% 12/02/2029	15,471	1.14	
PEN43,500,000 Peru (Republic of) 6.15% 12/08/2032	11,712	0.86	
€3,500,000 Perusahaan Listrik Negara 1.875% 05/11/2031	4,047	0.30	
US\$2,500,000 Perusahaan Listrik Negara 4.875% 17/07/2049	2,718	0.20	
PHP328,000,000 Philippines (Republic of) 6.25% 14/01/2036	8,013	0.59	
€4,500,000 Romania (Republic of) 2.124% 16/07/2031	5,513	0.41	
RUB2,703,367,000 Russia (Federation of) 8.15% 03/02/2027	39,007	2.87	

Investments

Portfolio statement (continued)

Holding	as at 30.06.21 \$'000	as at 30.06.21 %	as at 30.06.20 %
Fixed income (continued)			
Debt securities (continued)			
'BBB' credit rated bonds (continued)			
US\$2,700,000 SK Hynix 2.375% 19/01/2031	2,632	0.19	
US\$2,886,000 Tabreed Sukuk Spc 5.5% 31/10/2025	3,326	0.24	
THB252,687,000 Thailand (Kingdom of) IL 1.25% 12/03/2028	8,152	0.60	
THB275,000,000 Thailand (Kingdom of) IL 3.3% 17/06/2038	9,683	0.71	
US\$3,500,000 Trust Fibra Uno 6.39% 15/01/2050	4,075	0.30	
UYU470,902,481 Uruguay (Republic of) 3.875% 02/07/2040	13,320	0.98	
UYU384,657,534 Uruguay (Republic of) 8.25% 21/05/2031	8,993	0.66	
'BB' credit rated bonds	422,247	31.11	25.38
US\$3,000,000 ABJA Investment 5.45% 24/01/2028	3,229	0.24	
US\$3,000,000 Aeropuerto Internacional de Tocumen 5.625% 18/05/2036	3,209	0.24	
US\$3,191,484 Aeropuerto Internacional de Tocumen 6% 18/11/2048	3,455	0.25	
US\$6,447,000 Azerbaijan (Republic of) 3.5% 01/09/2032	6,677	0.49	
US\$5,500,000 Bahamas (Commonwealth of) 6% 21/11/2028	5,613	0.41	
US\$5,178,000 Bahamas (Commonwealth of) 8.95% 15/10/2032	5,830	0.43	
US\$4,800,000 Banco Mercantil del Norte Var. Rate 7.625% Perpetual	5,420	0.40	
US\$2,829,000 Bangkok Bank Var. Rate 5% Perpetual	2,983	0.22	
US\$6,664,710 Bioceanico Sovereign Certificate 0% 05/06/2034	4,968	0.37	
COP19,571,000,000 Bogota Distrito Capital 9.75% 26/07/2028	5,544	0.41	
BRL147,800,000 Brazil (Federal Republic of) 10% 01/01/2029	31,770	2.34	
US\$5,750,000 Cemex 7.375% 05/06/2027	6,472	0.48	
US\$2,500,000 CIFI 6% 16/07/2025	2,631	0.19	
US\$2,175,000 CIFI 6.55% 28/03/2024	2,284	0.17	
US\$6,356,000 Dominican Republic 4.875% 23/09/2032	6,574	0.48	
US\$5,000,000 Dominican Republic 6.4% 05/06/2049	5,391	0.40	
US\$5,016,000 Dominican Republic 7.45% 30/04/2044	6,046	0.45	
DOP413,850,000 Dominican Republic 8.9% 15/02/2023	7,607	0.56	
DOP280,000,000 Dominican Republic 9.75% 05/06/2026	5,552	0.41	
US\$2,680,000 DP World Salaam Var. Rate 6% Perpetual	2,942	0.22	
US\$2,200,000 Ecopetrol 7.375% 18/09/2043	2,709	0.20	
US\$963,504 Energean Israel Finance 4.875% 30/03/2026	986	0.07	

Investments

Portfolio statement (continued)

Holding	as at 30.06.21 \$'000	as at 30.06.21 %	as at 30.06.20 %
Fixed income (continued)			
Debt securities (continued)			
'BB' credit rated bonds (continued)			
US\$976,974 Energean Israel Finance 5.375% 30/03/2028	1,002	0.07	
US\$3,091,000 EnfraGen Energia 5.375% 30/12/2030	3,076	0.23	
US\$4,935,000 Gazprom Var. Rate 4.5985% Perpetual	5,139	0.38	
US\$4,096,000 Georgia Government International Bond 2.75% 22/04/2026	4,163	0.31	
US\$4,575,000 Greenko Solar Mauritius 5.95% 29/07/2026	4,926	0.36	
US\$2,212,000 GTLK Europe 5.125% 31/05/2024	2,345	0.17	
US\$631,000 Gtlk Europe Capital 4.65% 10/03/2027	660	0.05	
US\$3,208,000 GTLK Europe Capital 5.95% 17/04/2025	3,521	0.26	
US\$4,214,000 Guatemala (Republic of) 4.875% 13/02/2028	4,711	0.35	
US\$5,320,000 Guatemala (Republic of) 4.9% 01/06/2030	5,947	0.44	
US\$6,500,000 Guatemala (Republic of) 6.125% 01/06/2050	7,889	0.58	
US\$1,829,000 Hacienda Investments Via DME Airport 5.35% 08/02/2028	1,911	0.14	
US\$1,750,000 Industrial Senior Trust 5.5% 01/11/2022	1,822	0.13	
US\$2,700,000 Jollibee Worldwide Pte 4.75% 24/06/2030	2,844	0.21	
US\$2,929,000 Jollibee Worldwide Pte Var. Rate 3.9% Perpetual	2,913	0.21	
US\$5,150,000 KUO 5.75% 07/07/2027	5,373	0.40	
US\$4,365,000 Light Serviços de Eletricidade 4.375% 18/06/2026	4,396	0.32	
€6,099,000 Macedonia (Govt. of) 1.625% 10/03/2028	7,140	0.53	
€4,000,000 Macedonia (Govt. of) 2.75% 18/01/2025	4,984	0.37	
€4,300,000 Macedonia (Govt. of) 3.675% 03/06/2026	5,627	0.41	
US\$2,544,000 MAF Global Securities Var. Rate 6.375% Perpetual	2,770	0.20	
US\$5,958,000 Millicom International Cellular 5.125% 15/01/2028	6,238	0.46	
US\$8,852,000 Morocco (Kingdom of) 4% 15/12/2050	8,191	0.60	
US\$6,428,000 Morocco (Kingdom of) 5.5% 11/12/2042	7,293	0.54	
US\$682,000 Namibia (Republic of) 5.25% 29/10/2025	734	0.05	
US\$2,937,000 National Bank of Uzbekistan 4.85% 21/10/2025	3,075	0.23	
US\$4,700,000 Network i2i Var. Rate 5.65% Perpetual	5,012	0.37	
US\$2,600,000 OCP 3.75% 23/06/2031	2,625	0.19	
US\$7,511,000 Paraguay (Republic of) 6.1% 11/08/2044	9,314	0.69	

Investments

Portfolio statement (continued)

Holding	as at 30.06.21 \$'000	as at 30.06.21 %	as at 30.06.20 %
Fixed income (continued)			
Debt securities (continued)			
'BB' credit rated bonds (continued)			
US\$6,600,000 Petrobras Global Finance 5.5% 10/06/2051	6,626	0.49	
US\$5,800,000 Petroleos Mexicanos 6.75% 21/09/2047	5,116	0.38	
MXN200,000,000 Petroleos Mexicanos 7.19% 12/09/2024	9,642	0.71	
US\$7,300,000 Petroleos Mexicanos 7.69% 23/01/2050	7,018	0.52	
US\$4,225,000 Rede D'or Finance 4.95% 17/01/2028	4,491	0.33	
US\$3,750,000 Royal Capital 5.875% Perpetual	3,866	0.29	
US\$4,221,000 Sagicor Financial 5.3% 13/05/2028	4,368	0.32	
US\$3,800,000 Sasol Financing USA 5.875% 27/03/2024	4,056	0.30	
€4,543,000 Serbia (Republic of) 1.65% 03/03/2033	5,280	0.39	
€5,455,000 Serbia (Republic of) 3.125% 15/05/2027	7,209	0.53	
RSD600,000,000 Serbia (Republic of) 4.5% 20/08/2032	6,679	0.49	
RSD450,000,000 Serbia (Republic of) 5.875% 08/02/2028	5,470	0.40	
US\$2,700,000 Simpar Europe 5.2% 26/01/2031	2,759	0.20	
US\$6,000,000 South Africa (Republic of) 5.375% 24/07/2044	6,020	0.44	
ZAR551,118,303 South Africa (Republic of) 8.75% 28/02/2048	32,524	2.40	
US\$2,193,000 Southern Gas Corridor CJSC 6.875% 24/03/2026	2,621	0.19	
US\$3,700,000 Sovcombank Via SovCom Capital Var. Rate 8% 07/04/2030	3,995	0.29	
US\$4,100,000 Telefonica Celular del Paraguay 5.875% 15/04/2027	4,307	0.32	
US\$6,000,000 Teva Pharmaceutical Finance Netherlands III 6.75% 01/03/2028	6,549	0.48	
US\$2,350,000 TMBThanachart Bank Var. Rate 4.9% Perpetual	2,384	0.18	
US\$4,000,000 Transnet 4% 26/07/2022	4,075	0.30	
US\$6,044,000 Trinidad Petroleum 9.75% 15/06/2026	6,715	0.50	
US\$3,923,000 VEON 3.375% 25/11/2027	3,935	0.29	
US\$9,799,000 Vietnam Debt & Asset Trading 1% 10/10/2025	8,736	0.64	
US\$1,676,000 Vivo Energy Investments 5.125% 24/09/2027	1,790	0.13	
US\$2,350,000 Wanda Properties International 7.25% 29/01/2024	2,344	0.17	
US\$1,800,000 Woori Bank Var. Rate 4.25% Perpetual	1,867	0.14	
US\$4,000,000 XP 3.25% 01/07/2026	3,955	0.29	
US\$4,200,000 Yingde Gases Investment 6.25% 19/01/2023	4,317	0.32	

Investments

Portfolio statement (continued)

Holding	as at 30.06.21 \$'000	as at 30.06.21 %	as at 30.06.20 %
Fixed income (continued)			
Debt securities (continued)			
'B' credit rated bonds	362,376	26.70	24.11
US\$2,070,000 Absa Var. Rate 6.375% Perpetual	2,112	0.16	
US\$3,584,000 ADES International 8.625% 24/04/2024	3,707	0.27	
€6,275,000 Albania (Republic of) 3.5% 09/10/2025	7,944	0.59	
US\$8,463,000 Armenia (Republic of) 3.6% 02/02/2031	7,989	0.59	
US\$1,768,000 Auna 6.5% 20/11/2025	1,820	0.13	
US\$8,000,000 Bahrain (Kingdom of) 5.625% 30/09/2031	8,085	0.60	
US\$1,416,000 Banco Industrial Guatemala Var. Rate 4.875% 29/01/2031	1,475	0.11	
€5,650,000 Benin (Republic of) 4.875% 19/01/2032	6,711	0.49	
€3,198,000 Benin (Republic of) 6.875% 19/01/2052	3,950	0.29	
US\$10,286,000 Bolivia (Plurinational State of) 4.5% 20/03/2028	9,213	0.68	
US\$2,000,000 C&W Senior Financing 6.875% 15/09/2027	2,130	0.16	
US\$4,440,000 Costa Rica (Republic of) 4.25% 26/01/2023	4,504	0.33	
US\$1,200,000 Costa Rica (Republic of) 7.158% 12/03/2045	1,247	0.09	
€5,800,000 Côte d'Ivoire (Republic of) 5.25% 22/03/2030	7,194	0.53	
€6,139,000 Côte d'Ivoire (Republic of) 6.625% 22/03/2048	7,644	0.56	
US\$4,300,000 Dar Al-Arkan Sukuk 6.875% 21/03/2023	4,465	0.33	
EGP54,000,000 Egypt (Arab Republic of) 0% 28/09/2021	3,342	0.25	
EGP45,000,000 Egypt (Arab Republic of) 0% 12/10/2021	2,771	0.20	
US\$12,500,000 Egypt (Arab Republic of) 8.7002% 01/03/2049	13,182	0.97	
US\$3,435,000 Egypt (Arab Republic of) 8.875% 29/05/2050	3,703	0.27	
EGP100,000,000 Egypt (Arab Republic of) 14.051% 21/07/2022	6,388	0.47	
EGP49,000,000 Egypt (Arab Republic of) 14.196% 07/07/2023	3,129	0.23	
US\$6,000,000 El Salvador (Republic of) 7.1246% 20/01/2050	5,136	0.38	
US\$3,750,000 El Salvador (Republic of) 9.5% 15/07/2052	3,692	0.27	
US\$2,500,000 Emirates NBD Bank Var. Rate 6.125% Perpetual	2,693	0.20	
US\$4,325,000 GFH Sukuk 7.5% 28/01/2025	4,384	0.32	
US\$11,884,000 Ghana (Republic of) 8.125% 26/03/2032	12,040	0.89	
US\$3,000,000 Ghana (Republic of) 8.627% 16/06/2049	2,885	0.21	
US\$5,105,000 Honduras (Republic of) 5.625% 24/06/2030	5,331	0.39	
US\$9,300,000 Honduras (Republic of) 6.25% 19/01/2027	10,145	0.75	

Investments

Portfolio statement (continued)

Holding	as at 30.06.21 \$'000	as at 30.06.21 %	as at 30.06.20 %
Fixed income (continued)			
Debt securities (continued)			
'B' credit rated bonds (continued)			
US\$2,850,000 Itau Unibanco Cayman Island Var. Rate 4.625% Perpetual	2,739	0.20	
US\$3,816,000 Jamaica (Govt. of) 7.875% 28/07/2045	5,323	0.39	
US\$4,200,000 Jordan (Kingdom of) 6.125% 29/01/2026	4,548	0.34	
US\$6,624,000 Jordan (Kingdom of) 7.375% 10/10/2047	6,964	0.51	
US\$5,106,000 JSC Georgia Capital 6.125% 09/03/2024	5,152	0.38	
US\$2,300,000 Kaisa 11.25% 16/04/2025	2,181	0.16	
US\$2,658,000 Kenbourne Invest 4.7% 22/01/2028	2,671	0.20	
US\$3,200,000 Kenya (Republic of) 8% 22/05/2032	3,596	0.26	
US\$3,500,000 Kenya (Republic of) 8.25% 28/02/2048	3,849	0.28	
US\$3,824,000 Kernel 6.75% 27/10/2027	4,144	0.31	
US\$1,218,000 Liquid Telecommunications Financing 5.5% 04/09/2026	1,246	0.09	
3,180,000 Mongolia (Govt. of) 3.5% 07/07/2027	3,118	0.23	
2,650,000 Mongolia (Govt. of) 4.45% 07/07/2031	2,590	0.19	
US\$4,008,000 Mongolia (Govt. of) 5.125% 07/04/2026	4,270	0.31	
US\$4,429,000 Mongolia (Govt. of) 5.625% 01/05/2023	4,667	0.34	
US\$1,914,000 NAK Naftogaz Ukraine via Kondor Finance 7.375% 19/07/2022	1,965	0.14	
US\$3,268,000 NAK Naftogaz Ukraine via Kondor Finance 7.625% 08/11/2026	3,374	0.25	
US\$6,096,000 Nigeria (Federal Republic of) 7.875% 16/02/2032	6,557	0.48	
US\$5,543,000 Nigeria (Federal Republic of) 8.747% 21/01/2031	6,290	0.46	
US\$2,600,000 Oman (Salutante of) 6.5% 08/03/2047	2,536	0.19	
US\$8,566,000 Oman (Salutante of) 6.75% 17/01/2048	8,512	0.63	
US\$2,990,000 Oriflame Investment 5.125% 04/05/2026	3,062	0.23	
US\$5,500,000 Pakistan (Islamic Republic of) 6.875% 05/12/2027	5,699	0.42	
US\$670,000 Pakistan (Islamic Republic of) 7.375% 08/04/2031	687	0.05	
US\$1,852,000 Pakistan (Islamic Republic of) 8.875% 08/04/2051	1,959	0.14	
US\$9,451,000 Rwanda (Republic of) 6.625% 02/05/2023	10,008	0.74	
€1,750,000 Senegal (Republic of) 4.75% 13/03/2028	2,166	0.16	
US\$8,200,000 Senegal (Republic of) 6.25% 23/05/2033	8,632	0.64	
US\$2,500,000 Senegal (Republic of) 6.75% 13/03/2048	2,520	0.19	

Investments

Portfolio statement (continued)

Holding	as at 30.06.21 \$'000	as at 30.06.21 %	as at 30.06.20 %
Fixed income (continued)			
Debt securities (continued)			
'B' credit rated bonds (continued)			
US\$719,650 Seychelles (Republic of) 8% 01/01/2026	698	0.05	
€3,700,000 Srpska (Republic of) 4.75% 27/04/2026	4,404	0.32	
US\$4,267,000 Tajikistan (Republic of) 7.125% 14/09/2027	3,897	0.29	
US\$4,500,000 Turkey (Government of) 5.6% 14/11/2024	4,621	0.34	
US\$3,500,000 Turkey (Government of) 6.375% 14/10/2025	3,661	0.27	
US\$6,000,000 Turkey (Government of) 6.625% 17/02/2045	5,694	0.42	
US\$5,000,000 Turkey (Government of) 7.625% 26/04/2029	5,469	0.40	
TRY55,000,000 Turkey (Republic of) 9.2% 22/09/2021	6,194	0.46	
UAH100,000,000 Ukraine (Republic of) 0% 02/02/2022	3,450	0.25	
€12,000,000 Ukraine (Republic of) 4.375% 27/01/2030	13,293	0.98	
€2,000,000 Ukraine (Republic of) 6.75% 20/06/2026	2,592	0.19	
UAH87,000,000 Ukraine (Republic of) 11.75% 15/06/2022	3,199	0.24	
UAH60,000,000 Ukraine (Republic of) 15.36% 29/09/2021	2,233	0.16	
UAH140,000,000 Ukraine Treasury Bill 0% 27/10/2021	4,975	0.37	
US\$3,919,000 Uzbekistan (Republic of) 4.75% 20/02/2024	4,172	0.31	
US\$5,911,000 Uzbekistan (Republic of) 5.375% 20/02/2029	6,614	0.49	
UZS24,920,000,000 Uzbekistan (Republic of) 14.5% 25/11/2023	2,384	0.18	
US\$3,604,000 VTR Comunicaciones 5.125% 15/01/2028	3,748	0.28	
US\$1,319,000 Yuzhou 7.85% 12/08/2026	1,042	0.08	
'CCC' credit rated bonds	64,592	4.76	2.33
US\$7,863,000 Angola (Republic of) 9.375% 08/05/2048	8,212	0.61	
US\$6,526,001 Ecuador (Republic of) 0% 31/07/2030	3,595	0.26	
US\$6,979,271 Ecuador (Republic of) 0.5% 31/07/2035	4,749	0.35	
US\$3,018,577 Ecuador (Republic of) 0.5% 31/07/2040	1,858	0.14	
US\$5,100,000 Eskom 6.75% 06/08/2023	5,325	0.39	
US\$4,500,000 Eskom 7.125% 11/02/2025	4,746	0.35	
US\$5,000,000 Gabonese (Republic of) 6.625% 06/02/2031	5,031	0.37	
US\$7,881,000 Gabonese (Republic of) 6.95% 16/06/2025	8,536	0.63	
US\$6,398,875 Iraq (Republic of) 5.8% 15/01/2028	6,188	0.46	
US\$2,600,000 Kosmos Energy 7.125% 04/04/2026	2,561	0.19	

Investments

Portfolio statement (continued)

Holding	as at 30.06.21 \$'000	as at 30.06.21 %	as at 30.06.20 %
Fixed income (continued)			
Debt securities (continued)			
'CCC' credit rated bonds (continued)			
US\$6,000,000 Mozambique (Republic of) 5% 15/09/2031	5,074	0.37	
US\$11,676,200 Petroleos de Venezuela 5.375% 12/04/2027 ^a	476	0.04	
US\$1,800,000 Sri Lanka (Republic of) 6.2% 11/05/2027	1,120	0.08	
US\$2,000,000 Sri Lanka (Republic of) 6.75% 18/04/2028	1,242	0.09	
US\$1,500,000 Sri Lanka (Republic of) 7.55% 28/03/2030	947	0.07	
US\$3,000,000 Sri Lanka (Republic of) 7.85% 14/03/2029	1,890	0.14	
US\$3,900,000 YPF 8.5% 28/07/2025	3,042	0.22	
'CC' credit rated bonds	0	0.00	0.65
'C' credit rated bonds	13,359	0.98	0.00
US\$4,008,000 Alpha 9% 10/02/2025 ^a	734	0.05	
€3,492,000 Argentina (Republic of) 0.125% 09/07/2030	1,435	0.11	
US\$9,000,000 Argentina (Republic of) 0.5% 09/07/2030	3,218	0.24	
US\$12,570,041 Argentina (Republic of) 1.125% 09/07/2035	3,964	0.29	
ARS193,441,000 Argentina (Republic of) 15.5% 17/10/2026	828	0.06	
US\$5,054,063 Córdoba (Province of) 3% 01/02/2029	3,180	0.23	
'D' credit rated bonds	10,824	0.80	1.39
US\$8,504,826 Belize (Republic of) 4.9375% 20/02/2034	3,427	0.25	
US\$3,439,000 Buenos Aires (Province of) 7.875% 15/06/2027	1,523	0.11	
US\$3,000,000 Petroleos de Venezuela 6% 16/05/2024 ^a	127	0.01	
US\$2,944,927 Petroleos de Venezuela 9.75% 17/05/2035 ^a	136	0.01	
US\$12,676,000 Venezuela (Republic of) 7% 31/03/2038 ^a	1,326	0.10	
US\$6,171,300 Venezuela (Republic of) 9.25% 07/05/2028 ^a	640	0.05	
US\$4,235,000 Zambia (Republic of) 8.5% 14/04/2024 ^a	2,702	0.20	
US\$1,500,000 Zambia (Republic of) 8.97% 30/07/2027	943	0.07	
Bonds with no credit rating	1,224	0.09	15.32
US\$1,096,000 International Container Terminal Services 4.75% 17/06/2030	1,224	0.09	
Currency	428	0.03	0.07
Forward currency contracts	428	0.03	0.07
€(83,046,537) Sold for \$99,154,152 (expires 28.07.21)	388	0.03	

Investments

Portfolio statement (continued)

Holding	as at 30.06.21 \$'000	as at 30.06.21 %	as at 30.06.20 %
Currency (continued)			
Forward currency contracts (continued)			
PEN36,000,000 Bought for \$9,526,038 (expires 30.07.21)	(239)	(0.02)	
PEN(48,000,000) Sold for \$12,661,567 (expires 30.07.21)	279	0.02	
Portfolio of investments	1,306,780	96.27	98.80
Cash equivalents	35,275	2.60	0.78
'AAA' rated money market funds^b	35,275	2.60	0.78
35,275,000 Northern Trust Global Fund - US Dollar	35,275	2.60	
Share class hedging	(2,645)	(0.19)	(0.44)
Forward currency contracts for share class hedging	(2,645)	(0.19)	(0.44)
£256,208,440 Bought for \$358,005,962 (expires 28.07.21)	(2,800)	(0.20)	
£(21,669,004) Sold for \$30,196,744 (expires 28.07.21)	155	0.01	
Total portfolio (notes 2c & 2d on page 9)	1,339,410	98.68	99.14
Net other assets / (liabilities)	17,979	1.32	0.86
Net assets attributable to shareholders	1,357,389	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.

Financial highlights

Fund performance

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

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

Fund level performance

Fund net asset value as at	30.06.21 \$'000	30.06.20 \$'000	30.06.19 \$'000
Fund net asset value (NAV)	1,357,389	941,236	754,279

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.

October 1999 = 100, plotted monthly
Chart date 1 July 2021



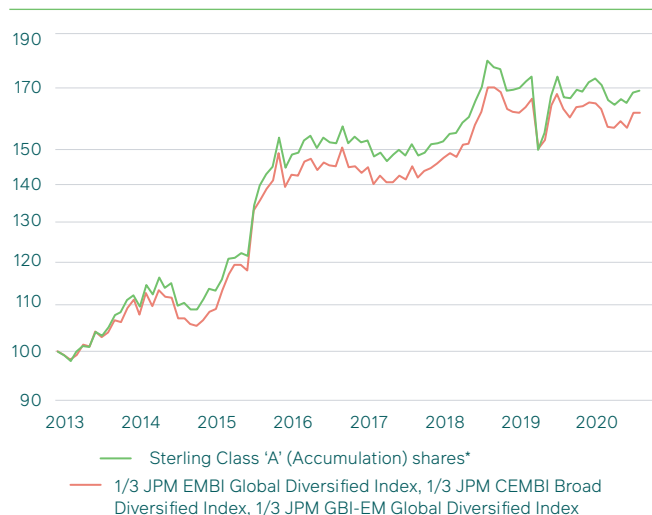
Source: Morningstar, Inc. and M&G

*Income reinvested

Fund performance against the comparator benchmark

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

From 2 December 2013 = 100, plotted monthly
Chart date 1 July 2021



Source: Morningstar, Inc. and M&G

*Income reinvested

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

Financial highlights

Long-term performance by share class

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.

Share class	One year 01.07.20 % ^a	Three years 02.07.18 % pa	Five years 01.07.16 % pa	Since launch % pa
Sterling^b				
Class 'A'	-1.8	+4.6	+4.4	+7.8 ^c
Class 'I'	-1.3	+5.2	+4.9	+7.0 ^d
Class 'I-H'	+9.1	+5.2	+4.3	+4.6 ^e
Class 'PP'	-1.2	n/a	n/a	+3.2 ^f
Class 'PP-H'	n/a	n/a	n/a	+1.9 ^g
Class 'R'	-1.6	+4.9	+4.6	+6.1 ^h
Class 'X'	-1.8	+4.6	+4.4	+7.6 ⁱ

^a Absolute basis.

^b Price to price with income reinvested.

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

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

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

^f 8 April 2019, the launch date of the share class.

^g 15 March 2021, the launch date of the share class. Not annualised.

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

ⁱ 15 October 1999, the end of the initial offer period of the predecessor unit trust.

Operating charges and portfolio transaction costs

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

Operating charges

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

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

The operating charges paid by each share class of the fund are shown in the following performance tables. These charges do not include portfolio transaction

Financial highlights

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

Portfolio transaction costs

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

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

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

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

Further information on this process is in the Prospectus, which is available free of charge on request either from

our website at www.mandg.co.uk/prospectuses or by calling M&G Customer Relations.

Portfolio transaction costs

for the year to 30 June	2021	2020	2019	Average ^a
Direct portfolio transaction costs ^b	%	%	%	%
Taxes	0.00	0.02	0.04	0.02
Costs before dilution adjustments	0.00	0.02	0.04	0.02
Dilution adjustments ^c	0.00	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.02	0.04	0.02

as at 30 June	2021	2020	2019	Average ^a
Indirect portfolio transaction costs	%	%	%	%
Average portfolio dealing spread	0.76	1.12	0.78	0.89

^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.

Financial highlights

Specific share class performance

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

Sterling Class 'A' Income share performance

The share class was launched on 1 October 2002.

for the year to 30 June Change in NAV per share	2021 UK p	2020 UK p	2019 UK p
Opening NAV	92.76	97.18	90.22
Return before operating charges	(0.74)	2.74	14.48
Operating charges	(1.07)	(1.22)	(1.34)
Return after operating charges	(1.81)	1.52	13.14
Distributions	(4.79)	(5.94)	(6.18)
Closing NAV	86.16	92.76	97.18
Direct 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 transaction costs	0.00	0.02	0.03
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.02	0.04
Operating charges ^c	1.19	1.27	1.44
Return after charges	-1.95	+1.56	+14.56
Distribution yield	5.65	6.33	6.40
Other information			
Closing NAV (\$'000)	4,725	4,061	3,450
Closing NAV (%)	0.35	0.43	0.46
Number of shares	3,956,363	3,567,643	2,798,473
Highest share price (UK p)	95.71	103.45	101.12
Lowest share price (UK p)	85.74	82.45	89.00

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	2021 UK p	2020 UK p	2019 UK p
Opening NAV	251.91	248.00	215.73
Return before operating charges	(2.20)	7.08	35.52
Operating charges	(2.95)	(3.17)	(3.25)
Return after operating charges	(5.15)	3.91	32.27
Distributions	(10.28)	(12.26)	(11.81)
Retained distributions	10.28	12.26	11.81
Closing NAV	246.76	251.91	248.00
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.04	0.08
Dilution adjustments ^a	0.00	0.00	0.00
Total direct transaction costs	0.00	0.04	0.08
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.02	0.04
Operating charges ^c	1.19	1.27	1.44
Return after charges	-2.04	+1.58	+14.96
Distribution yield	4.55	5.08	5.03
Other information			
Closing NAV (\$'000)	4,418	4,396	4,113
Closing NAV (%)	0.33	0.47	0.55
Number of shares	1,291,521	1,422,257	1,307,099
Highest share price (UK p)	259.85	263.92	249.89
Lowest share price (UK p)	238.74	216.95	212.83

Financial highlights

Sterling Class 'I' Income share performance

The share class was launched on 19 April 2012.

for the year to 30 June	2021	2020	2019
Change in NAV per share	UK p	UK p	UK p
Opening NAV	127.41	132.79	122.46
Return before operating charges	(0.99)	3.76	19.75
Operating charges	(0.91)	(1.00)	(1.00)
Return after operating charges	(1.90)	2.76	18.75
Distributions	(6.60)	(8.14)	(8.42)
Closing NAV	118.91	127.41	132.79
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.02	0.05
Dilution adjustments ^a	0.00	0.00	0.00
Total direct transaction costs	0.00	0.02	0.05
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.02	0.04
Operating charges ^c	0.73	0.76	0.79
Return after charges	-1.49	+2.08	+15.31
Distribution yield	5.65	6.33	6.40
Other information			
Closing NAV (\$'000)	199,721	193,369	153,289
Closing NAV (%)	14.71	20.55	20.32
Number of shares	121,159,713	123,681,173	90,983,400
Highest share price (UK p)	131.75	141.44	138.17
Lowest share price (UK p)	118.19	113.10	120.99

Sterling Class 'I' Accumulation share performance

The share class was launched on 19 April 2012.

for the year to 30 June	2021	2020	2019
Change in NAV per share	UK p	UK p	UK p
Opening NAV	188.06	184.19	159.19
Return before operating charges	(1.65)	5.27	26.32
Operating charges	(1.35)	(1.40)	(1.32)
Return after operating charges	(3.00)	3.87	25.00
Distributions	(8.53)	(10.08)	(9.85)
Retained distributions	8.53	10.08	9.85
Closing NAV	185.06	188.06	184.19
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.03	0.06
Dilution adjustments ^a	0.00	0.00	0.00
Total direct transaction costs	0.00	0.03	0.06
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.02	0.04
Operating charges ^c	0.73	0.76	0.79
Return after charges	-1.60	+2.10	+15.70
Distribution yield	4.95	5.58	5.66
Other information			
Closing NAV (\$'000)	585,638	493,657	379,720
Closing NAV (%)	43.14	52.45	50.34
Number of shares	228,270,901	213,931,029	162,485,767
Highest share price (UK p)	194.42	196.13	185.60
Lowest share price (UK p)	178.85	161.76	157.28

Financial highlights

Sterling Class 'I-H' Income share performance

The share class was launched on 24 July 2015.

for the year to 30 June	2021	2020	2019
Change in NAV per share	UK p	UK p	UK p
Opening NAV	88.77	97.83	95.40
Return before operating charges	10.17	(2.32)	9.46
Operating charges	(0.72)	(0.75)	(0.78)
Return after operating charges	9.45	(3.07)	8.68
Distributions	(5.14)	(5.99)	(6.25)
Closing NAV	93.08	88.77	97.83
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.02	0.04
Dilution adjustments ^a	0.00	0.00	0.00
Total direct transaction costs	0.00	0.02	0.04
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.02	0.04
Operating charges ^c	0.76	0.79	0.80
Return after charges	+10.65	-3.14	+9.10
Distribution yield	5.67	6.39	6.39
Other information			
Closing NAV (\$'000)	72,417	73,735	76,269
Closing NAV (%)	5.33	7.84	10.11
Number of shares	56,120,237	67,696,293	61,448,223
Highest share price (UK p)	99.44	101.82	101.76
Lowest share price (UK p)	89.57	78.37	92.39

Sterling Class 'I-H' Accumulation share performance

The share class was launched on 24 July 2015.

for the year to 30 June	2021	2020	2019
Change in NAV per share	UK p	UK p	UK p
Opening NAV	118.37	122.55	111.91
Return before operating charges	13.52	(3.23)	11.57
Operating charges	(0.97)	(0.95)	(0.93)
Return after operating charges	12.55	(4.18)	10.64
Distributions	(5.96)	(6.67)	(6.58)
Retained distributions	5.96	6.67	6.58
Closing NAV	130.92	118.37	122.55
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.02	0.04
Dilution adjustments ^a	0.00	0.00	0.00
Total direct transaction costs	0.00	0.02	0.04
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.02	0.04
Operating charges ^c	0.76	0.79	0.80
Return after charges	+10.60	-3.41	+9.51
Distribution yield	4.94	5.60	5.64
Other information			
Closing NAV (\$'000)	236,719	151,717	117,459
Closing NAV (%)	17.44	16.12	15.57
Number of shares	130,431,707	104,457,257	75,547,240
Highest share price (UK p)	133.11	129.86	123.47
Lowest share price (UK p)	119.39	101.20	110.15

Financial highlights

Sterling Class 'PP' Income share performance

The share class was launched on 5 August 2019.

for the year to 30 June	2021	2020	2019
Change in NAV per share	UK p	UK p	UK p
Opening NAV	91.24	100.00	n/a
Return before operating charges	(0.70)	(2.48)	n/a
Operating charges	(0.55)	(0.51)	n/a
Return after operating charges	(1.25)	(2.99)	n/a
Distributions	(4.73)	(5.77)	n/a
Closing NAV	85.26	91.24	n/a
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.02	n/a
Dilution adjustments ^a	0.00	0.00	n/a
Total direct transaction costs	0.00	0.02	n/a
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.02	n/a
Operating charges	0.60	0.60	n/a
Return after charges	-1.37	-2.99	n/a
Distribution yield	5.65	6.33	n/a
Other information			
Closing NAV (\$'000)	54,128	38	n/a
Closing NAV (%)	3.99	0.00	n/a
Number of shares	45,797,505	34,188	n/a
Highest share price (UK p)	94.40	101.03	n/a
Lowest share price (UK p)	84.72	80.95	n/a

Sterling Class 'PP' Accumulation share performance

The share class was launched on 8 April 2019.

for the year to 30 June	2021	2020	2019
Change in NAV per share	UK p	UK p	UK p
Opening NAV	108.34	105.96	100.00
Return before operating charges	(0.93)	3.03	6.11
Operating charges	(0.65)	(0.65)	(0.15)
Return after operating charges	(1.58)	2.38	5.96
Distributions	(5.02)	(5.96)	(3.00)
Retained distributions	5.02	5.96	3.00
Closing NAV	106.76	108.34	105.96
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.02	0.04
Dilution adjustments ^a	0.00	0.00	0.00
Total direct transaction costs	0.00	0.02	0.04
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.02	0.04
Operating charges ^c	0.60	0.60	0.63
Return after charges	-1.46	+2.25	+5.96
Distribution yield	5.05	5.73	5.81
Other information			
Closing NAV (\$'000)	166,791	864	684
Closing NAV (%)	12.29	0.09	0.09
Number of shares	112,694,483	649,685	508,496
Highest share price (UK p)	112.08	112.85	106.77
Lowest share price (UK p)	103.15	93.16	99.69

Financial highlights

Sterling Class 'PP-H' Income share performance

The share class was launched on 15 March 2021.

for the year to 30 June	2021	2020	2019
Change in NAV per share	UK p	UK p	UK p
Opening NAV	100.00	n/a	n/a
Return before operating charges	2.15	n/a	n/a
Operating charges	(0.19)	n/a	n/a
Return after operating charges	1.96	n/a	n/a
Distributions	(2.83)	n/a	n/a
Closing NAV	99.13	n/a	n/a
Direct 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 transaction costs	0.00	n/a	n/a
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	n/a	n/a
Operating charges	0.63	n/a	n/a
Return after charges	+1.96	n/a	n/a
Distribution yield	5.67	n/a	n/a
Other information			
Closing NAV (\$'000)	3,883	n/a	n/a
Closing NAV (%)	0.29	n/a	n/a
Number of shares	2,825,362	n/a	n/a
Highest share price (UK p)	102.91	n/a	n/a
Lowest share price (UK p)	98.71	n/a	n/a

Sterling Class 'PP-H' Accumulation share performance

The share class was launched on 15 March 2021.

for the year to 30 June	2021	2020	2019
Change in NAV per share	UK p	UK p	UK p
Opening NAV	100.00	n/a	n/a
Return before operating charges	2.16	n/a	n/a
Operating charges	(0.19)	n/a	n/a
Return after operating charges	1.97	n/a	n/a
Distributions	(1.45)	n/a	n/a
Retained distributions	1.45	n/a	n/a
Closing NAV	101.97	n/a	n/a
Direct 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 transaction costs	0.00	n/a	n/a
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	n/a	n/a
Operating charges	0.63	n/a	n/a
Return after charges	+1.97	n/a	n/a
Distribution yield	5.04	n/a	n/a
Other information			
Closing NAV (\$'000)	7,386	n/a	n/a
Closing NAV (%)	0.54	n/a	n/a
Number of shares	5,225,356	n/a	n/a
Highest share price (UK p)	102.91	n/a	n/a
Lowest share price (UK p)	98.71	n/a	n/a

Financial highlights

Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012.

for the year to 30 June	2021	2020	2019
Change in NAV per share	UK p	UK p	UK p
Opening NAV	117.76	123.07	113.94
Return before operating charges	(0.93)	3.46	18.35
Operating charges	(1.12)	(1.24)	(1.40)
Return after operating charges	(2.05)	2.22	16.95
Distributions	(6.09)	(7.53)	(7.82)
Closing NAV	109.62	117.76	123.07
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.02	0.04
Dilution adjustments ^a	0.00	0.00	0.00
Total direct transaction costs	0.00	0.02	0.04
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.02	0.04
Operating charges ^c	0.98	1.02	1.19
Return after charges	-1.74	+1.80	+14.88
Distribution yield	5.65	6.33	6.40
Other information			
Closing NAV (\$'000)	2,075	1,808	1,503
Closing NAV (%)	0.15	0.19	0.20
Number of shares	1,365,549	1,251,208	962,442
Highest share price (UK p)	121.63	131.03	128.06
Lowest share price (UK p)	109.04	104.60	112.48

Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012.

for the year to 30 June	2021	2020	2019
Change in NAV per share	UK p	UK p	UK p
Opening NAV	171.61	168.53	146.24
Return before operating charges	(1.50)	4.81	24.11
Operating charges	(1.65)	(1.73)	(1.82)
Return after operating charges	(3.15)	3.08	22.29
Distributions	(7.36)	(8.76)	(8.41)
Retained distributions	7.36	8.76	8.41
Closing NAV	168.46	171.61	168.53
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.03	0.06
Dilution adjustments ^a	0.00	0.00	0.00
Total direct transaction costs	0.00	0.03	0.06
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.02	0.04
Operating charges ^c	0.98	1.02	1.19
Return after charges	-1.84	+1.83	+15.24
Distribution yield	4.70	5.33	5.27
Other information			
Closing NAV (\$'000)	3,601	3,336	2,903
Closing NAV (%)	0.27	0.35	0.38
Number of shares	1,541,767	1,584,143	1,357,662
Highest share price (UK p)	177.22	179.39	169.81
Lowest share price (UK p)	162.92	147.70	144.35

Financial highlights

Sterling Class 'X' Income share performance

The share class was launched on 15 October 1999.

for the year to 30 June	2021	2020	2019
Change in NAV per share	UK p	UK p	UK p
Opening NAV	91.40	95.76	88.88
Return before operating charges	(0.72)	2.70	14.29
Operating charges	(1.06)	(1.21)	(1.32)
Return after operating charges	(1.78)	1.49	12.97
Distributions	(4.72)	(5.85)	(6.09)
Closing NAV	84.90	91.40	95.76
Direct 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 transaction costs	0.00	0.02	0.03
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.02	0.04
Operating charges ^c	1.19	1.27	1.44
Return after charges	-1.95	+1.56	+14.59
Distribution yield	5.65	6.33	6.40
Other information			
Closing NAV (\$'000)	7,294	7,200	7,902
Closing NAV (%)	0.54	0.76	1.05
Number of shares	6,198,082	6,420,188	6,504,500
Highest share price (UK p)	94.30	101.93	99.63
Lowest share price (UK p)	84.48	81.23	87.69

Sterling Class 'X' Accumulation share performance

The share class was launched on 15 October 1999.

for the year to 30 June	2021	2020	2019
Change in NAV per share	UK p	UK p	UK p
Opening NAV	252.48	248.55	216.22
Return before operating charges	(2.22)	7.11	35.58
Operating charges	(2.95)	(3.18)	(3.25)
Return after operating charges	(5.17)	3.93	32.33
Distributions	(10.30)	(12.29)	(11.84)
Retained distributions	10.30	12.29	11.84
Closing NAV	247.31	252.48	248.55
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.04	0.08
Dilution adjustments ^a	0.00	0.00	0.00
Total direct transaction costs	0.00	0.04	0.08
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.02	0.04
Operating charges ^c	1.19	1.27	1.44
Return after charges	-2.05	+1.58	+14.95
Distribution yield	4.55	5.08	5.03
Other information			
Closing NAV (\$'000)	8,593	7,055	6,987
Closing NAV (%)	0.63	0.75	0.93
Number of shares	2,506,265	2,277,165	2,215,532
Highest share price (UK p)	260.43	264.51	250.45
Lowest share price (UK p)	239.27	217.43	213.31

^a In respect of direct portfolio transaction costs.

^b As a percentage of average net asset value.

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

Financial statements and notes

Financial statements

Statement of total return

for the year to 30 June	Note	2021		2020	
		\$'000	\$'000	\$'000	\$'000
Income					
Net capital gains/(losses)	3		91,813		(88,630)
Revenue	5	68,956		57,253	
Expenses	6	(9,165)		(7,103)	
Net revenue/(expense) before taxation		59,791		50,150	
Taxation	7	(753)		(251)	
Net revenue/(expense) after taxation			59,038		49,899
Total return before distributions			150,851		(38,731)
Distributions	8		(61,565)		(52,217)
Change in net assets attributable to shareholders from investment activities			89,286		(90,948)

Statement of change in net assets attributable to shareholders

for the year to 30 June	2021		2020	
	\$'000	\$'000	\$'000	\$'000
Opening net assets attributable to shareholders		941,236		754,279
Amounts received on issue of shares	563,227		407,403	
Amounts paid on cancellation of shares	(282,779)		(166,625)	
		280,448		240,778
Dilution adjustments		2,349		2,106
Change in net assets attributable to shareholders from investment activities (see above)		89,286		(90,948)
Retained distributions on Accumulation shares		44,070		35,021
Closing net assets attributable to shareholders		1,357,389		941,236

Financial statements and notes

Financial statements

Balance sheet

as at 30 June	Note	2021 \$'000	2020 \$'000
Assets			
Fixed assets			
Investments		1,307,174	931,194
Current assets			
Debtors	9	49,034	20,123
Cash and bank balances	10	22,471	9,174
Cash equivalents		35,275	7,368
Total assets		1,413,954	967,859
Liabilities			
Investment liabilities		(3,039)	(5,382)
Creditors			
Bank overdrafts		(7,042)	0
Distribution payable		(9,818)	(9,001)
Other creditors	11	(36,666)	(12,240)
Total liabilities		(56,565)	(26,623)
Net assets attributable to shareholders		1,357,389	941,236

Financial statements and notes

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 9 to 12.

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 charge is 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	2021 \$'000	2020 \$'000
Non-derivative securities	61,389	(82,303)
Derivative contracts	32,811	(9,790)
Currency gains/(losses)	(2,387)	3,465
Transaction charges	0	(2)
Net capital gains/(losses)	91,813	(88,630)

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 106 to 107.

for the year to 30 June	2021 \$'000	% of transaction	2020 \$'000	% of transaction
a) Purchases				
Debt securities	849,018		1,029,070	
b) Sales				
Debt securities				
Debt securities before transaction costs	504,950		759,559	
Taxes	0	0.00	(163)	0.02
Debt securities	504,950		759,396	
Other transaction types				
Corporate actions	28,980		0	
Total sales after transaction costs	533,930		759,396	

Financial statements and notes

	2021 £'000	% of average NAV	2020 £'000	% of average NAV
c) Direct portfolio transaction costs				
Taxes paid				
Debt securities	0	0.00	163	0.02
Total direct portfolio transaction costs^a	0	0.00	163	0.02
		%	%	%
d) Indirect portfolio transaction costs				
Portfolio dealing spread ^b		0.76		1.12

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

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

5 Revenue

for the year to 30 June	2021 \$'000	2020 \$'000
Bank interest	5	43
Derivative revenue	390	198
Interest distributions	18	215
Interest on debt securities	68,531	56,785
Rebate of ongoing charges from underlying funds	12	12
Total revenue	68,956	57,253

Financial statements and notes

6 Expenses

for the year to 30 June	2021 \$'000	2020 \$'000
Payable to the ACD or associate		
Annual charge	9,168	6,495
Annual management charge ^a	0	435
Administration charge ^a	0	105
Share class hedging charge ^a	0	3
	9,168	7,038
Payable to the Depositary or associate		
Depositary's charge (including VAT) ^a	0	5
Other expenses		
Audit fee (including VAT) ^a	0	1
Interest payable	10	22
Safe custody charge ^a	(13)	37
	(3)	60
Total expenses	9,165	7,103

^a The segregated charges shown above for annual management, administration, depositary, audit, share class hedging and safe custody are those paid by the fund up to and including 31 July 2019. As of 1 August 2019 these charges have been replaced by the single annual charge. Audit fees for the financial year ending 2021 were £12,000 (2020: £11,000) (including VAT), which are covered by the annual charge.

Financial statements and notes

7 Taxation

for the year to 30 June	2021 \$'000	2020 \$'000
a) Analysis of charge in the year		
Corporation tax	0	0
Withholding tax	753	251
Deferred tax (note 7c)	0	0
Total taxation	753	251
b) Factors affecting taxation charge for the year		
Net revenue/(expense) before taxation	59,791	50,150
Corporation tax at 20%	11,958	10,030
Effects of:		
Interest distributions	(11,958)	(10,030)
Withholding tax	753	251
Total tax charge (note 7a)	753	251
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 (2020: same).

8 Distributions

for the year to 30 June	2021		2020	
	Inc ^a \$'000	Acc ^b \$'000	Inc ^a \$'000	Acc ^b \$'000
Interest distributions				
Interim	8,864	19,701	10,864	17,044
Final	9,818	24,369	9,001	17,977
Total net distributions	62,752		54,886	
Income deducted on cancellation of shares	3,841		2,508	
Income received on issue of shares	(5,028)		(5,177)	
Distributions	61,565		52,217	
Net revenue/(expense) per statement of total return	59,038		49,899	
Expenses offset against capital	2,527		2,318	
Distributions	61,565		52,217	

^a Distributions payable on Income shares.

^b Retained distributions on Accumulation shares.

Financial statements and notes

9 Debtors

as at 30 June	2021 \$'000	2020 \$'000
Amounts receivable on issues of shares	356	1,294
Currency deals outstanding	8,221	1,452
Debt security interest receivable	22,283	16,561
Distributions receivable	1	2
Sales awaiting settlement	18,136	761
Withholding tax recoverable	37	53
Total debtors	49,034	20,123

10 Cash and bank balances

as at 30 June	2021 \$'000	2020 \$'000
Amounts held at futures clearing houses and collateral manager	4,012	472
Cash held as bank balances	18,459	8,702
Total cash and bank balances	22,471	9,174

11 Other creditors

as at 30 June	2021 \$'000	2020 \$'000
Amounts payable on cancellation of shares	15,160	331
Annual charge payable	431	303
Currency deals outstanding	8,206	1,451
Expenses payable	0	16
Purchases awaiting settlement	12,869	10,139
Total other creditors	36,666	12,240

12 Contingent assets, liabilities and outstanding commitments

There were no contingent assets, liabilities or outstanding commitments at the balance sheet date (2020: same).

Financial statements and notes

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 01.07.20	Movements Issued	Cancelled	Closing 30.06.21
Sterling				
Class 'A' Income	3,567,643	841,538	(452,818)	3,956,363
Class 'A' Accumulation	1,422,257	145,030	(275,766)	1,291,521
Class 'I' Income	123,681,173	38,311,919	(40,833,379)	121,159,713
Class 'I' Accumulation	213,931,029	54,034,156	(39,694,284)	228,270,901
Class 'I-H' Income	67,696,293	12,612,749	(24,188,805)	56,120,237
Class 'I-H' Accumulation	104,457,257	69,484,909	(43,510,459)	130,431,707
Class 'PP' Income	34,188	45,838,887	(75,570)	45,797,505
Class 'PP' Accumulation	649,685	114,250,795	(2,205,997)	112,694,483
Class 'PP-H' Income	0	2,887,356	(61,994)	2,825,362
Class 'PP-H' Accumulation	0	5,279,372	(54,016)	5,225,356
Class 'R' Income	1,251,208	675,401	(561,060)	1,365,549
Class 'R' Accumulation	1,584,143	256,190	(298,566)	1,541,767
Class 'X' Income	6,420,188	319,499	(541,605)	6,198,082
Class 'X' Accumulation	2,277,165	552,160	(323,060)	2,506,265

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	Annual charge ^a to 14.02.21 %	Annual charge ^a from 15.02.21 %
Sterling		
Class 'A'	1.25	1.10
Class 'I'	0.75	0.70
Class 'I-H'	0.78	0.73
Class 'PP'	0.60	0.60
Class 'PP-H'	n/a	0.63
Class 'R'	1.00	0.95
Class 'X'	1.25	1.10

^a The amounts shown are the maximum annual charge. M&G will apply a discount of 0.02% for every £1 billion of a fund's net asset value. This is assessed quarterly and implemented on a forward basis no later than 13 business days after quarter end.

Financial statements and notes

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 annual charge, 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 annual charge are disclosed in note 11.

At the balance sheet date, shareholders from within M&G plc, of which M&G Securities Limited is a wholly owned subsidiary, have holdings totalling 11.32% (2020: 4.47%) 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.

as at 30 June	Assets 2021 \$'000	Liabilities 2021 \$'000	Assets 2020 \$'000	Liabilities 2020 \$'000
Basis of valuation				
Level 1	0	0	0	0
Level 2	1,307,174	(3,039)	930,807	(5,382)
Level 3	0	0	387	0
	1,307,174	(3,039)	931,194	(5,382)

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'.

Financial statements and notes

18 Risk management policies

The general risk management policies for the fund are set out in note 3 to the financial statements on pages 12 to 14.

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 2021 was 20% (2020: 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 2021 and 30 June 2020.

for the year to 30 June	2021 % of VaR	2021 Utilisation of VaR ^a 20%	2020 % of VaR	2020 Utilisation of VaR ^a 20%
Lowest	5.41	27.05	2.87	14.35
Highest	12.20	61.00	15.89	79.45
Average	8.02	40.11	6.55	32.75

^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	2021 \$'000	2020 \$'000
Investment grade securities	431,730	278,147
Below investment grade securities	873,398	506,931
Unrated securities	1,224	144,155
Other investments	(2,217)	(3,421)
Total	1,304,135	925,812

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 2021	Forward currency contracts \$'000
State Street Bank	(2,257)
UBS	40
Total	(2,217)

Financial statements and notes

as at 30 June 2020	Forward currency contracts \$'000
BNP Paribas	366
Citigroup	284
JPMorgan	(435)
State Street Bank	(3,636)
Total	(3,421)

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 2021 and 30 June 2020 are disclosed in the table below.

for the year to 30 June	2021 ^a \$'000	2021 ^a % ^b	2020 ^a \$'000	2020 ^a % ^b
Lowest	406,671	40.33	356,481	39.90
Highest	1,833,127	145.82	1,509,769	182.50
Average	749,884	60.49	616,488	68.40

^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 fund valuation.

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.

Financial statements and notes

The exposure to forward currency contracts for share class hedging at the year-end accounting date is disclosed in the portfolio statement on page 104.

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	01.07.20	31.12.20	04.01.21	28.02.21
Final	01.01.21	30.06.21	01.07.21	31.08.21

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

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

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

Sterling Class 'A' Income shares

Interest distributions for the year to 30 June	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2021 UK p	2021 UK p	2021 UK p	2020 UK p
Interim	0.8140	1.5150	2.3290	2.9695
Final	1.3184	1.1423	2.4607	2.9721

Sterling Class 'A' Accumulation shares

Interest distributions for the year to 30 June	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2021 UK p	2021 UK p	2021 UK p	2020 UK p
Interim	1.8434	3.0124	4.8558	6.0455
Final	2.9314	2.4930	5.4244	6.2189

Financial statements and notes

Sterling Class 'I' Income shares

Interest distributions for the year to 30 June	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2021 UK p	2021 UK p	2021 UK p	2020 UK p
Interim	1.6689	1.5341	3.2030	4.0636
Final	1.9691	1.4232	3.3923	4.0770

Sterling Class 'I' Accumulation shares

Interest distributions for the year to 30 June	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2021 UK p	2021 UK p	2021 UK p	2020 UK p
Interim	2.2800	1.7849	4.0649	4.9638
Final	2.3572	2.1050	4.4622	5.1119

Sterling Class 'I-H' Income shares

Interest distributions for the year to 30 June	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2021 UK p	2021 UK p	2021 UK p	2020 UK p
Interim	1.1468	1.3444	2.4912	3.1127
Final	1.4706	1.1810	2.6516	2.8816

Sterling Class 'I-H' Accumulation shares

Interest distributions for the year to 30 June	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2021 UK p	2021 UK p	2021 UK p	2020 UK p
Interim	1.4983	1.3353	2.8336	3.4209
Final	1.4225	1.7077	3.1302	3.2492

Sterling Class 'PP' Income shares

Interest distributions for the year to 30 June	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2021 UK p	2021 UK p	2021 UK p	2020 UK p
Interim	0.9272	1.3668	2.2940	2.8551
Final	1.3648	1.0667	2.4315	2.9124

Financial statements and notes

Sterling Class 'PP' Accumulation shares

Interest distributions for the year to 30 June	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2021 UK p	2021 UK p	2021 UK p	2020 UK p
Interim	2.0875	0.3019	2.3894	2.9328
Final	2.0426	0.5911	2.6337	3.0258

Sterling Class 'PP-H' Income shares

Interest distributions for the year to 30 June	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2021 UK p	2021 UK p	2021 UK p	2020 UK p
Interim	n/a	n/a	n/a	n/a
Final	0.5445	2.2856	2.8301	n/a

Sterling Class 'PP-H' Accumulation shares

Interest distributions for the year to 30 June	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2021 UK p	2021 UK p	2021 UK p	2020 UK p
Interim	n/a	n/a	n/a	n/a
Final	0.5828	0.8707	1.4535	n/a

Sterling Class 'R' Income shares

Interest distributions for the year to 30 June	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2021 UK p	2021 UK p	2021 UK p	2020 UK p
Interim	0.8570	2.1002	2.9572	3.7628
Final	1.3099	1.8195	3.1294	3.7704

Sterling Class 'R' Accumulation shares

Interest distributions for the year to 30 June	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2021 UK p	2021 UK p	2021 UK p	2020 UK p
Interim	1.2202	2.2888	3.5090	4.3136
Final	1.8957	1.9564	3.8521	4.4505

Financial statements and notes

Sterling Class 'X' Income shares

Interest distributions for the year to 30 June	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2021 UK p	2021 UK p	2021 UK p	2020 UK p
Interim	1.3631	0.9318	2.2949	2.9260
Final	1.5918	0.8328	2.4246	2.9284

Sterling Class 'X' Accumulation shares

Interest distributions for the year to 30 June	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2021 UK p	2021 UK p	2021 UK p	2020 UK p
Interim	1.6467	3.2194	4.8661	6.0590
Final	3.4166	2.0201	5.4367	6.2325

Authorised Corporate Director's Report

Investment objective

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

Investment policy

At least 70% of the fund is invested, directly or indirectly through derivatives, in investment grade corporate debt securities. These securities can be issued by companies from anywhere in the world, including emerging markets. These securities can be denominated in any European currency.

Other investments may include:

- below investment grade and unrated corporate debt securities;
- debt securities issued or guaranteed by governments and their agencies, public authorities, quasi-sovereigns, supranational bodies;
- asset-backed securities; and
- other transferable securities, cash, and near cash, directly or via collective investment schemes (including funds managed by M&G).

At least 70% of the fund is in euro or hedged back to euro.

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

Investment approach

The fund is predominantly diversified across a range of euro denominated investment grade debt securities from a variety of sectors and geographies. The fund's investment approach is based on the principle that returns from corporate bond markets are driven by a combination of macroeconomic, asset class, sector, geographic and stock-level factors. As different factors dominate returns at different stages of the economic cycle, the fund manager applies a flexible investment

approach, changing the blend of duration and credit exposure in the portfolio to weight them appropriately.

Individual credit selection is carried out with the assistance of an in-house team of credit analysts to complement the fund manager's views.

Benchmark

Benchmark: ICE BofAML Euro Corporate Index.

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

The fund is actively managed.

The fund manager has complete freedom in choosing which investments to buy, hold and sell in the fund. The fund's holdings may deviate significantly from the benchmark's constituents.

For unhedged share classes, the benchmark is shown in the share class currency. For currency hedged share classes, the benchmark is hedged to the share class currency.

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.

Authorised Corporate Director's Report

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 2021, for the year ended 30 June 2021

Performance against objective

Between 1 July 2020 (the start of the review period) and 1 July 2021, the M&G European Corporate Bond Fund delivered a negative total return (the combination of income and growth of capital) across four of its five share classes. The performance for two of its five share classes was behind the return from the fund's benchmark, ICE BofAML Euro Corporate Index, which was -1.2% in sterling terms in the same period.

Over five years, only one of the fund's share classes has met its objective to provide a higher total return (the

combination of capital growth and income), net of the ongoing charge figure, than that of the ICE BofAML Euro Corporate Index over any five-year period. Three share classes did not report returns higher than that of the ICE BofAML Euro Corporate Index, which was 2.5% pa over five years; a fourth had not been launched five years previously.

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

Performance review

From the middle of February 2020 to the start of the period under review, the value of riskier assets fell sharply on confirmation that the coronavirus (COVID-19) pandemic would lead to a severe stalling in economic activity worldwide, as governments imposed lockdowns to try to slow down the outbreak. Central banks cut interest rates and purchased debt issued by companies (securities known as corporate bonds) in order to support the market. Many governments resorted to paying the wages of employees no longer able to work because of the lockdown, and to extending loans to businesses to bridge cashflow.

There was a sharp recovery in risky assets in the months that followed and, on balance, to the end of the period under review. Investors generally took their cue from the fiscal and monetary stimulus that governments and central banks offered in trying to kickstart economic activity, and the full range of assets rose as a result. By the summer (in the northern hemisphere), lockdowns were gradually eased across Asia and Europe, although the Americas' experience of the pandemic seemed to worsen.

Investor sentiment moved from positive to more cautious as the summer months gave way to an autumn marked by rising concerns about a second peak in the infection rate of COVID-19, and how this may dim the outlook for the global economy, amongst other things. This anxiety combined with a noisy build-up to the US presidential election to generally weaken investor appetite by the end of September and into what is traditionally a mixed October for financial markets.

Authorised Corporate Director's Report

There were two important drivers of investor sentiment during the winter months and to the end of the period under review: news of COVID-19 vaccines being rolled out from December 2020 onwards, and the US presidential election reaching closure as Joe Biden defeated Donald Trump with room to spare. In general, risky assets responded to these key drivers with price gains as the year came to an end. Overall, it was a positive period for corporate bonds.

However, it was a mixed start to 2021, with some signs of volatility starting to emerge as modest changes took place in the prices of many assets. Returns from major government bond markets fell as yields (which move inversely to bond prices) rose on US Treasuries, UK gilts, and German bunds. This pattern of selling persisted in the months to the end of the period under review, as some investors sold their positions in major government bonds on the perceived threat of rising inflation over the coming years. Equally, returns from most corporate bonds were mixed for most of the remaining months of the review period, and only really started to recover by the spring. Performance was certainly not as strong as in most of 2020, with US companies' bonds performing marginally better than UK and European corporate bonds, largely reflecting what was a better outlook for the US economy compared to other major economies in the period.

Against a backdrop of further vaccine rollouts and also the reopening of economies, the final weeks of the period under review saw an improvement in the value of corporate bonds, including European ones. Meanwhile central banks attempted to reassure investors that monetary policy would remain supportive in the coming months, and that inflationary forces could be more fleeting than previously suggested.

In this context, the fund delivered a negative total return although performance was broadly in line with its benchmark, the ICE BofAML Euro Corporate Index, over the 12-month review period.

Investment activities

One of the key drivers of a bond fund's performance is the ability to adjust the portfolio's sensitivity to changes

in interest rates, known as 'duration' and measured in years. Being shorter duration means that a fund is relatively less sensitive to changes in interest rates than longer-duration funds. During the course of the reporting period, we adjusted the fund's relative duration from being neutral against the ICE BofAML Euro Corporate Index, to being short by 0.3 years. This essentially means we are sceptical as fund managers on the prospect of holding too many governments bonds should yields rise (and prices fall) on these bonds in the coming period.

As the period under review came to a close, we looked to balance an overall rise in credit risk in the fund by a lift in the quality of holdings. For example, within financial sector bonds we moved up the capital structure as valuations on these bonds tightened. This meant selling Unicredit and Intesa's portion of bonds that have lower credit ratings and buying their higher-rated bonds. In terms of new issues, we bought bonds issued by Mondelez, Bookings, Daimler, Traton, Bankinter, and Bayerische Landesbank.

We also added to our European high yield exposure, targeting bonds from companies GTC Aurora and Derichebourg. Finally, we reduced exposure to the ultra-long-dated bond issued by energy company Engie (the Engie 2111 bond was the largest position in the portfolio in terms of risk) after securing what our in-house team of bond analysts saw as an attractive price.

Outlook

As we head into the later stages of 2021 – a year that has been reasonably positive for European corporate bonds against a backdrop of central bank support – we favour high quality companies and also continue to see potential opportunities in high yield bonds, and mainly BB rated companies and so-called 'rising star' candidates.

We will continue to monitor where we are in the interest rate cycle and the economic cycle, and look at where we can find the most attractive opportunities for the fund from different sectors and individual issuers at any given stage. In this regard, we expect bond selection, carry (using differences in interest rates to try to find

Authorised Corporate Director's Report

attractive investment opportunities) and duration trades (changing between longer and shorter duration bonds as we assess the risk of interest rate moves) as potentially having the best risk-reward outcome. European corporate bonds' valuations may be reaching something of a limit as we potentially move into a period of uncertainty with regard to interest rate rises in Europe and the US. Finally, we remain positioned for a full reopening of the European economy based on the continuation of COVID vaccine rollouts in the coming period.

Stefan Isaacs

Fund manager

An employee of M&G FA 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

Holding	as at 30.06.21 €'000	as at 30.06.21 %	as at 30.06.20 %
Fixed income	82,829	98.91	98.17
Debt securities	82,792	98.87	98.17
'AAA' credit rated bonds	7,378	8.81	7.13
€500,000 Cooperatieve Rabobank 0.25% 31/05/2024	510	0.61	
€1,897,087 Germany (Federal Republic of) 0.25% 15/02/2027	1,982	2.37	
€75,099 Germany (Federal Republic of) 0.5% 15/02/2026	79	0.09	
€52,493 Germany (Federal Republic of) 5.5% 04/01/2031	82	0.10	
€647,688 Glenbeigh 2 Issuer FRN 0.21% 24/03/2046	647	0.77	
€675,000 Johnson & Johnson 0.65% 20/05/2024	692	0.83	
€399,000 Jubilee Place 2021-1 FRN 0.2945% 17/07/2058	402	0.48	
£444,000 Lloyds Bank 4.875% 30/03/2027	636	0.76	
US\$366,000 Microsoft 3.5% 12/02/2035	356	0.42	
€311,000 Nationwide Building Society 0.05% 03/06/2024	315	0.37	
€1,000,000 Royal Bank of Canada 0.01% 27/01/2031	985	1.18	
€375,000 Temasek Financial I 0.5% 20/11/2031	375	0.45	
€299,000 Wellcome Trust 1.125% 21/01/2027	317	0.38	
'AA' credit rated bonds	5,074	6.06	6.54
€238,000 Apple 2% 17/09/2027	267	0.32	
€100,000 Clearstream Banking 0% 01/12/2025	100	0.12	
€500,000 Deutsche Bahn Finance 0.375% 23/06/2029	507	0.60	
€400,000 Euroclear Bank 0.125% 07/07/2025	402	0.48	
€703,455 France (Govt. of) 0.25% 25/11/2026	727	0.87	
€262,323 France (Govt. of) 1.75% 25/05/2023	274	0.33	
€516,000 Metropolitan Life Global Funding I 0.375% 09/04/2024	524	0.63	
US\$150,000 Metropolitan Life Global Funding I 2.95% 09/04/2030	135	0.16	
€214,000 New York Life Global Funding 0.25% 23/01/2027	216	0.26	
€149,000 Ontario Teachers' Finance Trust 0.5% 06/05/2025	153	0.18	
€218,000 Procter & Gamble 2% 16/08/2022	224	0.27	
€565,000 Roche Finance Europe 0.875% 25/02/2025	587	0.70	
€421,000 Svenska Handelsbanken 2.625% 23/08/2022	436	0.52	
€381,000 Walmart 4.875% 21/09/2029	522	0.62	
'A' credit rated bonds	19,182	22.91	28.08
€282,000 3M 0.95% 15/05/2023	289	0.35	

Investments

Portfolio statement (continued)

Holding	as at 30.06.21 €'000	as at 30.06.21 %	as at 30.06.20 %
Fixed income (continued)			
Debt securities (continued)			
'A' credit rated bonds (continued)			
€100,000 AG Insurance Var. Rate 3.5% 30/06/2047	114	0.14	
€100,000 Allianz Finance II Var. Rate 5.75% 08/07/2041	100	0.12	
€400,000 Allianz Var. Rate 3.375% Perpetual	436	0.52	
€400,000 Banco Bilbao Vizcaya Argentaria 0.375% 15/11/2026	405	0.48	
€700,000 Banco Santander 0.25% 19/06/2024	707	0.84	
€356,000 Bank of America 1.375% 10/09/2021	357	0.43	
€250,000 Bank of America 2.375% 19/06/2024	268	0.32	
€400,000 Bank of America Var. Rate 0.583% 24/08/2028	403	0.48	
€768,000 Berkshire Hathaway 1.125% 16/03/2027	809	0.97	
€175,000 BMW Finance 0.125% 13/07/2022	176	0.21	
€229,000 BMW Finance 1.125% 22/05/2026	242	0.29	
€170,000 BNP Paribas 1.625% 23/02/2026	183	0.22	
€100,000 Booking 0.5% 08/03/2028	101	0.12	
€100,000 BP Capital Markets 0.933% 04/12/2040	93	0.11	
€428,000 BP Capital Markets 2.177% 28/09/2021	430	0.51	
€460,000 BP Capital Markets 2.822% 07/04/2032	552	0.66	
€300,000 BPCE 0.25% 15/01/2026	303	0.36	
€284,000 Chubb 0.875% 15/12/2029	292	0.35	
€122,000 Chubb 1.55% 15/03/2028	131	0.16	
€380,000 Coca-Cola 1.125% 09/03/2027	402	0.48	
€223,000 Cooperatieve Rabobank 4% 11/01/2022	228	0.27	
€400,000 Crédit Agricole 1.375% 03/05/2027	428	0.51	
€296,000 Diageo Finance 1.875% 27/03/2027	325	0.39	
€154,000 Honeywell International 1.3% 22/02/2023	158	0.19	
€387,000 HSBC 0.875% 06/09/2024	398	0.48	
€421,000 HSBC 1.5% 15/03/2022	427	0.51	
€476,000 HSBC FRN 0% 05/10/2023	478	0.57	
€368,000 Hutchison Whampoa Finance 1.375% 31/10/2021	370	0.44	
€590,000 JPMorgan Chase 0.625% 25/01/2024	601	0.72	
€335,000 JPMorgan Chase 1.375% 16/09/2021	336	0.40	

Investments

Portfolio statement (continued)

Holding	as at 30.06.21 €'000	as at 30.06.21 %	as at 30.06.20 %
Fixed income (continued)			
Debt securities (continued)			
'A' credit rated bonds (continued)			
€304,000 JPMorgan Chase Var. Rate 1.001% 25/07/2031	312	0.37	
€210,000 JPMorgan Chase Var. Rate 1.638% 18/05/2028	226	0.27	
€102,000 Lloyds Bank Corporate Markets 0.25% 04/10/2022	103	0.12	
€300,000 LVMH Moët Hennessy Louis Vuitton 0.125% 11/02/2028	302	0.36	
€176,000 Medtronic Global 0% 15/10/2025	176	0.21	
€330,000 Medtronic Global 1.5% 02/07/2039	345	0.41	
€153,000 NatWest Markets 1% 28/05/2024	158	0.19	
€380,000 Nestlé 0.875% 18/07/2025	395	0.47	
€330,000 Nestlé Finance International 0% 03/12/2025	332	0.40	
€239,000 Novartis Finance 1.625% 09/11/2026	261	0.31	
€125,000 Prologis International Funding II 1.625% 17/06/2032	135	0.16	
€191,000 Prologis International Funding II 1.876% 17/04/2025	204	0.24	
€300,000 RTE Réseau de Transport d'Électricité 0% 09/09/2027	296	0.35	
€100,000 RTE Réseau de Transport d'Électricité 0.625% 08/07/2032	100	0.12	
€200,000 Santander Consumer Bank 0.125% 11/09/2024	201	0.24	
€300,000 Santander Consumer Bank 0.25% 15/10/2024	302	0.36	
€400,000 Santander Consumer Finance 0.375% 27/06/2024	405	0.48	
€500,000 SAP 0.75% 10/12/2024	515	0.62	
€300,000 Shell International Finance 0.375% 15/02/2025	306	0.37	
€170,000 Shell International Finance 0.5% 08/11/2031	168	0.20	
€630,404 Silverback Finance 3.1261% 25/02/2037	636	0.76	
€232,000 Sumitomo Mitsui Banking 2.75% 24/07/2023	247	0.30	
€182,000 Svenska Handelsbanken 0.01% 02/12/2027	179	0.21	
€100,000 Swiss Re Finance Luxembourg Var. Rate 2.534% 30/04/2050	110	0.13	
€700,000 TotalEnergies Capital International 1.375% 19/03/2025	740	0.88	
€409,000 Toyota Finance Australia 0.25% 09/04/2024	413	0.49	
€679,000 UBS Var. Rate 1.25% 17/04/2025	702	0.84	
€209,000 Vier Gas Transport 3.125% 10/07/2023	223	0.27	
€145,000 Yorkshire Building Society 0.625% 21/09/2025	148	0.18	

Investments

Portfolio statement (continued)

Holding	as at 30.06.21 €'000	as at 30.06.21 %	as at 30.06.20 %
Fixed income (continued)			
Debt securities (continued)			
'BBB' credit rated bonds	43,108	51.48	45.21
€200,000 ABN AMRO Bank 0.6% 15/01/2027	203	0.24	
€145,000 Acef 0.75% 14/06/2028	144	0.17	
€300,000 Achmea 1.5% 26/05/2027	320	0.38	
€260,000 Airbus 2.375% 09/06/2040	301	0.36	
€200,000 Alstria office REIT 1.5% 23/06/2026	210	0.25	
€500,000 Alstria office REIT 1.5% 15/11/2027	527	0.63	
€326,000 Altria 1.7% 15/06/2025	343	0.41	
€451,000 América Móvil 0.75% 26/06/2027	460	0.55	
€100,000 American International Var. Rate 1.182% 15/03/2037	93	0.11	
€267,000 Anheuser-Busch InBev 2% 17/03/2028	298	0.36	
€356,000 Arion Bank 1% 20/03/2023	361	0.43	
€100,000 Arion Banki HF 0.625% 27/05/2024	101	0.12	
€300,000 Aroundtown 1.875% 19/01/2026	321	0.38	
€200,000 Aroundtown 2% 02/11/2026	215	0.26	
€184,000 Assicurazioni Generali Var. Rate 5.5% 27/10/2047	227	0.27	
€139,000 AT&T 1.6% 19/05/2028	149	0.18	
€244,000 AT&T 1.8% 05/09/2026	263	0.31	
€324,000 Babcock International 1.375% 13/09/2027	329	0.39	
€100,000 Banco de Sabadell Var. Rate 1.75% 29/06/2023	102	0.12	
€100,000 Banco Santander 2.125% 08/02/2028	108	0.13	
€100,000 Bankinter Var. Rate 1.25% 23/12/2032	100	0.12	
€300,000 Banque Fédérative du Crédit Mutuel 0.625% 03/11/2028	300	0.36	
€236,000 Barclays Bank 6.625% 30/03/2022	248	0.30	
€267,000 BAT International Finance 3.125% 06/03/2029	304	0.36	
£195,000 BAT International Finance 7.25% 12/03/2024	264	0.32	
€100,000 Bayerische Landesbank Var. Rate 1% 23/09/2031	100	0.12	
€171,000 Bevco Lux 1% 16/01/2030	169	0.20	
€615,000 BNP Paribas FRN 0.208% 07/06/2024	623	0.74	
€600,000 BNP Paribas Var. Rate 0.5% 01/09/2028	598	0.71	
US\$350,000 Boeing 2.196% 04/02/2026	297	0.35	

Investments

Portfolio statement (continued)

Holding	as at 30.06.21 €'000	as at 30.06.21 %	as at 30.06.20 %
Fixed income (continued)			
Debt securities (continued)			
'BBB' credit rated bonds (continued)			
€183,000 Boston Scientific 0.625% 01/12/2027	185	0.22	
€200,000 BPCE 1.375% 23/03/2026	210	0.25	
€200,000 BPCE Var. Rate 2.75% 30/11/2027	208	0.25	
€200,000 Bureau Veritas 1.125% 18/01/2027	204	0.24	
€400,000 CA Immobilien Anlagen 1% 27/10/2025	408	0.49	
€200,000 CaixaBank 1.375% 19/06/2026	209	0.25	
€197,000 CBRE Global Investors 0.5% 27/01/2028	195	0.23	
€113,000 CEZ 4.875% 16/04/2025	134	0.16	
€525,000 Channel Link Enterprises Finance Var. Rate 1.761% 30/06/2050	523	0.62	
€140,000 Citigroup Var. Rate 0.5% 08/10/2027	141	0.17	
€100,000 CK Hutchison Group Telecom Finance 1.5% 17/10/2031	104	0.12	
€600,000 Co-entreprise de Transport d'Electricité 1.5% 29/07/2028	646	0.77	
€200,000 Covivio 1.625% 23/06/2030	215	0.26	
€300,000 Crédit Agricole 0.375% 20/04/2028	297	0.35	
€500,000 Crédit Agricole 1.875% 20/12/2026	542	0.65	
€520,000 Credit Suisse 0.625% 18/01/2033	488	0.58	
£277,000 Credit Suisse Funding 3% 27/05/2022	330	0.39	
€248,000 CTP 0.75% 18/02/2027	244	0.29	
€290,000 Daimler 0.75% 11/03/2033	291	0.35	
€347,000 Daimler 2% 22/08/2026	381	0.46	
€65,000 Daimler 2.625% 07/04/2025	72	0.09	
€255,000 Daimler International Finance 1% 11/11/2025	266	0.32	
€180,000 Deutsche Bank 1.125% 30/08/2023	185	0.22	
€50,000 Deutsche Bank Var. Rate 1.375% 10/06/2026	52	0.06	
€381,000 Deutsche Telekom International Finance 0.375% 30/10/2021	382	0.46	
€600,000 DH Europe Finance II 0.75% 18/09/2031	599	0.72	
€102,000 Digital Dutch Finco 1.5% 15/03/2030	107	0.13	
€350,000 Électricité de France 4% 12/11/2025	411	0.49	
€196,000 ELM Var. Rate 3.375% 29/09/2047	220	0.26	
€400,000 EnBW International Finance 0.625% 17/04/2025	410	0.49	

Investments

Portfolio statement (continued)

Holding	as at 30.06.21 €'000	as at 30.06.21 %	as at 30.06.20 %
Fixed income (continued)			
Debt securities (continued)			
'BBB' credit rated bonds (continued)			
€225,000 Engie 5.95% 16/03/2111	436	0.52	
€177,000 Eni 0.375% 14/06/2028	177	0.21	
€500,000 Eurogrid 1.113% 15/05/2032	526	0.63	
€66,000 EWE 5.25% 16/07/2021	66	0.08	
€311,000 Fastighets AB Balder 1.875% 23/01/2026	328	0.39	
€197,000 Fidelity National Information Services 0.125% 03/12/2022	198	0.24	
€393,000 Fidelity National Information Services 1.5% 21/05/2027	416	0.50	
€150,000 General Electric 1.5% 17/05/2029	158	0.19	
€309,000 General Motors Financial 0.955% 07/09/2023	315	0.38	
€125,000 General Motors Financial 2.2% 01/04/2024	132	0.16	
€336,000 Glencore Capital Finance 1.125% 10/03/2028	341	0.41	
€234,000 Global Switch 2.25% 31/05/2027	256	0.31	
€73,000 Goldman Sachs 1.375% 26/07/2022	74	0.09	
€245,000 Goldman Sachs 1.625% 27/07/2026	261	0.31	
€439,000 Goldman Sachs FRN 0.082% 26/09/2023	440	0.53	
€598,000 Heathrow Funding 1.5% 11/02/2030	615	0.73	
€273,000 Heathrow Funding 1.875% 14/03/2034	285	0.34	
€300,000 Iliad 1.875% 25/04/2025	305	0.36	
€400,000 Iliad 2.375% 17/06/2026	410	0.49	
€127,000 Imperial Brands Finance 1.375% 27/01/2025	131	0.16	
€200,000 Infineon Technologies 1.625% 24/06/2029	215	0.26	
€182,000 Informa 2.125% 06/10/2025	194	0.23	
€100,000 ING 2.125% 10/01/2026	109	0.13	
€300,000 ING Var. Rate 0.25% 18/02/2029	294	0.35	
€251,000 Intesa Sanpaolo 0.75% 16/03/2028	252	0.30	
€358,000 Intesa Sanpaolo 1.125% 04/03/2022	361	0.43	
€300,000 JAB 1% 20/12/2027	307	0.37	
€100,000 JAB 2.5% 17/04/2027	111	0.13	
€366,000 Johnson Controls International 1.375% 25/02/2025	383	0.46	
€300,000 KBC 0.75% 01/03/2022	302	0.36	

Investments

Portfolio statement (continued)

Holding	as at 30.06.21 €'000	as at 30.06.21 %	as at 30.06.20 %
Fixed income (continued)			
Debt securities (continued)			
'BBB' credit rated bonds (continued)			
€144,000 Lloyds Banking Var. Rate 0.5% 12/11/2025	146	0.17	
€270,000 Logicor Financing 1.625% 15/07/2027	284	0.34	
€100,000 McDonald's 0.9% 15/06/2026	104	0.12	
€300,000 McDonald's 2% 01/06/2023	313	0.37	
€218,000 Merlin Properties 1.875% 02/11/2026	232	0.28	
US\$365,906 Mitchells & Butlers Finance FRN 0.5689% 15/12/2030	284	0.34	
£240,894 Mitchells & Butlers Finance FRN 0.6813% 15/12/2033	246	0.29	
€100,000 Mohawk Capital Finance 1.75% 12/06/2027	107	0.13	
€162,000 Molnlycke 0.875% 05/09/2029	163	0.19	
€264,000 Mondelēz International 0.25% 17/03/2028	262	0.31	
€241,000 Mondelēz International Netherlands 0.875% 01/10/2031	245	0.29	
€356,000 Morgan Stanley 1.375% 27/10/2026	378	0.45	
€280,000 Morgan Stanley Var. Rate 0.406% 29/10/2027	281	0.34	
€224,000 National Grid 0.163% 20/01/2028	220	0.26	
€281,000 Natwest Var. Rate 2% 04/03/2025	295	0.35	
€459,000 NET4GAS 2.5% 28/07/2021	459	0.55	
€279,000 Nielsen Norman Var. Rate 4.5% Perpetual	319	0.38	
€200,000 Orange 0% 04/09/2026	199	0.24	
€404,000 Orange Var. Rate 5% Perpetual	482	0.58	
€332,000 PVH 3.625% 15/07/2024	364	0.43	
€200,000 Quadient 2.25% 03/02/2025	205	0.24	
€123,000 RCI Banque 2% 11/07/2024	129	0.15	
€120,000 Rentokil Initial 0.5% 14/10/2028	120	0.14	
€131,000 Ryanair 0.875% 25/05/2026	131	0.16	
€260,000 Smurfit Kappa Treasury ULC 1.5% 15/09/2027	275	0.33	
€300,000 Société Générale 1.25% 12/06/2030	309	0.37	
€600,000 Société Générale 1.75% 22/03/2029	643	0.77	
€400,000 Standard Chartered Var. Rate 1.2% 23/09/2031	401	0.48	
€164,000 Statkraft 2.5% 28/11/2022	170	0.20	
€400,000 Stryker 2.125% 30/11/2027	444	0.53	

Investments

Portfolio statement (continued)

Holding	as at 30.06.21 €'000	as at 30.06.21 %	as at 30.06.20 %
Fixed income (continued)			
Debt securities (continued)			
'BBB' credit rated bonds (continued)			
€294,000 Takeda Pharmaceutical 1.375% 09/07/2032	306	0.37	
€400,000 Takeda Pharmaceutical 2.25% 21/11/2026	442	0.53	
€400,000 Tele2 0.75% 23/03/2031	395	0.47	
€606,000 Tele2 1.125% 15/05/2024	624	0.75	
€275,000 Tesco Corporate Treasury Services 0.875% 29/05/2026	283	0.34	
€500,000 Thales 0.75% 07/06/2023	508	0.61	
€541,000 TotalEnergies Var. Rate 3.369% Perpetual	600	0.72	
€300,000 Traton Finance Luxembourg 0.75% 24/03/2029	303	0.36	
€100,000 Tritax EuroBox 0.95% 02/06/2026	100	0.12	
€400,000 Unibail-Rodamco-Westfield 0.875% 29/03/2032	389	0.46	
€300,000 Uniqa Insurance Var. Rate 6.875% 31/07/2043	340	0.41	
€267,000 Upjohn Finance 1.362% 23/06/2027	279	0.33	
€229,000 Verizon Communications 0.75% 22/03/2032	226	0.27	
€485,000 Verizon Communications 3.25% 17/02/2026	555	0.66	
€571,000 Vodafone 2.2% 25/08/2026	631	0.75	
€179,000 Volkswagen Financial Services 0.75% 14/10/2021	180	0.22	
€700,000 Volkswagen International Finance Var. Rate 3.5% Perpetual	756	0.90	
€206,000 Volkswagen Leasing 0.375% 20/07/2026	206	0.25	
€144,000 Volkswagen Leasing 1.5% 19/06/2026	153	0.18	
€361,000 Volkswagen Leasing 2.625% 15/01/2024	385	0.46	
€200,000 Vonovia 0.625% 14/12/2029	200	0.24	
€330,000 Wells Fargo 0.625% 25/03/2030	326	0.39	
€197,000 Wells Fargo 1.625% 02/06/2025	209	0.25	
€100,000 Wells Fargo 2% 27/04/2026	108	0.13	
€421,000 Wells Fargo 2.625% 16/08/2022	435	0.52	
€145,000 Wolters Kluwer 0.75% 03/07/2030	148	0.18	
€171,000 WPC Eurobond 1.35% 15/04/2028	177	0.21	
€469,000 WPC Eurobond 2.25% 19/07/2024	499	0.60	
'BB' credit rated bonds	6,769	8.08	3.73
€400,000 Banco de Sabadell Var. Rate 0.875% 16/06/2028	394	0.47	

Investments

Portfolio statement (continued)

Holding	as at 30.06.21 €'000	as at 30.06.21 %	as at 30.06.20 %
Fixed income (continued)			
Debt securities (continued)			
'BB' credit rated bonds (continued)			
€200,000 Banco de Sabadell Var. Rate 2% 17/01/2030	197	0.24	
€200,000 Banco de Sabadell Var. Rate 5.375% 12/12/2028	219	0.26	
€200,000 Banco Santander Var. Rate 6.75% Perpetual	208	0.25	
£37,000 Bank of Scotland Var. Rate 7.281% Perpetual	53	0.06	
€154,000 Barclays Var. Rate 2% 07/02/2028	158	0.19	
€200,000 Bertelsmann Var. Rate 3.5% 23/04/2075	217	0.26	
€200,000 CaixaBank Var. Rate 5.25% Perpetual	214	0.26	
€200,000 Cellnex Finance 2% 15/02/2033	198	0.24	
€400,000 Cellnex Telecom 1.75% 23/10/2030	397	0.47	
€200,000 Citycon Var. Rate 3.625% Perpetual	198	0.24	
€116,000 Derichebourg 2.25% 15/07/2028	118	0.14	
€150,000 GTC Aurora Luxembourg 2.25% 23/06/2026	151	0.18	
€200,000 Intesa Sanpaolo 2.925% 14/10/2030	213	0.25	
€190,000 IQVIA 2.875% 15/06/2028	196	0.23	
€400,000 Lagardère 1.625% 21/06/2024	400	0.48	
€123,000 Leonardo 2.375% 08/01/2026	128	0.15	
€400,000 Mahle 2.375% 14/05/2028	398	0.48	
€43,000 National Westminster Bank Var. Rate 1.721% Perpetual	43	0.05	
€200,000 Rakuten Var. Rate 4.25% Perpetual	206	0.25	
€100,000 Repsol International Finance Var. Rate 2.5% Perpetual	101	0.12	
€320,000 Repsol International Finance Var. Rate 3.75% Perpetual	342	0.41	
€123,000 Rolls-Royce 4.625% 16/02/2026	134	0.16	
€145,000 Solvay Finance Var. Rate 5.425% Perpetual	160	0.19	
€202,000 UBS Var. Rate 5.75% Perpetual	208	0.25	
€300,000 UniCredit Var. Rate 2% 23/09/2029	302	0.36	
€250,000 UniCredit Var. Rate 2.731% 15/01/2032	255	0.30	
€205,000 Vodafone Var. Rate 2.625% 27/08/2080	212	0.25	
€300,000 Vodafone Var. Rate 3.1% 03/01/2079	312	0.37	
€133,000 Wabtec Transportation Netherlands 1.25% 03/12/2027	134	0.16	
€300,000 ZF Europe Finance 2% 23/02/2026	303	0.36	

Investments

Portfolio statement (continued)

Holding	as at 30.06.21 €'000	as at 30.06.21 %	as at 30.06.20 %
Fixed income (continued)			
Debt securities (continued)			
'B' credit rated bonds			
€330,000 Ardagh Packaging Finance 2.125% 15/08/2026	330	0.39	
£200,000 Heathrow Finance 4.375% 01/03/2027	239	0.29	
£350,000 Thames Water Kemble Finance 4.625% 19/05/2026	417	0.50	
Bonds with no credit rating			
€300,000 Iliad 1.875% 11/02/2028	295	0.35	
€350,000 Lehman Brothers Holdings Var. Rate 0% 26/09/2040 ^a	0	0.00	
Debt derivatives			
Credit default swaps			
€(1,600,000) Markit iTraxx Europe Series 35 5 Year Jun 2026	43	0.05	
Interest rate futures			
(8) 10 Year US Treasury Note Sep 2021	0	0.00	
2 Euro-Bobl Sep 2021	0	0.00	
16 Euro-Bund Sep 2021	12	0.02	
(2) Euro-Buxl Sep 2021	(6)	(0.01)	
93 Euro-Schatz Sep 2021	(5)	(0.01)	
(6) UK Long Gilt Bond Sep 2021	(7)	(0.01)	
Currency			
Forward currency contracts			
£(1,930,826) Sold for €2,249,268 (expires 28.07.21)	(1)	0.00	
US\$(1,337,507) Sold for €1,119,803 (expires 28.07.21)	(5)	(0.01)	
Portfolio of investments	82,823	98.90	98.23

Investments

Portfolio statement (continued)

Holding	as at 30.06.21 €'000	as at 30.06.21 %	as at 30.06.20 %
Cash equivalents	3,600	4.30	1.61
'AAA' rated money market funds^b	3,600	4.30	1.61
3,720,000 Northern Trust Global Fund - Euro	3,600	4.30	
Share class hedging	0	0.00	0.00
Forward currency contracts for share class hedging	0	0.00	0.00
£21,606 Bought for €25,263 (expires 28.07.21)	0	0.00	
Total portfolio (notes 2c & 2d on page 9)	86,423	103.20	99.84
Net other assets / (liabilities)	(2,681)	(3.20)	0.16
Net assets attributable to shareholders	83,742	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.

Financial highlights

Fund performance

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

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

Fund level performance

Fund net asset value as at	30.06.21 €'000	30.06.20 €'000	30.06.19 €'000
Fund net asset value (NAV)	83,742	89,294	184,337

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.

January 2003 = 100, plotted monthly
Chart date 1 July 2021



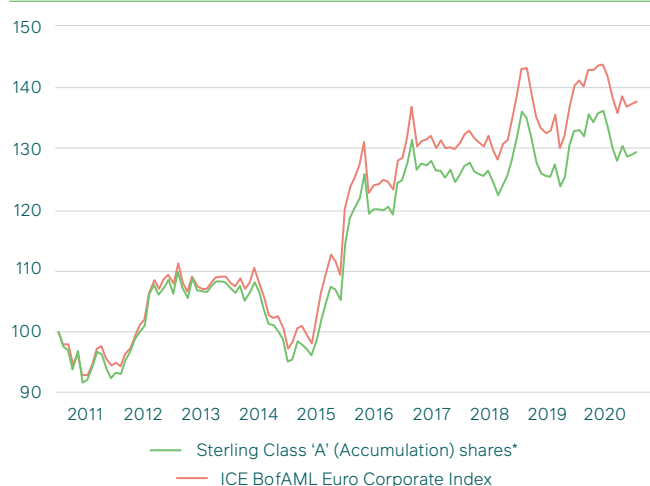
Source: Morningstar, Inc. and M&G

*Income reinvested

Ten-year fund performance against the comparator benchmark

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

Ten years, 1 July 2011 = 100, plotted monthly
Chart date 1 July 2021



Source: Morningstar, Inc. and M&G

*Income reinvested

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

Financial highlights

Long-term performance by share class

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.

Share class	One year 01.07.20 % ^a	Three years 02.07.18 % pa	Five years 01.07.16 % pa	Since launch % pa
Sterling^b				
Class 'A'	-1.4	+1.0	+2.2	+4.6 ^c
Class 'I'	-0.9	+1.5	+2.7	+4.2 ^d
Class 'I-H'	+4.7	+3.4	n/a	+2.9 ^e
Class 'R'	-1.2	+1.3	+2.4	+3.9 ^d
Class 'X'	-1.4	+1.0	+2.2	+4.5 ^c

^a Absolute basis.

^b Price to price with income reinvested.

^c 13 January 2003, the launch date of the fund.

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

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

Operating charges and portfolio transaction costs

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

Operating charges

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

- **Annual charge:** Charge paid to M&G covering the annual cost of M&G managing and administering the fund and the costs of third parties providing services to the fund. From 1 August 2019, this charge rolls all costs that make up the operating charges into one annual charge. For every £1 billion of a fund's net asset value, a discount of 0.02% will be applied to that fund's annual charge (up to a maximum of 0.12%).

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

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

Operating charges are in line with the ongoing charges shown in the Key Investor Information Document, other than where there have been extraordinary legal or tax expenses, or an estimate has been used for the

Financial highlights

ongoing charge because a material change has made the operating charges unreliable as an estimate of future charges.

Portfolio transaction costs

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

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

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

To protect existing investors, portfolio transaction costs incurred as a result of investors buying and selling shares in the fund are recovered from those investors through a 'dilution adjustment' to the price they pay or receive. As the fund invests mainly in fixed interest securities, the direct transaction costs paid on other investments are too small to be reflected in the table below. To give an indication of the indirect portfolio dealing costs the table 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 Indirect portfolio transaction costs	2021 %	2020 %	2019 %	Average ^a %
Average portfolio dealing spread	0.32	0.61	0.48	0.47

^a Average of first three columns.

Financial highlights

Specific share class performance

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

Sterling Class 'A' Income share performance

The share class was launched on 13 January 2003.

for the year to 30 June Change in NAV per share	2021 UK p	2020 UK p	2019 UK p
Opening NAV	78.81	79.45	77.44
Return before operating charges	(1.77)	1.65	4.48
Operating charges	(0.78)	(0.90)	(0.90)
Return after operating charges	(2.55)	0.75	3.58
Distributions	(1.07)	(1.39)	(1.57)
Closing NAV	75.19	78.81	79.45
Direct 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 transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.00	0.00
Operating charges ^c	1.00	1.15	1.17
Return after charges	-3.24	+0.94	+4.62
Distribution yield	1.23	1.75	1.51
Other information			
Closing NAV (€'000)	602	588	607
Closing NAV (%)	0.72	0.66	0.33
Number of shares	686,076	681,756	685,338
Highest share price (UK p)	82.37	83.49	80.21
Lowest share price (UK p)	75.20	72.41	74.48

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	2021 UK p	2020 UK p	2019 UK p
Opening NAV	118.00	116.84	111.60
Return before operating charges	(2.69)	2.49	6.55
Operating charges	(1.17)	(1.33)	(1.31)
Return after operating charges	(3.86)	1.16	5.24
Distributions	(0.43)	(0.72)	(0.98)
Retained distributions	0.43	0.72	0.98
Closing NAV	114.14	118.00	116.84
Direct 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 transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.00	0.00
Operating charges ^c	0.99	1.15	1.17
Return after charges	-3.27	+0.99	+4.70
Distribution yield	0.48	0.60	0.37
Other information			
Closing NAV (€'000)	32,240	33,131	40,203
Closing NAV (%)	38.50	37.10	21.81
Number of shares	24,218,544	25,647,149	30,869,258
Highest share price (UK p)	123.88	122.77	117.39
Lowest share price (UK p)	113.60	107.94	108.43

Financial highlights

Sterling Class 'I' Income share performance

The share class was launched on 3 August 2012.

for the year to 30 June	2021	2020	2019
Change in NAV per share	UK p	UK p	UK p
Opening NAV	1,258.16	1,261.98	1,223.86
Return before operating charges	(28.55)	26.34	71.07
Operating charges	(6.64)	(8.09)	(8.15)
Return after operating charges	(35.19)	18.25	62.92
Distributions	(17.05)	(22.07)	(24.80)
Closing NAV	1,205.92	1,258.16	1,261.98
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.03	0.01	0.00
Dilution adjustments ^a	0.00	0.00	0.00
Total direct transaction costs	0.03	0.01	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.00	0.00
Operating charges ^c	0.53	0.65	0.67
Return after charges	-2.80	+1.45	+5.14
Distribution yield	1.23	1.75	1.51
Other information			
Closing NAV (€'000)	4,436	3,407	2,719
Closing NAV (%)	5.30	3.82	1.48
Number of shares	315,411	247,339	193,314
Highest share price (UK p)	1,318.06	1,326.92	1,274.11
Lowest share price (UK p)	1,204.94	1,154.64	1,181.08

Sterling Class 'I' Accumulation share performance

The share class was launched on 3 August 2012.

for the year to 30 June	2021	2020	2019
Change in NAV per share	UK p	UK p	UK p
Opening NAV	1,472.00	1,450.15	1,378.24
Return before operating charges	(33.70)	31.20	81.17
Operating charges	(7.95)	(9.35)	(9.26)
Return after operating charges	(41.65)	21.85	71.91
Distributions	(12.14)	(16.16)	(19.12)
Retained distributions	12.14	16.16	19.12
Closing NAV	1,430.35	1,472.00	1,450.15
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.03	0.02	0.01
Dilution adjustments ^a	0.00	0.00	0.00
Total direct transaction costs	0.03	0.02	0.01
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.00	0.00
Operating charges ^c	0.54	0.65	0.67
Return after charges	-2.83	+1.51	+5.22
Distribution yield	0.88	1.10	0.87
Other information			
Closing NAV (€'000)	26,699	29,283	30,308
Closing NAV (%)	31.88	32.79	16.44
Number of shares	1,600,487	1,817,209	1,875,040
Highest share price (UK p)	1,548.65	1,524.74	1,456.99
Lowest share price (UK p)	1,422.15	1,344.77	1,343.59

Financial highlights

Sterling Class 'I-H' Income share performance

The share class was launched on 23 February 2018.

for the year to 30 June	2021	2020	2019
Change in NAV per share	UK p	UK p	UK p
Opening NAV	100.25	101.74	98.67
Return before operating charges	4.87	1.08	5.77
Operating charges	(0.59)	(0.69)	(0.68)
Return after operating charges	4.28	0.39	5.09
Distributions	(1.48)	(1.88)	(2.02)
Closing NAV	103.05	100.25	101.74
Direct 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 transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.00	0.00
Operating charges ^c	0.57	0.68	0.69
Return after charges	+4.27	+0.38	+5.16
Distribution yield	1.23	1.77	1.52
Other information			
Closing NAV (€'000)	25	31	68,919
Closing NAV (%)	0.03	0.04	37.39
Number of shares	20,912	27,912	60,777,130
Highest share price (UK p)	104.76	104.46	102.71
Lowest share price (UK p)	100.11	94.41	97.54

Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012.

for the year to 30 June	2021	2020	2019
Change in NAV per share	UK p	UK p	UK p
Opening NAV	124.57	125.27	121.79
Return before operating charges	(2.80)	2.60	7.05
Operating charges	(0.98)	(1.11)	(1.11)
Return after operating charges	(3.78)	1.49	5.94
Distributions	(1.69)	(2.19)	(2.46)
Closing NAV	119.10	124.57	125.27
Direct 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 transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.00	0.00
Operating charges ^c	0.79	0.90	0.92
Return after charges	-3.03	+1.19	+4.88
Distribution yield	1.23	1.75	1.51
Other information			
Closing NAV (€'000)	126	144	156
Closing NAV (%)	0.15	0.16	0.08
Number of shares	90,420	105,726	111,436
Highest share price (UK p)	130.36	131.66	126.47
Lowest share price (UK p)	119.08	114.39	117.33

Financial highlights

Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012.

for the year to 30 June	2021	2020	2019
Change in NAV per share	UK p	UK p	UK p
Opening NAV	144.76	142.98	136.22
Return before operating charges	(3.30)	3.06	8.01
Operating charges	(1.14)	(1.28)	(1.25)
Return after operating charges	(4.44)	1.78	6.76
Distributions	(0.83)	(1.24)	(1.55)
Retained distributions	0.83	1.24	1.55
Closing NAV	140.32	144.76	142.98
Direct 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 transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.00	0.00
Operating charges ^c	0.79	0.90	0.92
Return after charges	-3.07	+1.24	+4.96
Distribution yield	0.63	0.85	0.63
Other information			
Closing NAV (€'000)	353	359	430
Closing NAV (%)	0.42	0.40	0.23
Number of shares	215,893	226,623	269,643
Highest share price (UK p)	152.13	150.28	143.65
Lowest share price (UK p)	139.60	132.33	132.58

Sterling Class 'X' Income share performance

The share class was launched on 13 January 2003.

for the year to 30 June	2021	2020	2019
Change in NAV per share	UK p	UK p	UK p
Opening NAV	78.61	79.24	77.23
Return before operating charges	(1.77)	1.64	4.47
Operating charges	(0.78)	(0.89)	(0.90)
Return after operating charges	(2.55)	0.75	3.57
Distributions	(1.06)	(1.38)	(1.56)
Closing NAV	75.00	78.61	79.24
Direct 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 transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.00	0.00
Operating charges ^c	1.00	1.15	1.17
Return after charges	-3.24	+0.95	+4.62
Distribution yield	1.23	1.75	1.51
Other information			
Closing NAV (€'000)	703	705	772
Closing NAV (%)	0.84	0.79	0.42
Number of shares	803,882	818,921	873,923
Highest share price (UK p)	82.16	83.27	80.01
Lowest share price (UK p)	75.01	72.23	74.28

Financial highlights

Sterling Class 'X' Accumulation share performance

The share class was launched on 13 January 2003.

for the year to 30 June	2021	2020	2019
Change in NAV per share	UK p	UK p	UK p
Opening NAV	115.39	114.26	109.14
Return before operating charges	(2.62)	2.43	6.40
Operating charges	(1.16)	(1.30)	(1.28)
Return after operating charges	(3.78)	1.13	5.12
Distributions	(0.42)	(0.70)	(0.96)
Retained distributions	0.42	0.70	0.96
Closing NAV	111.61	115.39	114.26
Direct 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 transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.00	0.00
Operating charges ^c	1.01	1.15	1.17
Return after charges	-3.28	+0.99	+4.69
Distribution yield	0.48	0.60	0.40
Other information			
Closing NAV (€'000)	18,558	21,646	40,223
Closing NAV (%)	22.16	24.24	21.82
Number of shares	14,256,340	17,135,491	31,583,381
Highest share price (UK p)	121.14	120.06	114.80
Lowest share price (UK p)	111.09	105.55	106.04

^a In respect of direct portfolio transaction costs.

^b As a percentage of average net asset value.

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

Financial statements and notes

Financial statements

Statement of total return

for the year to 30 June	Note	2021		2020	
		€'000	€'000	€'000	€'000
Income					
Net capital gains/(losses)	3		2,152		750
Revenue	5	1,112		2,179	
Expenses	6	(666)		(1,147)	
Net revenue/(expense) before taxation		446		1,032	
Taxation	7	0		1	
Net revenue/(expense) after taxation			446		1,033
Total return before distributions			2,598		1,783
Distributions	8		(480)		(1,188)
Change in net assets attributable to shareholders from investment activities			2,118		595

Statement of change in net assets attributable to shareholders

for the year to 30 June	2021		2020	
	€'000	€'000	€'000	€'000
Opening net assets attributable to shareholders		89,294		184,337
Amounts received on issue of shares	13,400		17,602	
Amounts paid on cancellation of shares	(21,545)		(114,289)	
		(8,145)		(96,687)
Dilution adjustments		64		286
Change in net assets attributable to shareholders from investment activities (see above)		2,118		595
Retained distributions on Accumulation shares		411		763
Closing net assets attributable to shareholders		83,742		89,294

Financial statements and notes

Financial statements

Balance sheet

as at 30 June	Note	2021 €'000	2020 €'000
Assets			
Fixed assets			
Investments		82,847	87,767
Current assets			
Debtors	9	546	1,350
Cash and bank balances	10	204	170
Cash equivalents		3,600	1,436
Total assets		87,197	90,723
Liabilities			
Investment liabilities		(24)	(51)
Creditors			
Bank overdrafts		(3,390)	(271)
Distribution payable		(19)	(22)
Other creditors	11	(22)	(1,085)
Total liabilities		(3,455)	(1,429)
Net assets attributable to shareholders		83,742	89,294

Financial statements and notes

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 9 to 12.

The fund's functional and presentational currency is the 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 charge is 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	2021 €'000	2020 €'000
Non-derivative securities	2,179	(721)
Derivative contracts	(21)	1,577
Currency gains/(losses)	(7)	(105)
Transaction charges	0	(2)
Rebate of ongoing charges from underlying funds taken to capital	1	1
Net capital gains/(losses)	2,152	750

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 146 to 147.

for the year to 30 June	2021 €'000	2020 €'000
a) Purchases		
Debt securities ^a	37,124	44,486
b) Sales		
Debt securities ^a	43,537	133,926
Other transaction types		
Corporate actions	364	2,217
Total sales after transaction costs	43,901	136,143

Financial statements and notes

	2021 €'000	% of average NAV	2020 €'000	% of average NAV
c) Direct portfolio transaction costs				
Commissions paid				
Derivatives	1	0.00	1	0.00
Taxes paid				
Derivatives	1	0.00	0	0.00
Total direct portfolio transaction costs	2	0.00	1	0.00
		%		%
d) Indirect portfolio transaction costs				
Portfolio dealing spread ^b		0.32		0.61

^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	2021 €'000	2020 €'000
Bank interest	0	1
Derivative revenue	(28)	(38)
Interest on debt securities	1,140	2,217
Share class hedging revenue	0	(1)
Total revenue	1,112	2,179

Financial statements and notes

6 Expenses

for the year to 30 June	2021 €'000	2020 €'000
Payable to the ACD or associate		
Annual charge	667	1,039
Annual management charge ^a	0	118
Administration charge ^a	0	24
Share class hedging charge ^a	0	1
	667	1,182
Payable to the Depositary or associate		
Depositary's charge (including VAT) ^a	0	1
Other expenses		
Audit fee (including VAT) ^a	0	1
Interest payable	1	(38)
Safe custody charge ^a	(2)	1
	(1)	(36)
Total expenses	666	1,147

^a The segregated charges shown above for annual management, administration, share class hedging, depositary, audit and safe custody are those paid by the fund up to and including 31 July 2019. As of 1 August 2019 these charges have been replaced by the single annual charge. Audit fees for the financial year ending 2021 were £12,000 (2020: £11,000) (including VAT), which are covered by the annual charge.

Financial statements and notes

7 Taxation

for the year to 30 June	2021 €'000	2020 €'000
a) Analysis of charge in the year		
Corporation tax	0	0
Withholding tax	0	(1)
Deferred tax (note 7c)	0	0
Total taxation	0	(1)
b) Factors affecting taxation charge for the year		
Net revenue/(expense) before taxation	446	1,032
Corporation tax at 20%	89	206
Effects of:		
Interest distributions	(89)	(206)
Withholding tax	0	(1)
Total tax charge (note 7a)	0	(1)
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 (2020: same).

8 Distributions

for the year to 30 June	2021		2020	
	Inc ^a €'000	Acc ^b €'000	Inc ^a €'000	Acc ^b €'000
Interest distributions				
First interim	22	143	207	240
Second interim	13	27	21	182
Third interim	18	107	20	165
Final	19	134	22	176
Total net distributions	483		1,033	
Income deducted on cancellation of shares	6		176	
Income received on issue of shares	(9)		(21)	
Distributions	480		1,188	
Net revenue/(expense) per statement of total return	446		1,033	
Expenses offset against capital	34		155	
Distributions	480		1,188	

^a Distributions payable on Income shares.

^b Retained distributions on Accumulation shares.

Financial statements and notes

9 Debtors

as at 30 June	2021 €'000	2020 €'000
Amounts receivable on issues of shares	8	57
Debt security interest receivable	537	749
Derivative revenue receivable	1	0
Sales awaiting settlement	0	544
Total debtors	546	1,350

10 Cash and bank balances

as at 30 June	2021 €'000	2020 €'000
Amounts held at futures clearing houses and collateral manager	99	86
Cash held as bank balances	105	84
Total cash and bank balances	204	170

11 Other creditors

as at 30 June	2021 €'000	2020 €'000
Amounts payable on cancellation of shares	0	594
Annual charge payable	22	36
Derivative expense payable	0	4
Expenses payable	0	13
Purchases awaiting settlement	0	438
Total other creditors	22	1,085

12 Contingent assets, liabilities and outstanding commitments

There were no contingent assets, liabilities or outstanding commitments at the balance sheet date (2020: same).

Financial statements and notes

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 01.07.20	Issued	Movements Cancelled	Closing 30.06.21
Sterling				
Class 'A' Income	681,756	158,054	(153,734)	686,076
Class 'A' Accumulation	25,647,149	6,703,270	(8,131,875)	24,218,544
Class 'I' Income	247,339	107,253	(39,181)	315,411
Class 'I' Accumulation	1,817,209	98,475	(315,197)	1,600,487
Class 'I-H' Income	27,912	0	(7,000)	20,912
Class 'R' Income	105,726	10,000	(25,306)	90,420
Class 'R' Accumulation	226,623	104,284	(115,014)	215,893
Class 'X' Income	818,921	3,961	(19,000)	803,882
Class 'X' Accumulation	17,135,491	793,639	(3,672,790)	14,256,340

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	Annual charge ^a to 14.02.21 %	Annual charge ^a from 15.02.21 %
Sterling		
Class 'A'	1.15	0.75
Class 'I'	0.65	0.35
Class 'I-H'	0.68	0.38
Class 'R'	0.90	0.60
Class 'X'	1.15	0.75

^a The amounts shown are the maximum annual charge. M&G will apply a discount of 0.02% for every £1 billion of a fund's net asset value. This is assessed quarterly and implemented on a forward basis no later than 13 business days after quarter end.

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 annual charge, 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 annual charge are disclosed in note 11.

Financial statements and notes

At the balance sheet date, shareholders from within M&G plc, of which M&G Securities Limited is a wholly owned subsidiary, have holdings totalling 78.02% (2020: 76.66%) 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 2021	Liabilities 2021	Assets 2020	Liabilities 2020
Basis of valuation	€'000	€'000	€'000	€'000
Level 1	3,156	(18)	4,118	(33)
Level 2	79,691	(6)	83,649	(18)
Level 3	0	0	0	0
	82,847	(24)	87,767	(51)

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 12 to 14.

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 2021 was 15% (2020: 13%).

Financial statements and notes

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 2021 and 30 June 2020.

for the year to 30 June	2021 % of VaR	2021 Utilisation of VaR ^a 15%	2020 % of VaR	2020 Utilisation of VaR ^a 13%
Lowest	1.73	11.53	0.88	6.77
Highest	4.59	30.60	7.16	55.08
Average	2.81	18.75	4.19	32.27

^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	2021 €'000	2020 €'000
Investment grade securities	74,742	77,646
Below investment grade securities	7,755	3,332
Unrated securities	295	6,682
Other investments	31	56
Total	82,823	87,716

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 2021	Swaps €'000	Forward currency contracts €'000	Futures €'000
Barclays Bank	43	0	0
HSBC	0	(5)	0
Merrill Lynch	0	(1)	(6)
Total	43	(6)	(6)

Financial statements and notes

as at 30 June 2020	Forward currency contracts €'000	Futures €'000
Bank of America Merrill Lynch	0	2
HSBC	2	0
National Australia Bank	20	0
Standard Chartered Bank	(5)	0
UBS	37	0
Total	54	2

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 2021 and 30 June 2020 are disclosed in the table below.

for the year to 30 June	2021 ^a €'000	2021 ^a % ^b	2020 ^a €'000	2020 ^a % ^b
Lowest	12,141	15.17	0	13.00
Highest	41,713	50.19	88	197.70
Average	20,575	25.38	0	46.50

^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 fund valuation.

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.

Financial statements and notes

The exposure to forward currency contracts for share class hedging at the year-end accounting date is disclosed in the portfolio statement on page 144.

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	01.07.20	30.09.20	01.10.20	30.11.20
Second interim	01.10.20	31.12.20	01.02.21	28.02.21
Third interim	01.01.21	31.03.21	01.04.21	31.05.21
Final	01.04.21	30.06.21	01.07.21	31.08.21

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

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

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

Sterling Class 'A' Income shares

Interest distributions for the year to 30 June	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2021 UK p	2021 UK p	2021 UK p	2020 UK p
First interim	0.2305	0.1102	0.3407	0.3735
Second interim	0.0765	0.1314	0.2079	0.3179
Third interim	0.1622	0.1060	0.2682	0.3357
Final	0.1725	0.0762	0.2487	0.3590

Sterling Class 'A' Accumulation shares

Interest distributions for the year to 30 June	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2021 UK p	2021 UK p	2021 UK p	2020 UK p
First interim	0.0350	0.1369	0.1719	0.2123
Second interim	0.0000	0.0000	0.0000	0.1466
Third interim	0.0944	0.0097	0.1041	0.1671
Final	0.0886	0.0665	0.1551	0.1939

Financial statements and notes

Sterling Class 'I' Income shares

Interest distributions for the year to 30 June	Income	Group 2	Group 1 & 2	
	2021 UK p	Equalisation 2021 UK p	2021 UK p	2020 UK p
First interim	3.6206	1.8230	5.4436	5.9366
Second interim	1.4668	1.8569	3.3237	5.0593
Third interim	1.0781	3.2166	4.2947	5.3475
Final	2.1844	1.8042	3.9886	5.7290

Sterling Class 'I' Accumulation shares

Interest distributions for the year to 30 June	Income	Group 2	Group 1 & 2	
	2021 UK p	Equalisation 2021 UK p	2021 UK p	2020 UK p
First interim	1.7258	2.2558	3.9816	4.4546
Second interim	0.7568	0.6982	1.4550	3.5695
Third interim	1.4278	1.8578	3.2856	3.8708
Final	1.7567	1.6644	3.4211	4.2674

Sterling Class 'I-H' Income shares

Interest distributions for the year to 30 June	Income	Group 2	Group 1 & 2	
	2021 UK p	Equalisation 2021 UK p	2021 UK p	2020 UK p
First interim	0.3643	0.0927	0.4570	0.5014
Second interim	0.2111	0.0718	0.2829	0.4304
Third interim	0.2358	0.1472	0.3830	0.4685
Final	0.2240	0.1350	0.3590	0.4775

Sterling Class 'R' Income shares

Interest distributions for the year to 30 June	Income	Group 2	Group 1 & 2	
	2021 UK p	Equalisation 2021 UK p	2021 UK p	2020 UK p
First interim	0.2459	0.2933	0.5392	0.5889
Second interim	0.2703	0.0589	0.3292	0.5017
Third interim	0.1359	0.2886	0.4245	0.5300
Final	0.2033	0.1904	0.3937	0.5673

Financial statements and notes

Sterling Class 'R' Accumulation shares

Interest distributions for the year to 30 June	Income	Group 2	Group 1 & 2	
	2021 UK p	Equalisation 2021 UK p	2021 UK p	2020 UK p
First interim	0.1121	0.1890	0.3011	0.3493
Second interim	0.0132	0.0372	0.0504	0.2656
Third interim	0.1028	0.1334	0.2362	0.2929
Final	0.0758	0.1702	0.2460	0.3288

Sterling Class 'X' Income shares

Interest distributions for the year to 30 June	Income	Group 2	Group 1 & 2	
	2021 UK p	Equalisation 2021 UK p	2021 UK p	2020 UK p
First interim	0.1099	0.2300	0.3399	0.3726
Second interim	0.0925	0.1148	0.2073	0.3171
Third interim	0.1048	0.1627	0.2675	0.3348
Final	0.0937	0.1544	0.2481	0.3581

Sterling Class 'X' Accumulation shares

Interest distributions for the year to 30 June	Income	Group 2	Group 1 & 2	
	2021 UK p	Equalisation 2021 UK p	2021 UK p	2020 UK p
First interim	0.1041	0.0640	0.1681	0.2075
Second interim	0.0000	0.0000	0.0000	0.1434
Third interim	0.0984	0.0033	0.1017	0.1634
Final	0.0525	0.0992	0.1517	0.1897

Authorised Corporate Director's Report

Investment objective up to 18 April 2021

The fund aims to provide a higher total return (the combination of capital growth and income), net of the ongoing charge figure, than the average return of the IA Global Bonds sector over any five-year period.

Investment objective from 19 April 2021

The Fund aims to provide a higher total return (the combination of capital growth and income), net of the ongoing charge figure, than the average return of the IA Global Government Bond sector over any five-year period.

Investment policy

At least 70% of the fund is invested, directly or indirectly through derivatives, in investment grade debt securities. These securities can be issued or guaranteed by governments and their agencies, public authorities, quasi-sovereigns, and supranational bodies from anywhere in the world, including emerging markets. These securities can be denominated in any currency.

Other investments may include:

- below investment grade debt securities, issued or guaranteed by governments and their agencies, public authorities, quasi-sovereigns and supranational bodies;
- asset backed securities; and
- other transferable securities, cash, and near cash, directly or via collective investment schemes (including funds managed by M&G).

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

Investment approach

The fund is globally diversified across a range of government debt securities and issuers from a variety of sectors and geographies. The fund's investment approach is flexible and begins with an assessment of macroeconomic factors such as expectations on interest rates, inflation and economic growth.

On a regional and country-specific level, factors such as monetary and fiscal policies, capital flows, and political and regulatory environments are assessed. The result of this analysis helps to inform the country, currency allocations and duration of the portfolio.

Individual credit selection is carried out with the assistance of an in-house team of credit analysts to complement the fund manager's views.

Benchmark up to 18 April 2021

Benchmark: IA Global Bonds sector.

The benchmark is a target against which the fund seeks to outperform. The sector has been chosen as the fund's benchmark as the fund is a constituent of the sector. The benchmark is used solely to measure the fund's performance and does not constrain the fund's portfolio construction.

The fund is actively managed.

The fund manager has complete freedom in choosing which investments to buy, hold and sell in the fund.

For unhedged and hedged share classes, the benchmark is shown in the share class currency.

Benchmark from 19 April 2021

Benchmark: IA Global Government Bond sector

The benchmark is a target against which the fund seeks to outperform. The sector has been chosen as the fund's benchmark as the fund is a constituent of the sector. The benchmark is used solely to measure the fund's performance and does not constrain the fund's portfolio construction.

Authorised Corporate Director's Report

The fund is actively managed.

The fund manager has complete freedom in choosing which investments to buy, hold and sell in the fund.

For unhedged and hedged share classes, the benchmark is shown in the share class currency.

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 2021, for the year ended 30 June 2021

Performance against objective

Between 1 July 2020 (the start of the review period) and 1 July 2021, the M&G Global Government Bond Fund delivered negative performance across its sterling share classes. Between 1 July 2020 and 15 December 2020 (the date the euro, US dollar and Swiss franc share classes closed), the euro share classes delivered negative returns while its US dollar and Swiss franc share classes delivered positive returns.

In comparison, the fund's benchmark, which is the IA Global Government Bond Sector (prior to 19 April 2021 it was the IA Global Bond Sector), recorded flat or positive returns across all currencies. For all of the fund's share classes, returns were behind the benchmark's returns in sterling terms over the review period and in euro, Swiss franc and US dollar terms until 15 December 2020 when these share classes closed.

For the five-year period, the fund did not meet its objective, which is to provide a combination of capital growth and income, net of the ongoing charge figure,

Authorised Corporate Director's Report

higher than that of the average return of the IA Global Government Bond Sector over any five-year period. Across all share classes, the fund delivered returns which were behind the returns of the benchmark over a five-year period. The benchmark's returns, expressed in relevant currencies, were: 2.8% pa in sterling as at 1 July 2021; 2.0% pa in euro; 4.0% pa in US dollar; 1.8% pa in Swiss franc (euro, US dollar and Swiss franc until 15 December 2020 to reflect the close date of these share classes)

Please note that effective from 4 January 2021, Eva Sun-Wai replaced Claudia Calich as fund manager of the M&G Global Government Bond Fund.

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

Performance review

Investor sentiment remained well supported throughout the period under review, helping to drive steady returns across many fixed income assets, although rising inflation fears led to weakness in government bond markets in the early part of 2021.

The key development in the first half of the period was the announcement in November of several successful COVID-19 vaccine trials. The prospect of a gradual re-opening of the global economy following months of lockdown restrictions helped drive strong gains across risky assets, such as equities and corporate bonds (or bonds issued by companies). Markets were also buoyed by a decisive outcome of what had been an uncertain US election as Joe Biden defeated Donald Trump. In the UK, the announcement of a Brexit trade deal provided a boost to sterling, which appreciated significantly against the US dollar.

The market backdrop proved to be more volatile in the early months of 2021, as a pick-up in growth and inflation expectations led to some significant re-pricing across many fixed income assets. Returns from major government bond markets fell as yields (which represent the cashflows from bonds as a percentage of their prices and therefore move inversely to bond prices) rose on US Treasuries, UK gilts, and German

bunds. Emerging market bonds also came under pressure during this time, with rising US Treasury yields acting as a headwind to the asset class.

Returns for corporate bonds were somewhat mixed in the first few months of 2021. Investment grade corporate bonds - which are considered safer than sub-investment grade bonds, because they are given a lower probability to default, that is, fail to pay interest or repay the principal - were negatively affected by the significant rise in government bond yields. In contrast, high yield bonds - which are considered riskier because their credit rating is lower - delivered solid returns, with these instruments tending to be less sensitive to movements in government bond yields.

Expectations of higher inflation led to a significant rise in breakeven rates (a measure of the bond market's expectation for inflation) across the US, Europe and the UK, which proved helpful for inflation-linked bonds. In a similar vein, commodities expected to benefit from stronger growth and higher inflation, such as oil and copper, also rose sharply in 2021.

In currencies, sterling performed strongly, helped by reduced uncertainty following the announcement of a Brexit trade deal and expectations of a robust economic recovery following a rapid COVID vaccine rollout. The early months of 2021 also saw a recovery for the US dollar, with the currency benefiting from the improved economic outlook in the US.

For the fund's overall positioning, we maintained a globally diversified portfolio of government bonds across developed and emerging markets. While the fund's performance was helped by its allocations to emerging market government bonds over the period, this was offset by negative contributions from its developed market government bond positions, such as US Treasuries with a long time until maturity. The fund's limited exposure to corporate bonds also weighed on returns relative to its benchmark, the IA Global Government Bonds Sector. In addition, returns for the fund's non-US dollar share classes were negatively affected by the depreciation of the US dollar over the period.

Authorised Corporate Director's Report

Investment activities

Throughout the period, the US government bond market remained as one of the fund's largest allocations within mainstream markets. We favoured this stance based on key factors such as the backdrop of declining US interest rates and the perceived safe-haven status of US government bonds amid the uncertain environment caused by the coronavirus pandemic.

Our other preferred allocations included Japanese government bonds, partly as we felt the Japanese yen was an attractively valued currency that could support the performance of these assets. We also held an allocation to issuers that would be expected to benefit from commodity strength, such as Norway and Australia. However, we kept a relatively modest exposure to the large German government bond market, given our assessment that very low (or negative) yields in the country lacked value.

In addition to our chosen allocations in developed government bond markets, the fund's flexible investment approach allows us to hold government bond positions across emerging economies. We continued to favour exposure to this area, where we think valuations look compelling compared to the very low yields that are available in developed market government bonds. Key allocations within emerging markets include Russia, Mexico and Peru.

Outlook

While much uncertainty remains regarding the full implications of the COVID-19 pandemic, we remain committed to our disciplined investment approach to determine the fund's positioning. This is mainly based on our assessment of macroeconomic factors such as economic growth, interest rates and inflation. From this analysis, we decide the fund's overall positioning and individual government bond holdings. In turn, the active management of the fund's allocations to individual countries, as well as its currency positioning, remain key drivers of its long-term performance.

At the end of the review period, Japanese and US government bonds represented our largest positions.

The fund's smaller allocations to developed government bond markets at the end of the period included Germany, Norway and Australia.

Elsewhere, we maintained select exposures to government bonds in emerging markets. While staying very mindful of the adverse effects of the coronavirus, we still consider that long-term valuations in the area remain attractive relative to developed market bonds. In our opinion, opportunities can still be found in emerging market bonds that offer adequate compensation for taking on additional degrees of risk. We believe this is supported by the higher yields in emerging markets, which continue to compare favourably against the low-yielding environment in developed market bonds.

Eva Sun-Wai

Fund manager

An employee of M&G FA Limited which is an associate of M&G Securities Limited. Please note that effective from 4 January 2021, Eva Sun-Wai replaced Claudia Calich as fund manager.

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

Investments

Portfolio statement

Holding		as at 30.06.21 \$'000	as at 30.06.21 %	as at 30.06.20 %
Fixed income		230,122	96.81	98.58
Debt securities		229,775	96.66	98.58
'AAA' credit rated bonds		36,368	15.30	11.70
INR100,000,000	Asian Development Bank 5.9% 20/12/2022	1,363	0.57	
AU\$1,900,000	Australia (Commonwealth of) 1.75% 21/06/2051	1,260	0.53	
AU\$5,616,000	Australia (Commonwealth of) 2.75% 21/11/2028	4,683	1.97	
IDR20,000,000,000	European Bank for Reconstruction & Development 6.25% 22/12/2021	1,386	0.58	
€6,400,000	Germany (Federal Republic of) 0.25% 15/08/2028	7,987	3.36	
€3,088,000	Germany (Federal Republic of) IL 0.5% 15/04/2030	4,766	2.01	
INR100,090,000	International Finance 5.85% 25/11/2022	1,353	0.57	
INR190,000,000	International Finance 6.3% 25/11/2024	2,634	1.11	
NOK23,369,000	Norway (Kingdom of) 1.75% 17/02/2027	2,810	1.18	
NOK30,500,000	Norway (Kingdom of) 2% 24/05/2023	3,654	1.54	
SG\$6,000,000	Singapore (Govt. of) 1.25% 01/10/2021	4,472	1.88	
'AA' credit rated bonds		44,457	18.70	25.14
CA\$2,000,000	Canada (Govt. of) 1.5% 01/05/2022	1,630	0.69	
CA\$890,000	Canada (Govt. of) 1.5% 01/06/2030	712	0.30	
CA\$2,000,000	Canada (Govt. of) 2.25% 01/03/2024	1,685	0.71	
CZK83,620,000	Czech (Republic of) 2.4% 17/09/2025	4,014	1.69	
US\$337,500	Petroleos Mexicano 2.46% 15/12/2025	336	0.14	
US\$406,000	Qatar (State of) 5.103% 23/04/2048	538	0.23	
US\$513,000	Qatar (State of) 6.4% 20/01/2040	750	0.31	
£1,239,000	UK Treasury IL 0.125% 22/03/2029	2,716	1.14	
£797,938	UK Treasury IL 0.125% 22/03/2051	2,164	0.91	
US\$4,377,000	US Treasury IL 3.875% 15/04/2029	9,991	4.20	
US\$13,085,000	US Treasury 3.125% 15/11/2028	14,800	6.23	
US\$4,200,000	US Treasury 3.125% 15/05/2048	5,121	2.15	
'A' credit rated bonds		46,608	19.61	17.14
CLP1,865,000,000	Chile (Republic of) 4.7% 01/09/2030	2,613	1.10	
CNY10,700,000	China (Republic of) 2.84% 08/04/2024	1,660	0.70	
CNY11,910,000	China (Republic of) 3.02% 22/10/2025	1,851	0.78	
CNY8,230,000	China (Republic of) 3.27% 19/11/2030	1,291	0.54	
ILS7,500,000	Israel (State of) 1.25% 30/11/2022	2,337	0.98	

Investments

Portfolio statement (continued)

Holding	as at 30.06.21 \$'000	as at 30.06.21 %	as at 30.06.20 %
Fixed income (continued)			
Debt securities (continued)			
'A' credit rated bonds (continued)			
US\$1,350,000 Israel (State of) 4.5% 30/01/2043	1,683	0.71	
¥391,650,000 Japan (Govt. of) 1.3% 20/06/2035	4,067	1.71	
¥1,279,500,000 Japan (Govt. of) 2.1% 20/12/2029	13,626	5.73	
¥1,473,400,000 Japan (Govt. of) IL 0.1% 10/03/2029	13,727	5.78	
€2,000,000 Lithuania (Republic of) 0.75% 06/05/2030	2,509	1.06	
PLN4,345,000 Poland (Republic of) 3.25% 25/07/2025	1,244	0.52	
	51,587	21.70	21.36
'BBB' credit rated bonds			
€2,000,000 Bulgaria (Republic of) 3.125% 26/03/2035	2,992	1.26	
€1,500,000 Hungary (Republic of) 1.625% 28/04/2032	1,896	0.80	
US\$2,426,000 Hutama Karya 3.75% 11/05/2030	2,594	1.09	
US\$1,963,000 Indonesia (Republic of) 3.7% 30/10/2049	2,056	0.87	
IDR24,248,000,000 Indonesia (Republic of) 8.25% 15/05/2036	1,833	0.77	
US\$1,000,000 Italy (Republic of) 3.875% 06/05/2051	1,074	0.45	
€1,500,000 Kazakhstan (Republic of) 2.375% 09/11/2028	1,991	0.84	
US\$2,000,000 Kazakhstan (Republic of) 4.875% 14/10/2044	2,507	1.05	
MYR10,000,000 Malaysia (Govt. of) 3.882% 10/03/2022	2,443	1.03	
MYR4,748,000 Malaysia (Govt. of) 4.254% 31/05/2035	1,196	0.50	
€889,000 Mexico (United Mexican States) 1.45% 25/10/2033	1,007	0.42	
£469,000 Mexico (United Mexican States) 5.625% 19/03/2114	710	0.30	
MXN35,700,000 Mexico (United Mexican States) 7.75% 29/05/2031	1,901	0.80	
MXN30,000,000 Mexico (United Mexican States) 8.5% 18/11/2038	1,679	0.71	
€1,492,000 MFB Magyar Fejlesztési Bank Zrt 1.375% 24/06/2025	1,854	0.78	
€2,000,000 Peru (Republic of) 3.75% 01/03/2030	2,851	1.20	
PEN4,000,000 Peru (Republic of) 5.94% 12/02/2029	1,125	0.47	
PEN4,300,000 Peru (Republic of) 6.15% 12/08/2032	1,158	0.49	
US\$1,263,000 Perusahaan Penerbit SBSN Indonesia III 2.55% 09/06/2031	1,264	0.53	
€2,204,000 Philippines (Republic of) 0.7% 03/02/2029	2,601	1.09	
PHP25,000,000 Philippines (Republic of) 6.25% 14/01/2036	611	0.26	
€482,550 Portugal (Republic of) 1% 12/04/2052	521	0.22	
RUB395,000,000 Russia (Federation of) 8.15% 03/02/2027	5,699	2.40	

Investments

Portfolio statement (continued)

Holding		as at 30.06.21 \$'000	as at 30.06.21 %	as at 30.06.20 %
Fixed income (continued)				
Debt securities (continued)				
'BBB' credit rated bonds (continued)				
US\$1,000,000	Russia (Federation of) 12.75% 24/06/2028	1,671	0.70	
THB85,000,000	Thailand (Kingdom of) 1.585% 17/12/2035	2,459	1.03	
THB20,000,000	Thailand (Kingdom of) IL 3.3% 17/06/2038	704	0.30	
UYU72,916,869	Uruguay (Republic of) 3.875% 02/07/2040	2,063	0.87	
UYU27,535,000	Uruguay (Republic of) 8.25% 21/05/2031	644	0.27	
UYU20,288,000	Uruguay (Republic of) 8.5% 15/03/2028	483	0.20	
	'BB' credit rated bonds	32,321	13.60	13.10
US\$1,111,000	Bahamas (Commonwealth of) 8.95% 15/10/2032	1,251	0.53	
COP4,993,000,000	Bogota Distrito Capital 9.75% 26/07/2028	1,414	0.60	
BRL12,000,000	Brazil (Federal Republic of) 10% 01/01/2029	2,579	1.09	
US\$1,000,000	Colombia (Republic of) 7.375% 18/09/2037	1,315	0.55	
COP13,385,000	Columbia (Republic of) 2.25% 18/04/2029	940	0.40	
€1,750,000	Croatia (Republic of) 1.5% 17/06/2031	2,164	0.91	
US\$490,000	Guatemala (Republic of) 4.875% 13/02/2028	548	0.23	
US\$1,900,000	Guatemala (Republic of) 4.9% 01/06/2030	2,124	0.89	
€975,000	Macedonia (Govt. of) 3.675% 03/06/2026	1,276	0.54	
€1,352,000	Macedonia (Govt. of) 5.625% 26/07/2023	1,763	0.74	
€842,000	Morocco (Kingdom of) 1.375% 30/03/2026	1,014	0.43	
€842,000	Morocco (Kingdom of) 2% 30/09/2030	990	0.42	
US\$690,000	Morocco (Kingdom of) 5.5% 11/12/2042	783	0.33	
US\$1,000,000	Paraguay (Republic of) 4.95% 28/04/2031	1,148	0.48	
US\$1,000,000	Paraguay (Republic of) 6.1% 11/08/2044	1,240	0.52	
€313,000	Serbia (Republic of) 3.125% 15/05/2027	414	0.17	
RSD180,040,000	Serbia (Republic of) 4.5% 20/08/2032	2,004	0.84	
RSD143,320,000	Serbia (Republic of) 5.875% 08/02/2028	1,742	0.73	
ZAR43,000,000	South Africa (Republic of) 8.75% 28/02/2048	2,538	1.07	
US\$1,896,300	Vietnam (Socialist Republic of) 5.5% 12/03/2028	1,909	0.80	
US\$3,550,000	Vietnam Debt & Asset Trading 1% 10/10/2025	3,165	1.33	
	'B' credit rated bonds	17,114	7.20	4.15
€602,000	Albania (Republic of) 3.5% 09/10/2025	762	0.32	

Investments

Portfolio statement (continued)

Holding	as at 30.06.21 \$'000	as at 30.06.21 %	as at 30.06.20 %
Fixed income (continued)			
Debt securities (continued)			
'B' credit rated bonds (continued)			
US\$730,000 Armenia (Republic of) 7.15% 26/03/2025	826	0.35	
US\$333,000 Costa Rica (Republic of) 5.52% 10/11/2021	338	0.14	
US\$178,000 Costa Rica (Republic of) 5.52% 23/08/2023	186	0.08	
EGP13,000,000 Egypt (Arab Republic of) 0% 28/09/2021	804	0.34	
EGP10,000,000 Egypt (Arab Republic of) 0% 12/10/2021	616	0.26	
€2,150,000 Egypt (Arab Republic of) 5.625% 16/04/2030	2,571	1.08	
EGP14,300,000 Egypt (Arab Republic of) 14.051% 21/07/2022	913	0.38	
EGP12,000,000 Egypt (Arab Republic of) 14.196% 07/07/2023	766	0.32	
US\$2,400,000 Honduras (Republic of) 6.25% 19/01/2027	2,618	1.10	
US\$2,100,000 Rwanda (Republic of) 6.625% 02/05/2023	2,224	0.94	
US\$187,150 Seychelles (Republic of) 8% 01/01/2026	182	0.08	
€2,000,000 Ukraine (Republic of) 4.375% 27/01/2030	2,216	0.93	
US\$1,453,000 Uzbekistan (Republic of) 5.375% 20/02/2029	1,626	0.68	
UZS4,870,000,000 Uzbekistan (Republic of) 14.5% 25/11/2023	466	0.20	
'CC' credit rated bonds	0	0.00	0.21
'C' credit rated bonds	1,320	0.55	0.00
US\$1,940,000 Argentina (Republic of) 1.125% 09/07/2035	612	0.26	
US\$1,468,233 Argentina (Republic of) 1% 09/01/2038	554	0.23	
ARS36,000,000 Argentina (Republic of) 15.5% 17/10/2026	154	0.06	
'D' credit rated bonds	0	0.00	0.27
Bonds with no credit rating	0	0.00	5.51
Debt derivatives	347	0.15	0.00
Credit default swaps	270	0.11	0.00
US\$10,700,000 Markit CDX Emerging Markets Series 35 5 Year Jun 2026	270	0.11	
Interest rate swaps	225	0.10	0.00
US\$8,500,000 Pay 1.103% Receive VAR Jan 2031	193	0.08	
US\$14,200,000 Pay 1.3352% Receive VAR Feb 2031	45	0.02	
US\$900,000 Pay 1.7760% Receive VAR Feb 2051	(13)	0.00	
Interest rate futures	(148)	(0.06)	0.00
(75) 10 Year Australian Treasury Note Sep 2021	33	0.01	

Investments

Portfolio statement (continued)

Holding	as at 30.06.21 \$'000	as at 30.06.21 %	as at 30.06.20 %
Fixed income (continued)			
Debt derivatives (continued)			
Interest rate futures (continued)			
(49) Euro-BTP Sep 2021	(32)	(0.01)	
(25) Euro-Bund Sep 2021	(23)	(0.01)	
(85) UK Long Gilt Bond Sep 2021	(126)	(0.05)	
Currency	(66)	(0.03)	0.02
Forward currency contracts	(66)	(0.03)	0.02
£12,686,168 Bought for €14,778,440 (expires 28.07.21)	12	0.01	
NOK37,000,000 Bought for €3,694,866 (expires 28.07.21)	(73)	(0.03)	
TRY19,000,000 Bought for €1,812,876 (expires 28.07.21)	3	0.00	
CA\$3,400,000 Bought for \$2,760,515 (expires 28.07.21)	(18)	(0.01)	
CNY17,300,000 Bought for \$2,653,822 (expires 28.07.21)	19	0.01	
£5,771,377 Bought for \$8,027,070 (expires 28.07.21)	(26)	(0.01)	
KRW3,000,000,000 Bought for \$2,697,163 (expires 28.07.21)	(34)	(0.01)	
SG\$1,800,000 Bought for \$1,340,216 (expires 28.07.21)	(1)	0.00	
CHF(4,800,000) Sold for \$5,232,915 (expires 28.07.21)	29	0.01	
€(6,720,000) Sold for \$8,026,455 (expires 28.07.21)	35	0.01	
IDR(37,450,000,000) Sold for \$2,562,920 (expires 28.07.21)	(14)	(0.01)	
INR(180,000,000) Sold for \$2,402,261 (expires 22.09.21)	2	0.00	
Portfolio of investments	230,056	96.78	98.60
Cash equivalents	1,862	0.79	0.39
'AAA' rated money market funds^a	1,862	0.79	0.39
1,862,000 Northern Trust Global Fund - US Dollar	1,862	0.79	
Total portfolio (notes 2c & 2d on page 9)	231,918	97.57	98.99
Net other assets / (liabilities)	5,786	2.43	1.01
Net assets attributable to shareholders	237,704	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.

Financial highlights

Fund performance

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

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

Fund level performance

Fund net asset value as at	30.06.21 \$'000	30.06.20 \$'000	30.06.19 \$'000
Fund net asset value (NAV)	237,704	291,669	175,095

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.

October 1999 = 100, plotted monthly
Chart date 1 July 2021



Source: Morningstar, Inc. and M&G

*Income reinvested

Benchmark prior to 19 April 2021 was the IA Global Bond Sector average. Thereafter it is the IA Global Government Bond Sector average.

Financial highlights

Long-term performance by share class

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 15 December 2020 for Euro Class 'A' Income, Euro Class 'A' Accumulation, Euro Class 'C' Accumulation, Swiss franc Class 'A' Accumulation, Swiss franc Class 'C' Accumulation, US dollar Class 'A' Income, US dollar Class 'A' Accumulation and US dollar Class 'C' Accumulation, 16 July 2020, for Euro Class 'C' Income and US dollar Class 'C' Income, and 1 July 2021 for the sterling share classes. Calculated on a price to price basis with income reinvested.

Share class	One year 01.07.20 % ^a	Three years 02.07.18 % pa	Five years 01.07.16 % pa	Since launch % pa
Euro^b				
Class 'A'	-1.2	+4.2	+1.2	+4.6 ^c
Class 'C'	-1.0	+4.8	+1.7	+5.2 ^c
Sterling^b				
Class 'A'	-5.8	+2.5	+1.6	+4.9 ^d
Class 'I'	-5.4	+3.0	+2.1	+3.1 ^e
Class 'R'	-5.6	+2.8	+1.8	+2.9 ^e
Swiss franc^b				
Class 'A'	+0.2	+1.3	+1.1	+2.7 ^c
Class 'C'	+0.5	+1.9	+1.6	+3.3 ^c
US dollar^b				
Class 'A'	+7.2	+6.1	+3.2	+3.2 ^c
Class 'C'	+7.5	+6.6	+3.8	+3.7 ^c

^a Absolute basis.

^b Price to price with income reinvested.

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

^d 4 October 1999, the end of the initial offer period of the predecessor unit trust.

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

Operating charges and portfolio transaction costs

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

Operating charges

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

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

Financial highlights

- **Ongoing charges from underlying funds:** From 1 August 2019 ongoing charges from underlying funds managed by the ACD (excluding Investment Trust Companies and Real Estate Investment Trusts) will be rebated. Holdings in all other underlying funds are not rebated.

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

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

Portfolio transaction costs

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

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

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

To protect existing investors, portfolio transaction costs incurred as a result of investors buying and selling shares in the fund are recovered from those investors through a 'dilution adjustment' to the price they pay or receive. The table below shows direct portfolio transaction costs paid by the fund before and after that part of the dilution adjustment relating to direct portfolio transaction costs. To give an indication of the indirect portfolio dealing costs the table 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	2021	2020	2019	Average ^a
Direct portfolio transaction costs^b	%	%	%	%
Taxes	0.00	0.01	0.06	0.02
Costs before dilution adjustments	0.00	0.01	0.06	0.02
Dilution adjustments ^c	0.00	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.01	0.06	0.02
as at 30 June	2021	2020	2019	Average ^a
Indirect portfolio transaction costs	%	%	%	%
Average portfolio dealing spread	0.42	0.54	0.36	0.44

^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.

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.

The share class closed on 15 December 2020.

for the year to 30 June Change in NAV per share	2021 Euro ¢	2020 Euro ¢	2019 Euro ¢
Opening NAV	1,143.26	1,147.79	1,095.80
Return before operating charges	(0.93)	45.10	104.12
Operating charges	(5.39)	(12.44)	(12.14)
Return after operating charges	(6.32)	32.66	91.98
Distributions	0.00	(37.19)	(39.99)
Return to shareholder as a result of share class closure	(1,136.94)	n/a	n/a
Closing NAV	0.00	1,143.26	1,147.79
Direct transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.01	0.14	0.63
Dilution adjustments ^a	0.00	0.00	0.00
Total direct transaction costs	0.01	0.14	0.63
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.01	0.06
Operating charges ^c	1.05	1.05	1.09
Return after charges	-0.55	+2.85	+8.39
Distribution yield	0.00	2.99	3.63
Other information			
Closing NAV (\$'000)	0	4,769	5,816
Closing NAV (%)	0.00	1.64	3.32
Number of shares	0	372,124	445,190
Highest share price (Euro ¢)	1,153.54	1,222.82	1,175.75
Lowest share price (Euro ¢)	1,121.75	1,104.93	1,081.26

Euro Class 'A' Accumulation share performance

The share class was launched on 22 August 2014.

The share class closed on 15 December 2020.

for the year to 30 June Change in NAV per share	2021 Euro ¢	2020 Euro ¢	2019 Euro ¢
Opening NAV	1,336.23	1,299.35	1,197.45
Return before operating charges	(1.74)	51.07	115.29
Operating charges	(6.31)	(14.19)	(13.39)
Return after operating charges	(8.05)	36.88	101.90
Distributions	0.00	(28.50)	(31.31)
Retained distributions	0.00	28.50	31.31
Return to shareholder as a result of share class closure	(1,328.18)	n/a	n/a
Closing NAV	0.00	1,336.23	1,299.35
Direct transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.01	0.16	0.70
Dilution adjustments ^a	0.00	0.00	0.00
Total direct transaction costs	0.01	0.16	0.70
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.01	0.06
Operating charges ^c	1.05	1.05	1.09
Return after charges	-0.60	+2.84	+8.51
Distribution yield	0.00	1.94	2.65
Other information			
Closing NAV (\$'000)	0	4,913	6,865
Closing NAV (%)	0.00	1.69	3.92
Number of shares	0	328,034	464,153
Highest share price (Euro ¢)	1,348.28	1,407.50	1,307.48
Lowest share price (Euro ¢)	1,310.45	1,271.79	1,181.54

Financial highlights

Euro Class 'C' Income share performance

The share class was launched on 22 August 2014.

The share class closed on 16 July 2020.

for the year to 30 June	2021	2020	2019
Change in NAV per share	Euro ¢	Euro ¢	Euro ¢
Opening NAV	1,165.93	1,164.52	1,106.25
Return before operating charges	3.62	47.07	106.20
Operating charges	(0.27)	(6.60)	(6.50)
Return after operating charges	3.35	40.47	99.70
Distributions	0.00	(39.06)	(41.43)
Return to shareholder as a result of share class closure	(1,169.28)	n/a	n/a
Closing NAV	0.00	1,165.93	1,164.52
Direct transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.00	0.14	0.64
Dilution adjustments ^a	0.00	0.00	0.00
Total direct transaction costs	0.00	0.14	0.64
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.01	0.06
Operating charges ^c	0.55	0.55	0.57
Return after charges	+0.29	+3.48	+9.01
Distribution yield	0.00	2.99	3.63
Other information			
Closing NAV (\$'000)	0	6	7
Closing NAV (%)	0.00	0.00	0.00
Number of shares	0	500	500
Highest share price (Euro ¢)	1,176.43	1,245.00	1,192.91
Lowest share price (Euro ¢)	1,164.86	1,125.55	1,093.14

Euro Class 'C' Accumulation share performance

The share class was launched on 22 August 2014.

The share class closed on 15 December 2020.

for the year to 30 June	2021	2020	2019
Change in NAV per share	Euro ¢	Euro ¢	Euro ¢
Opening NAV	1,379.52	1,334.49	1,222.89
Return before operating charges	(1.74)	52.67	118.43
Operating charges	(3.40)	(7.64)	(6.83)
Return after operating charges	(5.14)	45.03	111.60
Distributions	0.00	(36.35)	(39.23)
Retained distributions	0.00	36.35	39.23
Return to shareholder as a result of share class closure	(1,374.38)	n/a	n/a
Closing NAV	0.00	1,379.52	1,334.49
Direct transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.01	0.16	0.71
Dilution adjustments ^a	0.00	0.00	0.00
Total direct transaction costs	0.01	0.16	0.71
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.01	0.06
Operating charges ^c	0.55	0.55	0.54
Return after charges	-0.37	+3.37	+9.13
Distribution yield	0.00	2.44	3.14
Other information			
Closing NAV (\$'000)	0	7,677	44
Closing NAV (%)	0.00	2.63	0.03
Number of shares	0	496,445	2,910
Highest share price (Euro ¢)	1,392.16	1,450.49	1,342.68
Lowest share price (Euro ¢)	1,354.75	1,311.17	1,208.59

Financial highlights

Sterling Class 'A' Income share performance

The share class was launched on 4 October 1999.

for the year to 30 June	2021	2020	2019
Change in NAV per share	UK p	UK p	UK p
Opening NAV	99.60	98.19	92.57
Return before operating charges	(5.50)	5.57	10.06
Operating charges	(0.95)	(1.04)	(1.02)
Return after operating charges	(6.45)	4.53	9.04
Distributions	(2.35)	(3.12)	(3.42)
Closing NAV	90.80	99.60	98.19
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.01	0.05
Dilution adjustments ^a	0.00	0.00	0.00
Total direct transaction costs	0.00	0.01	0.05
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.01	0.06
Operating charges ^c	1.00	1.05	1.09
Return after charges	-6.48	+4.61	+9.77
Distribution yield	2.24	2.99	3.63
Other information			
Closing NAV (\$'000)	2,597	2,498	2,389
Closing NAV (%)	1.09	0.86	1.37
Number of shares	2,063,203	2,043,957	1,917,770
Highest share price (UK p)	100.05	104.09	100.31
Lowest share price (UK p)	90.19	94.33	91.25

Sterling Class 'A' Accumulation share performance

The share class was launched on 4 October 1999.

for the year to 30 June	2021	2020	2019
Change in NAV per share	UK p	UK p	UK p
Opening NAV	149.69	142.95	130.10
Return before operating charges	(8.37)	8.26	14.30
Operating charges	(1.44)	(1.52)	(1.45)
Return after operating charges	(9.81)	6.74	12.85
Distributions	(2.15)	(3.07)	(3.44)
Retained distributions	2.15	3.07	3.44
Closing NAV	139.88	149.69	142.95
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.02	0.08
Dilution adjustments ^a	0.00	0.00	0.00
Total direct transaction costs	0.00	0.02	0.08
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.01	0.06
Operating charges ^c	1.00	1.05	1.09
Return after charges	-6.55	+4.71	+9.88
Distribution yield	1.34	1.94	2.65
Other information			
Closing NAV (\$'000)	8,720	11,211	11,409
Closing NAV (%)	3.67	3.84	6.52
Number of shares	4,496,641	6,103,840	6,290,218
Highest share price (UK p)	150.37	151.53	143.46
Lowest share price (UK p)	137.50	137.33	128.23

Financial highlights

Sterling Class 'I' Income share performance

The share class was launched on 3 August 2012.

for the year to 30 June	2021	2020	2019
Change in NAV per share	UK p	UK p	UK p
Opening NAV	1,174.42	1,152.02	1,080.60
Return before operating charges	(65.06)	65.50	117.89
Operating charges	(5.99)	(6.40)	(6.44)
Return after operating charges	(71.05)	59.10	111.45
Distributions	(27.75)	(36.70)	(40.03)
Closing NAV	1,075.62	1,174.42	1,152.02
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.01	0.13	0.62
Dilution adjustments ^a	0.00	0.00	0.00
Total direct transaction costs	0.01	0.13	0.62
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.01	0.06
Operating charges ^c	0.53	0.55	0.58
Return after charges	-6.05	+5.13	+10.31
Distribution yield	2.24	2.99	3.63
Other information			
Closing NAV (\$'000)	22,584	26,925	28,067
Closing NAV (%)	9.50	9.23	16.03
Number of shares	1,514,526	1,868,408	1,920,251
Highest share price (UK p)	1,182.49	1,222.28	1,176.87
Lowest share price (UK p)	1,067.97	1,109.29	1,066.72

Sterling Class 'I' Accumulation share performance

The share class was launched on 3 August 2012.

for the year to 30 June	2021	2020	2019
Change in NAV per share	UK p	UK p	UK p
Opening NAV	1,393.76	1,324.38	1,199.22
Return before operating charges	(78.16)	76.83	132.22
Operating charges	(7.15)	(7.45)	(7.06)
Return after operating charges	(85.31)	69.38	125.16
Distributions	(26.11)	(35.22)	(38.08)
Retained distributions	26.11	35.22	38.08
Closing NAV	1,308.45	1,393.76	1,324.38
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.01	0.16	0.70
Dilution adjustments ^a	0.00	0.00	0.00
Total direct transaction costs	0.01	0.16	0.70
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.01	0.06
Operating charges ^c	0.53	0.55	0.57
Return after charges	-6.12	+5.24	+10.44
Distribution yield	1.74	2.44	3.14
Other information			
Closing NAV (\$'000)	201,597	227,942	116,146
Closing NAV (%)	84.81	78.15	66.34
Number of shares	11,114,019	13,328,306	6,912,196
Highest share price (UK p)	1,403.25	1,405.09	1,329.09
Lowest share price (UK p)	1,285.68	1,275.20	1,183.83

Financial highlights

Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012.

for the year to 30 June	2021	2020	2019
Change in NAV per share	UK p	UK p	UK p
Opening NAV	116.26	114.33	107.52
Return before operating charges	(6.43)	6.49	11.70
Operating charges	(0.87)	(0.92)	(0.91)
Return after operating charges	(7.30)	5.57	10.79
Distributions	(2.75)	(3.64)	(3.98)
Closing NAV	106.21	116.26	114.33
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.01	0.06
Dilution adjustments ^a	0.00	0.00	0.00
Total direct transaction costs	0.00	0.01	0.06
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.01	0.06
Operating charges ^c	0.78	0.80	0.83
Return after charges	-6.28	+4.87	+10.04
Distribution yield	2.24	2.99	3.63
Other information			
Closing NAV (\$'000)	538	507	406
Closing NAV (%)	0.23	0.17	0.23
Number of shares	365,723	355,093	279,986
Highest share price (UK p)	116.92	121.25	116.80
Lowest share price (UK p)	105.48	109.96	106.06

Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012.

for the year to 30 June	2021	2020	2019
Change in NAV per share	UK p	UK p	UK p
Opening NAV	137.26	130.76	118.72
Return before operating charges	(7.68)	7.57	13.04
Operating charges	(1.04)	(1.07)	(1.00)
Return after operating charges	(8.72)	6.50	12.04
Distributions	(2.24)	(3.14)	(3.46)
Retained distributions	2.24	3.14	3.46
Closing NAV	128.54	137.26	130.76
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.02	0.07
Dilution adjustments ^a	0.00	0.00	0.00
Total direct transaction costs	0.00	0.02	0.07
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.01	0.06
Operating charges ^c	0.78	0.80	0.82
Return after charges	-6.35	+4.97	+10.14
Distribution yield	1.49	2.19	2.89
Other information			
Closing NAV (\$'000)	1,668	1,366	1,826
Closing NAV (%)	0.70	0.47	1.04
Number of shares	936,273	810,886	1,100,961
Highest share price (UK p)	138.05	138.67	131.22
Lowest share price (UK p)	126.34	125.76	117.09

Financial highlights

Swiss franc Class 'A' Accumulation share performance

The share class was launched on 22 August 2014.

The share class closed on 15 December 2020.

for the year to 30 June	2021	2020	2019
Change in NAV per share	Swiss ¢	Swiss ¢	Swiss ¢
Opening NAV	1,180.38	1,195.37	1,148.24
Return before operating charges	11.41	(2.30)	59.60
Operating charges	(5.70)	(12.69)	(12.47)
Return after operating charges	5.71	(14.99)	47.13
Distributions	0.00	(25.43)	(29.01)
Retained distributions	0.00	25.43	29.01
Return to shareholder as a result of share class closure	(1,186.09)	n/a	n/a
Closing NAV	0.00	1,180.38	1,195.37
Direct transaction costs	Swiss ¢	Swiss ¢	Swiss ¢
Costs before dilution adjustments	0.01	0.14	0.66
Dilution adjustments ^a	0.00	0.00	0.00
Total direct transaction costs	0.01	0.14	0.66
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.01	0.06
Operating charges ^c	1.05	1.05	1.08
Return after charges	+0.48	-1.25	+4.10
Distribution yield	0.00	1.94	2.65
Other information			
Closing NAV (\$'000)	0	1,728	403
Closing NAV (%)	0.00	0.59	0.23
Number of shares	0	139,145	32,832
Highest share price (Swiss ¢)	1,202.34	1,239.40	1,213.55
Lowest share price (Swiss ¢)	1,165.16	1,111.12	1,102.66

Swiss franc Class 'C' Accumulation share performance

The share class was launched on 22 August 2014.

The share class closed on 15 December 2020.

for the year to 30 June	2021	2020	2019
Change in NAV per share	Swiss ¢	Swiss ¢	Swiss ¢
Opening NAV	1,218.00	1,226.63	1,170.87
Return before operating charges	11.78	(1.73)	62.37
Operating charges	(3.08)	(6.90)	(6.61)
Return after operating charges	8.70	(8.63)	55.76
Distributions	0.00	(32.91)	(36.99)
Retained distributions	0.00	32.91	36.99
Return to shareholder as a result of share class closure	(1,226.70)	n/a	n/a
Closing NAV	0.00	1,218.00	1,226.63
Direct transaction costs	Swiss ¢	Swiss ¢	Swiss ¢
Costs before dilution adjustments	0.01	0.14	0.67
Dilution adjustments ^a	0.00	0.00	0.00
Total direct transaction costs	0.01	0.14	0.67
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.01	0.06
Operating charges ^c	0.55	0.55	0.56
Return after charges	+0.71	-0.70	+4.76
Distribution yield	0.00	2.44	3.14
Other information			
Closing NAV (\$'000)	0	48	6
Closing NAV (%)	0.00	0.02	0.00
Number of shares	0	3,779	500
Highest share price (Swiss ¢)	1,243.17	1,276.60	1,244.45
Lowest share price (Swiss ¢)	1,204.19	1,144.94	1,126.33

Financial highlights

US dollar Class 'A' Income share performance

The share class was launched on 22 August 2014.

The share class closed on 15 December 2020.

for the year to 30 June	2021	2020	2019
Change in NAV per share	US ¢	US ¢	US ¢
Opening NAV	965.77	984.53	961.21
Return before operating charges	80.58	23.04	68.15
Operating charges	(4.86)	(10.37)	(10.44)
Return after operating charges	75.72	12.67	57.71
Distributions	0.00	(31.43)	(34.39)
Return to shareholder as a result of share class closure	(1,041.49)	n/a	n/a
Closing NAV	0.00	965.77	984.53
Direct transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.00	0.11	0.54
Dilution adjustments ^a	0.00	0.00	0.00
Total direct transaction costs	0.00	0.11	0.54
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.01	0.06
Operating charges ^c	1.05	1.05	1.09
Return after charges	+7.84	+1.29	+6.00
Distribution yield	0.00	2.99	3.63
Other information			
Closing NAV (\$'000)	0	198	243
Closing NAV (%)	0.00	0.07	0.14
Number of shares	0	20,523	24,631
Highest share price (US ¢)	1,042.38	1,025.42	1,005.78
Lowest share price (US ¢)	971.09	895.10	945.00

US dollar Class 'A' Accumulation share performance

The share class was launched on 22 August 2014.

The share class closed on 15 December 2020.

for the year to 30 June	2021	2020	2019
Change in NAV per share	US ¢	US ¢	US ¢
Opening NAV	1,129.18	1,115.02	1,050.84
Return before operating charges	94.13	25.98	75.70
Operating charges	(5.67)	(11.82)	(11.52)
Return after operating charges	88.46	14.16	64.18
Distributions	0.00	(24.10)	(26.95)
Retained distributions	0.00	24.10	26.95
Return to shareholder as a result of share class closure	(1,217.64)	n/a	n/a
Closing NAV	0.00	1,129.18	1,115.02
Direct transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.01	0.13	0.60
Dilution adjustments ^a	0.00	0.00	0.00
Total direct transaction costs	0.01	0.13	0.60
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.01	0.06
Operating charges ^c	1.05	1.05	1.09
Return after charges	+7.83	+1.27	+6.11
Distribution yield	0.00	1.94	2.65
Other information			
Closing NAV (\$'000)	0	1,754	1,438
Closing NAV (%)	0.00	0.60	0.82
Number of shares	0	155,359	128,952
Highest share price (US ¢)	1,218.67	1,180.84	1,118.99
Lowest share price (US ¢)	1,135.55	1,030.77	1,033.13

Financial highlights

US dollar Class 'C' Income share performance

The share class was launched on 22 August 2014.

The share class closed on 16 July 2020.

for the year to 30 June	2021	2020	2019
Change in NAV per share	US ¢	US ¢	US ¢
Opening NAV	984.56	998.75	970.38
Return before operating charges	19.47	23.73	69.75
Operating charges	(0.24)	(5.68)	(5.71)
Return after operating charges	19.23	18.05	64.04
Distributions	0.00	(32.24)	(35.67)
Return to shareholder as a result of share class closure	(1,003.79)	n/a	n/a
Closing NAV	0.00	984.56	998.75
Direct transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.00	0.12	0.55
Dilution adjustments ^a	0.00	0.00	0.00
Total direct transaction costs	0.00	0.12	0.55
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.01	0.06
Operating charges ^c	0.55	0.57	0.59
Return after charges	+1.95	+1.81	+6.60
Distribution yield	0.00	2.99	3.63
Other information			
Closing NAV (\$'000)	0	5	5
Closing NAV (%)	0.00	0.00	0.00
Number of shares	0	500	500
Highest share price (US ¢)	1,004.08	1,043.82	1,020.48
Lowest share price (US ¢)	989.98	911.29	956.04

US dollar Class 'C' Accumulation share performance

The share class was launched on 22 August 2014.

The share class closed on 15 December 2020.

for the year to 30 June	2021	2020	2019
Change in NAV per share	US ¢	US ¢	US ¢
Opening NAV	1,165.76	1,145.32	1,073.94
Return before operating charges	97.30	26.81	77.84
Operating charges	(3.06)	(6.37)	(6.46)
Return after operating charges	94.24	20.44	71.38
Distributions	0.00	(30.66)	(33.12)
Retained distributions	0.00	30.66	33.12
Return to shareholder as a result of share class closure	(1,260.00)	n/a	n/a
Closing NAV	0.00	1,165.76	1,145.32
Direct transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.01	0.13	0.61
Dilution adjustments ^a	0.00	0.00	0.00
Total direct transaction costs	0.01	0.13	0.61
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.01	0.06
Operating charges ^c	0.55	0.56	0.59
Return after charges	+8.08	+1.78	+6.65
Distribution yield	0.00	2.44	3.14
Other information			
Closing NAV (\$'000)	0	122	25
Closing NAV (%)	0.00	0.04	0.01
Number of shares	0	10,438	2,216
Highest share price (US ¢)	1,261.00	1,217.22	1,149.40
Lowest share price (US ¢)	1,172.35	1,062.67	1,057.65

^a In respect of direct portfolio transaction costs.

^b As a percentage of average net asset value.

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

Financial statements and notes

Financial statements

Statement of total return

for the year to 30 June	Note	2021		2020	
		\$'000	\$'000	\$'000	\$'000
Income					
Net capital gains/(losses)	3		12,173		(2,761)
Revenue	5	7,020		7,588	
Expenses	6	(1,548)		(1,478)	
Net revenue/(expense) before taxation		5,472		6,110	
Taxation	7	(92)		(38)	
Net revenue/(expense) after taxation			5,380		6,072
Total return before distributions			17,553		3,311
Distributions	8		(5,573)		(6,300)
Change in net assets attributable to shareholders from investment activities			11,980		(2,989)

Statement of change in net assets attributable to shareholders

for the year to 30 June	2021		2020	
	\$'000	\$'000	\$'000	\$'000
Opening net assets attributable to shareholders		291,669		175,095
Amounts received on issue of shares	19,348		157,186	
Amounts paid on cancellation of shares	(89,945)		(43,968)	
		(70,597)		113,218
Dilution adjustments		196		384
Change in net assets attributable to shareholders from investment activities (see above)		11,980		(2,989)
Retained distributions on Accumulation shares		4,456		5,961
Closing net assets attributable to shareholders		237,704		291,669

Financial statements and notes

Financial statements

Balance sheet

as at 30 June	Note	2021 \$'000	2020 \$'000
Assets			
Fixed assets			
Investments		230,416	287,636
Current assets			
Debtors	9	3,847	3,355
Cash and bank balances	10	5,900	1,231
Cash equivalents		1,862	1,129
Total assets		242,025	293,351
Liabilities			
Investment liabilities		(360)	(50)
Creditors			
Distribution payable		(269)	(534)
Other creditors	11	(3,692)	(1,098)
Total liabilities		(4,321)	(1,682)
Net assets attributable to shareholders		237,704	291,669

Financial statements and notes

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 9 to 12.

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 charge is 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	2021 \$'000	2020 \$'000
Non-derivative securities	9,748	(2,964)
Derivative contracts	2,555	286
Currency gains/(losses)	(130)	(82)
Transaction charges	0	(1)
Net capital gains/(losses)	12,173	(2,761)

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 177 to 178.

for the year to 30 June	2021 \$'000	% of transaction	2020 \$'000	% of transaction
a) Purchases				
Debt securities	107,865		278,268	
b) Sales				
Debt securities				
Debt securities before transaction costs	171,529		157,660	
Taxes	0	0.00	(27)	0.02
Debt securities after transaction costs	171,529		157,633	
Other transaction types				
Corporate actions	2,275		0	
Total sales	173,804		157,633	

Financial statements and notes

	2021 £'000	% of average NAV	2020 £'000	% of average NAV
c) Direct portfolio transaction costs				
Commissions paid				
Derivatives	1	0.00	0	0.00
Taxes paid				
Debt securities	0	0.00	27	0.01
Derivatives	1	0.00	0	0.00
Total direct portfolio transaction costs^a	2	0.00	27	0.01
		%		%
d) Indirect portfolio transaction costs				
Portfolio dealing spread ^b		0.42		0.54

^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	2021 \$'000	2020 \$'000
Bank interest	2	3
Derivative revenue	(200)	0
Interest distributions	2	29
Interest on debt securities	7,215	7,554
Rebate of ongoing charges from underlying funds	1	2
Total revenue	7,020	7,588

Financial statements and notes

6 Expenses

for the year to 30 June	2021 \$'000	2020 \$'000
Payable to the ACD or associate		
Annual charge	1,546	1,360
Annual management charge ^a	0	72
Administration charge ^a	0	25
	1,546	1,457
Payable to the Depositary or associate		
Depositary's charge (including VAT) ^a	0	1
Other expenses		
Audit fee (including VAT) ^a	0	1
Interest payable	4	12
Safe custody charge ^a	(2)	7
	2	20
Total expenses	1,548	1,478

^a The segregated charges shown above for annual management, administration, depositary, audit and safe custody are those paid by the fund up to and including 31 July 2019

Audit fees for the financial year ending 2021 were £13,000 (2020: £13,000) (including VAT), which are covered by the annual charge.

Financial statements and notes

7 Taxation

for the year to 30 June	2021 \$'000	2020 \$'000
a) Analysis of charge in the year		
Corporation tax	0	0
Withholding tax	92	38
Deferred tax (note 7c)	0	0
Total taxation	92	38
b) Factors affecting taxation charge for the year		
Net revenue/(expense) before taxation	5,472	6,110
Corporation tax at 20%	1,094	1,222
Effects of:		
Interest distributions	(1,094)	(1,222)
Withholding tax	92	38
Total tax charge (note 7a)	92	38
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 (2020: same).

8 Distributions

for the year to 30 June	2021		2020	
	Inc ^a \$'000	Acc ^b \$'000	Inc ^a \$'000	Acc ^b \$'000
Interest distributions				
Interim	426	2,840	491	2,858
Final	269	1,616	534	3,103
Total net distributions	5,151		6,986	
Income deducted on cancellation of shares	538		390	
Income received on issue of shares	(116)		(1,076)	
Distributions	5,573		6,300	
Net revenue/(expense) per statement of total return	5,380		6,072	
Expenses offset against capital	193		228	
Distributions	5,573		6,300	

^a Distributions payable on Income shares.

^b Retained distributions on Accumulation shares.

Financial statements and notes

9 Debtors

as at 30 June	2021 \$'000	2020 \$'000
Amounts receivable on issues of shares	0	256
Currency deals outstanding	1,493	0
Debt security interest receivable	2,308	3,056
Distributions receivable	0	1
Withholding tax recoverable	46	42
Total debtors	3,847	3,355

10 Cash and bank balances

as at 30 June	2021 \$'000	2020 \$'000
Amounts held at futures clearing houses and collateral manager	4,057	0
Cash held as bank balances	1,843	1,231
Total cash and bank balances	5,900	1,231

11 Other creditors

as at 30 June	2021 \$'000	2020 \$'000
Amounts payable on cancellation of shares	199	170
Annual charge payable	54	72
Currency deals outstanding	1,492	0
Derivative expense payable	37	0
Expenses payable	0	14
Purchases awaiting settlement	1,910	842
Total other creditors	3,692	1,098

12 Contingent assets, liabilities and outstanding commitments

There were no contingent assets, liabilities or outstanding commitments at the balance sheet date (2020: same).

Financial statements and notes

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	Issued	Movements	Closing
	01.07.20		Cancelled	
Euro				
Class 'A' Income	372,124	4,413	(376,537)	0
Class 'A' Accumulation	328,034	0	(328,034)	0
Class 'C' Income	500	0	(500)	0
Class 'C' Accumulation	496,445	17,400	(513,845)	0
Sterling				
Class 'A' Income	2,043,957	635,461	(616,215)	2,063,203
Class 'A' Accumulation	6,103,840	227,459	(1,834,658)	4,496,641
Class 'I' Income	1,868,408	207,413	(561,295)	1,514,526
Class 'I' Accumulation	13,328,306	753,169	(2,967,456)	11,114,019
Class 'R' Income	355,093	71,873	(61,243)	365,723
Class 'R' Accumulation	810,886	369,484	(244,097)	936,273
Swiss franc				
Class 'A' Accumulation	139,145	17,945	(157,090)	0
Class 'C' Accumulation	3,779	1,882	(5,661)	0
US dollar				
Class 'A' Income	20,523	0	(20,523)	0
Class 'A' Accumulation	155,359	2,895	(158,254)	0
Class 'C' Income	500	0	(500)	0
Class 'C' Accumulation	10,438	0	(10,438)	0

14 Charging structure

The table below sets out the charging structure for each class of share in existence at the balance sheet date. The charging structure is the same for both Income and Accumulation shares of each class.

Share class	Annual charge ^a	Annual charge ^a
	to 14.02.21	from 15.02.21
	%	%
Sterling		
Class 'A'	1.05	0.90
Class 'I'	0.55	0.50
Class 'R'	0.80	0.75

^a The amounts shown are the maximum annual charge. M&G will apply a discount of 0.02% for every £1 billion of a fund's net asset value. This is assessed quarterly and implemented on a forward basis no later than 13 business days after quarter end.

Financial statements and notes

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 annual charge, ACD's annual management charge and administration charge are disclosed in note 6. Amounts due at the year end in respect of the annual charge are disclosed in note 11.

At the balance sheet date, there were no material shareholders from within M&G plc, of which M&G Securities Limited is a wholly owned subsidiary (2020: 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.

as at 30 June	Assets 2021 \$'000	Liabilities 2021 \$'000	Assets 2020 \$'000	Liabilities 2020 \$'000
Basis of valuation				
Level 1	84,099	(181)	100,771	0
Level 2	146,317	(179)	187,994	(50)
Level 3	0	0	0	0
	230,416	(360)	288,765	(50)

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'.

Financial statements and notes

18 Risk management policies

The general risk management policies for the fund are set out in note 3 to the financial statements on pages 12 to 14.

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 2021 was 20% (2020: 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 2021 and 30 June 2020.

for the year to 30 June	2021 % of VaR	2021 Utilisation of VaR ^a 20%	2020 % of VaR	2020 Utilisation of VaR ^a 18%
Lowest	3.96	19.80	2.09	11.61
Highest	7.64	38.20	9.36	52.00
Average	5.65	28.24	4.19	23.30

^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	2021 \$'000	2020 \$'000
Investment grade securities	179,020	219,751
Below investment grade securities	50,755	51,679
Unrated securities	0	16,084
Other investments	281	72
Total	230,056	287,586

Financial statements and notes

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 2021	Swaps \$'000	Forward currency contracts \$'000	Futures \$'000
Bank of America Merrill Lynch	65	0	0
Barclays Bank	236	0	0
BNP Paribas	0	(70)	0
Citigroup	194	(26)	0
HSBC	0	34	0
Merrill Lynch	0	12	(148)
Royal Bank of Canada	0	(15)	0
National Australia Bank	0	(1)	0
Total	495	(66)	(148)

as at 30 June 2020	Forward currency contracts \$'000
BNP Paribas	51
JPMorgan	55
State Street Bank	(34)
Total	72

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 2021 and 30 June 2020 are disclosed in the table below.

for the year to 30 June	2021 ^a \$'000	2021 ^a % ^b	2020 ^a \$'000	2020 ^a % ^b
Lowest	3,441	1.15	0	0.00
Highest	398,415	163.06	58,475	23.00
Average	94,190	37.50	16,707	6.80

^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 fund valuation.

Financial statements and notes

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	01.07.20	31.12.20	04.01.21	28.02.21
Final	01.01.21	30.06.21	01.07.21	31.08.21

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	Group 2 Equalisation	Group 1 & 2 Distribution	
	2021	2021	2021	2020
	Euro ¢	Euro ¢	Euro ¢	Euro ¢
Interim	0.0000	0.0000	0.0000	19.6865
Final	0.0000	0.0000	0.0000	17.5020

Euro Class 'A' Accumulation shares

Interest distributions for the year to 30 June	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2021	2021	2021	2020
	Euro ¢	Euro ¢	Euro ¢	Euro ¢
Interim	0.0000	0.0000	0.0000	15.4364
Final	0.0000	0.0000	0.0000	13.0624

Euro Class 'C' Income shares

Interest distributions for the year to 30 June	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2021	2021	2021	2020
	Euro ¢	Euro ¢	Euro ¢	Euro ¢
Interim	0.0000	0.0000	0.0000	20.7384
Final	0.0000	0.0000	0.0000	18.3200

Financial statements and notes

Euro Class 'C' Accumulation shares

Interest distributions for the year to 30 June	Income	Group 2	Group 1 & 2	
	2021	Equalisation	Distribution	
	Euro ¢	2021	2021	2020
		Euro ¢	Euro ¢	Euro ¢
Interim	0.0000	0.0000	0.0000	19.3825
Final	0.0000	0.0000	0.0000	16.9694

Sterling Class 'A' Income shares

Interest distributions for the year to 30 June	Income	Group 2	Group 1 & 2	
	2021	Equalisation	Distribution	
	UK p	2021	2021	2020
		UK p	UK p	UK p
Interim	1.0715	0.3240	1.3955	1.5956
Final	0.5005	0.4514	0.9519	1.5248

Sterling Class 'A' Accumulation shares

Interest distributions for the year to 30 June	Income	Group 2	Group 1 & 2	
	2021	Equalisation	Distribution	
	UK p	2021	2021	2020
		UK p	UK p	UK p
Interim	0.8111	0.5594	1.3705	1.6091
Final	0.4348	0.3406	0.7754	1.4632

Sterling Class 'I' Income shares

Interest distributions for the year to 30 June	Income	Group 2	Group 1 & 2	
	2021	Equalisation	Distribution	
	UK p	2021	2021	2020
		UK p	UK p	UK p
Interim	7.8804	8.6096	16.4900	18.7430
Final	5.8533	5.4057	11.2590	17.9566

Sterling Class 'I' Accumulation shares

Interest distributions for the year to 30 June	Income	Group 2	Group 1 & 2	
	2021	Equalisation	Distribution	
	UK p	2021	2021	2020
		UK p	UK p	UK p
Interim	8.3561	7.6448	16.0009	18.1020
Final	4.5076	5.5994	10.1070	17.1163

Financial statements and notes

Sterling Class 'R' Income shares

Interest distributions for the year to 30 June	Income	Group 2	Group 1 & 2	
	2021	Equalisation	Distribution	
	2021	2021	2021	2020
	UK p	UK p	UK p	UK p
Interim	0.5379	1.0939	1.6318	1.8595
Final	0.4341	0.6791	1.1132	1.7788

Sterling Class 'R' Accumulation shares

Interest distributions for the year to 30 June	Income	Group 2	Group 1 & 2	
	2021	Equalisation	Distribution	
	2021	2021	2021	2020
	UK p	UK p	UK p	UK p
Interim	0.5554	0.8567	1.4121	1.6294
Final	0.2887	0.5437	0.8324	1.5139

Swiss franc Class 'A' Accumulation shares

Interest distributions for the year to 30 June	Income	Group 2	Group 1 & 2	
	2021	Equalisation	Distribution	
	2021	2021	2021	2020
	Swiss ¢	Swiss ¢	Swiss ¢	Swiss ¢
Interim	0.0000	0.0000	0.0000	13.8943
Final	0.0000	0.0000	0.0000	11.5391

Swiss franc Class 'C' Accumulation shares

Interest distributions for the year to 30 June	Income	Group 2	Group 1 & 2	
	2021	Equalisation	Distribution	
	2021	2021	2021	2020
	Swiss ¢	Swiss ¢	Swiss ¢	Swiss ¢
Interim	0.0000	0.0000	0.0000	17.7572
Final	0.0000	0.0000	0.0000	15.1508

US dollar Class 'A' Income shares

Interest distributions for the year to 30 June	Income	Group 2	Group 1 & 2	
	2021	Equalisation	Distribution	
	2021	2021	2021	2020
	US ¢	US ¢	US ¢	US ¢
Interim	0.0000	0.0000	0.0000	16.6425
Final	0.0000	0.0000	0.0000	14.7842

Financial statements and notes

US dollar Class 'A' Accumulation shares

Interest distributions for the year to 30 June	Income	Group 2	Group 1 & 2	
	2021	Equalisation	Distribution	
	US ¢	2021	2021	2020
	US ¢	US ¢	US ¢	US ¢
Interim	0.0000	0.0000	0.0000	13.0664
Final	0.0000	0.0000	0.0000	11.0383

US dollar Class 'C' Income shares

Interest distributions for the year to 30 June	Income	Group 2	Group 1 & 2	
	2021	Equalisation	Distribution	
	US ¢	2021	2021	2020
	US ¢	US ¢	US ¢	US ¢
Interim	0.0000	0.0000	0.0000	17.1220
Final	0.0000	0.0000	0.0000	15.1180

US dollar Class 'C' Accumulation shares

Interest distributions for the year to 30 June	Income	Group 2	Group 1 & 2	
	2021	Equalisation	Distribution	
	US ¢	2021	2021	2020
	US ¢	US ¢	US ¢	US ¢
Interim	0.0000	0.0000	0.0000	16.3346
Final	0.0000	0.0000	0.0000	14.3213

Authorised Corporate Director's Report

Investment objective

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

Investment policy

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

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

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

Derivatives may be used for efficient portfolio management and hedging.

Investment approach

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

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

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

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

The investment approach means the fund manager is prepared to take a contrarian view and consider areas

that are out of favour with other investors. To take this contrarian view, the fund manager focuses on company management, their turnaround strategy and the businesses' ability to generate cashflow.

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

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

Benchmark

Benchmark: FTSE All-Share Index.

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

The fund is actively managed.

The fund manager has complete freedom in choosing which investments to buy, hold and sell in the fund. The fund's holdings may deviate significantly from the benchmark's constituents.

For unhedged and hedged share classes, the benchmark is shown in the share class currency.

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

Authorised Corporate Director's Report

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 changed during this period. From 1 July 2020 to 9 July 2020 the risk number was 5.

Investment review

As at 1 July 2021, for the year ended 30 June 2021

Performance against objective

The M&G Recovery Fund's objective is to outperform the FTSE All-Share Index (net of the ongoing charges figure) over any five-year period.

The fund has lagged the FTSE All-Share Index in total return terms (the combination of income and growth of capital) across all its share classes over five years, therefore missing its objective. The index returned 6.5% pa in sterling terms in the 12 months to 1 July 2021 and 2.7% pa in euro terms from the start of the review period (1 July 2020) until 15 December 2020.

The returns for the fund's euro-denominated share classes are shown to 15 December 2020, the date when these share classes were closed.

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

Performance review

The Recovery Fund delivered a strong performance during the 12 months under review, which put it well ahead of the FTSE All-Share Index total return of 23.0%, and in the process more than recouping the performance deficit of the previous financial year.

The year to July 2021 witnessed some distinct phases for global markets, with a number of key events catalysing the subsequent direction in sentiment. Behind the return from the FTSE All-Share Index were some significant events starting with the shockwaves wrought by the COVID-19 pandemic and the global response to this event, including two of three UK lockdowns. The vaccine success and subsequent rollout, the US election and the 'completion' of Brexit after years of procrastination also had a big effect on the UK equity market.

For the first 10 months of calendar year 2020, the market saw a distinct flight to quality. That held firm during the collapse in equities during February and March, the recovery through April and May, and then a period of digestion up to November. Structural growth, quality characteristics, defensiveness (companies that do well even when the economy is weak) and ESG (environmental, social and governance) credentials were strongly rewarded. Cyclical (businesses that are economically sensitive), companies with poor ESG characteristics, and companies with high levels of debt and structural concerns suffered greatly. The bifurcation between 'quality' stocks, such as 'growth' companies (those with reliable, albeit potentially lower, earnings streams, like those offered by consumer staples companies) and 'value' stocks (those with cheaper valuations) had been underway for most of the past decade, but the pandemic provided a turbo-boost.

That all changed as we progressed through November and into 2021, with a series of positive news events catalysing a dramatic rotation in market performance, with 'value' as an investment theme very much in the

Authorised Corporate Director's Report

ascendency. First came the vaccine announcements forming a bridge to a post-COVID normalisation. These were followed by Democratic Party success in the Georgia Senate run-off, which handed President Biden a less restrictive route to push through war-time levels of fiscal stimulus. The combination of these events fuelled a meteoric rise in expectations for economic growth and inflation. In response, economy re-opening plays, inflation protection, cyclicals and 'value' stocks took over the market leadership, which provided a considerable boost to the fund.

UK equities lost their momentum, though, with the arrival of summer in June. The market rally was stalled by a series of events including a delay in lifting the third lockdown restrictions until July in the wake of a rise in the Delta variant of the coronavirus, as well as concerns about the scaling back of COVID support measures and increased friction with the EU over the Northern Ireland Protocol. In addition, there was a brief setback when the Federal Reserve signalled that US interest rates might be raised sooner than expected, albeit still a long way off in 2023. This was a reaction to a spike in inflation, which is being felt across the OECD countries, including the UK. However, markets subsequently decided that the impact of reflationary forces caused by the recovering global economy would be transitory. The change in market sentiment saw 'growth' as an investment theme gain the upper hand once more.

Against this background, one significant driver of the fund's outperformance was the value rally, reflecting the portfolio's exposure to more cyclical areas of the economy, such as mining, energy, construction, general industrials, banks and media companies; the other significant performance driver was the contribution from the fund's holdings in biotechnology companies. Further value was added through a lack of exposure to quality consumer goods companies and the mainstream pharmaceutical manufacturers. The former are trading on rich valuations and do not meet the fund's investment criteria, and these were eschewed by investors as investors' risk appetite improved. The latter were affected by concerns about downward pressure on drug pricing in the US from the Biden administration.

However, some performance was surrendered as a result of negative contributions from below-market positions in retailers and beverages, as well as stock selection within travel & leisure, non-life insurance, industrial transportation and utilities.

Miners and energy companies were prominent among the main contributors to the fund's performance and included First Quantum Minerals, Bacanora Lithium, Kenmare Resources and Tullow Oil. Notably, Bacanora Lithium, which reported that it was on course to start mining lithium for electric vehicle batteries at its Sonora mining project in Mexico from 2023, was also the subject of a bid from its largest shareholder. Kenmare Resources basked in the glow of having paid its first dividend last year and moving some of its operation to a new richer seam in Mozambique to boost its ilmenite production. Apart from being lifted by a rising oil price, Africa-focused oil explorer Tullow Oil arranged a five-year refinancing package and announced asset sales in Equatorial Guinea and Gabon which were well received by the market.

Within UK larger companies, aside from not holding consumer goods giants such as Unilever, Reckitt Benckiser and British American Tobacco, value was primarily added through the fund's exposure to economically sensitive or cyclical businesses such as paper manufacturer Smurfit Kappa, banking groups NatWest and Lloyds, advertising agency WPP and building materials firm CRH. Meanwhile, a non-cyclical stock, BT, was boosted by the Budget announcement of 130% tax relief on plant and machinery capital expenditure for two years which was seen to benefit the telecoms group's fibre rollout.

Within medium-sized companies, standout performances were delivered by two of the fund's biotech holdings, Oxford Biomedica and GW Pharmaceuticals. Cell and gene therapy specialist Oxford Biomedica's revenues have been boosted by AstraZeneca's COVID-19 vaccine, which is being manufactured by Oxford Biomedica and rolled out across the UK and abroad. GW Pharmaceuticals was taken over for a 50% premium by Jazz Pharmaceuticals. The cannabinoid-based medicine manufacturer had

Authorised Corporate Director's Report

been a major holding for the Recovery Fund and was first added to the portfolio in December 2002 as an AIM-listed stock; since then, GW Pharmaceuticals has passed a number of transformational strategic milestones to become a recognised pioneer and leader in its field of medicine. Elsewhere, shares in ITV rose from oversold levels after reporting an improvement in advertising trends towards the end of a difficult 2020 which included the biggest fall in advertising in its history during the first lockdown. Continued outperformance in 2021 has resulted in the broadcaster returning to the FTSE 100 Index of larger companies in June.

Value was added notably within smaller companies by Dignity, the UK's second-largest funeral services provider, and Kier, an outsourcing and construction business. Dignity's shares have recovered strongly post the release of a benign competition review into the funeral services sector. Kier used a fund-raising exercise in the market to sort out its balance sheet problems, which will assist it in winning government contracts.

Conversely, two Australian biotech firms that bucked the trend and detracted value over the 12-month period under review were Mesoblast and Medical Developments International. After a strong run through most of 2020, Mesoblast came under pressure in the autumn following disappointing headline news about two of its phase 3 trials involving treatments for late-stage COVID-19 and chronic heart failure. Despite better results for its heart treatment recently, Mesoblast's shares have drifted in 2021. Medical Developments International's underperformance reflected a combination of a fund raising and lack of positive newsflow.

Other notable detractors were the fund's holdings in oil major BP and gold miner St Barbara. BP was affected by last year's dividend cut and news of the oil major's pivot towards renewable energy. We continue to believe the steps taken by the company to rationalise the business through disposals and tightly managing the balance sheet by cutting distributions are the correct ones, and we are encouraged by improved performance

of the shares in 2021. Over time, we expect the company to create significant value by integrating new business lines such as offshore wind and hydrogen into its trading and distribution operations. Meanwhile, St Barbara, which operates mines in Australia and Canada, sold off with a weakening gold price, exacerbated by lower production guidance. However, this has left the shares looking very cheap and we continue to see value in remaining invested in the stock.

Investment activities

Given the attractive value of the UK stockmarket and recovery in the economy in 2021, one overriding theme as the 12 months progressed was to increase the fund's exposure to domestic businesses, especially medium-sized companies. Accordingly, taking advantage of share price weakness, positions in this market segment were established in UK insurers Beazley and Hiscox, as well as food producer Premier Foods and interdealer broker TP ICAP. Outside this space, we established positions in two larger companies on valuation grounds, exhibitions business Informa and pharmaceutical manufacturer GlaxoSmithKline, along with AIM-listed e-Therapeutics, a computer-based drug discovery and network biology company, which uses a data-driven approach to better understand and address disease complexity. The fund also acquired a holding in US-listed biotech firm Jazz Pharmaceuticals as part of the takeover of GW Pharmaceuticals.

The fund participated in a number of placings (fund-raising exercises by companies). These included gold miner Troy Resources to assist with developing a promising resource; advertising technology specialist Mirriad Advertising to help the company develop the business on the back of its first few large client wins; Medical Developments International so the company could build out its European sales force for its Pentrox fast pain relief product; wealth manager WH Ireland to fund the acquisition of Henley-based Harpsden Wealth Management; construction firm Kier to reduce its gearing; and Wagamama owner The Restaurant Group, to shore up its balance sheet.

Authorised Corporate Director's Report

Over the 12 months the fund exited a number of positions that had all become relatively small holdings in the portfolio. Defence technology group QinetiQ was sold as it had reached our price target; similarly UK engineering group Smiths, another longstanding position, was disposed of. We decided to move on from energy services company Petrofac following disappointing performance and in order to pursue what we considered to be better opportunities elsewhere. We had held Blancco Technology for a number of years and after a stellar couple of years felt it was time to cut the position. We disposed of the remainder of the fund's holding in Esken (formerly the Stobart Group), having exited most of the position very well a few years ago before the shares in the UK logistics company started underperforming, as we were not convinced that there was sufficient upside potential going forward. Eco Animal Health was sold, having been held in the portfolio for a long time and having exited most of the position successfully previously. The livestock medicines manufacturer had been encountering a few difficulties, which prompted a review of the investment rationale.

In other activity, we took advantage of some strong individual share price performance to trim fund holdings. These included reductions to positions in miners First Quantum Minerals, St Barbara (before the share price retreated), and Rio Tinto, which had been lifted by the strength of commodity prices. Within the fund's biotech holdings, we trimmed Oxford Biomedica. Elsewhere, positions reduced included flexible workspace provider IWG which has performed strongly since a fund raising last summer, paper manufacturer Smurfit Kappa and building materials business CRH.

Outlook

The UK economy is starting to show signs of improvement in the manufacturing, construction and services sectors, despite having effectively been in lockdown since November 2020. Economic activity has been assisted by the successful coronavirus vaccine rollout and steps by companies to adapt to COVID-19 restrictions and the new post-Brexit environment.

Following the 9.9% slump in 2020, the latest Treasury survey of independent forecasts is showing an average forecast of a 6.8% economic expansion for 2021 and 5.4% in 2022, which compares with a historic average of around 2.5%.

Barring unforeseen setbacks, the UK could see most pandemic-related restrictions lifted by the summer. Given the huge increase in household savings during the past year, there is expected to be a significant rise in consumer spending as the restrictions are lifted, resulting in a rapid recovery in the economy in the second half of the year. Encouragingly, these trends should allow the economy to return to its pre-pandemic size by the middle of next year. Naturally, there is always the potential for unexpected disappointments and the route back to growth may not follow a linear path.

Despite a strong recovery from the lows of March 2020, we think the UK equity market remains relatively attractively valued versus its global peers and bonds. Meanwhile, domestic corporate earnings forecasts appear to have regained their positive momentum after last year's declines and there has been a resumption in company dividend payments, providing further support for share prices. Encouragingly, merger and acquisition activity has picked up, indicating that the corporate sector has recognised the opportunity in the UK; many IPOs (initial public offerings or flotations) and fund raisings have been oversubscribed, reflecting the depth of market support at current levels. As matters stand, the backdrop bodes relatively well for the UK market, particularly as Brexit has now been accomplished and a trade deal agreed.

2020 was a challenging year for the fund, but it came through relatively unscathed. Despite having to weather an extended period of underperformance, we stuck to our recovery proposition. While many companies face major challenges in the short run, we are confident that many of our holdings are robust and show encouraging evidence of sound management. By giving companies the breathing space they need to execute a strategy for recovery, we can see a very material creation of value as the market re-rates those companies. We believe the potential of our portfolio remains considerable, and

Authorised Corporate Director's Report

expect that long-term opportunities will present themselves as the crisis continues to ease and companies tap the markets to raise funds.

Michael Stiasny

Fund manager

An employee of M&G FA Limited which is an associate of M&G Securities Limited. Please note that effective from 31 December 2020 Michael Stiasny replaced Tom Dobell as the manager.

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

Investments

Portfolio statement

Holding	as at 30.06.21 £'000	as at 30.06.21 %	as at 30.06.20 %
Equities	1,616,817	100.38	100.09
Software & computer services	72,693	4.51	1.97^b
7,921,115 Actual Experience ^a	8,396	0.52	
3,825,805 Micro Focus International	21,088	1.31	
36,616,666 Mirriad Advertising ^a	16,844	1.05	
3,700,000 Sage	25,360	1.57	
2,872,000 Watchstone ^c	1,005	0.06	
Telecommunication service providers	36,400	2.26	1.57
18,850,000 BT	36,400	2.26	
Medical equipment & services	16,333	1.01	1.21
8,333,000 Creo Medical ^a	16,333	1.01	
Pharmaceuticals & biotechnology	220,702	13.70	21.88
34,375,000 e-Therapeutics ^a	7,734	0.48	
600,000 GlaxoSmithKline	8,521	0.53	
2,184,463 Hutchmed China ADR	52,236	3.24	
17,061 Jazz Pharmaceuticals	2,203	0.14	
3,626,816 Medical Developments International	8,775	0.54	
49,859,597 Mesoblast	53,300	3.31	
792,995 Mesoblast ADR	4,410	0.27	
6,395,311 Oxford Biomedica	83,523	5.19	
Banks	196,636	12.21	11.01
17,850,000 HSBC	74,354	4.62	
124,000,000 Lloyds Banking	57,604	3.58	
16,550,000 Natwest	33,398	2.07	
6,800,000 Standard Chartered	31,280	1.94	
Investment banking & brokerage services	35,221	2.19	1.02
17,657,142 IP	20,553	1.28	
4,670,666 TP ICAP	9,493	0.59	
9,240,000 WH Ireland ^a	5,175	0.32	
Non-life insurance	40,530	2.52	0.00
6,758,624 Beazley	22,297	1.39	
2,152,700 Hiscox	18,233	1.13	

Investments

Portfolio statement (continued)

Holding	as at 30.06.21 £'000	as at 30.06.21 %	as at 30.06.20 %
Equities (continued)			
Consumer services			
2,100,000 Compass	31,416	1.95	
1,200,000 Dignity	9,540	0.59	
Media			
3,000,000 Informa	14,928	0.93	
20,400,000 ITV	25,449	1.58	
2,000,000 Pearson	16,560	1.03	
3,100,000 WPP	30,200	1.87	
Retailers			
69,337,134 Mothercare ^a	9,499	0.59	
Travel & leisure			
3,834,928 Dalata Hotel	12,643	0.79	
909,362 easyJet	8,131	0.50	
9,321,340 fastjet Warrants 31/07/2021	0	0.00	
218,867 J.D. Wetherspoon	2,563	0.16	
9,900,000 National Express	26,473	1.64	
2,719,649 Restaurant	3,481	0.22	
Food producers			
1,225,000 Associated British Foods	27,170	1.69	
15,900,000 Premier Foods	17,426	1.08	
8,757,630 REA	4,309	0.27	
1,758,213 Tate & Lyle	13,099	0.81	
28,000,000 Zambeef Products ^a	2,310	0.14	
Construction & materials			
10,500,000 Balfour Beatty	32,256	2.00	
950,000 CRH	34,884	2.17	
20,257,746 Kier	25,768	1.60	
29,150,000 Severfield	22,795	1.41	
Aerospace & defence			
1,993,572 Meggitt	9,140	0.57	
146,309,150 TP ^a	5,121	0.32	

Investments

Portfolio statement (continued)

Holding	as at 30.06.21 £'000	as at 30.06.21 %	as at 30.06.20 %
Equities (continued)			
General industrials	61,830	3.84	4.16
32,417,553 Coats	22,012	1.37	
1,015,000 Smurfit Kappa	39,818	2.47	
Industrial engineering	0	0.00	0.21^b
Industrial support services	79,099	4.91	6.55
28,444,340 Capita	10,817	0.67	
3,500,000 Essentra	11,218	0.70	
1,250,000 Grafton	14,500	0.90	
11,270,961 IWG	33,396	2.07	
120,629,158 Wameja ^a	9,168	0.57	
Industrial transportation	6,452	0.40	0.98
4,980,021 Avation	4,681	0.29	
285,634,550 Mercantile Ports & Logistics ^a	1,771	0.11	
Industrial metals & mining	244,087	15.16	10.53^b
52,528,941 Bacanora Lithium ^a	30,467	1.89	
132,136,364 Bluejay Mining ^a	13,716	0.85	
3,300,000 First Quantum Minerals	54,655	3.40	
13,500,000 Hummingbird Resources ^a	2,632	0.17	
18,400,131 Kenmare Resources	81,697	5.07	
1,015,000 Rio Tinto	60,920	3.78	
Precious metals & mining	21,299	1.32	3.20^b
60,000,000 Petra Diamonds	873	0.05	
19,800,000 St Barbara	18,219	1.13	
113,250,000 Troy Resources	2,207	0.14	
Non-renewable energy	143,893	8.93	9.74^b
31,750,000 BP	99,647	6.19	
18,078,875 MC Mining ^a	904	0.06	
94,000,000 Providence Resources ^a	3,290	0.20	
51,500,000 Tullow Oil	30,488	1.89	
153,645,250 White Energy Company	9,564	0.59	
Electricity	6,934	0.43	0.39
50,427,030 OPG Power Ventures ^a	6,934	0.43	

Investments

Portfolio statement (continued)

Holding	as at 30.06.21 £'000	as at 30.06.21 %	as at 30.06.20 %
Equities (continued)			
Gas, water & multi-utilities	49,547	3.08	3.77
5,415,000 National Grid	49,547	3.08	
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 (notes 2c & 2d on page 9)	1,616,817	100.38	100.09
Net other assets / (liabilities)	(6,192)	(0.38)	(0.09)
Net assets attributable to shareholders	1,610,625	100.00	100.00

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

^a AIM quoted.

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

^c AQSE quoted.

Investments

Top ten portfolio transactions for the year to 30 June 2021

Largest purchases	£'000
Sage	22,501
Beazley	21,947
Hiscox	18,711
Informa	15,777
Premier Foods	15,109
Kier	13,257
Coats	11,626
e-Therapeutics ^a	8,250
Micro Focus International	8,229
GlaxoSmithKline	7,813
Other purchases	58,432
Total purchases	201,652

Largest sales	£'000
GW Pharmaceuticals ADR	77,046
Mesoblast	50,528
Oxford Biomedica	27,531
IWG	25,607
First Quantum Minerals	24,674
Smurfit Kappa	18,365
Rio Tinto	16,293
CRH	14,178
easyJet	12,234
Smiths	12,121
Other sales	127,284
Total sales	405,861

^a AIM quoted.

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

Financial highlights

Fund performance

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

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

Fund level performance

Fund net asset value as at	30.06.21 £'000	30.06.20 £'000	30.06.19 £'000
Fund net asset value (NAV)	1,610,625	1,431,300	2,211,907

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.

May 1969 = 100, plotted monthly
Chart date 1 July 2021



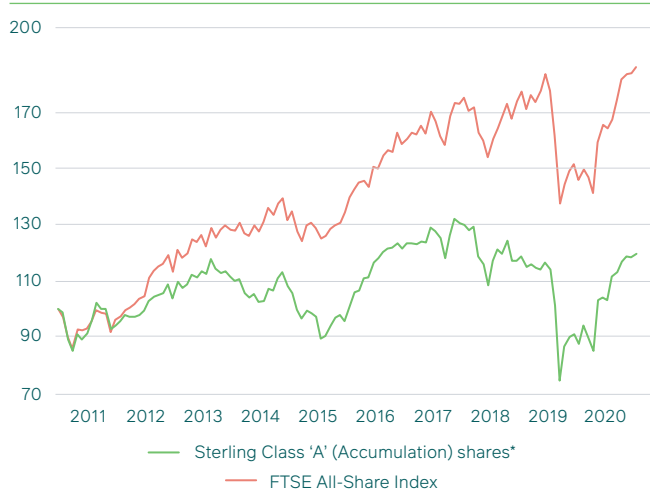
Source: Morningstar, Inc. and M&G

*Income reinvested

Ten-year performance

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

Ten years, 1 July 2011 = 100, plotted monthly
Chart date 1 July 2021



Source: Morningstar, Inc. and M&G

*Income reinvested

Financial highlights

Long-term performance by share class

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 15 December 2020 for the non-sterling share classes and 1 July 2021 for sterling share classes. Calculated on a price to price basis with income reinvested.

Share class	One year 01.07.20 % ^a	Three years 02.07.18 % pa	Five years 01.07.16 % pa	Since launch % pa
Euro^b				
Class 'A'	-1.2	+4.2	+1.2	+1.6 ^c
Class 'C'	-1.0	+4.8	+1.7	+1.8 ^c
Sterling^d				
Class 'A'	+33.3	-2.6	+4.2	+12.8 ^e
Class 'C'	+35.0	-1.3	+5.7	+7.6 ^f
Class 'I'	+33.9	-2.0	+4.9	+3.7 ^g
Class 'PP'	+34.2	n/a	n/a	-0.3 ^h
Class 'R'	+33.6	-2.3	+4.7	+3.0 ⁱ
Class 'X'	+33.3	-2.6	+4.2	+7.2 ^j

^a Absolute basis.

^b Price to price with 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:

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

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

Financial highlights

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

Portfolio transaction costs

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

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

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

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

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

Portfolio transaction costs

for the year to 30 June	2021	2020	2019	Average ^a
Direct portfolio transaction costs ^b	%	%	%	%
Broker commission	0.01	0.02	0.01	0.01
Taxes	0.04	0.05	0.02	0.04
Costs before dilution adjustments	0.05	0.07	0.03	0.05
Dilution adjustments ^c	(0.02)	(0.03)	(0.02)	(0.02)
Total direct portfolio transaction costs	0.03	0.04	0.01	0.03
as at 30 June	2021	2020	2019	Average ^a
Indirect portfolio transaction costs	%	%	%	%
Average portfolio dealing spread	0.70	0.82	0.69	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.

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 9 July 2021.

Euro Class 'A' Accumulation share performance

The share class was launched on 29 November 2002. The share class closed on 15 December 2020.

for the year to 30 June	2021	2020	2019
Change in NAV per share	Euro ¢	Euro ¢	Euro ¢
Opening NAV	1,853.48	2,440.93	2,751.81
Return before operating charges	323.81	(550.74)	(268.28)
Operating charges	(14.57)	(36.71)	(42.60)
Return after operating charges	309.24	(587.45)	(310.88)
Distributions	0.00	(14.52)	(30.61)
Retained distributions	0.00	14.52	30.61
Return to shareholder as a result of (2,162.72) share class closure		n/a	n/a
Closing NAV	0.00	1,853.48	2,440.93
Direct transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.49	1.67	0.81
Dilution adjustments ^a	(0.21)	(0.62)	(0.57)
Total direct transaction costs	0.28	1.05	0.24
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.03	0.04	0.01
Operating charges ^c	1.62	1.61	1.66
Return after charges	+16.68	-24.07	-11.30
Historic yield	0.00	0.77	1.24
Other information			
Closing NAV (£'000)	0	3,444	5,281
Closing NAV (%)	0.00	0.24	0.24
Number of shares	0	203,395	241,155
Highest share price (Euro ¢)	2,237.08	2,626.35	2,780.15
Lowest share price (Euro ¢)	1,748.99	1,320.89	2,226.86

Financial highlights

Euro Class 'C' Accumulation share performance

The share class was launched on 29 November 2002.
The share class closed on 15 December 2020.

for the year to 30 June	2021	2020	2019
Change in NAV per share	Euro ¢	Euro ¢	Euro ¢
Opening NAV	2,119.49	2,768.98	3,098.39
Return before operating charges	370.94	(628.65)	(302.97)
Operating charges	(8.25)	(20.84)	(26.44)
Return after operating charges	362.69	(649.49)	(329.41)
Distributions	0.00	(36.35)	(55.94)
Retained distributions	0.00	36.35	55.94
Return to shareholder as a result of (2,482.18) share class closure		n/a	n/a
Closing NAV	0.00	2,119.49	2,768.98
Direct transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.55	1.87	0.91
Dilution adjustments ^a	(0.24)	(0.69)	(0.65)
Total direct transaction costs	0.31	1.18	0.26
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.03	0.04	0.01
Operating charges ^c	0.81	0.82	0.91
Return after charges	+17.11	-23.46	-10.63
Historic yield	0.00	1.69	2.00
Other information			
Closing NAV (£'000)	0	3,140	4,014
Closing NAV (%)	0.00	0.22	0.18
Number of shares	0	162,166	161,571
Highest share price (Euro ¢)	2,567.17	2,992.88	3,131.01
Lowest share price (Euro ¢)	2,005.32	1,507.09	2,516.52

Sterling Class 'A' Income share performance

The share class was launched on 27 June 1977.

for the year to 30 June	2021	2020	2019
Change in NAV per share	UK p	UK p	UK p
Opening NAV	96.66	127.43	146.31
Return before operating charges	30.49	(26.67)	(12.79)
Operating charges	(1.35)	(1.55)	(2.24)
Return after operating charges	29.14	(28.22)	(15.03)
Distributions	(2.05)	(2.55)	(3.85)
Closing NAV	123.75	96.66	127.43
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.06	0.07	0.04
Dilution adjustments ^a	(0.03)	(0.03)	(0.03)
Total direct transaction costs	0.03	0.04	0.01
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.03	0.04	0.01
Operating charges ^c	1.22	1.34	1.66
Return after charges	+30.15	-22.15	-10.27
Historic yield	1.65	2.63	3.00
Other information			
Closing NAV (£'000)	324,735	271,321	378,214
Closing NAV (%)	20.16	18.96	17.10
Number of shares	262,404,813	280,693,010	296,790,684
Highest share price (UK p)	127.65	130.82	147.56
Lowest share price (UK p)	90.39	70.78	119.75

Financial highlights

Sterling Class 'A' Accumulation share performance

The share class was launched on 23 May 1969.

for the year to 30 June	2021	2020	2019
Change in NAV per share	UK p	UK p	UK p
Opening NAV	241.49	311.48	346.76
Return before operating charges	76.42	(66.17)	(29.95)
Operating charges	(3.38)	(3.82)	(5.33)
Return after operating charges	73.04	(69.99)	(35.28)
Distributions	(1.75)	(2.45)	(3.91)
Retained distributions	1.75	2.45	3.91
Closing NAV	314.53	241.49	311.48
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.15	0.18	0.10
Dilution adjustments ^a	(0.06)	(0.08)	(0.07)
Total direct transaction costs	0.09	0.10	0.03
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.03	0.04	0.01
Operating charges ^c	1.22	1.34	1.66
Return after charges	+30.25	-22.47	-10.17
Historic yield	0.55	1.01	1.24
Other information			
Closing NAV (£'000)	421,330	358,620	536,905
Closing NAV (%)	26.16	25.06	24.27
Number of shares	133,954,075	148,502,807	172,372,639
Highest share price (UK p)	321.15	319.71	349.75
Lowest share price (UK p)	225.83	175.35	285.39

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	2021	2020	2019
Change in NAV per share	UK p	UK p	UK p
Opening NAV	102.75	133.64	151.14
Return before operating charges	32.62	(28.19)	(13.27)
Operating charges	0.00	(0.02)	(0.22)
Return after operating charges	32.62	(28.21)	(13.49)
Distributions	(2.19)	(2.68)	(4.01)
Closing NAV	133.18	102.75	133.64
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.06	0.08	0.04
Dilution adjustments ^a	(0.03)	(0.03)	(0.03)
Total direct transaction costs	0.03	0.05	0.01
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.03	0.04	0.01
Operating charges ^c	0.00	0.01	0.16
Return after charges	+31.75	-21.11	-8.93
Historic yield	1.64	2.61	2.97
Other information			
Closing NAV (£'000)	61,958	50,773	70,012
Closing NAV (%)	3.85	3.55	3.17
Number of shares	46,522,603	49,415,120	52,386,777
Highest share price (UK p)	137.30	137.23	152.51
Lowest share price (UK p)	96.50	74.96	124.67

Financial highlights

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	2021 UK p	2020 UK p	2019 UK p
Opening NAV	304.34	387.33	424.80
Return before operating charges	96.95	(82.93)	(36.84)
Operating charges	0.00	(0.06)	(0.63)
Return after operating charges	96.95	(82.99)	(37.47)
Distributions	(6.51)	(7.76)	(10.77)
Retained distributions	6.51	7.76	10.77
Closing NAV	401.29	304.34	387.33
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.19	0.23	0.12
Dilution adjustments ^a	(0.08)	(0.10)	(0.09)
Total direct transaction costs	0.11	0.13	0.03
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.03	0.04	0.01
Operating charges ^c	0.00	0.01	0.16
Return after charges	+31.86	-21.43	-8.82
Historic yield	1.62	2.55	2.75
Other information			
Closing NAV (£'000)	233,712	232,883	360,330
Closing NAV (%)	14.51	16.27	16.29
Number of shares	58,239,538	76,519,474	93,028,828
Highest share price (UK p)	409.55	398.65	428.66
Lowest share price (UK p)	285.84	220.17	352.19

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	2021 UK p	2020 UK p	2019 UK p
Opening NAV	99.33	130.27	148.43
Return before operating charges	31.42	(27.35)	(12.98)
Operating charges	(0.87)	(0.98)	(1.25)
Return after operating charges	30.55	(28.33)	(14.23)
Distributions	(2.11)	(2.61)	(3.93)
Closing NAV	127.77	99.33	130.27
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.06	0.08	0.04
Dilution adjustments ^a	(0.03)	(0.03)	(0.03)
Total direct transaction costs	0.03	0.05	0.01
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.03	0.04	0.01
Operating charges ^c	0.77	0.82	0.91
Return after charges	+30.76	-21.75	-9.59
Historic yield	1.64	2.62	2.99
Other information			
Closing NAV (£'000)	82,685	78,995	140,143
Closing NAV (%)	5.13	5.52	6.34
Number of shares	64,716,020	79,524,933	107,582,769
Highest share price (UK p)	131.77	133.74	149.74
Lowest share price (UK p)	93.04	72.64	121.96

Financial highlights

Sterling Class 'I' Accumulation share performance

The share class was launched on 15 January 2010.

for the year to 30 June	2021	2020	2019
Change in NAV per share	UK p	UK p	UK p
Opening NAV	259.76	333.28	368.26
Return before operating charges	82.40	(71.00)	(31.86)
Operating charges	(2.27)	(2.52)	(3.12)
Return after operating charges	80.13	(73.52)	(34.98)
Distributions	(3.26)	(4.22)	(6.73)
Retained distributions	3.26	4.22	6.73
Closing NAV	339.89	259.76	333.28
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.16	0.20	0.11
Dilution adjustments ^a	(0.07)	(0.08)	(0.08)
Total direct transaction costs	0.09	0.12	0.03
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.03	0.04	0.01
Operating charges ^c	0.76	0.82	0.91
Return after charges	+30.85	-22.06	-9.50
Historic yield	0.95	1.62	2.00
Other information			
Closing NAV (£'000)	296,949	267,099	468,848
Closing NAV (%)	18.44	18.66	21.20
Number of shares	87,365,587	102,825,964	140,675,920
Highest share price (UK p)	346.98	342.13	371.53
Lowest share price (UK p)	243.31	188.35	304.20

Sterling Class 'PP' Income share performance

The share class was launched on 5 August 2019.

for the year to 30 June	2021	2020	2019
Change in NAV per share	UK p	UK p	UK p
Opening NAV	78.74	100.00	n/a
Return before operating charges	24.97	(18.70)	n/a
Operating charges	(0.60)	(0.50)	n/a
Return after operating charges	24.37	(19.20)	n/a
Distributions	(1.67)	(2.06)	n/a
Closing NAV	101.44	78.74	n/a
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.06	0.05	n/a
Dilution adjustments ^a	(0.02)	(0.02)	n/a
Total direct transaction costs	0.04	0.03	n/a
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.03	0.04	n/a
Operating charges	0.59	0.61	n/a
Return after charges	+30.95	-19.20	n/a
Historic yield	1.64	2.62	n/a
Other information			
Closing NAV (£'000)	3,172	29	n/a
Closing NAV (%)	0.20	0.00	n/a
Number of shares	3,127,123	37,204	n/a
Highest share price (UK p)	104.61	104.30	n/a
Lowest share price (UK p)	73.80	57.54	n/a

Financial highlights

Sterling Class 'PP' Accumulation share performance

The share class was launched on 8 April 2019.

for the year to 30 June	2021	2020	2019
Change in NAV per share	UK p	UK p	UK p
Opening NAV	74.83	95.81	100.00
Return before operating charges	23.77	(20.44)	(4.03)
Operating charges	(0.53)	(0.54)	(0.16)
Return after operating charges	23.24	(20.98)	(4.19)
Distributions	(1.08)	(1.39)	(1.21)
Retained distributions	1.08	1.39	1.21
Closing NAV	98.07	74.83	95.81
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.05	0.06	0.01
Dilution adjustments ^a	(0.02)	(0.02)	(0.01)
Total direct transaction costs	0.03	0.04	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.03	0.04	0.01
Operating charges ^c	0.59	0.62	0.71
Return after charges	+31.06	-21.90	-4.19
Historic yield	1.09	1.85	1.80
Other information			
Closing NAV (£'000)	1,331	485	522
Closing NAV (%)	0.08	0.03	0.02
Number of shares	1,356,932	648,414	544,596
Highest share price (UK p)	100.11	98.36	102.00
Lowest share price (UK p)	70.14	54.22	94.55

Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012.

for the year to 30 June	2021	2020	2019
Change in NAV per share	UK p	UK p	UK p
Opening NAV	84.57	111.19	127.02
Return before operating charges	26.71	(23.31)	(11.12)
Operating charges	(0.98)	(1.08)	(1.36)
Return after operating charges	25.73	(24.39)	(12.48)
Distributions	(1.79)	(2.23)	(3.35)
Closing NAV	108.51	84.57	111.19
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.05	0.06	0.04
Dilution adjustments ^a	(0.02)	(0.03)	(0.03)
Total direct transaction costs	0.03	0.03	0.01
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.03	0.04	0.01
Operating charges ^c	1.01	1.07	1.16
Return after charges	+30.42	-21.94	-9.83
Historic yield	1.64	2.63	2.99
Other information			
Closing NAV (£'000)	10,622	8,532	11,259
Closing NAV (%)	0.66	0.60	0.51
Number of shares	9,788,433	10,088,561	10,125,699
Highest share price (UK p)	111.92	114.16	128.13
Lowest share price (UK p)	79.15	61.89	104.23

Financial highlights

Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012.

for the year to 30 June	2021	2020	2019
Change in NAV per share	UK p	UK p	UK p
Opening NAV	98.41	126.59	140.22
Return before operating charges	31.18	(26.95)	(12.12)
Operating charges	(1.14)	(1.23)	(1.51)
Return after operating charges	30.04	(28.18)	(13.63)
Distributions	(0.95)	(1.31)	(2.23)
Retained distributions	0.95	1.31	2.23
Closing NAV	128.45	98.41	126.59
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.06	0.07	0.04
Dilution adjustments ^a	(0.03)	(0.03)	(0.03)
Total direct transaction costs	0.03	0.04	0.01
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.03	0.04	0.01
Operating charges ^c	1.01	1.07	1.16
Return after charges	+30.53	-22.26	-9.72
Historic yield	0.74	1.33	1.75
Other information			
Closing NAV (£'000)	68,581	53,949	72,636
Closing NAV (%)	4.26	3.77	3.28
Number of shares	53,389,983	54,819,119	57,380,182
Highest share price (UK p)	131.15	129.94	141.46
Lowest share price (UK p)	92.11	71.41	115.69

Sterling Class 'X' Income share performance

The share class was launched on 1 October 2002.

for the year to 30 June	2021	2020	2019
Change in NAV per share	UK p	UK p	UK p
Opening NAV	97.29	128.27	147.26
Return before operating charges	30.69	(26.86)	(12.86)
Operating charges	(1.36)	(1.56)	(2.25)
Return after operating charges	29.33	(28.42)	(15.11)
Distributions	(2.06)	(2.56)	(3.88)
Closing NAV	124.56	97.29	128.27
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.06	0.07	0.04
Dilution adjustments ^a	(0.03)	(0.03)	(0.03)
Total direct transaction costs	0.03	0.04	0.01
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.03	0.04	0.01
Operating charges ^c	1.22	1.34	1.66
Return after charges	+30.15	-22.16	-10.26
Historic yield	1.65	2.63	3.00
Other information			
Closing NAV (£'000)	46,487	40,422	58,168
Closing NAV (%)	2.88	2.82	2.63
Number of shares	37,320,367	41,547,675	45,349,600
Highest share price (UK p)	128.48	131.67	148.53
Lowest share price (UK p)	90.98	71.24	120.53

Financial highlights

Sterling Class 'X' Accumulation share performance

The share class was launched on 1 October 2002.

for the year to 30 June	2021	2020	2019
Change in NAV per share	UK p	UK p	UK p
Opening NAV	238.96	308.21	343.12
Return before operating charges	75.62	(65.44)	(29.63)
Operating charges	(3.34)	(3.81)	(5.28)
Return after operating charges	72.28	(69.25)	(34.91)
Distributions	(1.73)	(2.43)	(3.87)
Retained distributions	1.73	2.43	3.87
Closing NAV	311.24	238.96	308.21
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.15	0.18	0.10
Dilution adjustments ^a	(0.06)	(0.08)	(0.07)
Total direct transaction costs	0.09	0.10	0.03
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.03	0.04	0.01
Operating charges ^c	1.23	1.34	1.66
Return after charges	+30.25	-22.47	-10.17
Historic yield	0.55	1.01	1.24
Other information			
Closing NAV (£'000)	59,063	61,608	105,575
Closing NAV (%)	3.67	4.30	4.77
Number of shares	18,976,946	25,781,914	34,253,763
Highest share price (UK p)	317.79	316.36	346.08
Lowest share price (UK p)	223.46	173.51	282.40

^a In respect of direct portfolio transaction costs.

^b As a percentage of average net asset value.

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

Financial statements and notes

Financial statements

Statement of total return

for the year to 30 June	Note	2021		2020	
		£'000	£'000	£'000	£'000
Income					
Net capital gains/(losses)	3		390,481		(459,267)
Revenue	5	29,021		42,115	
Expenses	6	(13,252)		(17,455)	
Net revenue/(expense) before taxation		15,769		24,660	
Taxation	7	(4)		(49)	
Net revenue/(expense) after taxation			15,765		24,611
Total return before distributions			406,246		(434,656)
Distributions	8		(19,767)		(30,835)
Change in net assets attributable to shareholders from investment activities			386,479		(465,491)

Statement of change in net assets attributable to shareholders

for the year to 30 June	2021		2020	
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		1,431,300		2,211,907
Amounts received on issue of shares	24,860		44,888	
Amounts paid on cancellation of shares	(243,148)		(378,541)	
		(218,288)		(333,653)
Dilution adjustments		1,051		1,663
Change in net assets attributable to shareholders from investment activities (see above)		386,479		(465,491)
Retained distributions on Accumulation shares		10,055		16,841
Unclaimed distributions		28		33
Closing net assets attributable to shareholders		1,610,625		1,431,300

Financial statements and notes

Financial statements

Balance sheet

as at 30 June	Note	2021 £'000	2020 £'000
Assets			
Fixed assets			
Investments		1,616,817	1,432,620
Current assets			
Debtors	9	3,511	1,341
Cash and bank balances	10	0	3,173
Total assets		1,620,328	1,437,134
Liabilities			
Creditors			
Bank overdrafts		(2,364)	0
Distribution payable		(5,422)	(3,817)
Other creditors	11	(1,917)	(2,017)
Total liabilities		(9,703)	(5,834)
Net assets attributable to shareholders		1,610,625	1,431,300

Financial statements and notes

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 9 to 12.

2 Distribution policy

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

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

3 Net capital gains/(losses)

for the year to 30 June	2021 £'000	2020 £'000
Non-derivative securities	388,407	(459,026)
Currency gains/(losses)	2,074	(241)
Net capital gains/(losses)	390,481	(459,267)

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 214 to 215.

for the year to 30 June	2021 £'000	% of transaction	2020 £'000	% of transaction
a) Purchases				
Equities				
Equities before transaction costs	200,973		276,502	
Commissions	62	0.03	73	0.03
Taxes	617	0.31	909	0.33
Equities after transaction costs	201,652		277,484	
b) Sales				
Equities				
Equities before transaction costs	406,012		595,832	
Commissions	(150)	0.04	(217)	0.04
Taxes	(1)	0.00	(2)	0.00
Total sales after transaction costs	405,861		595,613	

Financial statements and notes

	2021 £'000	% of average NAV	2020 £'000	% of average NAV
c) Direct portfolio transaction costs				
Commissions paid				
Equities	212	0.01	290	0.02
Taxes paid				
Equities	618	0.04	911	0.05
Total direct portfolio transaction costs^a	830	0.05	1,201	0.07
		%	%	%
d) Indirect portfolio transaction costs				
Portfolio dealing spread ^b		0.70		0.82

^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	2021 £'000	2020 £'000
Bank interest	0	2
Dividends from equity investments: non-taxable	27,830	41,661
Dividends from equity investments: taxable	178	212
Interest distributions	3	78
Rebate of ongoing charges from underlying funds	3	7
Stock dividends	929	0
Underwriting commission	78	155
Total revenue	29,021	42,115

Financial statements and notes

6 Expenses

for the year to 30 June	2021 £'000	2020 £'000
Payable to the ACD or associate		
Annual charge	13,227	15,161
Annual management charge ^a	0	1,973
Administration charge ^a	0	302
	13,227	17,436
Payable to the Depositary or associate		
Depositary's charge (including VAT) ^a	0	8
Other expenses		
Audit fee (including VAT) ^a	0	1
Interest payable	27	7
Safe custody charge ^a	(2)	3
	25	11
Total expenses	13,252	17,455

^a The segregated charges shown above for annual management, administration, depositary, audit and safe custody are those paid by the fund up to and including 31 July 2019. As of 1 August 2019 these charges have been replaced by the single annual charge.

Audit fees for the financial year ending 2021 were £10,000 (2020: £9,000) (including VAT), which are covered by the annual charge.

Financial statements and notes

7 Taxation

for the year to 30 June	2021 £'000	2020 £'000
a) Analysis of charge in the year		
Corporation tax	0	0
Withholding tax	4	49
Deferred tax (note 7c)	0	0
Total taxation	4	49
b) Factors affecting taxation charge for the year		
Net revenue/(expense) before taxation	15,769	24,660
Corporation tax at 20%	3,154	4,932
Effects of:		
Dividends from equity investments: non-taxable	(5,566)	(8,332)
Stock dividends not taxable	(186)	0
Current year expenses not utilised	2,598	3,400
Withholding tax	4	49
Total tax charge (note 7a)	4	49
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 £164,428,000 (2020: £161,830,000) arising as a result of having excess management expenses. We do not expect this asset to be utilised in the foreseeable future.

Financial statements and notes

8 Distributions

for the year to 30 June	2021		2020	
	Inc ^a	Acc ^b	Inc ^a	Acc ^b
Dividend distributions	£'000	£'000	£'000	£'000
Interim	3,476	3,155	8,632	13,100
Final	5,422	6,900	3,817	3,741
Total net distributions		18,953		29,290
Income deducted on cancellation of shares		936		1,826
Income received on issue of shares		(122)		(281)
Distributions		19,767		30,835
Net revenue/(expense) per statement of total return		15,765		24,611
Expenses offset against capital		4,931		6,223
Stock dividends not distributed		(929)		0
Income deficit transferred to capital		0		1
Distributions		19,767		30,835

^a Distributions payable on Income shares.

^b Retained distributions on Accumulation shares.

9 Debtors

as at 30 June	2021	2020
	£'000	£'000
Amounts receivable on issues of shares	101	0
Currency deals outstanding	0	3
Dividends receivable	2,920	354
Sales awaiting settlement	490	984
Total debtors	3,511	1,341

10 Cash and bank balances

as at 30 June	2021	2020
	£'000	£'000
Cash held as bank balances	0	3,173
Total cash and bank balances	0	3,173

Financial statements and notes

11 Other creditors

as at 30 June	2021 £'000	2020 £'000
Amounts payable on cancellation of shares	1,283	1,449
Annual charge payable	560	555
Currency deals outstanding	0	3
Expenses payable	0	10
Purchases awaiting settlement	74	0
Total other creditors	1,917	2,017

12 Contingent assets, liabilities and outstanding commitments

There were no contingent assets, liabilities or outstanding commitments at the balance sheet date (2020: 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 01.07.20	Issued	Movements Cancelled	Closing 30.06.21
Euro				
Class 'A' Accumulation	203,395	9,737	(213,132)	0
Class 'C' Accumulation	162,166	1,298	(163,464)	0
Sterling				
Class 'A' Income	280,693,010	2,709,617	(20,997,814)	262,404,813
Class 'A' Accumulation	148,502,807	190,827	(14,739,559)	133,954,075
Class 'C' Income	49,415,120	234,498	(3,127,015)	46,522,603
Class 'C' Accumulation	76,519,474	2,612,283	(20,892,219)	58,239,538
Class 'I' Income	79,524,933	1,112,716	(15,921,629)	64,716,020
Class 'I' Accumulation	102,825,964	408,629	(15,869,006)	87,365,587
Class 'PP' Income	37,204	3,320,000	(230,081)	3,127,123
Class 'PP' Accumulation	648,414	828,455	(119,937)	1,356,932
Class 'R' Income	10,088,561	1,232,430	(1,532,558)	9,788,433
Class 'R' Accumulation	54,819,119	3,346,336	(4,775,472)	53,389,983
Class 'X' Income	41,547,675	423,375	(4,650,683)	37,320,367
Class 'X' Accumulation	25,781,914	32,582	(6,837,550)	18,976,946

Financial statements and notes

14 Charging structure

The table below sets out the charging structure for each class of share in existence at the balance sheet date. The charging structure is the same for both Income and Accumulation shares of each class.

Share class	Annual charge ^a to 14.02.21 %	Annual charge ^a from 15.02.21 %
Sterling		
Class 'A'	1.35	1.10
Class 'C'	0.00	0.00
Class 'I'	0.85	0.70
Class 'PP'	0.65	0.60
Class 'R'	1.10	0.95
Class 'X'	1.35	1.10

^a The amounts shown are the maximum annual charge. M&G will apply a discount of 0.02% for every £1 billion of a fund's net asset value. This is assessed quarterly and implemented on a forward basis no later than 13 business days after quarter end.

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 annual charge, ACD's annual management charge and administration charge are disclosed in note 6. Amounts due at the year end in respect of the annual charge are disclosed in note 11.

At the balance sheet date, shareholders from within M&G plc, of which M&G Securities Limited is a wholly owned subsidiary, have holdings totalling 13.23% (2020: 14.64%) 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.

Financial statements and notes

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 2021 £'000	Liabilities 2021 £'000	Assets 2020 £'000	Liabilities 2020 £'000
Level 1	1,615,812	0	1,432,620	0
Level 2	1,005	0	0	0
Level 3	0	0	0	0
	1,616,817	0	1,432,620	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 12 to 14.

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 £80,841,000 (2020: £71,631,000). 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 £10,911,000 (2020: £ 16,937,000)^a. A five per cent decrease would have an equal and opposite effect.

as at 30 June	2021 £'000	2020 £'000
Currency exposure in respect of the fund		
Australian dollar	92,063	180,376
Canadian dollar	54,655	33,224
Euro	12,643	12,974
Sterling	1,392,414	1,092,551
US dollar	58,850	112,175
Total	1,610,625	1,431,300

^a Restated.

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.

Financial statements and notes

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	01.07.20	31.12.20	04.01.21	28.02.21
Final	01.01.21	30.06.21	01.07.21	31.08.21

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

Ordinary distributions for the year to 30 June	Group 2		Group 1 & 2 Distribution	
	Income 2021 Euro ¢	Equalisation 2021 Euro ¢	2021 Euro ¢	2020 Euro ¢
Interim	0.0000	0.0000	0.0000	14.5232
Final	0.0000	0.0000	0.0000	0.0000

Euro Class 'C' Accumulation shares

Ordinary distributions for the year to 30 June	Group 2		Group 1 & 2 Distribution	
	Income 2021 Euro ¢	Equalisation 2021 Euro ¢	2021 Euro ¢	2020 Euro ¢
Interim	0.0000	0.0000	0.0000	27.8215
Final	0.0000	0.0000	0.0000	8.5265

Financial statements and notes

Sterling Class 'A' Income shares

Ordinary distributions for the year to 30 June	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2021 UK p	2021 UK p	2021 UK p	2020 UK p
Interim	0.3223	0.4564	0.7787	1.7273
Final	0.9003	0.3669	1.2672	0.8203

Sterling Class 'A' Accumulation shares

Ordinary distributions for the year to 30 June	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2021 UK p	2021 UK p	2021 UK p	2020 UK p
Interim	0.0000	0.3185	0.3185	2.1302
Final	0.9229	0.5101	1.4330	0.3211

Sterling Class 'C' Income shares

Ordinary distributions for the year to 30 June	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2021 UK p	2021 UK p	2021 UK p	2020 UK p
Interim	0.6484	0.1814	0.8298	1.8166
Final	1.1114	0.2489	1.3603	0.8679

Sterling Class 'C' Accumulation shares

Ordinary distributions for the year to 30 June	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2021 UK p	2021 UK p	2021 UK p	2020 UK p
Interim	0.3975	2.0606	2.4581	5.2123
Final	1.3598	2.6970	4.0568	2.5462

Sterling Class 'I' Income shares

Ordinary distributions for the year to 30 June	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2021 UK p	2021 UK p	2021 UK p	2020 UK p
Interim	0.2437	0.5573	0.8010	1.7678
Final	0.7603	0.5468	1.3071	0.8415

Financial statements and notes

Sterling Class 'I' Accumulation shares

Ordinary distributions for the year to 30 June	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2021 UK p	2021 UK p	2021 UK p	2020 UK p
Interim	0.2041	0.8037	1.0078	3.1726
Final	1.1278	1.1243	2.2521	1.0449

Sterling Class 'PP' Income shares

Ordinary distributions for the year to 30 June	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2021 UK p	2021 UK p	2021 UK p	2020 UK p
Interim	0.6349	0.0000	0.6349	1.3981
Final	0.2992	0.7384	1.0376	0.6662

Sterling Class 'PP' Accumulation shares

Ordinary distributions for the year to 30 June	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2021 UK p	2021 UK p	2021 UK p	2020 UK p
Interim	0.0596	0.3074	0.3670	1.0064
Final	0.7095	0.0000	0.7095	0.3812

Sterling Class 'R' Income shares

Ordinary distributions for the year to 30 June	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2021 UK p	2021 UK p	2021 UK p	2020 UK p
Interim	0.1916	0.4901	0.6817	1.5083
Final	0.4372	0.6736	1.1108	0.7170

Sterling Class 'R' Accumulation shares

Ordinary distributions for the year to 30 June	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2021 UK p	2021 UK p	2021 UK p	2020 UK p
Interim	0.0134	0.2423	0.2557	1.0496
Final	0.4047	0.2901	0.6948	0.2638

Financial statements and notes

Sterling Class 'X' Income shares

Ordinary distributions for the year to 30 June	Income	Group 2	Group 1 & 2	
	2021 UK p	Equalisation 2021 UK p	Distribution 2021 UK p	2020 UK p
Interim	0.2817	0.5020	0.7837	1.7386
Final	1.0820	0.1936	1.2756	0.8257

Sterling Class 'X' Accumulation shares

Ordinary distributions for the year to 30 June	Income	Group 2	Group 1 & 2	
	2021 UK p	Equalisation 2021 UK p	Distribution 2021 UK p	2020 UK p
Interim	0.0000	0.3152	0.3152	2.1079
Final	0.8258	0.5922	1.4180	0.3177

Authorised Corporate Director's Report

Investment objective

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

Investment policy

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

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

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

Investment approach

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

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

Benchmark

Benchmark: Numis Smaller Companies Index (excluding Investment Companies).

The benchmark is a target which the fund seeks to outperform. The index has been chosen as the fund's benchmark as it best reflects the scope of the fund's investment policy. The benchmark is used to measure the fund's performance and, together with the other index, and the Alternative Investment Market constrains the fund's portfolio construction as they define the investment universe of the fund.

The fund is actively managed.

Within the given constraints, the fund manager has complete freedom in choosing which investments to buy, hold and sell in the fund. The fund's holdings may deviate significantly from the benchmark's constituents.

For unhedged and hedged share classes, the benchmark is shown in the share class currency.

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.

Authorised Corporate Director's Report

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 changed during this period. From 1 July 2020 to 16 July 2020 the risk number was 5.

Investment review

As at 1 July 2021, for the year ended 30 June 2021

Performance against objective

Between 1 July 2020 (the start of the review period) and 1 July 2021, the M&G Smaller Companies Fund delivered a positive total return (the combination of income and growth of capital) across all of its share classes. Fund performance was behind a comparative index, the Numis Smaller Companies ex Investment Companies Index, which returned 51.5%.

The fund met its investment objective of delivering a higher total return than the Numis Smaller Companies ex Investment Companies Index over any five-year period for all share classes. The index returned 10.8% pa in the five years to 1 July 2021.

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

Performance review

Coronavirus remained a dominant theme in the 12 months under review; during the summer of 2020, a resurgence of COVID-19 in different countries,

including the UK, led to renewed restrictions and increased investor risk aversion. Minimal progress in the Brexit negotiations with the European Union (EU) also weighed on the mood. The UK stockmarket rallied strongly in November 2020, thanks to positive news on a vaccine for COVID-19. The start of a UK vaccination programme in December further boosted investors' risk appetite, despite the emergence of some highly infectious strains of the virus. A source of uncertainty for many months, the UK and EU finally secured a last-minute trade deal at the end of the year.

The new year saw early optimism fade somewhat due to the emergence of further transmissible mutations of the virus, leading to the imposition of a third population lockdown and renewed business restrictions. At the same time, the UK announced a £4.6 billion relief package for closed retail, hospitality and leisure businesses. In late February, concerns about higher inflation, fuelled by hopes of a rapid economic recovery in the near term, drained investors' risk appetite. March saw more positive sentiment, buoyed by US President Biden's US\$1.9 trillion relief package. In the UK, chancellor Rishi Sunak extended the government's support measures for the economy.

The UK vaccination programme continued to proceed positively and restrictions were partially eased in the spring, although the emergence of a particularly infectious variant of the virus tempered optimism to an extent. The UK stockmarket continued to advance in April and May, but moved sideways in June, due to a delay to lifting lockdown restrictions. All company sizes gained over the period under review, with smaller companies notably ahead of their larger counterparts.

The fund's performance over the period under review was supported by asset allocation, most notably an above-index position in technology stocks. On the other hand, stock selection overall detracted, with performance held back by stock selection in industrials and consumer discretionary. However, stock picks in basic materials and financials added value.

Significant contributors to the fund's performance included digital marketing company Kin and Carta,

Authorised Corporate Director's Report

Tyman, which supplies engineered components to the door and window industry, and Future, a magazine retailer with a strong online presence.

Kin and Carta has seen its digital transformation business boosted by the pandemic and it released a series of strong trading statements. Tyman, which has exposure to the huge US housing market, is trading well and has upgraded its earnings expectations. Meanwhile, Future has also benefited from very strong trading figures.

Other contributors included Alpha Financial Markets, as investors welcomed its acquisition strategy, which has served to expand its interests into alternative assets and the US market. Mortgage Advice Bureau also supported performance thanks to the strength of the housing market and an increased market share. Veterinary services provider CVS Group added further value. CVS is under new management and its veterinary surgeries were allowed to stay open during the pandemic. These factors, coupled with increased pet ownership, resulted in a strong performance by the business and the shares.

In contrast, detractors included RWS, a provider of intellectual property and transaction services, healthcare software developer EMIS and public services provider Serco Group.

RWS joined the portfolio in connection with its acquisition of language translation and content management firm SDL, which was already held in the portfolio. Shares in RWS fell following the deal and whilst the company has continued to trade in line with expectations, in an environment where many companies are issuing positive trading updates, RWS's shares have failed to participate in the market rally. EMIS lagged the broader market rally, although there was no specific company news, while Serco's leisure and transportation business came under pressure due to the pandemic. LondonMetric Property REIT and marine engineering services James Fisher & Sons were further detractors. Defensive stock LondonMetric was

out of favour in a buoyant market, while James Fisher was hurt by COVID-19-related delays and excessive debt.

Investment activities

In the first half of the period under review, we mainly focused on investing in companies whose prospects are likely to be strengthened, or at least not hampered, by the pandemic. New holdings at this time included bike supplier Halfords, food manufacturer Premier Foods and luxury watches retailer Watches of Switzerland. Halfords and Premier Foods both benefited as people spent more time at home during the pandemic, while Watches of Switzerland has traded very well due to pent-up demand.

As the period progressed, we focused on stocks that we felt should benefit from the re-opening of the economy as the vaccination roll-out went well and restrictions partially eased. At this time we started new positions in bus and coach operator Stagecoach, restaurant and pub chain The Restaurant Group and environmental consultancy group RPS. In our view, Stagecoach and The Restaurant Group still offer reasonable value, while RPS has reduced its debt and is trading at a much lower valuation than pre-COVID-19 levels.

More recently, new investments included price comparison website MoneySuperMarket.com, online retailer musicMagpie and automotive fluid-handling firm TI Fluid Systems. Shares in MoneySuperMarket.com have been weak due to reduced credit card activity because of the pandemic as well as concerns about a review of insurance pricing. The firm has a strong balance sheet, while two of its competitors have been acquired recently. musicMagpie, which buys and sells recycled technology hardware, books and CDs, has some good partners, notably Apple and Asda, and has a presence in both the UK and the US. Shares in TI Fluid Systems have been under pressure due to concerns about the move to electric vehicles but we feel the firm has been misunderstood by investors.

Authorised Corporate Director's Report

Turning to disposals, we closed some positions early in the period as we felt their outlooks had become less attractive against the backdrop of the pandemic. For example, we sold recruitment consultant PageGroup, and the position in James Fisher & Sons, as mentioned above. We also closed the positions in Softcat, a value-added reseller of software products, and Blue Prism Group, a manufacturer of robotic process automation software, which have both performed well and in our opinion are approaching fair value.

Around the start of 2021, we sold a number of positions that had recently left the benchmark. We feel they had also reached reasonable value and their disposals released funds for new investment ideas. Such sales involved miniature wargaming manufacturing firm Games Workshop, bookmaker William Hill, business-to-business media firm Ascential and global speciality insurer Lancashire Holdings. Towards the end of the period, we sold the holding in Halfords, mentioned above, which has performed strongly as cycling and motoring have been popular during the pandemic.

Outlook

We are cautiously optimistic regarding the outlook for the near to medium term, with this view subject to the pace of the reopening of the economy and virus-related developments. In particular, the highly transmissible Delta strain of the virus is a cause for concern. Nevertheless, UK monetary and fiscal policies are supportive and there is significant pent-up demand to bolster the domestic economy. Internationally, many countries are making progress with vaccination programmes, which bodes well for the global economy and stockmarkets too.

We will continue to seek out companies that appear to be well placed to thrive in the post-pandemic climate with a focus on identifying good value opportunities in quality companies with stronger balance sheets than their immediate competitors.

On 1 July 2021, James Taylor was appointed fund manager of the M&G Smaller Companies Fund, replacing Garfield Kiff, who remains in the management team as co-deputy fund manager alongside Hilary

Aldridge. The fund's investment objective and policy remain unchanged.

Garfield Kiff

Fund manager

An employee of M&G FA Limited which is an associate of M&G Securities Limited. Please note that effective from 1 July 2021, James Taylor replaced Garfield Kiff as fund manager.

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

Investments

Portfolio statement

Holding	as at 30.06.21 £'000	as at 30.06.21 %	as at 30.06.20 %
Equities	310,325	99.03	97.10
Software & computer services	49,148	15.68	17.40^a
528,778 accesso Technology ^b	3,067	0.98	
631,210 Bytes Technology	2,929	0.93	
196,161 Computacenter	5,077	1.62	
615,325 EMIS ^b	7,125	2.27	
523,689 FDM	5,383	1.72	
146,746 Future	4,564	1.46	
4,221,654 Kin & Carta	11,230	3.58	
1,500,000 Moneysupermarket.com	3,855	1.23	
1,999,517 NCC	5,918	1.89	
Technology hardware & equipment	7,259	2.32	1.93^a
2,802,835 TT Electronics	7,259	2.32	
Telecommunications equipment	2,019	0.64	0.73^a
810,196 Spirent Communications	2,019	0.64	
Telecommunication service providers	2,972	0.95	1.54
254,869 Telecom Plus	2,972	0.95	
Medical equipment & services	0	0.00	0.96
Pharmaceuticals & biotechnology	789	0.25	0.00^a
472,039 Synairgen ^b	789	0.25	
Finance & credit services	6,695	2.14	3.13
297,433 Mortgage Advice Bureau ^b	3,525	1.13	
687,404 OSB	3,170	1.01	
Investment banking & brokerage services	24,336	7.77	7.62^a
234,538 Alpha FX ^b	3,694	1.18	
1,609,152 Brewin Dolphin	5,608	1.79	
352,238 JTC	2,180	0.70	
1,383,334 PureTech Health	4,731	1.51	
168,017 Rathbone Brothers	3,095	0.99	
602,136 Sanne	5,028	1.60	
Non-life insurance	1,560	0.50	2.74
607,162 Sabre Insurance	1,560	0.50	

Investments

Portfolio statement (continued)

Holding	as at 30.06.21 £'000	as at 30.06.21 %	as at 30.06.20 %
Equities (continued)			
Real estate investment & services	6,681	2.13	2.06
1,527,149 Helical	6,681	2.13	
Real estate investment trusts	3,480	1.11	3.78
1,213,106 Capital & Counties Properties	1,965	0.63	
183,412 Workspace	1,515	0.48	
Automobiles & parts	3,568	1.14	0.00
1,169,844 TI Fluid Systems	3,568	1.14	
Consumer services	5,104	1.63	1.02
212,224 CVS ^b	5,104	1.63	
Household goods & home construction	10,147	3.24	3.50^a
326,788 Countryside Properties	1,559	0.50	
405,969 Vistry	4,768	1.52	
1,776,993 Watkin Jones ^b	3,820	1.22	
Leisure goods	0	0.00	0.91
Personal goods	11,732	3.74	0.91
1,683,406 Inspects ^b	6,228	1.99	
667,931 Watches of Switzerland	5,504	1.75	
Media	5,566	1.78	4.03^a
81,506 4imprint	2,197	0.70	
2,173,912 Pebble ^b	3,369	1.08	
Retailers	14,965	4.77	2.66
355,669 Dunelm	5,011	1.60	
1,392,496 Joules ^b	3,913	1.25	
2,066,646 MusicMagpie ^b	3,927	1.25	
719,063 Victorian Plumbing ^b	2,114	0.67	
Travel & leisure	12,969	4.14	3.76
83,405 JET2 ^b	982	0.31	
1,537,840 Loungers ^b	4,152	1.33	
357,012 On the Beach	1,159	0.37	
2,600,020 Restaurant	3,328	1.06	
4,007,349 Stagecoach	3,348	1.07	

Investments

Portfolio statement (continued)

Holding	as at 30.06.21 £'000	as at 30.06.21 %	as at 30.06.20 %
Equities (continued)			
Beverages			
2,137,150 Stock Spirits	5,599	1.79	2.16
Food producers			
1,837,711 Greencore	2,303	0.73	0.00
4,017,257 Premier Foods	4,403	1.41	
Personal care, drug & grocery stores			
801,697 IG Design ^b	4,281	1.37	0.59 ^a
Construction & materials			
3,056,516 Breedon ^b	3,380	1.08	
1,556,764 Galliford Try	2,232	0.71	
932,382 Genuit	5,725	1.83	
706,972 Kier	899	0.28	
546,232 Marshalls	3,753	1.20	
1,918,446 Tyman	8,806	2.81	
1,456,058 Volution	6,232	1.99	
Aerospace & defence			
1,238,322 Chemring	3,548	1.13	
333,626 Ultra Electronics	7,460	2.38	
General industrials			
6,724,001 Coats	4,566	1.46	1.82
Industrial engineering			
382,508 Vitec	5,393	1.72	1.47 ^a
Industrial support services			
2,589,513 Alpha Financial Markets Consulting ^b	9,063	2.89	
1,406,119 Essentra	4,507	1.44	
140,282 Euromoney Institutional Investor	1,436	0.46	
950,000 Knights ^b	3,714	1.19	
606,311 Marlowe ^b	5,336	1.70	
752,486 Midwich ^b	4,425	1.41	
1,274,940 Restore ^b	4,909	1.57	
3,795,535 RPS	3,993	1.27	
1,070,862 RWS ^b	5,959	1.90	

Investments

Portfolio statement (continued)

Holding	as at 30.06.21 £'000	as at 30.06.21 %	as at 30.06.20 %
Equities (continued)			
Industrial support services (continued)			
3,490,294 Serco	4,778	1.52	
4,887,747 Speedy Hire	3,412	1.09	
Industrial transportation	0	0.00	2.06^a
Industrial metals & mining	6,747	2.15	2.39^a
452,791 Hill & Smith	6,747	2.15	
Chemicals	9,427	3.01	2.31
2,072,702 Elementis	3,167	1.01	
1,253,505 Synthomer	6,260	2.00	
Non-renewable energy	5,049	1.61	2.30
2,155,998 Cairn Energy	3,163	1.01	
838,255 Hunting	1,886	0.60	
Portfolio of investments	310,325	99.03	97.10
Cash equivalents	5,286	1.69	5.88
'AAA' rated money market funds^c	5,286	1.69	5.88
5,286,000 Northern Trust Global Fund - Sterling	5,286	1.69	
Total portfolio (notes 2c & 2d on page 9)	315,611	100.72	102.98
Net other assets / (liabilities)	(2,245)	(0.72)	(2.98)
Net assets attributable to shareholders	313,366	100.00	100.00

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

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

^b AIM quoted.

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

Investments

Top ten portfolio transactions for the year to 30 June 2021

Largest purchases	£'000
Premier Foods	5,354
Moneysupermarket.com	4,057
MusicMagpie ^a	3,989
Knights ^a	3,758
Chemring	3,613
Volution	3,370
Restaurant	3,346
RPS	3,298
TI Fluid Systems	3,294
Watches of Switzerland	3,270
Other purchases	30,586
Total purchases	67,935

Largest sales	£'000
Future	8,984
LondonMetric Property	8,328
Computacenter	7,995
Countryside Properties	6,885
Sabre Insurance	6,703
Ascential	6,484
Polypipe	6,294
Softcat	5,625
Sanne	4,958
Tyman	4,746
Other sales	158,553
Total sales	225,555

^a AIM quoted.

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

Financial highlights

Fund performance

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

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

Fund level performance

Fund net asset value as at	30.06.21 £'000	30.06.20 £'000	30.06.19 £'000
Fund net asset value (NAV)	313,366	366,850	414,010

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.

September 1967 = 100, plotted monthly
Chart date 1 July 2021



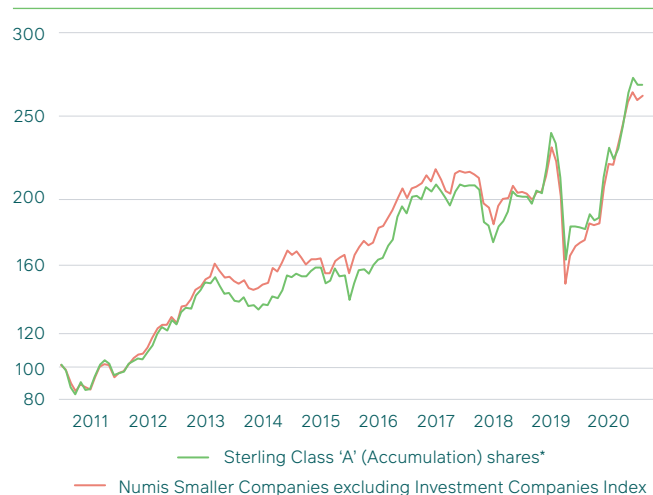
Source: Morningstar, Inc. and M&G

*Income reinvested

Ten-year performance

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

Ten years, 1 July 2011 = 100, plotted monthly
Chart date 1 July 2021



Source: Morningstar, Inc. and M&G

*Income reinvested

Long-term performance by share class

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.

Share class	One year 01.07.20 % ^a	Three years 02.07.18 % pa	Five years 01.07.16 % pa	Since launch % pa
Sterling^b				
Class 'A'	+48.8	+9.1	+13.8	+12.3 ^c
Class 'C'	+50.4	+10.6	+15.4	+11.3 ^d
Class 'I'	+49.3	+9.7	+14.5	+13.0 ^e
Class 'R'	+48.9	+9.5	+14.2	+12.7 ^e
Class 'X'	+48.7	+9.1	+13.8	+13.1 ^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.

Financial highlights

Operating charges and portfolio transaction costs

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

Operating charges

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

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

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

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

Portfolio transaction costs

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

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

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

To protect existing investors, portfolio transaction costs incurred as a result of investors buying and selling shares in the fund are recovered from those investors through a 'dilution adjustment' to the price they pay or

Financial highlights

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 Direct portfolio transaction costs ^b	2021 %	2020 %	2019 %	Average ^a %
Broker commission	0.02	0.02	0.03	0.02
Taxes	0.06	0.10	0.13	0.10
Costs before dilution adjustments	0.08	0.12	0.16	0.12
Dilution adjustments ^c	(0.08)	(0.02)	(0.01)	(0.04)
Total direct portfolio transaction costs	0.00	0.10	0.15	0.08
as at 30 June Indirect portfolio transaction costs	2021 %	2020 %	2019 %	Average ^a %
Average portfolio dealing spread	0.93	1.20	0.67	0.93

^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 9 July 2021.

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	2021 UK p	2020 UK p	2019 UK p
Opening NAV	309.29	346.52	369.03
Return before operating charges	149.42	(26.34)	(5.82)
Operating charges	(4.90)	(4.79)	(5.73)
Return after operating charges	144.52	(31.13)	(11.55)
Distributions	(6.50)	(6.10)	(10.96)
Closing NAV	447.31	309.29	346.52
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.31	0.37	0.56
Dilution adjustments ^a	(0.31)	(0.06)	(0.02)
Total direct transaction costs	0.00	0.31	0.54
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.10	0.15
Operating charges ^c	1.31	1.38	1.66
Return after charges	+46.73	-8.98	-3.13
Historic yield	1.44	1.97	3.17
Other information			
Closing NAV (£'000)	118,419	90,030	109,944
Closing NAV (%)	37.79	24.54	26.56
Number of shares	26,473,586	29,108,557	31,727,678
Highest share price (UK p)	462.68	413.10	375.26
Lowest share price (UK p)	303.36	241.60	304.69

Financial highlights

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	2021 UK p	2020 UK p	2019 UK p
Opening NAV	836.30	921.63	949.64
Return before operating charges	405.98	(72.54)	(13.18)
Operating charges	(13.29)	(12.79)	(14.83)
Return after operating charges	392.69	(85.33)	(28.01)
Distributions	(5.18)	(4.42)	(13.73)
Retained distributions	5.18	4.42	13.73
Closing NAV	1,228.99	836.30	921.63
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.83	0.98	1.44
Dilution adjustments ^a	(0.83)	(0.16)	(0.05)
Total direct transaction costs	0.00	0.82	1.39
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.10	0.15
Operating charges ^c	1.31	1.38	1.66
Return after charges	+46.96	-9.26	-2.95
Historic yield	0.41	0.53	1.50
Other information			
Closing NAV (£'000)	37,294	27,767	33,354
Closing NAV (%)	11.90	7.57	8.06
Number of shares	3,034,506	3,320,255	3,619,045
Highest share price (UK p)	1,258.57	1,102.81	965.67
Lowest share price (UK p)	820.40	649.14	784.06

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	2021 UK p	2020 UK p	2019 UK p
Opening NAV	335.07	370.26	388.41
Return before operating charges	162.02	(28.63)	(5.91)
Operating charges	0.00	(0.05)	(0.60)
Return after operating charges	162.02	(28.68)	(6.51)
Distributions	(6.20)	(6.51)	(11.64)
Closing NAV	490.89	335.07	370.26
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.30	0.39	0.59
Dilution adjustments ^a	(0.30)	(0.06)	(0.02)
Total direct transaction costs	0.00	0.33	0.57
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.10	0.15
Operating charges ^c	0.00	0.01	0.16
Return after charges	+48.35	-7.75	-1.68
Historic yield	1.25	1.94	3.15
Other information			
Closing NAV (£'000)	35,718	156,492	175,806
Closing NAV (%)	11.40	42.66	42.45
Number of shares	7,276,148	46,704,180	47,481,931
Highest share price (UK p)	506.76	444.47	396.31
Lowest share price (UK p)	328.82	260.71	323.08

Financial highlights

Sterling Class 'I' Income share performance

The share class was launched on 3 August 2012.

for the year to 30 June	2021	2020	2019
Change in NAV per share	UK p	UK p	UK p
Opening NAV	1,724.72	1,922.15	2,031.62
Return before operating charges	834.91	(147.07)	(31.48)
Operating charges	(17.71)	(16.52)	(17.38)
Return after operating charges	817.20	(163.59)	(48.86)
Distributions	(36.01)	(33.84)	(60.61)
Closing NAV	2,505.91	1,724.72	1,922.15
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	1.71	2.04	3.07
Dilution adjustments ^a	(1.71)	(0.32)	(0.11)
Total direct transaction costs	0.00	1.72	2.96
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.10	0.15
Operating charges ^c	0.85	0.86	0.91
Return after charges	+47.38	-8.51	-2.40
Historic yield	1.42	1.96	3.16
Other information			
Closing NAV (£'000)	66,718	54,453	52,949
Closing NAV (%)	21.29	14.84	12.79
Number of shares	2,662,409	3,157,208	2,754,654
Highest share price (UK p)	2,590.84	2,297.75	2,069.45
Lowest share price (UK p)	1,691.99	1,345.31	1,683.65

Sterling Class 'I' Accumulation share performance

The share class was launched on 3 August 2012.

for the year to 30 June	2021	2020	2019
Change in NAV per share	UK p	UK p	UK p
Opening NAV	2,015.70	2,210.12	2,260.31
Return before operating charges	978.10	(175.29)	(30.72)
Operating charges	(20.93)	(19.13)	(19.47)
Return after operating charges	957.17	(194.42)	(50.19)
Distributions	(21.29)	(19.98)	(48.83)
Retained distributions	21.29	19.98	48.83
Closing NAV	2,972.87	2,015.70	2,210.12
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	2.02	2.36	3.44
Dilution adjustments ^a	(2.02)	(0.37)	(0.12)
Total direct transaction costs	0.00	1.99	3.32
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.10	0.15
Operating charges ^c	0.85	0.86	0.91
Return after charges	+47.49	-8.80	-2.22
Historic yield	0.71	0.99	2.22
Other information			
Closing NAV (£'000)	32,089	22,153	24,091
Closing NAV (%)	10.24	6.04	5.82
Number of shares	1,079,389	1,099,008	1,090,021
Highest share price (UK p)	3,043.45	2,653.63	2,302.40
Lowest share price (UK p)	1,977.51	1,562.37	1,873.18

Financial highlights

Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012.

for the year to 30 June	2021	2020	2019
Change in NAV per share	UK p	UK p	UK p
Opening NAV	170.72	190.75	202.12
Return before operating charges	82.55	(14.57)	(3.15)
Operating charges	(2.28)	(2.11)	(2.20)
Return after operating charges	80.27	(16.68)	(5.35)
Distributions	(3.55)	(3.35)	(6.02)
Closing NAV	247.44	170.72	190.75
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.17	0.20	0.30
Dilution adjustments ^a	(0.17)	(0.03)	(0.01)
Total direct transaction costs	0.00	0.17	0.29
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.10	0.15
Operating charges ^c	1.10	1.11	1.16
Return after charges	+47.02	-8.74	-2.65
Historic yield	1.42	1.96	3.17
Other information			
Closing NAV (£'000)	3,375	2,392	2,526
Closing NAV (%)	1.07	0.65	0.61
Number of shares	1,364,119	1,401,232	1,324,519
Highest share price (UK p)	255.87	227.73	205.77
Lowest share price (UK p)	167.47	133.26	167.29

Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012.

for the year to 30 June	2021	2020	2019
Change in NAV per share	UK p	UK p	UK p
Opening NAV	197.55	217.15	222.63
Return before operating charges	95.73	(17.19)	(3.04)
Operating charges	(2.66)	(2.41)	(2.44)
Return after operating charges	93.07	(19.60)	(5.48)
Distributions	(1.48)	(1.41)	(4.28)
Retained distributions	1.48	1.41	4.28
Closing NAV	290.62	197.55	217.15
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.20	0.23	0.34
Dilution adjustments ^a	(0.20)	(0.04)	(0.01)
Total direct transaction costs	0.00	0.19	0.33
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.10	0.15
Operating charges ^c	1.10	1.11	1.16
Return after charges	+47.11	-9.03	-2.46
Historic yield	0.50	0.72	1.98
Other information			
Closing NAV (£'000)	12,559	8,128	8,605
Closing NAV (%)	4.01	2.22	2.08
Number of shares	4,321,280	4,114,172	3,962,631
Highest share price (UK p)	297.58	260.30	226.65
Lowest share price (UK p)	193.78	153.23	184.27

Financial highlights

Sterling Class 'X' Income share performance

The share class was launched on 1 October 2002.

for the year to 30 June	2021	2020	2019
Change in NAV per share	UK p	UK p	UK p
Opening NAV	309.15	346.36	368.86
Return before operating charges	149.34	(26.34)	(5.81)
Operating charges	(4.90)	(4.78)	(5.73)
Return after operating charges	144.44	(31.12)	(11.54)
Distributions	(6.49)	(6.09)	(10.96)
Closing NAV	447.10	309.15	346.36
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.31	0.37	0.56
Dilution adjustments ^a	(0.31)	(0.06)	(0.02)
Total direct transaction costs	0.00	0.31	0.54
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.10	0.15
Operating charges ^c	1.31	1.38	1.66
Return after charges	+46.72	-8.98	-3.13
Historic yield	1.44	1.97	3.17
Other information			
Closing NAV (£'000)	4,755	3,585	4,342
Closing NAV (%)	1.52	0.98	1.05
Number of shares	1,063,523	1,159,745	1,253,711
Highest share price (UK p)	462.46	412.91	375.09
Lowest share price (UK p)	303.22	241.49	304.54

Sterling Class 'X' Accumulation share performance

The share class was launched on 1 October 2002.

for the year to 30 June	2021	2020	2019
Change in NAV per share	UK p	UK p	UK p
Opening NAV	826.28	910.73	938.41
Return before operating charges	400.13	(71.75)	(13.02)
Operating charges	(13.13)	(12.70)	(14.66)
Return after operating charges	387.00	(84.45)	(27.68)
Distributions	(4.29)	(4.36)	(13.57)
Retained distributions	4.29	4.36	13.57
Closing NAV	1,213.28	826.28	910.73
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.82	0.97	1.42
Dilution adjustments ^a	(0.82)	(0.15)	(0.05)
Total direct transaction costs	0.00	0.82	1.37
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.10	0.15
Operating charges ^c	1.31	1.38	1.66
Return after charges	+46.84	-9.27	-2.95
Historic yield	0.35	0.53	1.50
Other information			
Closing NAV (£'000)	2,439	1,850	2,393
Closing NAV (%)	0.78	0.50	0.58
Number of shares	201,023	223,915	262,702
Highest share price (UK p)	1,242.47	1,089.72	954.25
Lowest share price (UK p)	810.49	641.35	774.79

^a In respect of direct portfolio transaction costs.

^b As a percentage of average net asset value.

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

Financial statements and notes

Financial statements

Statement of total return

for the year to 30 June	Note	2021		2020	
		£'000	£'000	£'000	£'000
Income					
Net capital gains/(losses)	3		111,710		(39,225)
Revenue	5	5,288		7,248	
Expenses	6	(2,740)		(2,850)	
Net revenue/(expense) before taxation		2,548		4,398	
Taxation	7	0		0	
Net revenue/(expense) after taxation			2,548		4,398
Total return before distributions			114,258		(34,827)
Distributions	8		(4,507)		(6,482)
Change in net assets attributable to shareholders from investment activities			109,751		(41,309)

Statement of change in net assets attributable to shareholders

for the year to 30 June	2021		2020	
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		366,850		414,010
Amounts received on issue of shares	8,884		23,664	
Amounts paid on cancellation of shares	(39,879)		(30,225)	
Assets transferred to other fund ^a	(133,706)		0	
		(164,701)		(6,561)
Dilution adjustments		1,004		238
Change in net assets attributable to shareholders from investment activities (see above)		109,751		(41,309)
Retained distributions on Accumulation shares		457		468
Unclaimed distributions		5		4
Closing net assets attributable to shareholders		313,366		366,850

a Relating to the transfer of assets to LF Prudential UK Growth QIS Fund.

Financial statements and notes

Financial statements

Balance sheet

as at 30 June	Note	2021 £'000	2020 £'000
Assets			
Fixed assets			
Investments		310,325	356,223
Current assets			
Debtors	9	503	253
Cash and bank balances	10	76	0
Cash equivalents		5,286	21,562
Total assets		316,190	378,038
Liabilities			
Creditors			
Bank overdrafts		0	(6,926)
Distribution payable		(2,256)	(1,935)
Other creditors	11	(568)	(2,327)
Total liabilities		(2,824)	(11,188)
Net assets attributable to shareholders		313,366	366,850

Financial statements and notes

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 9 to 12.

2 Distribution policy

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

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

3 Net capital gains/(losses)

for the year to 30 June	2021 £'000	2020 £'000
Non-derivative securities	111,722	(39,225)
Currency gains/(losses)	(12)	0
Net capital gains/(losses)	111,710	(39,225)

Financial statements and notes

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 248 to 249.

for the year to 30 June	2021 £'000	% of transaction	2020 £'000	% of transaction
a) Purchases				
Equities				
Equities before transaction costs	67,715		137,346	
Commissions	27	0.04	50	0.04
Taxes	193	0.28	411	0.30
Equities after transaction costs	67,935		137,807	
Other transaction types				
Corporate actions	0		177	
Total purchases after transaction costs	67,935		137,984	
b) Sales				
Equities				
Equities before transaction costs	225,593		130,467	
Commissions	(38)	0.02	(46)	0.03
Equities after transaction costs	225,555		130,421	
Other transaction types				
Corporate actions	0		9,369	
Total sales after transaction costs	225,555		139,790	
	2021 £'000	% of average NAV	2020 £'000	% of average NAV
c) Direct portfolio transaction costs				
Commissions paid				
Equities	65	0.02	96	0.02
Taxes paid				
Equities	193	0.06	411	0.10
Total direct portfolio transaction costs^a	258	0.08	507	0.12
		%		%
d) Indirect portfolio transaction costs				
Portfolio dealing spread ^b		0.93		1.20

^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.

Financial statements and notes

5 Revenue

for the year to 30 June	2021 £'000	2020 £'000
Dividends from equity investments: non-taxable	4,888	6,310 ^a
Dividends from equity investments: taxable	18	0 ^a
Interest distributions	5	163
Property distribution: non-taxable	0	59 ^a
Property distribution: taxable	372	626 ^a
Rebate of ongoing charges from underlying funds	5	14
Stock dividends	0	76
Total revenue	5,288	7,248

^a The prior year amounts have been restated due to the reclassification of revenue in the current year.

6 Expenses

for the year to 30 June	2021 £'000	2020 £'000
Payable to the ACD or associate		
Annual charge	2,739	2,525
Annual management charge ^a	0	265
Administration charge ^a	0	56
	2,739	2,846
Payable to the Depositary or associate		
Depositary's charge (including VAT) ^a	0	3
Other expenses		
Audit fee (including VAT) ^a	0	1
Interest payable	1	0
	1	1
Total expenses	2,740	2,850

^a The segregated charges shown above for annual management, administration, depositary, audit and safe custody are those paid by the fund up to and including 31 July 2019. As of 1 August 2019 these charges have been replaced by the single annual charge.

Audit fees for the financial year ending 2021 were £10,000 (2020: £9,000) (including VAT), which are covered by the annual charge.

Financial statements and notes

7 Taxation

for the year to 30 June	2021 £'000	2020 £'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	2,548	4,398
Corporation tax at 20%	510	879
Effects of:		
Dividends from equity investments: non-taxable	(978)	(1,274)
Stock dividends not taxable	0	(15)
Current year expenses not utilised	468	410
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 £11,500,000 (2020: £11,032,000) 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	2021		2020	
	Inc ^a £'000	Acc ^b £'000	Inc ^a £'000	Acc ^b £'000
Interim	1,041	45	4,112	430
Final	2,256	412	1,935	38
Total net distributions	3,754		6,515	
Income deducted on cancellation of shares	787		126	
Income received on issue of shares	(34)		(159)	
Distributions	4,507		6,482	
Net revenue/(expense) per statement of total return	2,548		4,398	
Expenses offset against capital	1,959		2,056	
Income deficit transferred to capital	0		28	
Distributions	4,507		6,482	

^a Distributions payable on Income shares.

^b Retained distributions on Accumulation shares.

Financial statements and notes

9 Debtors

as at 30 June	2021 £'000	2020 £'000
Amounts receivable on issues of shares	45	15
Distributions receivable	0	5
Dividends receivable	458	233
Total debtors	503	253

10 Cash and bank balances

as at 30 June	2021 £'000	2020 £'000
Cash held as bank balances	76	0
Total cash and bank balances	76	0

11 Other creditors

as at 30 June	2021 £'000	2020 £'000
Amounts payable on cancellation of shares	432	331
Annual charge payable	136	101
Expenses payable	0	10
Purchases awaiting settlement	0	1,885
Total other creditors	568	2,327

12 Contingent assets, liabilities and outstanding commitments

There were no contingent assets, liabilities or outstanding commitments at the balance sheet date (2020: same).

Financial statements and notes

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	Issued	Movements	Closing
	01.07.20		Cancelled	30.06.21
Sterling				
Class 'A' Income	29,108,557	159,779	(2,794,750)	26,473,586
Class 'A' Accumulation	3,320,255	49,698	(335,447)	3,034,506
Class 'C' Income	46,704,180	122,000	(39,550,032)	7,276,148
Class 'I' Income	3,157,208	28,789	(523,588)	2,662,409
Class 'I' Accumulation	1,099,008	163,795	(183,414)	1,079,389
Class 'R' Income	1,401,232	63,967	(101,080)	1,364,119
Class 'R' Accumulation	4,114,172	611,591	(404,483)	4,321,280
Class 'X' Income	1,159,745	21,588	(117,810)	1,063,523
Class 'X' Accumulation	223,915	10,939	(33,831)	201,023

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	Annual charge ^a	Annual charge ^a
	to 14.02.21	from 15.02.21
	%	%
Sterling		
Class 'A'	1.35	1.25
Class 'C'	0.00	0.00
Class 'I'	0.85	0.85
Class 'R'	1.10	1.10
Class 'X'	1.35	1.25

^a The amounts shown are the maximum annual charge. M&G will apply a discount of 0.02% for every £1 billion of a fund's net asset value. This is assessed quarterly and implemented on a forward basis no later than 13 business days after quarter end.

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 annual charge, ACD's annual management charge and administration charge are disclosed in note 6. Amounts due at the year end in respect of the annual charge are disclosed in note 11.

Financial statements and notes

At the balance sheet date, shareholders from within M&G plc, of which M&G Securities Limited is a wholly owned subsidiary, have holdings totalling 25.93% (2020: 58.33%) 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 2021 £'000	Liabilities 2021 £'000	Assets 2020 £'000	Liabilities 2020 £'000
Basis of valuation				
Level 1	310,325	0	356,223	0
Level 2	0	0	0	0
Level 3	0	0	0	0
	310,325	0	356,223	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 12 to 14.

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 £15,516,000 (2020: £17,733,000). 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.

Financial statements and notes

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	01.07.20	31.12.20	04.01.21	28.02.21
Final	01.01.21	30.06.21	01.07.21	31.08.21

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	Group 2 Equalisation	Group 1 & 2 Distribution	
	2021 UK p	2021 UK p	2021 UK p	2020 UK p
Interim	1.0595	0.9461	2.0056	4.1236
Final	2.3240	2.1680	4.4920	1.9732

Sterling Class 'A' Accumulation shares

Ordinary distributions for the year to 30 June	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2021 UK p	2021 UK p	2021 UK p	2020 UK p
Interim	0.0000	0.0000	0.0000	4.4170
Final	2.3803	2.8026	5.1829	0.0000

Financial statements and notes

Sterling Class 'C' Income shares

Ordinary distributions for the year to 30 June	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2021 UK p	2021 UK p	2021 UK p	2020 UK p
Interim	0.4549	1.2895	1.7444	4.4212
Final	2.1245	2.3290	4.4535	2.0929

Sterling Class 'I' Income shares

Ordinary distributions for the year to 30 June	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2021 UK p	2021 UK p	2021 UK p	2020 UK p
Interim	5.7479	5.4143	11.1622	22.9062
Final	13.6745	11.1690	24.8435	10.9308

Sterling Class 'I' Accumulation shares

Ordinary distributions for the year to 30 June	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2021 UK p	2021 UK p	2021 UK p	2020 UK p
Interim	0.6205	3.3124	3.9329	16.7025
Final	5.5463	11.8080	17.3543	3.2739

Sterling Class 'R' Income shares

Ordinary distributions for the year to 30 June	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2021 UK p	2021 UK p	2021 UK p	2020 UK p
Interim	0.5766	0.5275	1.1041	2.2718
Final	1.2723	1.1736	2.4459	1.0826

Sterling Class 'R' Accumulation shares

Ordinary distributions for the year to 30 June	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2021 UK p	2021 UK p	2021 UK p	2020 UK p
Interim	0.0000	0.1224	0.1224	1.3647
Final	0.6373	0.7167	1.3540	0.0493

Financial statements and notes

Sterling Class 'X' Income shares

Ordinary distributions for the year to 30 June	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2021 UK p	2021 UK p	2021 UK p	2020 UK p
Interim	0.9939	1.0102	2.0041	4.1216
Final	1.9832	2.5015	4.4847	1.9711

Sterling Class 'X' Accumulation shares

Ordinary distributions for the year to 30 June	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2021 UK p	2021 UK p	2021 UK p	2020 UK p
Interim	0.0000	0.0000	0.0000	4.3647
Final	2.0531	2.2401	4.2932	0.0000

Other regulatory disclosures

Remuneration

In line with the requirements of the Undertakings for Collective Investment in Transferable Securities (UCITS) V, M&G Securities Limited is subject to a remuneration policy which is consistent with the principles outlined in the European Securities and Markets Authority guidelines on sound remuneration policies under the UCITS Directive.

The remuneration policy is designed to ensure that any relevant conflicts of interest can be managed appropriately at all times and that the remuneration of employees is in line with the risk policies and objectives of the UCITS funds managed by the UCITS Management Company. Further details of the remuneration policy can be found here: <https://www.mandgplc.com/our-business/mandg-investments/mandg-investments-business-policies>. The remuneration policy and its implementation is reviewed on an annual basis, or more frequently where required, and is approved by the M&G plc Board Remuneration Committee.

M&G Securities Limited 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.

The 'Identified Staff' of M&G Securities Limited are those who could have a material impact on the risk profile of M&G Securities Limited or the UCITS funds it manages and generally includes senior management, risk takers and control functions. 'Identified Staff' 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.

The amounts shown below reflect payments made in respect of the financial year 1 January 2020 to 31 December 2020.

	Fixed Remuneration £000	Variable Remuneration £000	Total £000
Senior Management	582	711	1,293
Other Identified Staff	6,524	22,054	28,578

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.

Charity Authorised Investment Fund (CAIF) An investment entity that is both a registered charity and an authorised investment fund. The CAIF must comply with charity law as well as financial services laws and regulations, and is usually treated as a registered charity for tax purposes.

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.

Glossary

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.

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'.

Glossary

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 predetermined 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.

Glossary

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

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

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

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

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

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

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

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

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

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

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

Near cash Deposits or investments with similar characteristics to cash.

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

Ongoing Charge Figure The ongoing charge figure represents the operating costs investors can reasonably expect to pay under normal circumstances.

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

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

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

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

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

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

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

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

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

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

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

Glossary

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 nonpayment by the borrower such as a high-quality fixed income security issued by a government or cash.

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

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

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

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.

Swing pricing Swing pricing is a method of protecting long-term shareholders in the fund from bearing the costs of transactions carried out by shorter-term investors. When investors buy or sell shares in the fund, the fund manager has to buy or sell underlying securities to either invest the cash obtained from investors, or to provide them with cash in exchange for their shares. Swing pricing essentially adjusts the fund shares' daily price to take into account the costs of buying or selling the underlying securities held by the fund. This ensures that transaction costs such as brokerage fees and administrative charges are borne by those investors who trade shares in the fund, not by those who remain invested in the fund. (Also see dilution adjustment).

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.

Glossary

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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