



## **M&G Investment Funds (10)**

Annual Long Report and audited Financial Statements  
for the year ended 31 March 2019

# Contents

## **M&G Investment Funds (10)**

<b>Authorised Corporate Director's Report</b>	<b>Page</b>	<b>1</b>
Directors' statement	Page	3
<b>Depository's Responsibilities and Report</b>	<b>Page</b>	<b>4</b>
<b>Independent Auditor's Report</b>	<b>Page</b>	<b>5</b>
<b>Financial statements and notes</b>	<b>Page</b>	<b>7</b>
<b>Authorised Corporate Director's Reports, including the financial highlights and financial statements and notes for:</b>		
M&G Absolute Return Bond Fund	Page	11
M&G Global Listed Infrastructure Fund	Page	27
M&G Positive Impact Fund	Page	39
M&G UK Inflation Linked Corporate Bond Fund	Page	51
<b>Other regulatory disclosures</b>	<b>Page</b>	<b>65</b>
<b>Glossary</b>	<b>Page</b>	<b>66</b>

# M&G Investment Funds (10)

## Authorised Corporate Director's Report

The Authorised Corporate Director (ACD) of M&G Investment Funds (10) presents its Annual Long Report and audited Financial Statements for the year ended 31 March 2019.

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

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

### Company information

M&G Investment Funds (10) is an umbrella Open-Ended Investment Company (OEIC) and contains four sub-funds, hereinafter referred to as 'funds' in the rest of this report. Each fund is a UCITS (Undertakings for Collective Investment in Transferable Securities) scheme as defined in the Collective Investment Schemes sourcebook, as issued (and amended) by the Financial Conduct Authority (FCA). This OEIC is an Investment Company with Variable Capital (ICVC) incorporated under the Open-Ended Investment Companies Regulations 2001. It is authorised and regulated by the FCA under the Financial Services and Markets Act 2000.

The Company was authorised on 26 August 2010, the M&G UK Inflation Linked Corporate Bond Fund was launched on 16 September 2010, the M&G Absolute Return Bond Fund was launched on 13 December 2016, the M&G Global Listed Infrastructure Fund was launched on 5 October 2017 and the M&G Positive Impact Fund was launched on 20 November 2018.

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

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

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

### Fund managers

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

#### **M&G Absolute Return Bond Fund**

Jim Leaviss & Wolfgang Bauer

#### **M&G Global Listed Infrastructure Fund**

Alex Araujo

#### **M&G Positive Impact Fund**

John William Olsen

#### **M&G UK Inflation Linked Corporate Bond Fund**

Ben Lord

### ACD

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

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

### Directors of the ACD

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

### Investment manager

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

(Authorised and regulated by the Financial Conduct Authority)

### Registrar

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

### Depositary

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

### Independent auditor

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

### Important information

On 20 April 2018, the Euro Class 'Z-H' (Accumulation) share class was launched in the M&G Absolute Return Bond Fund.

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

On 20 November 2018, the M&G Positive Impact Fund was launched as a sub-fund of M&G Investment Funds (10).

# M&G Investment Funds (10)

## Authorised Corporate Director's Report

### Investor information

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

#### Customer services and administration for UK clients:

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

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

Telephone: 0800 390 390 (UK only)

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

#### Customer services and administration for non-UK clients:

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

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

Telephone: +352 2605 9944

Email: csmandg@rbc.com

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

#### Austrian paying and information agent:

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

#### Belgian financial agent:

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

#### Danish representative agent:

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

#### French centralising agent:

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

#### German information agent:

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

#### Greek paying agent and distributor:

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

#### Irish facilities agent:

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

#### Italian paying agents:

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

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

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

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

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

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

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

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

#### Luxembourg paying and information agent:

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

#### Portuguese distributor:

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

#### Spanish representative:

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

#### Swedish paying agent:

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

#### Swiss paying agent and representative:

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

# M&G Investment Funds (10)

## Authorised Corporate Director's Report

### Authorised Corporate Director's Responsibilities

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

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

### Directors' statement

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

G N COTTON  
L J MUMFORD

} Directors

15 May 2019

# M&G Investment Funds (10)

## Depository's Responsibilities and Report

### Statement of the Depository's Responsibilities and Report of the Depository to the Shareholders of M&G Investment Funds (10) ('the Company') for the period ended 31 March 2019

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

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

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

The Depository must ensure that:

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

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

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

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

Edinburgh  
15 May 2019

NatWest Trustee and  
Depository Services Limited

# M&G Investment Funds (10)

## Independent Auditor's Report

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

#### Opinion

We have audited the financial statements of M&G Investment Funds (10) ("the Company") for the year ended 31 March 2019 which comprise the Statement of Total Return and Statement of Change in Net Assets Attributable to Shareholders together with the Balance Sheet for each of the Company's funds, the accounting policies of the Company, the related notes for each fund and the Distribution Tables, including the summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 'The Financial Reporting Standard applicable to the UK and Republic of Ireland'.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Company comprising each of its funds as at 31 March 2019 and of the net revenue and the net capital gains / (losses) on the scheme property of the Company comprising each of its funds for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

#### Basis for opinion

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

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

#### Conclusions relating to going concern

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

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

#### Other information

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

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

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

We have nothing to report in this regard.

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

In our opinion:

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

#### Matters on which we are required to report by exception

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

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

# M&G Investment Funds (10)

## Independent Auditor's Report

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

#### Responsibilities of the Authorised Corporate Director (ACD)

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

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

#### Auditor's responsibilities for the audit of the financial statements

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

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

#### 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  
15 May 2019

Ernst & Young LLP  
Statutory Auditor

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



# M&G Investment Funds (10)

## Financial statements and notes

### Notes to the financial statements

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

#### 1 Statement of compliance

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

#### 2 Summary of significant accounting policies

##### a) Basis of preparation

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

##### b) Functional and presentational currency

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 29 March 2019 being the last business day of the accounting period.

##### d) Investments - recognition and valuation

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

At the end of the reporting period all investments have been measured at their fair value using the prices and the portfolio holdings determined at 12 noon on 29 March 2019, being the last valuation point of the accounting period, as this is not materially different from a valuation carried out at close of business on the balance sheet date.

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

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

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

##### e) Recognition of income and expenses

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

##### f) Treatment of income and expenses

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

# M&G Investment Funds (10)

## Financial statements and notes

### Notes to the financial statements

#### 2 Summary of significant accounting policies (continued)

##### f) Treatment of income and expenses (continued)

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

##### g) Tax

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

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

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

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

##### h) Allocation of returns to share classes

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

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

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

#### 3 Risk management policies

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

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

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

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

##### Market risk

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

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

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

##### Commitment approach

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

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

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

# M&G Investment Funds (10)

## Financial statements and notes

### Notes to the financial statements

#### 3 Risk management policies (continued)

##### Commitment approach (continued)

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

##### Value at Risk approach

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

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

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

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

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

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

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

##### Liquidity risk

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

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

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

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

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

##### Credit risk

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

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

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

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

# M&G Investment Funds (10)

Financial statements and notes

This page is intentionally blank

# M&G Absolute Return Bond Fund

## Authorised Corporate Director's Report

### Investment objective

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

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

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

### Investment policy

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

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

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

### Investment approach

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

### Risk profile

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

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

Portfolio diversification is key in managing liquidity and default risks as well as reducing market risk. The blend of assets held in the fund is regularly adjusted depending on where the managers see the most value and to manage risks, including liquidity, credit, currency and market risks. The fund's risks are measured and managed as an integral part of the investment process.

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



The above number:

- is based on the rate at which the value of the fund has moved up and down in the past and is based on historical data so may not be a reliable indicator of the future risk profile of the fund.
- is not guaranteed and may change over time and the lowest risk number does not mean risk free.
- has changed during this period. From 3 April 2018 to 19 April 2018 the risk number was 4.

### Investment review

As at 1 April 2019, for the year ended 31 March 2019

#### Performance against objective

Between 3 April 2018 (the start of the review period) and 1 April 2019, the M&G Absolute Return Bond Fund delivered a modestly positive total return (the combination of capital growth and income), although it was below 3-month GBP LIBOR + 2.5% across all share classes. The fund's objective is to achieve a total return of at least 2.5% per annum above the 3-month GBP LIBOR rate, before any charges are taken, in any market condition and over any three-year period.\* LIBOR is the rate at which banks borrow money from each other.

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



# M&G Absolute Return Bond Fund

## Authorised Corporate Director's Report

### Investment review

#### Performance against objective (continued)

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

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

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

#### Investment performance

The 12-month period under review was a volatile period for bond markets. A variety of factors weighed on sentiment throughout 2018, including concerns about the negative impact of rising US interest rates, escalating trade war tensions between the US and China, and political turmoil in Europe and several emerging markets.

The US Federal Reserve (Fed) raised interest rates in December, making it a total of nine times US rates have risen since the great financial crisis about a decade ago. In the UK, much uncertainty remained about the eventual terms of the country's Brexit deal with the European Union (EU), contributing to periods of adverse sentiment towards UK corporate bonds. Investors in Europe became concerned in the latter stages of 2018 about Italian proposals to increase the country's budget deficit.

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

The mood then changed once again in early 2019, as investors took comfort from the Fed's statements that the central bank would moderate its strategy of raising interest rates. This resulted in a strong start to the year for both corporate and government bonds.

The fund delivered a modest positive return over the review period, although returns were held back by our significant exposure to corporate bonds, which were weak throughout much of the past year. However, the fund's government bond exposure proved helpful as yields fell significantly in the second half of the review period. Our currency positions were also positive contributors as sterling weakened in the period. (Yields refer to the income received from an investment. The yield is usually expressed annually as a percentage based on the investment's cost, its current market value or face value.)

We placed a strong emphasis on minimising monthly losses and portfolio volatility during bouts of market turbulence, in line with the fund's defensive mandate. We successfully kept these risk measures within our intended thresholds throughout the review period.

#### Investment activities

Following the strong rally in corporate bond markets since the start of 2019, we have recently reduced credit risk within the fund. For instance, we decreased our exposure to BB and BBB rated corporate bonds, while increasing our allocation to highly rated government bonds and cash. We also trimmed our financial exposure, by selling or reducing several of our UK bank positions following strong performance.

The fund continues to be positioned with a low sensitivity to movements in interest rates, reflecting our broadly positive outlook for the global economy. However, in recent months we have been shifting this exposure away from euro interest rates towards US dollar interest rates. With German bund yields back near their all-time lows of mid-2016, we think the economic slowdown in Europe is now largely priced in and we see limited scope for a further fall in yields. US Treasury yields, on the other hand, are still materially wider than in 2016 and seem to offer a more attractive risk/reward profile.

In currencies, we maintain our 'barbell' approach, consisting on the one hand of defensive 'safe-haven' positions – such as the Japanese yen, Swiss franc and US dollar – and on the other hand, smaller opportunistic positions, such as the Russian ruble and Colombian peso. With markets becoming increasingly volatile in the second half of 2018, we temporarily increased our exposure to the Japanese yen; following solid gains, we scaled back this position to its original allocation in early 2019.

#### Outlook

While mindful of the recent slowdown in global growth, we maintain a broadly positive economic outlook. This is largely based on our positive assessment of the US economy, where a healthy labour market is expected to drive further wage growth over the coming months. The US is a service-based economy, and its reliance on people rather than goods means that it is unlikely to turn deflationary in the short to medium term. The market now expects the US Federal Reserve to keep interest rates on hold, or to even cut rates, but in our view the Fed may need to start increasing interest rates again sooner than expected.

Against this backdrop, we continue to favour corporate bonds over government bonds. While we do not dispute a meaningful slowing of economic growth, we think that worries about an impending recession are overblown. If we are in an environment of slow yet positive growth, then we think high quality corporate bonds will be well placed to generate steady returns going forward.

#### Jim Leaviss & Wolfgang Bauer

Co-fund managers

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

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

# M&G Absolute Return Bond Fund

## Authorised Corporate Director's Report

### Investments

Portfolio statement				
as at 31 March Holding	2019 £'000	2019 %	2018 %	
<b>FIXED INCOME</b>	<b>36,040</b>	<b>97.24</b>	<b>98.06</b>	
<b>Debt securities</b>	<b>36,350</b>	<b>98.08</b>	<b>98.69</b>	
<b>'AAA' credit rated bonds</b>	<b>2,314</b>	<b>6.24</b>	<b>9.99</b>	
€250,000 Avoca CLO XI FRN 0.89% 15/07/2030	214	0.58		
£141,409 Dukinfield II FRN 2.08713% 20/12/2052	142	0.38		
€203,000 Harvest CLO FRN 0.73% 15/01/2031	172	0.46		
£134,379 Hawksmoor Mortgages FRN 2.25975% 25/05/2053	135	0.36		
£113,000 Lanark Master Issuer FRN 1.6979% 22/12/2069	113	0.31		
£175,866 Paragon Mortgages No. 14 FRN 1.04463% 15/09/2039	167	0.45		
£248,568 Residential Mortgage Securities No. 29 FRN 1.78713% 20/12/2046	249	0.67		
£242,115 Residential Mortgage Securities No. 30 FRN 1.63713% 20/03/2050	241	0.65		
£161,350 Ripon Mortgages FRN 1.65863% 20/08/2056	161	0.43		
£200,000 Santander UK FRN 1.09875% 16/11/2022	199	0.54		
£63,125 THRONES 2015-1 FRN 2.046% 18/03/2050	63	0.17		
£344,525 Towd Point Mortgage Funding FRN 1.70863% 20/05/2045	344	0.93		
£112,932 Warwick Finance Residential Mortgage FRN 2.33713% 21/09/2049	114	0.31		
<b>'AA' credit rated bonds</b>	<b>3,019</b>	<b>8.14</b>	<b>8.80</b>	
£182,498 First Flexible No. 6 FRN 1.41275% 01/12/2035	179	0.48		
£226,000 New York Life Global Funding 1% 15/12/2021	224	0.60		
£243,000 Towd Point Mortgage Funding FRN 2.32475% 20/07/2046	243	0.66		
£100,000 Treasury IL 1.875% 22/11/2022	161	0.43		
\$450,000 US Treasury 1.375% 31/05/2020	339	0.92		
\$700,000 US Treasury 1.5% 31/10/2019	531	1.43		
\$500,000 US Treasury 2.75% 15/11/2023	390	1.05		
\$300,000 US Treasury 3.5% 15/05/2020	232	0.63		
\$150,000 US Treasury IL 0.125% 15/04/2021	120	0.32		
\$325,000 US Treasury IL 0.125% 15/07/2026	255	0.69		
\$200,000 US Treasury IL 0.625% 15/01/2024	166	0.45		
\$200,000 US Treasury IL 1.25% 15/07/2020	179	0.48		
<b>'A' credit rated bonds</b>	<b>5,788</b>	<b>15.62</b>	<b>16.04</b>	
£100,000 ABN AMRO Bank 1.375% 07/06/2022	99	0.27		
£162,184 Alba FRN 1.01463% 15/12/2038	152	0.41		
\$141,000 Anheuser-Busch InBev Worldwide 5.45% 23/01/2039	116	0.31		
€250,000 Aon 2.875% 14/05/2026	235	0.63		
€100,000 Argentum Netherlands Var. Rate 2.75% 19/02/2049	89	0.24		
€400,000 Banco Santander Var. Rate Perp. 5.481%	337	0.91		
\$300,000 Bank of America FRN 3.50263% 05/02/2026	223	0.60		
£200,000 Banque Federative du Credit Mutuel 0.875% 08/06/2020	199	0.54		
€200,000 BBVA Var. Rate Perp. 6%	169	0.46		
€400,000 BBVA Var. Rate Perp. 6.75%	351	0.95		
€200,000 Belfius Bank Var. Rate 1.625% 15/03/2028	163	0.44		
\$250,000 BPCE 3.5% 23/10/2027	184	0.50		
€300,000 BPCE FRN 0.191% 23/03/2023	253	0.68		
\$53,000 Cigna 4.375% 15/10/2028	42	0.11		

### Portfolio statement (continued)

as at 31 March Holding	2019 £'000	2019 %	2018 %
<b>'A' credit rated bonds (continued)</b>			
\$68,000 Cigna 4.8% 15/08/2038	53	0.14	
€162,000 CK Hutchison Europe Finance 1.25% 13/04/2025	141	0.38	
\$76,000 Comcast 4.95% 15/10/2058	64	0.17	
£300,000 Deutsche Pfandbriefbank FRN 1.47156% 13/01/2020	301	0.81	
\$216,000 DowDuPont 5.319% 15/11/2038	182	0.49	
\$100,000 Express Scripts 4.8% 15/07/2046	77	0.21	
€241,000 Heathrow Funding 1.875% 14/03/2034	206	0.56	
£119,000 HSBC Var. Rate 2.256% 13/11/2026	117	0.32	
£126,000 HSBC Var. Rate 3% 22/07/2028	129	0.35	
€100,000 ING 2.125% 10/01/2026	91	0.25	
£200,000 ING 3% 18/02/2026	204	0.55	
€200,000 ING FRN 0.54% 20/09/2023	171	0.46	
£184,000 LVMH Moët Hennessy Louis Vuitton 1% 14/06/2022	183	0.49	
€100,000 Medtronic Global 1.625% 07/03/2031	89	0.24	
\$63,300 Mitchells & Butlers Finance FRN 3.06088% 15/12/2030	44	0.12	
£392,308 Newgate Funding FRN 1.012% 01/12/2050	368	0.99	
£89,184 ResLoC UK FRN 1.00463% 15/12/2043	84	0.23	
£143,429 RMAC Securities No. 1 FRN 0.995% 12/06/2044	134	0.36	
\$223,611 S-JETS 3.967% 15/08/2042	172	0.46	
€100,000 Swiss Re Finance Luxembourg Var. Rate 2.534% 30/04/2050	87	0.24	
€100,000 Total Var. Rate Perp. 3.369%	93	0.25	
£189,000 Wells Fargo 1.375% 30/06/2022	186	0.50	
<b>'BBB' credit rated bonds</b>	<b>15,439</b>	<b>41.66</b>	<b>33.85</b>
€200,000 2i Rete Gas 1.75% 28/08/2026	171	0.46	
£200,000 AA Bond 2.875% 31/01/2043	191	0.52	
£100,000 AA Bond 4.875% 31/07/2043	99	0.27	
£270,000 Akellus Residential Property 2.375% 15/08/2025	261	0.70	
\$150,000 Allergan Funding 4.55% 15/03/2035	112	0.30	
€232,000 Altria 1% 15/02/2023	200	0.54	
€242,000 Altria 3.125% 15/06/2031	213	0.57	
\$152,000 Altria 5.8% 14/02/2039	122	0.33	
\$57,000 Altria 6.2% 14/02/2059	46	0.12	
€250,000 American International Var. Rate 1.42% 15/03/2067	162	0.44	
£151,000 Anglo American Capital 3.375% 11/03/2029	152	0.41	
\$200,000 Anglo American Capital 4.5% 15/03/2028	152	0.41	
€262,000 Arion Bank 1% 20/03/2023	222	0.60	
£100,000 Aroundtown 3% 16/10/2029	96	0.26	
\$200,000 Aroundtown 5.375% 21/03/2029	155	0.42	
\$250,000 AT&T 4.85% 01/03/2039	191	0.52	
\$157,000 AT&T 5.25% 01/03/2037	125	0.34	
\$147,000 AT&T FRN 3.77663% 12/06/2024	111	0.30	
€100,000 AtoS 0.75% 07/05/2022	87	0.23	
€101,000 Atrium European Real Estate 3% 11/09/2025	90	0.24	
£400,000 Aviva Var. Rate Perp. 6.125%	427	1.15	
€186,000 AXA Var. Rate 3.25% 28/05/2049	164	0.44	
€100,000 Banco Santander 2.125% 08/02/2028	84	0.23	
\$200,000 BAT Capital 4.54% 15/08/2047	133	0.36	
\$200,000 Bayer US Finance II 4.375% 15/12/2028	151	0.41	
COP200,000,000 Bogota Distrito Capital 9.75% 26/07/2028	52	0.14	
\$200,000 Bunge Finance 4.35% 15/03/2024	155	0.42	
€250,000 Channel Link Enterprises Finance Var. Rate 1.761% 30/06/2050	213	0.57	
£100,000 Citigroup 2.75% 24/01/2024	102	0.28	

# M&G Absolute Return Bond Fund

## Authorised Corporate Director's Report

### Investments

Portfolio statement (continued)				
as at 31 March Holding	2019 £'000	2019 %	2018 %	
'BBB' credit rated bonds (continued)				
\$31,000 Conagra Brands FRN 3.511% 22/10/2020	24	0.06		
€160,000 Covivio 2.375% 20/02/2028	140	0.38		
€300,000 Crédit Agricole Var. Rate Perp. 6.5%	275	0.74		
£200,000 Credit Suisse Var. Rate Perp. 2.125% 12/09/2025	195	0.53		
\$100,000 Deutsche Telekom International Finance 8.75% 15/06/2030	104	0.28		
£200,000 Digital Stout 2.75% 19/07/2024	202	0.55		
€400,000 ELM Var. Rate 3.375% 29/09/2047	353	0.95		
\$200,000 Enel Finance International 3.625% 25/05/2027	145	0.39		
£250,000 Enel Var. Rate 6.625% 15/09/2076	268	0.72		
\$16,000 Energy Transfer Operating 4.5% 15/04/2024	13	0.04		
\$79,000 Energy Transfer Operating 5.8% 15/06/2038	63	0.17		
\$145,000 Energy Transfer Operating 6.125% 15/12/2045	119	0.32		
€100,000 Fastighets AB Balder 1.875% 23/01/2026	85	0.23		
€250,000 FCE Bank 1.134% 10/02/2022	211	0.57		
€100,000 Ford Motor Credit 3.021% 06/03/2024	86	0.23		
\$300,000 Ford Motor Credit 5.596% 07/01/2022	236	0.64		
€100,000 Fortum 2.125% 27/02/2029	87	0.23		
€61,000 Fresenius & Co 1.875% 15/02/2025	54	0.15		
\$400,000 GE Capital International Funding 4.418% 15/11/2035	281	0.76		
€200,000 General Electric 2.125% 17/05/2037	155	0.42		
€138,000 General Motors Financial 2.2% 01/04/2024	120	0.32		
\$182,000 Glencore Funding 4.125% 12/03/2024	140	0.38		
£300,000 Goldman Sachs 3.125% 25/07/2029	305	0.82		
€200,000 Goldman Sachs FRN 0.311% 26/09/2023	169	0.46		
\$200,000 Goldman Sachs FRN 4.51475% 28/10/2027	154	0.42		
£338,247 Greene King Finance FRN 3.34463% 15/12/2033	331	0.89		
€347,000 Heimstadten Bostad 2.125% 05/09/2023	302	0.82		
€200,000 ING Var. Rate 2% 22/03/2030	170	0.46		
€150,000 Intesa Sanpaolo 1.75% 20/03/2028	124	0.33		
£150,000 Italy (Republic of) 6% 04/08/2028	174	0.47		
€100,000 Johnson Controls International 1% 15/09/2023	86	0.23		
\$55,000 Keurig Dr Pepper 4.057% 25/05/2023	43	0.12		
€250,000 Kraft Heinz Foods 2.25% 25/05/2028	219	0.59		
£100,000 LafargeHolcim Sterling Finance (Netherlands) 3% 12/05/2032	95	0.26		
€100,000 Lloyds Banking FRN 0.47% 21/06/2024	83	0.22		
€100,000 Lloyds Banking Var. Rate 1.75% 07/09/2028	84	0.23		
€100,000 Mapfre Var. Rate 4.125% 07/09/2048	89	0.24		
€100,000 McDonald's 0.9% 15/06/2026	86	0.23		
\$200,000 Morocco (Kingdom of) 5.5% 11/12/2042	163	0.44		
\$116,000 Mylan 4.55% 15/04/2028	86	0.23		
\$200,000 Mylan 5.4% 29/11/2043	141	0.38		

### Portfolio statement (continued)

as at 31 March Holding	2019 £'000	2019 %	2018 %
'BBB' credit rated bonds (continued)			
€240,000 Nationwide Building Society Var. Rate 1.5% 08/03/2026	205	0.55	
\$200,000 Nationwide Building Society Var. Rate 4.363% 01/08/2024	155	0.42	
€100,000 NET4GAS S.R.O. 2.5% 28/07/2021	89	0.24	
€200,000 Orange Var. Rate Perp. 5%	193	0.52	
€200,000 RCI Banque FRN 0.122% 12/01/2023	167	0.45	
€150,000 Romania (Republic of) 3.875% 29/10/2035	133	0.36	
€84,000 Romania (Republic of) 4.625% 03/04/2049	74	0.20	
£150,000 Royal Bank of Scotland Var. Rate 2.875% 19/09/2026	150	0.40	
£122,000 Royal Bank of Scotland Var. Rate 3.125% 28/03/2027	123	0.33	
\$200,000 Royal Bank of Scotland Var. Rate 4.892% 18/05/2029	158	0.43	
RUB15,000,000 Russia (Federation of) 8.15% 03/02/2027	178	0.48	
€100,000 Ryanair 1.125% 15/08/2023	87	0.23	
€100,000 Santander UK FRN 0.472% 18/05/2023	84	0.23	
€259,000 Santander UK FRN 0.54% 27/03/2024	215	0.58	
€43,000 Schaeffler 2.875% 26/03/2027	38	0.10	
\$200,000 Société Générale 4.25% 14/09/2023	156	0.42	
€200,000 Société Générale FRN 0.492% 22/05/2024	169	0.46	
£200,000 Student Finance 2.6663% 30/09/2024	196	0.53	
\$100,000 Sunoco Logistics Partners Operations 5.4% 01/10/2047	76	0.21	
€290,000 Takeda Pharmaceutical 3% 21/11/2030	272	0.73	
€100,000 Tele2 1.125% 15/05/2024	87	0.23	
£100,000 Thames Water Utilities Finance 2.375% 03/05/2023	98	0.26	
€100,000 Thermo Fisher Scientific 2.875% 24/07/2037	94	0.25	
€200,000 UniCredit Var. Rate Perp. 5.375%	147	0.40	
£152,000 UNITE 3.5% 15/10/2028	157	0.42	
\$67,961 US Bancorp Var. Rate Perp. 5.3%	52	0.14	
€200,000 Verizon Communications 2.875% 15/01/2038	188	0.51	
€203,000 Vodafone 1.125% 20/11/2025	175	0.47	
\$28,000 Vodafone 5% 30/05/2038	21	0.06	
€100,000 Vodafone Var. Rate 3.1% 03/01/2079	84	0.23	
£100,000 Vodafone Var. Rate 4.875% 03/10/2078	97	0.26	
€200,000 Volkswagen International Finance 4.125% 16/11/2038	190	0.51	
€300,000 Volkswagen International Finance Var. Rate Perp. 3.375%	253	0.68	
\$100,000 Western Midstream Operating 4.65% 01/07/2026	77	0.21	
€119,000 WPC Eurobond 2.125% 15/04/2027	102	0.28	
'BB' credit rated bonds			
€150,000 Arrow Global Finance FRN 2.875% 01/04/2025	123	0.33	
€200,000 Banco De Sabadell Var. Rate 5.375% 12/12/2028	176	0.48	
\$200,000 Banco Santander Mexico Var. Rate 5.95% 01/10/2028	156	0.42	
€100,000 Bankia Var. Rate 3.75% 15/02/2029	86	0.23	
€300,000 Barclays Var. Rate 2% 07/02/2028	246	0.66	
€200,000 Bayer Var. Rate 2.375% 02/04/2075	166	0.45	
€125,000 Belden 3.375% 15/07/2027	108	0.29	
\$100,000 CCO Holdings Capital 5.125% 01/05/2027	76	0.21	
\$200,000 CSC 5.5% 15/04/2027	156	0.42	
	<b>3,918</b>	<b>10.57</b>	<b>11.82</b>



# M&G Absolute Return Bond Fund

## Authorised Corporate Director's Report

### Investments

Portfolio statement (continued)				
as at 31 March Holding	2019 £'000	2019 %	2018 %	
'BB' credit rated bonds (continued)				
\$50,000 Energy Transfer Operating FRN 5.75375% 01/11/2066	31	0.08		
\$155,000 Freeport-McMoRan 3.875% 15/03/2023	115	0.31		
\$300,000 HCA 5.375% 01/09/2026	240	0.65		
\$199,000 Inretail Pharma 5.375% 02/05/2023	158	0.43		
€200,000 Intesa Sanpaolo Var. Rate Perp. 7%	178	0.48		
€100,000 James Hardie International Finance 3.625% 01/10/2026	87	0.23		
€150,000 Leonardo 1.5% 07/06/2024	127	0.34		
£400,000 Lloyds Banking Var. Rate 7% 29/12/2049	400	1.08		
\$300,000 Olin 5% 01/02/2030	223	0.60		
\$150,000 Petrobras Global Finance 5.75% 01/02/2029	113	0.31		
£100,000 Petrobras Global Finance 6.625% 16/01/2034	108	0.29		
\$99,000 Sirius XM 5% 01/08/2027	75	0.20		
€100,000 Telecom Italia 2.375% 12/10/2027	79	0.21		
€124,000 Telecom Italia 2.875% 28/01/2026	104	0.28		
€100,000 Telecom Italia Finance 7.75% 24/01/2033	111	0.30		
€200,000 Telefónica (Europe) Var. Rate 3% 31/12/2099	167	0.45		
\$200,000 United Rentals North America 4.875% 15/01/2028	147	0.40		
€200,000 Wind Tre FRN 2.75% 20/01/2024	162	0.44		
'B' credit rated bonds				
	1,133	3.06	4.45	
€120,000 Albania (Republic of) 3.5% 09/10/2025	107	0.29		
€250,000 Altice 5.625% 15/05/2024	221	0.60		
€100,000 Altice 5.875% 01/02/2027	88	0.24		
€100,000 Argentina (Republic of) 5% 15/01/2027	64	0.17		
\$69,000 Argentina (Republic of) 5.875% 11/01/2028	40	0.11		
\$50,000 Argentina (Republic of) 6.875% 11/01/2048	28	0.07		
£170,000 Cabot Financial Luxembourg 7.5% 01/10/2023	166	0.45		
€250,000 Egypt (Arab Republic of) 5.625% 16/04/2030	206	0.56		
£14,012 Iceland Bondco FRN 5.17794% 15/07/2020	14	0.04		
€150,000 Selecta 5.875% 01/02/2024	131	0.35		
€100,000 Vallourec 6.375% 15/10/2023	68	0.18		
'CCC' credit rated bonds				
	155	0.42	0.00	
\$200,000 Altice Finco 8.125% 15/01/2024	155	0.42		
Bonds with no credit rating				
	4,584	12.37	13.74	
£300,000 Admiral 5.5% 25/07/2024	317	0.86		
€100,000 Assicurazioni Generali Var. Rate 7.75% 12/12/2042	102	0.28		
€171,000 Banca Monte dei Paschi di Siena 2% 29/01/2024	149	0.40		
£97,300 Brass No. 7 FRN 1.52356% 16/10/2059	97	0.26		
€300,000 Bruxelles Lambert 1.375% 23/05/2024	258	0.70		
€100,000 Cote d'Ivoire 5.125% 15/06/2025	87	0.24		
£256,000 DP World 4.25% 25/09/2030	270	0.73		
\$100,000 DP World 6.85% 02/07/2037	92	0.25		
€200,000 Eurofins Scientific Var. Rate 7%	179	0.48		

### Portfolio statement (continued)

as at 31 March Holding	2019 £'000	2019 %	2018 %
Bonds with no credit rating (continued)			
£93,889 Finsbury Square FRN 1.495% 12/09/2065	94	0.25	
£131,260 Finsbury Square FRN 1.525% 12/09/2065	131	0.35	
£110,000 Hastings Group Finance 3% 24/05/2025	106	0.29	
€200,000 Iliad 1.875% 25/04/2025	161	0.43	
£150,000 Inter-American Development Bank 0.625% 15/12/2021	148	0.40	
€200,000 Lagardère 1.625% 21/06/2024	168	0.45	
£147,420 London Wall Mortgage Capital FRN 1.71988% 15/11/2049	147	0.40	
£200,000 NewDay Partnership Funding FRN 1.47963% 15/12/2027	197	0.53	
£443,244 Oat Hill No. 1 FRN 1.50663% 25/02/2046	442	1.19	
£100,000 Ocado 4% 15/06/2024	101	0.27	
£100,000 PCL Funding II FRN 1.47963% 15/06/2022	100	0.27	
£114,000 PCL Funding III FRN 1.37963% 15/06/2023	113	0.31	
\$200,000 Puma International 5.125% 06/10/2024	137	0.37	
\$200,000 Puma International Financing 5% 24/01/2026	133	0.36	
€100,000 SELP Finance 1.5% 20/11/2025	85	0.23	
£107,000 Shaftesbury 2.348% 30/09/2027	105	0.28	
€200,000 Suez Var. Rate. Perp. 2.875%	175	0.47	
£112,000 Tower Bridge Funding No. 3 FRN 2.03713% 20/12/2061	112	0.30	
£149,000 Virgin Money (UK) Var. Rate 3.375% 24/04/2026	148	0.40	
£129,000 Virgin Money FRN 1.4221% 22/03/2024	129	0.35	
£100,000 Yorkshire Building Society Var. Rate 4.125% 20/11/2024	101	0.27	
Debt derivatives			
	(310)	(0.84)	(0.63)
Credit default swaps			
	(146)	(0.40)	(0.45)
\$250,000 Amgen Jun 2023	(4)	(0.01)	
€(250,000) Anglo American Capital Jun 2022	31	0.08	
€(200,000) Anheuser-Busch InBev Dec 2021	3	0.01	
€(100,000) Glencore Finance Europe Jun 2022	12	0.03	
€(400,000) Glencore Finance Europe Jun 2023	55	0.15	
\$(150,000) Italy (Republic of) Dec 2022	(3)	(0.01)	
\$4,900,000 Markit CDX North American Investment Grade Series 32 5 Year Jun 2024	(62)	(0.17)	
€(950,000) Markit iTraxx Europe Series 29 10 Year Jun 2028	(4)	(0.01)	
€9,800,000 Markit iTraxx Europe Series 31 5 Year Jun 2024	(139)	(0.38)	
€950,000 Markit iTraxx Europe Snr Fin Series 28 5 Year Dec 2022	(7)	(0.02)	
€1,250,000 Markit iTraxx Europe Sub Fin Series 31 5 Year Jun 2024	37	0.10	
€675,000 Markit iTraxx Europe Xover Series 31 5 Year Jun 2024	(61)	(0.16)	
\$200,000 Pfizer Jun 2022	(4)	(0.01)	
Interest rate swaps			
	4	0.01	0.05
£150,000 Pay 0.649% Receive VaR Jun 2022	2	0.01	
£150,000 Pay 0.786% Receive VaR Feb 2022	1	0.00	
£150,000 Pay 0.7975% Receive VaR Mar 2022	1	0.00	
£200,000 Pay 0.799% Receive VaR May 2022	1	0.00	
£300,000 Pay 1.0845% Receive VaR Oct 2022	(1)	0.00	

# M&G Absolute Return Bond Fund

## Authorised Corporate Director's Report

### Investments

Portfolio statement (continued)			
as at 31 March	2019	2019	2018
Holding	£'000	%	%
<b>Interest rate futures</b>	<b>(168)</b>	<b>(0.45)</b>	<b>(0.23)</b>
(43) Euro Bobl Jun 2019	(32)	(0.09)	
(22) Euro Bund Jun 2019	(49)	(0.13)	
(2) Euro Buxl 30 Jun 19	(15)	(0.04)	
(11) Euro Schatz Jun 2019	(2)	0.00	
(3) Euro-Bono Bond Jun 2019	(7)	(0.02)	
(13) Long Gilt Future Jun 2019	(31)	(0.08)	
(7) US Ultra Long Treasury Bond Jun 2019	(32)	(0.09)	
<b>CURRENCY</b>	<b>76</b>	<b>0.21</b>	<b>0.69</b>
<b>Forward currency contracts</b>	<b>76</b>	<b>0.21</b>	<b>0.69</b>
€817,653 Bought for £700,226 (expires 10.04.19)	1	0.00	
€(18,941,169) Sold for £16,300,341 (expires 10.04.19)	64	0.17	
¥158,658,010 Bought for £1,092,299 (expires 10.04.19)	1	0.01	
¥28,000,000 Bought for €223,979 (expires 10.04.19)	1	0.00	
CHF236,200 Bought for £179,215 (expires 10.04.19)	2	0.01	
\$(11,497,292) Sold for £8,776,198 (expires 10.04.19)	7	0.02	
<b>Portfolio of investments</b>	<b>36,116</b>	<b>97.45</b>	<b>98.75</b>
<b>CASH EQUIVALENTS</b>	<b>26</b>	<b>0.07</b>	<b>0.75</b>
<b>'AAA' rated money market funds [a]</b>	<b>26</b>	<b>0.07</b>	<b>0.75</b>
26,000 Northern Trust Global Fund - Sterling	26	0.07	
<b>SHARE CLASS HEDGING</b>	<b>0</b>	<b>0.00</b>	<b>0.00</b>
<b>Forward currency contracts for share class hedging</b>	<b>0</b>	<b>0.00</b>	<b>0.00</b>
€30,960 Bought for £26,639 (expires 10.04.19)	0	0.00	
€(713) Sold for £614 (expires 10.04.19)	0	0.00	
<b>Total portfolio (notes 2c &amp; 2d on page 7)</b>	<b>36,142</b>	<b>97.52</b>	<b>99.50</b>
<b>Net other assets / (liabilities)</b>	<b>919</b>	<b>2.48</b>	<b>0.50</b>
<b>Net assets attributable to shareholders</b>	<b>37,061</b>	<b>100.00</b>	<b>100.00</b>

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

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

# M&G Absolute Return Bond Fund

## Financial highlights

### Fund performance

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

The following chart and tables show the performance for two of the fund's share classes – Sterling Class 'A' (Accumulation) shares and Sterling Class 'I' (Accumulation) shares.

We show performance for these two share classes because:

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

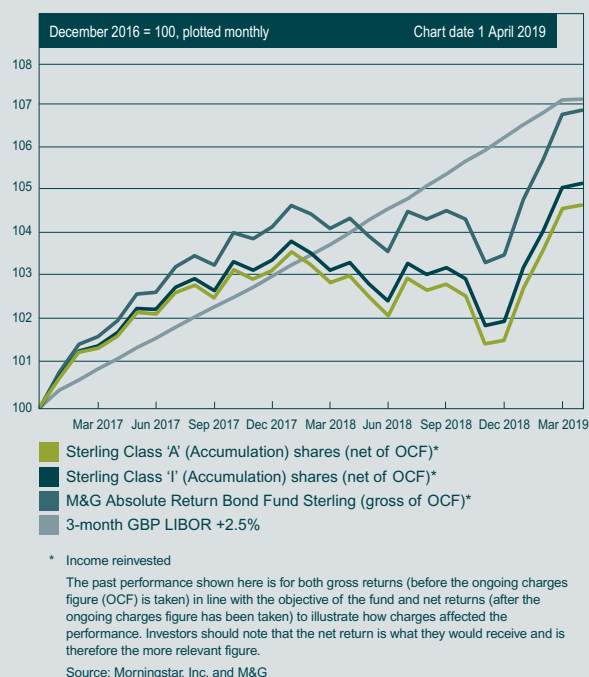
The fund is available for investment in different share classes, each with varying levels of charges and minimum investments; please refer to the Prospectus for M&G Investment Funds (10), which is available free of charge either from our website at [www.mandg.co.uk/prospectuses](http://www.mandg.co.uk/prospectuses)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

### Fund level performance

Fund net asset value			
as at 31 March	2019 £'000	2018 £'000	2017 £'000
Fund net asset value (NAV)	37,061	33,565	17,126

### Performance since launch

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



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

Long-term performance by share class				
	One year 03.04.18 % [a]	Three years 01.04.16 % p.a.	Five years 01.04.14 % p.a.	Since launch % p.a.
<b>Euro [b]</b>				
Class 'Z-H'	n/a	n/a	n/a	+1.1 [c]
<b>Sterling [b]</b>				
Class 'A'	+1.7	n/a	n/a	+2.0 [d]
Class 'I'	+1.9	n/a	n/a	+2.2 [d]
Class 'L'	+2.1	n/a	n/a	+2.3 [d]

[a] Absolute basis.

[b] Price to price with income reinvested.

[c] 20 April 2018, the launch date of the share class. Not annualised.

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

# M&G Absolute Return Bond Fund

## Financial highlights

### Fund performance

## Operating charges and portfolio transaction costs

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

### Operating charges

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

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

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

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

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

### Portfolio transaction costs

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

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

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

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

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

### Portfolio transaction costs

as at 31 March	2019	2018	2017	Average <sup>[a]</sup>
Indirect portfolio transaction costs	%	%	%	%
Average portfolio dealing spread	0.56	0.50	0.46	0.51

<sup>[a]</sup> Average of first three columns.

# M&G Absolute Return Bond Fund

## Financial highlights

### Specific share class performance

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

#### Euro Class 'Z-H' Accumulation share performance

The share class was launched on 20 April 2018.

for the year to 31 March Change in NAV per share	2019 Euro ¢	2018 Euro ¢	2017 Euro ¢
Opening NAV	1,000.00	n/a	n/a
Return before operating charges and after direct portfolio transaction costs	9.35	n/a	n/a
Operating charges	(2.50)	n/a	n/a
Return after operating charges	6.85	n/a	n/a
Distributions	(26.28)	n/a	n/a
Retained distributions	26.28	n/a	n/a
Closing NAV	1,006.85	n/a	n/a
<b>Direct portfolio transaction costs</b>	<b>Euro ¢</b>	<b>Euro ¢</b>	<b>Euro ¢</b>
Costs before dilution adjustments	0.03	n/a	n/a
Dilution adjustments <sup>[a]</sup>	0.00	n/a	n/a
Total direct portfolio transaction costs	0.03	n/a	n/a
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.00	n/a	n/a
Operating charges	0.27*	n/a	n/a
Return after operating charges	+0.69	n/a	n/a
Distribution yield	2.90	n/a	n/a
Effect on yield of charges offset against capital	0.00	n/a	n/a
<b>Other information</b>			
Closing NAV (£'000)	26	n/a	n/a
Closing NAV percentage of total fund NAV (%)	0.07	n/a	n/a
Number of shares	3,000	n/a	n/a
Highest share price (Euro ¢)	1,009.60	n/a	n/a
Lowest share price (Euro ¢)	977.98	n/a	n/a

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

#### Sterling Class 'A' Income share performance

The share class was launched on 13 December 2016.

for the year to 31 March Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	99.88	100.35	100.00
Return before operating charges and after direct portfolio transaction costs	2.49	2.56	1.18
Operating charges	(0.89)	(0.82)	(0.31)
Return after operating charges	1.60	1.74	0.87
Distributions	(2.94)	(2.21)	(0.52)
Closing NAV	98.54	99.88	100.35
<b>Direct portfolio transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments <sup>[a]</sup>	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.00
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.00	0.00	0.00
Operating charges	0.90	0.81	1.10*
Return after operating charges	+1.60	+1.73	+0.87
Distribution yield	3.07	2.42	2.26
Effect on yield of charges offset against capital	0.80	0.80	0.80
<b>Other information</b>			
Closing NAV (£'000)	583	362	211
Closing NAV percentage of total fund NAV (%)	1.57	1.08	1.23
Number of shares	591,724	362,389	210,000
Highest share price (UK p)	100.40	102.28	101.37
Lowest share price (UK p)	97.12	100.80	99.89

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

#### Sterling Class 'A' Accumulation share performance

The share class was launched on 13 December 2016.

for the year to 31 March Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	102.58	100.87	100.00
Return before operating charges and after direct portfolio transaction costs	2.59	2.57	1.18
Operating charges	(0.92)	(0.86)	(0.31)
Return after operating charges	1.67	1.71	0.87
Distributions	(2.22)	(1.40)	(0.28)
Retained distributions	2.22	1.40	0.28
Closing NAV	104.25	102.58	100.87
<b>Direct portfolio transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments <sup>[a]</sup>	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.00
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.00	0.00	0.00
Operating charges	0.90	0.85	1.04*
Return after operating charges	+1.63	+1.70	+0.87
Distribution yield	2.27	1.59	1.40
Effect on yield of charges offset against capital	0.00	0.00	0.00
<b>Other information</b>			
Closing NAV (£'000)	408	258	20
Closing NAV percentage of total fund NAV (%)	1.10	0.77	0.12
Number of shares	391,877	251,544	20,000
Highest share price (UK p)	104.54	103.61	101.38
Lowest share price (UK p)	101.14	101.32	99.89

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

# M&G Absolute Return Bond Fund

## Financial highlights

### Specific share class performance

#### Sterling Class 'I' Income share performance

The share class was launched on 13 December 2016.

for the year to 31 March Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	100.12	100.41	100.00
Return before operating charges and after direct portfolio transaction costs	2.52	2.50	1.18
Operating charges	(0.70)	(0.61)	(0.25)
Return after operating charges	1.82	1.89	0.93
Distributions	(2.95)	(2.18)	(0.52)
Closing NAV	98.99	100.12	100.41
<b>Direct portfolio transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments <sup>[a]</sup>	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.00
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.00	0.00	0.00
Operating charges	0.70	0.61	0.89*
Return after operating charges	+1.82	+1.88	+0.93
Distribution yield	3.07	2.38	2.26
Effect on yield of charges offset against capital	0.60	0.60	0.60
<b>Other information</b>			
Closing NAV (£'000)	5,405	4,542	186
Closing NAV percentage of total fund NAV (%)	14.59	13.53	1.08
Number of shares	5,459,868	4,535,836	185,000
Highest share price (UK p)	100.84	102.43	101.42
Lowest share price (UK p)	97.51	100.86	99.89

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

#### Sterling Class 'I' Accumulation share performance

The share class was launched on 13 December 2016.

for the year to 31 March Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	102.86	100.93	100.00
Return before operating charges and after direct portfolio transaction costs	2.61	2.57	1.18
Operating charges	(0.72)	(0.64)	(0.25)
Return after operating charges	1.89	1.93	0.93
Distributions	(2.44)	(1.63)	(0.34)
Retained distributions	2.44	1.63	0.34
Closing NAV	104.75	102.86	100.93
<b>Direct portfolio transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments <sup>[a]</sup>	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.00
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.00	0.00	0.00
Operating charges	0.70	0.63	0.85*
Return after operating charges	+1.84	+1.91	+0.93
Distribution yield	2.47	1.79	1.60
Effect on yield of charges offset against capital	0.00	0.00	0.00
<b>Other information</b>			
Closing NAV (£'000)	28,183	26,443	16,669
Closing NAV percentage of total fund NAV (%)	76.04	78.78	97.33
Number of shares	26,905,845	25,708,589	16,516,155
Highest share price (UK p)	105.03	103.86	101.42
Lowest share price (UK p)	101.56	101.38	99.89

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

# M&G Absolute Return Bond Fund

## Financial highlights

### Specific share class performance

#### Sterling Class 'L' Income share performance

The share class was launched on 13 December 2016.

for the year to 31 March Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	100.25	100.44	100.00
Return before operating charges and after direct portfolio transaction costs	2.53	2.52	1.18
Operating charges	(0.60)	(0.51)	(0.22)
Return after operating charges	1.93	2.01	0.96
Distributions	(2.96)	(2.20)	(0.52)
Closing NAV	99.22	100.25	100.44
<b>Direct portfolio transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments <sup>[a]</sup>	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.00
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.00	0.00	0.00
Operating charges	0.60	0.51	0.74*
Return after operating charges	+1.93	+2.00	+0.96
Distribution yield	3.07	2.39	2.26
Effect on yield of charges offset against capital	0.50	0.50	0.50
<b>Other information</b>			
Closing NAV (£'000)	2,375	1,939	20
Closing NAV percentage of total fund NAV (%)	6.41	5.78	0.12
Number of shares	2,393,585	1,934,436	20,000
Highest share price (UK p)	101.07	102.50	101.45
Lowest share price (UK p)	97.71	100.89	99.89

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

#### Sterling Class 'L' Accumulation share performance

The share class was launched on 13 December 2016.

for the year to 31 March Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	103.01	100.96	100.00
Return before operating charges and after direct portfolio transaction costs	2.64	2.60	1.18
Operating charges	(0.60)	(0.55)	(0.22)
Return after operating charges	2.04	2.05	0.96
Distributions	(2.55)	(1.75)	(0.37)
Retained distributions	2.55	1.75	0.37
Closing NAV	105.05	103.01	100.96
<b>Direct portfolio transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments <sup>[a]</sup>	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.00
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.00	0.00	0.00
Operating charges	0.59	0.54	0.74*
Return after operating charges	+1.98	+2.03	+0.96
Distribution yield	2.57	1.88	1.70
Effect on yield of charges offset against capital	0.00	0.00	0.00
<b>Other information</b>			
Closing NAV (£'000)	81	21	20
Closing NAV percentage of total fund NAV (%)	0.22	0.06	0.12
Number of shares	77,348	20,000	20,000
Highest share price (UK p)	105.34	103.99	101.45
Lowest share price (UK p)	101.79	101.41	99.89

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

<sup>[a]</sup> In respect of direct portfolio transaction costs.

<sup>[b]</sup> As a percentage of average net asset value.



# M&G Absolute Return Bond Fund

## Financial statements and notes

### Financial statements

Statement of total return					
for the year to 31 March	Note	2019 £'000		2018 £'000	
Income					
Net capital gains / (losses)	3		(196)		(87)
Revenue	5	1,104		585	
Expenses	6	(233)		(153)	
Net revenue / (expense) before taxation		871		432	
Taxation	7	(1)		(1)	
Net revenue / (expense) after taxation			870		431
<b>Total return before distributions</b>			<b>674</b>		<b>344</b>
Distributions	8		(909)		(446)
<b>Change in net assets attributable to shareholders from investment activities</b>			<b>(235)</b>		<b>(102)</b>

Statement of change in net assets attributable to shareholders				
	2019		2018	
for the year to 31 March	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		33,565		17,126
Amounts received on issue of shares	8,947		17,026	
Amounts paid on cancellation of shares	(5,883)		(894)	
		3,064		16,132
Dilution adjustments		6		22
Change in net assets attributable to shareholders from investment activities (see above)		(235)		(102)
Retained distributions on Accumulation shares		661		387
Closing net assets attributable to shareholders		37,061		33,565

Balance sheet			
as at 31 March	Note	2019 £'000	2018 £'000
<b>Assets</b>			
<b>Fixed assets</b>			
Investments		36,569	33,503
<b>Current assets</b>			
Debtors	9	1,541	425
Cash and bank balances	10	830	300
Cash equivalents		26	252
<b>Total assets</b>		<b>38,966</b>	<b>34,480</b>
<b>Liabilities</b>			
Investment liabilities		(453)	(357)
<b>Creditors</b>			
Overdrawn positions at futures clearing houses and collateral manager		(98)	(4)
Distribution payable		(133)	(83)
Other creditors	11	(1,221)	(471)
<b>Total liabilities</b>		<b>(1,905)</b>	<b>(915)</b>
<b>Net assets attributable to shareholders</b>		<b>37,061</b>	<b>33,565</b>

### Notes to the financial statements

#### 1 Accounting policies

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

#### 2 Distribution policy

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

#### 3 Net capital gains / (losses)

for the year to 31 March	2019 £'000	2018 £'000
Non-derivative securities	225	(341)
Derivative contracts	(558)	(60)
Currency gains / (losses)	159	324
Transaction charges	(22)	(10)
<b>Net capital gains / (losses)</b>	<b>(196)</b>	<b>(87)</b>

#### 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 18.

for the year to 31 March	2019 £'000	2018 £'000		
a) Purchases				
Debt securities <sup>[a]</sup>	24,132	38,364		
Other transaction types				
Corporate actions	0	528		
Total purchases after transaction costs	24,132	38,892		
b) Sales				
Debt securities <sup>[a]</sup>	20,677	22,096		
Other transaction types				
Corporate actions	459	0		
Total sales after transaction costs	21,136	22,096		
c) Direct portfolio transaction costs	2019 £'000	% of average NAV	2018 £'000	% of average NAV
There were no direct portfolio transaction costs				
d) Indirect portfolio transaction costs		%		%
Portfolio dealing spread <sup>[b]</sup>		0.56		0.50

<sup>[a]</sup> These transaction types do not attract direct portfolio transaction costs.

<sup>[b]</sup> Average portfolio dealing spread at the balance sheet date.

#### 5 Revenue

for the year to 31 March	2019 £'000	2018 £'000
Bank interest	1	0
Derivative revenue	20	(13)
Interest distributions	2	2
Interest on debt securities	1,081	596
<b>Total revenue</b>	<b>1,104</b>	<b>585</b>



# M&G Absolute Return Bond Fund

## Financial statements and notes

### Notes to the financial statements

#### 6 Expenses

for the year to 31 March	2019 £'000	2018 £'000
<b>Payable to the ACD or associate</b>		
Annual management charge	163	116
Administration charge	54	39
	217	155
<b>Payable to the Depositary or associate</b>		
Depositary's charge (including VAT)	3	3
<b>Other expenses</b>		
Audit fee (including VAT)	9	3
Audit fee paid by M&G Securities Limited (including VAT) <sup>[a]</sup>	0	(10)
Dividend charges	1	0
Interest payable	1	0
Safe custody charge	2	2
	13	(5)
<b>Total expenses</b>	<b>233</b>	<b>153</b>

<sup>[a]</sup> The audit fee is borne by M&G Securities Limited for one year from the date of launch. The amount received in 2018 relates to a refund of the audit fee charged to the fund in 2017 which should have been paid by M&G Securities Limited. The audit fee paid by M&G Securities Limited in 2018 was £7,116 (including VAT).

#### 7 Taxation

for the year to 31 March	2019 £'000	2018 £'000
<b>a) Analysis of charge in the year</b>		
Corporation tax	0	0
Withholding tax	1	1
Deferred tax (note 7c)	0	0
<b>Total taxation</b>	<b>1</b>	<b>1</b>
<b>b) Factors affecting taxation charge for the year</b>		
Net revenue / (expense) before taxation	871	432
Corporation tax at 20%	174	86
Effects of:		
Interest distributions	(172)	(84)
Withholding tax	1	1
Retail Prices Index adjustments to gilts	(2)	(2)
<b>Total tax charge (note 7a)</b>	<b>1</b>	<b>1</b>
<b>c) Provision for deferred taxation</b>		
Provision at the start of the year	0	0
Deferred tax in profit and loss account (note 7a)	0	0
<b>Provision at the end of the year</b>	<b>0</b>	<b>0</b>

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

#### 8 Distributions

	2019		2018	
for the year to 31 March	Inc <sup>[a]</sup> £'000	Acc <sup>[b]</sup> £'000	Inc <sup>[a]</sup> £'000	Acc <sup>[b]</sup> £'000
<b>Interest distributions</b>				
Interim	115	298	45	148
Final	133	363	83	239
Total net distributions		909		515
Income deducted on cancellation of shares		46		5
Income received on issue of shares		(46)		(74)
<b>Distributions</b>		<b>909</b>		<b>446</b>
Net revenue / (expense) per statement of total return		870		431
Expenses offset against capital		47		24
Effective yield adjustments not distributed		(8)		(9)
<b>Distributions</b>		<b>909</b>		<b>446</b>

<sup>[a]</sup> Distributions payable on Income shares.

<sup>[b]</sup> Retained distributions on Accumulation shares.

#### 9 Debtors

as at 31 March	2019 £'000	2018 £'000
Amounts receivable on issues of shares	54	108
Debt security interest receivable	333	222
Derivative revenue receivable	1	1
Due from M&G Securities Limited	7	7
Sales awaiting settlement	1,145	87
Withholding tax recoverable	1	0
<b>Total debtors</b>	<b>1,541</b>	<b>425</b>

#### 10 Cash and bank balances

as at 31 March	2019 £'000	2018 £'000
Amounts held at futures clearing houses and collateral manager	429	150
Cash held as bank balances	401	150
<b>Total cash and bank balances</b>	<b>830</b>	<b>300</b>

#### 11 Other creditors

as at 31 March	2019 £'000	2018 £'000
ACD's annual management charge payable	8	7
Administration charge payable	3	2
Derivative expense payable	2	3
Expenses payable	9	7
Purchases awaiting settlement	1,199	452
<b>Total other creditors</b>	<b>1,221</b>	<b>471</b>

#### 12 Contingent assets, liabilities and outstanding commitments

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

# M&G Absolute Return Bond Fund

## Financial statements and notes

### Notes to the financial statements

#### 13 Shares in issue

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

Share class	Opening 01.04.18	Movements		Closing 31.03.19
		Issued	Cancelled	
<b>Euro</b>				
Class 'Z-H' Accumulation	0	3,000	0	3,000
<b>Sterling</b>				
Class 'A' Income	362,389	313,443	(84,108)	591,724
Class 'A' Accumulation	251,544	262,384	(122,051)	391,877
Class 'I' Income	4,535,836	1,271,777	(347,745)	5,459,868
Class 'I' Accumulation	25,708,589	5,589,622	(4,392,366)	26,905,845
Class 'L' Income	1,934,436	478,518	(19,369)	2,393,585
Class 'L' Accumulation	20,000	857,204	(799,856)	77,348

#### 14 Charging structure

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

Share class	Entry charge %	Exit charge %	Annual management charge %	Share class hedging charge %
<b>Euro</b>				
Class 'Z-H'	nil	n/a	nil	[a]
<b>Sterling</b>				
Class 'A'	nil	n/a	0.65	n/a
Class 'I'	nil	n/a	0.45	n/a
Class 'L'	nil	n/a	0.35	n/a

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

#### 15 Related parties

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

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

At the balance sheet date, shareholders from within Prudential plc, of which M&G Securities Limited is a wholly owned subsidiary, have holdings totalling 41.87% (2018: 45.71%) 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.

	Assets 2019 £'000	Liabilities 2019 £'000	Assets 2018 £'000	Liabilities 2018 £'000
as at 31 March				
Basis of valuation				
Level 1	2,373	(168)	2,296	(77)
Level 2	34,196	(285)	31,207	(280)
Level 3	0	0	0	0
	36,569	(453)	33,503	(357)

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

#### 18 Risk management policies

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

# M&G Absolute Return Bond Fund

## Financial statements and notes

### Notes to the financial statements

#### 19 Market risk sensitivity and exposure

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

The VaR limit set during the financial year to 31 March 2019 was 3.3% (2018: 6%).

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 31 March 2019 and 31 March 2018.

	2019	2019	2018	2018
	Utilisation of	Utilisation of		
for the year to 31 March	upper limit VaR [a]	upper limit VaR [a]		
	3.3%	% of VaR	6%	
Lowest	0.60	17.94	1.13	18.75
Highest	1.60	47.98	1.68	27.93
Average	0.91	27.29	1.34	22.40

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

#### 20 Credit risk

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

as at 31 March	2019	2018
	£'000	£'000
Investment grade securities	26,560	23,053
Below investment grade securities	5,206	5,461
Unrated securities	4,584	4,612
Other investments	(234)	20
<b>Total</b>	<b>36,116</b>	<b>33,146</b>

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 31 March 2019	Swaps	Forward	Futures
	£'000	currency	£'000
		contracts	
		£'000	
Bank of America Merrill Lynch	0	0	(168)
Barclays Bank	(43)	(1)	0
Citigroup	(55)	(2)	0
Goldman Sachs	74	(1)	0
HSBC	0	11	0
JPMorgan	(121)	0	0
State Street Bank	0	69	0
UBS	3	0	0
<b>Total</b>	<b>(142)</b>	<b>76</b>	<b>(168)</b>

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

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

#### 21 Leverage risk

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

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

The lowest, highest and average level of leverage employed and utilisation of the leverage level calculated during the financial years ended 31 March 2019 and 31 March 2018 are disclosed in the table below.

for the year to 31 March	2019 [a]	2019 [a]	2018 [a]	2018 [a]
	£'000	% [b]	£'000	% [b]
Lowest	36,033	105	22,910	96
Highest	106,181	287	54,786	165
Average	49,740	137	33,890	113

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

[b] Expressed as a percentage over net assets.

#### 22 Exchange rate risk for hedged share classes

This fund contains hedged share classes. These share classes operate currency hedges designed to reduce the impact of exchange rates in certain circumstances. As a result, profit and loss on the currency hedges may impact the liquidity of the overall fund. On a day to day basis this is monitored using reporting from the outsourced provider of the hedged share class service. On an ongoing basis the size of the hedged share classes is monitored to ensure that unforeseen exchange rate volatility can be adequately managed without significantly impacting all shareholders. The exposure to forward currency contracts for share class hedging at the year-end accounting date is disclosed in the portfolio statement on page 16.

# M&G Absolute Return Bond Fund

## Financial statements and notes

### Notes to the financial statements

#### 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	01.04.18	30.09.18	01.10.18	30.11.18
Final	01.10.18	31.03.19	01.04.19	31.05.19

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

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

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

Euro Class 'Z-H' Accumulation shares				
Interest distributions for the year to 31 March	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
	€	€	€	€
Interim	11.3446	0.0000	11.3446	n/a
Final	14.9330	0.0000	14.9330	n/a

Sterling Class 'A' Income shares				
Interest distributions for the year to 31 March	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
	p	p	p	p
Interim	0.6388	0.7336	1.3724	0.9954
Final	1.2164	0.3546	1.5710	1.2142

Sterling Class 'A' Accumulation shares				
Interest distributions for the year to 31 March	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
	p	p	p	p
Interim	0.4053	0.6023	1.0076	0.5914
Final	0.4243	0.7915	1.2158	0.8119

Sterling Class 'I' Income shares				
Interest distributions for the year to 31 March	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
	p	p	p	p
Interim	0.7856	0.5911	1.3767	0.9685
Final	0.9238	0.6537	1.5775	1.2160

Sterling Class 'I' Accumulation shares				
Interest distributions for the year to 31 March	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
	p	p	p	p
Interim	0.6362	0.4755	1.1117	0.7065
Final	0.7805	0.5459	1.3264	0.9194

Sterling Class 'L' Income shares				
Interest distributions for the year to 31 March	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
	p	p	p	p
Interim	1.1661	0.2127	1.3788	0.9803
Final	1.5806	0.0000	1.5806	1.2176

Sterling Class 'L' Accumulation shares				
Interest distributions for the year to 31 March	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
	p	p	p	p
Interim	1.1651	0.0000	1.1651	0.7669
Final	0.4155	0.9647	1.3802	0.9784

# M&G Global Listed Infrastructure Fund

## Authorised Corporate Director's Report

### Investment objective

The fund has two aims:

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

### Investment policy

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

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

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

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

### Investment approach

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

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

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

### Risk profile

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

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

The fund's focus is on shares of companies that have the potential to grow their dividends over the long term. Income distributions from the fund's holdings, however, are not guaranteed and may vary.

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

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



The above number:

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

### Investment review

**As at 1 April 2019, for the year ended 31 March 2019**

#### Distribution summary

Over the 12-month review period to 1 April 2019, the fund distributed income of 3.4980 pence per Sterling Class 'A' (Income) share. The fund made just two quarterly payments totalling 1.1794 pence in the previous financial year following its launch on 5 October 2017.

The fund benefited from dividend increases from a variety of sectors and countries. (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.)



# M&G Global Listed Infrastructure Fund

## Authorised Corporate Director's Report

### Investment review

#### Distribution summary (continued)

In 'economic' infrastructure, our holdings in utilities delivered more impressive growth than the pedestrian progress more commonly associated with the sector. Italy's Enel and Nextera Energy of the US were among the holdings that reported double-digit increases. Energy was another source of solid growth as Enbridge and TransCanada raised their dividends by 10%, while ONEOK announced a dividend increase every quarter. Union Pacific provided the most significant uplift in transportation infrastructure after the US railroads company reported two 10% hikes during the review period. Vinci, a French toll road operator, and Sydney Airport raised their dividends by 9%.

In 'social' infrastructure, Unite made the standout contribution with a 28% dividend boost. The other holdings in this infrastructure class delivered dividend increases which were broadly in line with inflation – a more usual growth rate for this category.

'Evolving' infrastructure, which invests in the physical networks that support our increasingly digital economy, provided an exciting source of growth. Infrastrutture Wireless Italiane (INWIT), which owns and operates communication towers in Italy, reported a dividend which was 29% higher than last year's payment, while its US peer American Tower raised its dividend twice. MasterCard in payments infrastructure was responsible for the biggest increase during the review period with a 32% uplift in the dividend.

Not all our holdings delivered robust growth, however. Ventas was among a handful of companies in the portfolio whose dividend increases failed to keep pace with inflation. The stock has since been sold. There were no dividend cuts during the review period.

Aside from these minor disappointments, dividend growth was solid across the portfolio in the fund's first full financial year. We are very aware that a rising income stream is important to many of our investors and we remain focused on meeting this objective.

The fund's distribution is shown in the 'Specific share class performance' tables in this report. The distribution is subject to a variety of influences, including changes in the market environment, movements in currency exchange rates and changes in the fund's tax status. Consequently, there is no guarantee that the fund will increase the income stream in every reporting period.

#### Performance against objective

Between 3 April 2018 (the start of the review period) and 1 April 2019, the M&G Global Listed Infrastructure Fund delivered a positive total return (the combination of income and growth of capital) and outperformed the MSCI ACWI Index, a comparative index. The index of global equities returned 12.4% in sterling. The fund therefore met its objective of outperforming the MSCI ACWI Index over this short timeframe. The fund also delivered on its objective of increasing the income stream.\*

It is not possible to assess the fund's performance against its objective over five years because the fund was only launched on 5 October 2017.

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

### Investment performance

The fund delivered returns of more than 20% during the past 12 months, but the journey was by no means smooth. Global stockmarkets rallied in the first six months of the review period, before an abrupt reversal in October and December which saw the MSCI ACWI Index drop by more than 10% in sterling. Markets subsequently recovered in the first three months of 2019 and ended the 12-month period with solid gains.

Against this turbulent backdrop, the fund outperformed its comparative index by providing downside protection in falling markets and participating in the upside during market rallies. It was also pleasing to see the fund benefit from its diversified approach to listed infrastructure, with positive contributions from across the portfolio.

Our holdings in energy infrastructure performed strongly, led by Gibson Energy whose shares returned more than 40% in local currency. The Canadian company reported record results for 2018 and remains on track to deliver on its updated strategic plan. ONEOK, Enbridge and Atmos Energy also featured prominently among the top contributors.

Elsewhere in 'economic' infrastructure, Enel, Ørsted and Naturgy Energy delivered impressive gains in a utilities sector which outperformed a rising market. Union Pacific, a US railroads company, and CCR, a Brazilian toll road operator, made the biggest contributions in transportation infrastructure.

Ventas, which serves the healthcare industry, was the leading performer in 'social' infrastructure, followed by John Laing Infrastructure Fund (JLIF) which was a beneficiary of a takeover bid.

In the 'evolving' category, American Tower and Crown Castle International enjoyed strong increases in their share prices as the communication towers companies continued to benefit from the global phenomenon of growing demand for mobile data.

Turning to the detractors, PrairieSky Royalty was the biggest drag on performance, offsetting the positive contribution from its peer Franco Nevada. Flughafen Zurich, which operates Zurich Airport, drifted lower after regulatory intervention raised concerns about future revenue and returns. Hydro One, a utility serving the Canadian province of Ontario, was hindered by governance issues which made the investment case untenable for many investors, including ourselves.

Not owning Microsoft, Amazon.com and Apple also held back returns relative to the MSCI ACWI Index in an environment where technology-related stocks led the markets higher.

#### Investment activities

We made three new purchases and four complete sales during the 12 months under review – a level of turnover consistent with our long-term investment timeframe of five years or more.

We initiated a position in Enel, an Italian utility, in June as concerns about the political situation in Italy led to indiscriminate selling. Enel's business is not confined to the domestic market and most of its profits are derived from outside the country, including Latin America which offers exciting growth opportunities.

SDCL Energy Efficiency Income Trust was added to the 'social' category of the fund in December. The UK-listed company installs energy efficient infrastructure on long-term contracts of 10-15 years and the shares offer an attractive combination of high dividend yield (dividend as a percentage of the share price) and meaningful dividend

# M&G Global Listed Infrastructure Fund

## Authorised Corporate Director's Report

### Investment review

#### Investment activities (continued)

growth. The new holding also boosted the fund's exposure to sterling dividends, which is helpful as we manage the income stream for our UK investors.

CSX, a US railroad transportation company, was the final purchase during the review period. We started the holding in January to complement our existing position in Union Pacific. We believe both companies have excellent long-term prospects.

Turning to sales, we sold the holding in Hydro One on environmental, social and governance (ESG) grounds, after management changes imposed by the newly elected premier of Ontario raised serious governance concerns. JLIF exited the portfolio in September after a cash offer for the UK company was recommended by the board. The stake in CK Infrastructure, a Hong Kong-listed utility, was sold in October as a source of cash for better ideas. We completed the sale of Ventas in February as its dividend growth fell short of our expectations. We would be happy to invest in Ventas again should dividend growth improve to more acceptable levels.

The number of holdings slipped from 43 to 42. Listed infrastructure as an asset class offers excellent opportunities for stockpickers and we believe the potential for investors is best captured by a conviction-based approach.

From a geographic perspective, the fund continues to have meaningful exposure to North America with more than 50% of the fund invested in the region. The UK weighting rose to 14% following the purchase of SDCL. The fund continues to limit exposure to regulated UK utilities intentionally. Europe excluding the UK increased to 23% with the new addition of Enel, while Asia Pacific ex Japan fell to 7% after we sold the stake in CK Infrastructure. The fund continues to have exposure to Latin America through Brazil and a zero weighting in Japan.

#### Outlook

The vagaries of market movements over the past year took many investors by surprise, and the shifting sands of market leadership have left many seeking direction. Volatility is not synonymous with risk, however, and it is our strong belief that short-term swings in sentiment can present excellent opportunities for long-term investors.

We strongly believe that listed infrastructure offers more than so-called bond proxies which mimic bond price movements, and we are resolutely focused on companies with potential for long-term growth, while capturing the defensive characteristics of the asset class. In addition to growth, valuation is a crucial aspect of the stock selection process. From this perspective, we are excited by the array of attractive prices we see for businesses with solid growth prospects across a variety of countries and sectors.

We are pleased with the progress of our holdings in the current reporting season and we are encouraged by their robust operating performance which is manifested in continued dividend growth. Dividends are the ultimate sign of management confidence and the dividend increases we are seeing from the fund's holdings reflect well on the long-term potential and the financial health of the companies we are invested in. The growing income stream that we aim to deliver

for our investors is available at a premium yield – the fund offers a yield (distributed income as a percentage of the share price) of 3.28% (as at 1 April 2019) versus a yield of 2.54% for the MSCI ACWI Index – which remains attractive, in our view, in a world where yields are scarce across financial markets.

We continue to believe that the combination of strong dividend growth and attractive valuation stands us in good stead to generate competitive returns over the long term.

#### Alex Araujo

Fund manager

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

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

### Investments

#### Portfolio statement

as at 31 March Holding	2019 £'000	2019 %	2018 %
<b>EQUITIES</b>	<b>45,589</b>	<b>98.36</b>	<b>98.60</b>
Oil, gas & consumable fuels	7,624	16.45	17.64
United States	1,393	3.01	2.82
26,323 ONEOK	1,393	3.01	
<b>Canada</b>	<b>6,231</b>	<b>13.44</b>	<b>14.82</b>
49,233 Enbridge	1,376	2.97	
88,991 Gibson Energy	1,155	2.49	
26,041 Keyera	466	1.00	
178,481 PrairieSky Royalty	1,858	4.01	
40,236 TransCanada	1,376	2.97	
<b>Metals &amp; mining</b>	<b>1,820</b>	<b>3.93</b>	<b>3.21</b>
<b>Canada</b>	<b>1,820</b>	<b>3.93</b>	<b>3.21</b>
31,808 Franco Nevada	1,820	3.93	
<b>Construction &amp; engineering</b>	<b>3,457</b>	<b>7.46</b>	<b>7.15</b>
<b>France</b>	<b>2,046</b>	<b>4.41</b>	<b>3.83</b>
27,716 Vinci	2,046	4.41	
<b>Spain</b>	<b>1,411</b>	<b>3.05</b>	<b>3.32</b>
78,584 Ferrovial	1,411	3.05	
<b>Commercial services &amp; supplies</b>	<b>910</b>	<b>1.96</b>	<b>1.74</b>
<b>United States</b>	<b>910</b>	<b>1.96</b>	<b>1.74</b>
14,804 Republic Services	910	1.96	
<b>Road &amp; rail</b>	<b>2,326</b>	<b>5.02</b>	<b>4.72</b>
<b>United States</b>	<b>1,840</b>	<b>3.97</b>	<b>2.76</b>
16,056 CSX	912	1.97	
7,359 Union Pacific	928	2.00	
<b>Hong Kong</b>	<b>486</b>	<b>1.05</b>	<b>1.96</b>
103,000 MTR	486	1.05	
<b>Transportation infrastructure</b>	<b>3,293</b>	<b>7.10</b>	<b>7.63</b>
<b>Switzerland</b>	<b>481</b>	<b>1.04</b>	<b>1.27</b>
3,458 Flughafen Zurich	481	1.04	
<b>Brazil</b>	<b>510</b>	<b>1.10</b>	<b>0.59</b>
220,577 CCR	510	1.10	
<b>Australia</b>	<b>2,098</b>	<b>4.52</b>	<b>4.20</b>
173,884 Sydney Airport	698	1.50	
196,175 Transurban	1,400	3.02	

# M&G Global Listed Infrastructure Fund

## Authorised Corporate Director's Report

### Investments

Portfolio statement (continued)			
as at 31 March Holding	2019 £'000	2019 %	2018 %
<b>Cayman Islands</b>	<b>204</b>	<b>0.44</b>	<b>1.57</b>
496,000 Hopewell Highway Infrastructure	204	0.44	
<b>Capital markets</b>	<b>2,352</b>	<b>5.07</b>	<b>4.43</b>
<b>United States</b>	<b>1,429</b>	<b>3.08</b>	<b>2.89</b>
5,735 CME	712	1.53	
12,573 Intercontinental Exchange	717	1.55	
<b>Guernsey</b>	<b>923</b>	<b>1.99</b>	<b>1.54</b>
592,702 HICL Infrastructure	923	1.99	
<b>IT services</b>	<b>1,366</b>	<b>2.95</b>	<b>1.42</b>
<b>United States</b>	<b>1,366</b>	<b>2.95</b>	<b>1.42</b>
3,823 MasterCard	685	1.48	
5,772 Visa	681	1.47	
<b>Diversified telecommunication services</b>	<b>995</b>	<b>2.15</b>	<b>3.61</b>
<b>Italy</b>	<b>478</b>	<b>1.03</b>	<b>1.20</b>
69,919 Infrastrutture Wireless Italiane	478	1.03	
<b>Singapore</b>	<b>517</b>	<b>1.12</b>	<b>2.41</b>
1,105,300 NetLink NBN	517	1.12	
<b>Electric utilities</b>	<b>8,032</b>	<b>17.33</b>	<b>17.95</b>
<b>Belgium</b>	<b>1,372</b>	<b>2.96</b>	<b>2.88</b>
25,708 Elia System Operator	1,372	2.96	
<b>Denmark</b>	<b>1,834</b>	<b>3.96</b>	<b>3.57</b>
31,445 Ørsted	1,834	3.96	
<b>Italy</b>	<b>2,057</b>	<b>4.44</b>	<b>0.00</b>
422,117 Enel	2,057	4.44	
<b>United States</b>	<b>2,769</b>	<b>5.97</b>	<b>6.07</b>
38,802 Edison International	1,841	3.97	
6,338 NextEra Energy	928	2.00	
<b>Canada</b>	<b>0</b>	<b>0.00</b>	<b>2.17</b>
<b>Bermuda</b>	<b>0</b>	<b>0.00</b>	<b>3.26</b>
<b>Gas utilities</b>	<b>2,064</b>	<b>4.45</b>	<b>5.82</b>
<b>Spain</b>	<b>908</b>	<b>1.96</b>	<b>2.31</b>
42,230 Naturgy Energy	908	1.96	
<b>United States</b>	<b>1,156</b>	<b>2.49</b>	<b>3.51</b>
14,783 Atmos Energy	1,156	2.49	
<b>Multi-utilities</b>	<b>1,398</b>	<b>3.02</b>	<b>2.76</b>
<b>United Kingdom</b>	<b>1,398</b>	<b>3.02</b>	<b>2.76</b>
163,377 National Grid	1,398	3.02	
<b>Water utilities</b>	<b>931</b>	<b>2.01</b>	<b>1.89</b>
<b>United States</b>	<b>931</b>	<b>2.01</b>	<b>1.89</b>
11,692 American Water Works	931	2.01	
<b>Independent power and renewable electricity producers</b>	<b>919</b>	<b>1.98</b>	<b>1.78</b>
<b>Guernsey</b>	<b>919</b>	<b>1.98</b>	<b>1.78</b>
784,100 The Renewables Infrastructure	919	1.98	
<b>Equity real estate investment trusts (REITs)</b>	<b>6,301</b>	<b>13.59</b>	<b>12.97</b>
<b>United Kingdom</b>	<b>1,626</b>	<b>3.50</b>	<b>2.75</b>
177,940 UNITE	1,626	3.50	
<b>United States</b>	<b>4,675</b>	<b>10.09</b>	<b>10.22</b>
6,200 American Tower	922	1.99	
17,462 CoreSite Realty	1,427	3.08	
9,442 Crown Castle International	917	1.98	
4,106 Equinix	1,409	3.04	

### Portfolio statement (continued)

as at 31 March Holding	2019 £'000	2019 %	2018 %
<b>Equity investment instruments</b>	<b>1,801</b>	<b>3.89</b>	<b>3.88</b>
<b>United Kingdom</b>	<b>858</b>	<b>1.85</b>	<b>0.00</b>
840,590 SDCL Energy Efficiency Income Trust	858	1.85	
<b>Guernsey</b>	<b>943</b>	<b>2.04</b>	<b>3.88</b>
618,135 International Public Partnerships	943	2.04	
<b>Portfolio of investments</b>	<b>45,589</b>	<b>98.36</b>	<b>98.60</b>
<b>CASH EQUIVALENTS</b>	<b>355</b>	<b>0.77</b>	<b>0.50</b>
<b>'AAA' rated money market funds [a]</b>	<b>355</b>	<b>0.77</b>	<b>0.50</b>
355,000 Northern Trust Global Fund - Sterling	355	0.77	
<b>Total portfolio (notes 2c &amp; 2d on page 7)</b>	<b>45,944</b>	<b>99.13</b>	<b>99.10</b>
<b>Net other assets / (liabilities)</b>	<b>404</b>	<b>0.87</b>	<b>0.90</b>
<b>Net assets attributable to shareholders</b>	<b>46,348</b>	<b>100.00</b>	<b>100.00</b>

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

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

### Top ten portfolio transactions

for the year to 31 March 2019

<b>Largest purchases</b>	<b>£'000</b>
PrairieSky Royalty	1,839
Enel	1,830
Vinci	1,582
Edison International	1,408
Franco Nevada	1,393
UNITE	1,267
Ørsted	1,248
National Grid	1,172
CoreSite Realty	1,147
Elia System Operator	1,025
Other purchases	20,743
<b>Total purchases</b>	<b>34,654</b>
<b>Largest sales</b>	<b>£'000</b>
Ventas	576
John Laing Infrastructure Fund	332
CK Infrastructure	307
Hydro One	207
The Renewables Infrastructure	152
Gibson Energy	96
Sydney Airport	88
National Grid	74
CCR	54
Atmos Energy	42
Other sales	137
<b>Total sales</b>	<b>2,065</b>

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



# M&G Global Listed Infrastructure Fund

## Financial highlights

### Fund performance

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

The following chart and tables show the performance for two of the fund's share classes – Sterling Class 'A' (Accumulation) shares and Sterling Class 'I' (Accumulation) shares.

We show performance for these two share classes because:

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

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

### Fund level performance

Fund net asset value		
	2019	2018
as at 31 March	£'000	£'000
Fund net asset value (NAV)	46,348	9,619

### Performance since launch

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



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

Long-term performance by share class				
	One year 03.04.18 % [a]	Three years 01.04.16 % p.a.	Five years 01.04.14 % p.a.	Since launch % p.a.
<b>Sterling [b]</b>				
Class 'A'	+22.1	n/a	n/a	+7.8 [c]
Class 'I'	+22.4	n/a	n/a	+8.0 [c]
Class 'L'	+22.7	n/a	n/a	+8.2 [c]

[a] Absolute basis.

[b] Bid to bid with income reinvested.

[c] 5 October 2017, the launch date of the fund.

# M&G Global Listed Infrastructure Fund

## Financial highlights

### Fund performance

## Operating charges and portfolio transaction costs

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

### Operating charges

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

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

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

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

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

### Portfolio transaction costs

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

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

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

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

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

### Portfolio transaction costs

to 31 March	2019	2018	Average <sup>[a]</sup>
Direct portfolio transaction costs <sup>[b]</sup>	%	%	%
Broker commission	0.06	0.11	0.09
Taxes	0.10	0.13	0.11
Costs before dilution adjustments	0.16	0.24	0.20
Dilution adjustments <sup>[c]</sup>	(0.16)	(0.14)	(0.15)
Total direct portfolio transaction costs	0.00	0.10	0.05
as at 31 March	2019	2018	Average <sup>[a]</sup>
Indirect portfolio transaction costs	%	%	%
Average portfolio dealing spread	0.11	0.12	0.12

<sup>[a]</sup> Average of first two columns.

<sup>[b]</sup> As a percentage of average net asset value.

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

# M&G Global Listed Infrastructure Fund

## Financial highlights

### Specific share class performance

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

Historic yields for the current period are calculated as at 12 April 2019.

#### Sterling Class 'A' Income share performance

The share class was launched on 5 October 2017.

for the year to 31 March Change in NAV per share	2019 UK p	2018 UK p
Opening NAV	89.91	100.00
Return before operating charges and after direct portfolio transaction costs	21.17	(8.23)
Operating charges	(1.29)	(0.68)
Return after operating charges	19.88	(8.91)
Distributions	(3.50)	(1.18)
Closing NAV	106.29	89.91
<b>Direct portfolio transaction costs</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.16	0.11
Dilution adjustments <sup>[a]</sup>	(0.16)	(0.07)
Total direct portfolio transaction costs	0.00	0.04
<b>Performance and charges</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.00	0.10
Operating charges	1.24	1.36*
Return after operating charges	+22.11	-8.91
Historic yield	3.25	3.70
Effect on yield of charges offset against capital	1.11	1.10
<b>Other information</b>		
Closing NAV (£'000)	142	60
Closing NAV percentage of total fund NAV (%)	0.31	0.62
Number of shares	133,880	66,837
Highest share price (UK p)	107.24	101.11
Lowest share price (UK p)	90.08	88.92

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

#### Sterling Class 'A' Accumulation share performance

The share class was launched on 5 October 2017.

for the year to 31 March Change in NAV per share	2019 UK p	2018 UK p
Opening NAV	91.01	100.00
Return before operating charges and after direct portfolio transaction costs	21.75	(8.29)
Operating charges	(1.32)	(0.70)
Return after operating charges	20.43	(8.99)
Distributions	(2.47)	(0.66)
Retained distributions	2.47	0.66
Closing NAV	111.44	91.01
<b>Direct portfolio transaction costs</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.17	0.11
Dilution adjustments <sup>[a]</sup>	(0.17)	(0.06)
Total direct portfolio transaction costs	0.00	0.05
<b>Performance and charges</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.00	0.10
Operating charges	1.24	1.43*
Return after operating charges	+22.45	-8.99
Historic yield	2.18	2.57
Effect on yield of charges offset against capital	0.00	0.00
<b>Other information</b>		
Closing NAV (£'000)	252	56
Closing NAV percentage of total fund NAV (%)	0.54	0.58
Number of shares	226,127	61,211
Highest share price (UK p)	111.70	101.12
Lowest share price (UK p)	91.20	89.49

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

#### Sterling Class 'I' Income share performance

The share class was launched on 5 October 2017.

for the year to 31 March Change in NAV per share	2019 UK p	2018 UK p
Opening NAV	90.00	100.00
Return before operating charges and after direct portfolio transaction costs	21.20	(8.23)
Operating charges	(1.09)	(0.60)
Return after operating charges	20.11	(8.83)
Distributions	(3.51)	(1.17)
Closing NAV	106.60	90.00
<b>Direct portfolio transaction costs</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.16	0.11
Dilution adjustments <sup>[a]</sup>	(0.16)	(0.06)
Total direct portfolio transaction costs	0.00	0.05
<b>Performance and charges</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.00	0.10
Operating charges	1.04	1.20*
Return after operating charges	+22.34	-8.83
Historic yield	3.25	3.70
Effect on yield of charges offset against capital	0.91	0.90
<b>Other information</b>		
Closing NAV (£'000)	4,883	1,285
Closing NAV percentage of total fund NAV (%)	10.53	13.36
Number of shares	4,580,694	1,428,209
Highest share price (UK p)	107.55	101.14
Lowest share price (UK p)	90.17	89.01

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

# M&G Global Listed Infrastructure Fund

## Financial highlights

### Specific share class performance

#### Sterling Class 'I' Accumulation share performance

The share class was launched on 5 October 2017.

for the year to 31 March Change in NAV per share	2019 UK p	2018 UK p
Opening NAV	91.10	100.00
Return before operating charges and after direct portfolio transaction costs	21.80	(8.32)
Operating charges	(1.13)	(0.58)
Return after operating charges	20.67	(8.90)
Distributions	(2.68)	(0.75)
Retained distributions	2.68	0.75
Closing NAV	111.77	91.10
<b>Direct portfolio transaction costs</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.17	0.11
Dilution adjustments <sup>[a]</sup>	(0.17)	(0.07)
Total direct portfolio transaction costs	0.00	0.04
<b>Performance and charges</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.00	0.10
Operating charges	1.04	1.14*
Return after operating charges	+22.69	-8.90
Historic yield	2.36	2.77
Effect on yield of charges offset against capital	0.00	0.00
<b>Other information</b>		
Closing NAV (£'000)	37,274	8,182
Closing NAV percentage of total fund NAV (%)	80.42	85.06
Number of shares	33,347,533	8,981,662
Highest share price (UK p)	112.03	101.13
Lowest share price (UK p)	91.29	89.57

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

#### Sterling Class 'L' Income share performance

The share class was launched on 5 October 2017.

for the year to 31 March Change in NAV per share	2019 UK p	2018 UK p
Opening NAV	90.10	100.00
Return before operating charges and after direct portfolio transaction costs	21.27	(8.27)
Operating charges	(0.85)	(0.45)
Return after operating charges	20.42	(8.72)
Distributions	(3.51)	(1.18)
Closing NAV	107.01	90.10
<b>Direct portfolio transaction costs</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.16	0.11
Dilution adjustments <sup>[a]</sup>	(0.16)	(0.07)
Total direct portfolio transaction costs	0.00	0.04
<b>Performance and charges</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.00	0.10
Operating charges	0.79	0.86*
Return after operating charges	+22.66	-8.72
Historic yield	3.24	3.70
Effect on yield of charges offset against capital	0.66	0.65
<b>Other information</b>		
Closing NAV (£'000)	21	18
Closing NAV percentage of total fund NAV (%)	0.05	0.19
Number of shares	20,000	20,000
Highest share price (UK p)	107.97	101.16
Lowest share price (UK p)	90.29	89.11

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

#### Sterling Class 'L' Accumulation share performance

The share class was launched on 5 October 2017.

for the year to 31 March Change in NAV per share	2019 UK p	2018 UK p
Opening NAV	91.21	100.00
Return before operating charges and after direct portfolio transaction costs	21.85	(8.34)
Operating charges	(0.87)	(0.45)
Return after operating charges	20.98	(8.79)
Distributions	(2.94)	(0.87)
Retained distributions	2.94	0.87
Closing NAV	112.19	91.21
<b>Direct portfolio transaction costs</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.17	0.11
Dilution adjustments <sup>[a]</sup>	(0.17)	(0.07)
Total direct portfolio transaction costs	0.00	0.04
<b>Performance and charges</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.00	0.10
Operating charges	0.78	0.86*
Return after operating charges	+23.00	-8.79
Historic yield	2.58	3.03
Effect on yield of charges offset against capital	0.00	0.00
<b>Other information</b>		
Closing NAV (£'000)	3,776	18
Closing NAV percentage of total fund NAV (%)	8.15	0.19
Number of shares	3,365,793	20,000
Highest share price (UK p)	112.45	101.16
Lowest share price (UK p)	91.40	89.68

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

<sup>[a]</sup> In respect of direct portfolio transaction costs.

<sup>[b]</sup> As a percentage of average net asset value.

# M&G Global Listed Infrastructure Fund

## Financial statements and notes

### Financial statements

#### Statement of total return

for the year to 31 March	Note	2019 £'000	2018 £'000
Income			
Net capital gains / (losses)	3	3,522	(846)
Revenue	5	764	110
Expenses	6	(186)	(33)
Net revenue / (expense) before taxation		578	77
Taxation	7	(71)	(13)
Net revenue / (expense) after taxation		507	64
<b>Total return before distributions</b>		<b>4,029</b>	<b>(782)</b>
Distributions	8	(534)	(68)
<b>Change in net assets attributable to shareholders from investment activities</b>		<b>3,495</b>	<b>(850)</b>

#### Statement of change in net assets attributable to shareholders

for the year to 31 March	2019 £'000	2018 £'000
Opening net assets attributable to shareholders	9,619	0
Amounts received on issue of shares	33,122	10,456
Amounts paid on cancellation of shares	(474)	(54)
	32,648	10,402
Dilution adjustments	61	9
Change in net assets attributable to shareholders from investment activities (see above)	3,495	(850)
Retained distributions on Accumulation shares	525	58
<b>Closing net assets attributable to shareholders</b>	<b>46,348</b>	<b>9,619</b>

#### Balance sheet

as at 31 March	Note	2019 £'000	2018 £'000
<b>Assets</b>			
<b>Fixed assets</b>			
Investments		45,589	9,484
<b>Current assets</b>			
Debtors	9	1,698	129
Cash and bank balances	10	16	30
Cash equivalents		355	48
<b>Total assets</b>		<b>47,658</b>	<b>9,691</b>
<b>Liabilities</b>			
<b>Creditors</b>			
Bank overdrafts		(96)	(29)
Distribution payable		(33)	(8)
Other creditors	11	(1,181)	(35)
<b>Total liabilities</b>		<b>(1,310)</b>	<b>(72)</b>
<b>Net assets attributable to shareholders</b>		<b>46,348</b>	<b>9,619</b>

### Notes to the financial statements

#### 1 Accounting policies

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

#### 2 Distribution policy

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

#### 3 Net capital gains / (losses)

for the year to 31 March	2019 £'000	2018 £'000
Non-derivative securities	3,527	(825)
Currency gains / (losses)	3	(15)
Transaction charges	(8)	(6)
<b>Net capital gains / (losses)</b>	<b>3,522</b>	<b>(846)</b>

#### 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 32.

for the year to 31 March	2019 £'000	% of transaction	2018 £'000	% of transaction
<b>a) Purchases</b>				
<b>Equities</b>				
Equities before transaction costs	33,019		9,875	
Commissions	10	0.03	4	0.04
Taxes	21	0.06	5	0.05
<b>Equities after transaction costs</b>	<b>33,050</b>		<b>9,884</b>	
<b>Collective investment schemes</b>				
Collective investment schemes before transaction costs	1,604		595	
<b>Collective investment schemes after transaction costs</b>	<b>1,604</b>		<b>595</b>	
<b>Total purchases after transaction costs</b>	<b>34,654</b>		<b>10,479</b>	
<b>b) Sales</b>				
<b>Equities</b>				
Equities before transaction costs	1,733		170	
Commissions	(1)	0.04	0	0.00
<b>Equities after transaction costs</b>	<b>1,732</b>		<b>170</b>	
<b>Collective investment schemes</b>				
Collective investment schemes before transaction costs	333		0	
<b>Collective investment schemes after transaction costs</b>	<b>333</b>		<b>0</b>	
<b>Total sales after transaction costs</b>	<b>2,065</b>		<b>170</b>	
<b>c) Direct portfolio transaction costs</b>	<b>2019 £'000</b>	<b>% of average NAV</b>	<b>2018 £'000</b>	<b>% of average NAV</b>
<b>Commissions paid</b>				
Equities	11	0.06	4	0.11
<b>Taxes paid</b>				
Equities	21	0.10	5	0.13
<b>Total direct portfolio transaction costs <sup>[a]</sup></b>	<b>32</b>	<b>0.16</b>	<b>9</b>	<b>0.24</b>
<b>d) Indirect portfolio transaction costs</b>		<b>%</b>		<b>%</b>
Portfolio dealing spread <sup>[b]</sup>		0.11		0.12

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

<sup>[b]</sup> Average portfolio dealing spread at the balance sheet date.

# M&G Global Listed Infrastructure Fund

## Financial statements and notes

### Notes to the financial statements

#### 5 Revenue

for the year to 31 March	2019 £'000	2018 £'000
Bank interest	1	0
Distributions from collective investment schemes: property income dividends	10	0
Dividends from equity investments: non-taxable	633	92
Dividends from equity investments: taxable	114	18
Interest distributions	1	0
Stock dividends	5	0
<b>Total revenue</b>	<b>764</b>	<b>110</b>

#### 6 Expenses

for the year to 31 March	2019 £'000	2018 £'000
<b>Payable to the ACD or associate</b>		
Annual management charge	146	27
Administration charge	30	5
	176	32
<b>Payable to the Depositary or associate</b>		
Depositary's charge (including VAT)	2	1
<b>Other expenses</b>		
Audit fee (including VAT)	4	0
Interest payable	1	0
Legal fees	1	0
Safe custody charge	2	0
	8	0
<b>Total expenses</b>	<b>186</b>	<b>33</b>

The audit fee is borne by M&G Securities Limited for one year from the date of launch. The audit fee paid by M&G Securities Limited in 2018 was £6,840 (including VAT).

#### 7 Taxation

for the year to 31 March	2019 £'000	2018 £'000
<b>a) Analysis of charge in the year</b>		
Corporation tax	0	0
Withholding tax	71	13
Deferred tax (note 7c)	0	0
<b>Total taxation</b>	<b>71</b>	<b>13</b>
<b>b) Factors affecting taxation charge for the year</b>		
Net revenue / (expense) before taxation	578	77
Corporation tax at 20%	116	15
Effects of:		
Dividends from equity investments: non-taxable	(127)	(18)
Stock dividends not taxable	(1)	0
Current year expenses not utilised	12	3
Withholding tax	71	13
<b>Total tax charge (note 7a)</b>	<b>71</b>	<b>13</b>
<b>c) Provision for deferred taxation</b>		
Provision at the start of the year	0	0
Deferred tax in profit and loss account (note 7a)	0	0
<b>Provision at the end of the year</b>	<b>0</b>	<b>0</b>

The fund has not recognised a deferred tax asset of £15,000 (2018: £3,000) arising as a result of having excess management expenses. We do not expect this asset to be utilised in the foreseeable future.

#### 8 Distributions

	2019		2018	
for the year to 31 March	Inc <sup>[a]</sup> £'000	Acc <sup>[b]</sup> £'000	Inc <sup>[a]</sup> £'000	Acc <sup>[b]</sup> £'000
<b>Dividend distributions</b>				
First interim	19	93	n/a	n/a
Second interim	28	99	n/a	n/a
Third interim	29	148	8	28
Final	33	185	8	30
<b>Total net distributions</b>		<b>634</b>		<b>74</b>
Income deducted on cancellation of shares		1		0
Income received on issue of shares		(101)		(6)
<b>Distributions</b>		<b>534</b>		<b>68</b>
<b>Net revenue / (expense) per statement of total return</b>		<b>507</b>		<b>64</b>
Expenses offset against capital		27		4
<b>Distributions</b>		<b>534</b>		<b>68</b>

<sup>[a]</sup> Distributions payable on Income shares.

<sup>[b]</sup> Retained distributions on Accumulation shares.

#### 9 Debtors

as at 31 March	2019 £'000	2018 £'000
Amounts receivable on issues of shares	1,144	111
Currency deals outstanding	479	0
Dividends receivable	63	17
Withholding tax recoverable	12	1
<b>Total debtors</b>	<b>1,698</b>	<b>129</b>

#### 10 Cash and bank balances

as at 31 March	2019 £'000	2018 £'000
Cash held as bank balances	16	30
<b>Total cash and bank balances</b>	<b>16</b>	<b>30</b>

#### 11 Other creditors

as at 31 March	2019 £'000	2018 £'000
ACD's annual management charge payable	16	3
Administration charge payable	3	1
Amounts payable on cancellation of shares	18	0
Currency deals outstanding	479	0
Expenses payable	8	3
Purchases awaiting settlement	657	28
<b>Total other creditors</b>	<b>1,181</b>	<b>35</b>

#### 12 Contingent assets, liabilities and outstanding commitments

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

#### 13 Shares in issue

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

Share class	Opening 01.04.18	Movements		Closing 31.03.19
		Issued	Cancelled	
<b>Sterling</b>				
Class 'A' Income	66,837	150,164	(83,121)	133,880
Class 'A' Accumulation	61,211	219,916	(55,000)	226,127
Class 'I' Income	1,428,209	3,289,419	(136,934)	4,580,694
Class 'I' Accumulation	8,981,662	24,532,492	(166,621)	33,347,533
Class 'L' Income	20,000	0	0	20,000
Class 'L' Accumulation	20,000	3,373,125	(27,332)	3,365,793



# M&G Global Listed Infrastructure Fund

## Financial statements and notes

### Notes to the financial statements

#### 14 Charging structure

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

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

#### 15 Related parties

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

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

At the balance sheet date, shareholders from within Prudential plc, of which M&G Securities Limited is a wholly owned subsidiary, have holdings totalling 12.00% (2018: 47.27%) of the fund's shares.

#### 16 Events after the balance sheet date

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

#### 17 Fair value analysis

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

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

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

##### Level 2: Valuation technique using observable market data

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

##### Level 3: Valuation technique using unobservable inputs

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

as at 31 March	Assets 2019	Liabilities 2019	Assets 2018	Liabilities 2018
Basis of valuation	£'000	£'000	£'000	£'000
Level 1	45,589	0	9,484	0
Level 2	0	0	0	0
Level 3	0	0	0	0
	<b>45,589</b>	<b>0</b>	<b>9,484</b>	<b>0</b>

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

#### 18 Risk management policies

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

#### 19 Market risk sensitivity

A five per cent increase in the value of the fund's investment portfolio would have the effect of increasing the return and net assets by £2,279,000 (2018: £474,000). A five per cent decrease would have an equal and opposite effect.

#### 20 Currency risk sensitivity and exposure

A five per cent increase in the value of the fund's currency exposure would have the effect of increasing the return and net assets by £2,317,000 (2018: £481,000). A five per cent decrease would have an equal and opposite effect.

as at 31 March	2019 £'000	2018 £'000
<b>Currency exposure in respect of the fund</b>		
Australian dollar	2,098	404
Brazilian real	462	57
Canadian dollar	5,333	1,398
Danish krone	1,838	344
Euro	8,280	1,302
Hong Kong dollar	690	653
Singapore dollar	517	232
Sterling	7,385	1,337
Swiss franc	481	122
US dollar	19,264	3,770
<b>Total</b>	<b>46,348</b>	<b>9,619</b>

# M&G Global Listed Infrastructure Fund

## Financial statements and notes

### Notes to the financial statements

#### 21 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	01.04.18	30.06.18	02.07.18	31.08.18
Second interim	01.07.18	30.09.18	01.10.18	30.11.18
Third interim	01.10.18	31.12.18	02.01.19	28.02.19
Final	01.01.19	31.03.19	01.04.19	31.05.19

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

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

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

Sterling Class 'A' Income shares				
Ordinary distributions for the year to 31 March	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019 2018	
	p	p	p	p
First interim	0.2368	0.8305	1.0673	n/a
Second interim	0.4257	0.4464	0.8721	n/a
Third interim	0.7389	0.1185	0.8574	0.6237
Final	0.2688	0.4324	0.7012	0.5557

Sterling Class 'A' Accumulation shares				
Ordinary distributions for the year to 31 March	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019 2018	
	p	p	p	p
First interim	0.5240	0.3090	0.8330	n/a
Second interim	0.3495	0.2495	0.5990	n/a
Third interim	0.4185	0.1768	0.5953	0.3805
Final	0.2046	0.2346	0.4392	0.2798

Sterling Class 'I' Income shares				
Ordinary distributions for the year to 31 March	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019 2018	
	p	p	p	p
First interim	0.4255	0.6539	1.0794	n/a
Second interim	0.2840	0.5861	0.8701	n/a
Third interim	0.6070	0.2520	0.8590	0.6236
Final	0.2824	0.4212	0.7036	0.5508

Sterling Class 'I' Accumulation shares				
Ordinary distributions for the year to 31 March	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019 2018	
	p	p	p	p
First interim	0.4807	0.4000	0.8807	n/a
Second interim	0.3333	0.3184	0.6517	n/a
Third interim	0.2750	0.3745	0.6495	0.4227
Final	0.2507	0.2428	0.4935	0.3279

Sterling Class 'L' Income shares				
Ordinary distributions for the year to 31 March	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019 2018	
	p	p	p	p
First interim	1.0764	0.0000	1.0764	n/a
Second interim	0.8704	0.0000	0.8704	n/a
Third interim	0.8619	0.0000	0.8619	0.6253
Final	0.7052	0.0000	0.7052	0.5500

Sterling Class 'L' Accumulation shares				
Ordinary distributions for the year to 31 March	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019 2018	
	p	p	p	p
First interim	0.9365	0.0000	0.9365	n/a
Second interim	0.4568	0.2650	0.7218	n/a
Third interim	0.7175	0.0000	0.7175	0.4816
Final	0.3106	0.2507	0.5613	0.3890



# M&G Positive Impact Fund

## Authorised Corporate Director's Report

### Investment objective

The fund has two aims:

- To provide a higher total return (the combination of capital growth and income), net of the ongoing charges figure, than the MSCI ACWI Index over any five-year period; and
- To invest in companies that aim to have a positive societal impact through addressing the world's major social and environmental challenges.

### Investment policy

At least 80% of the fund is invested in the equity securities of companies across any sector and market capitalisation that are domiciled in any country, including emerging markets. The fund has a concentrated portfolio and usually holds fewer than 40 stocks.

Assessment and measurement of the ability to deliver positive social and/or environmental impact and generate financial returns will be conducted at a company level using M&G's impact assessment methodology. This focuses on three criteria:

- Investment credentials: the quality and durability of the company's business model and its ability to produce sustainable economic returns;
- Intention: the company's purpose as evidenced by the alignment of its mission statement with its corporate actions and strategy; and
- Impact: the scale of the net positive societal impact and the company's progress towards addressing specified social and environmental challenges.

Certain investments which are considered by M&G to conflict with the fund's aim to invest in companies with a positive societal impact are excluded from the investment universe. The following are excluded:

- Companies that are assessed to be in breach of the United Nations Global Compact principles on human rights, labour rights, the environment and anti-corruption; and
- Companies involved in the production of tobacco, alcohol, adult entertainment, controversial weapons, oil sands, nuclear power or coal-fired power, or the provision of gambling services.

The fund manager has discretion to invest in companies with limited exposure to fossil fuels but which are driving or significantly participating in the transition to a more sustainable economy.

The fund may also invest in other transferable securities, 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 is a concentrated portfolio of global stocks, investing over the long term in companies that make a positive social and/or environmental impact alongside a financial return, using a disciplined stock selection process. Sustainability and impact considerations are fundamental in determining the fund's investment universe and assessing business models. The fund embraces the United Nations

Sustainable Development Goals framework and invests in companies focused on areas including climate action, pollution reduction, circular economy, health and wellbeing, education and innovation, and working conditions.

The fund invests in three categories of positive impact companies:

- "Pioneers", whose products or services have a transformational effect on society or the environment;
- "Enablers", which provide the tools for others to deliver positive social or environmental impact; and
- "Leaders", which spearhead the development of sustainability in their industries.

Investing in these categories provides diversification across industries and maturity of business models.

Dialogue with the companies in which the fund invests is fundamental to the investment approach. The objective is to support and influence their contribution to the world's major social and environmental challenges.

### Risk profile

The fund invests globally in the shares of listed companies and is, therefore, subject to the price volatility of the global stockmarket and the performance of individual companies. The fund may also be subject to fluctuations in currency exchange rates.

The fund's focus is on businesses that have a positive impact on society through addressing the world's major social and/or environmental challenges.

The fund is a concentrated portfolio, usually holding fewer than 40 stocks. The fund mainly invests in the shares of large and medium-sized companies, which are normally traded with relative ease, however these stocks could potentially experience a degree of illiquidity in times of market distress.

The fund may also invest in emerging markets which are generally more sensitive to economic and political factors, and where investments may be less easily bought and sold.

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

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



The above number:

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

# M&G Positive Impact Fund

## Authorised Corporate Director's Report

### Investment review

**As at 1 April 2019, for the period from 20 November 2018 (the launch date of the fund) to 31 March 2019**

The M&G Positive Impact Fund was launched on 20 November 2018. The fund is a concentrated portfolio of global stocks, making long-term investments in companies that aim to generate a positive social and/or environmental impact alongside a financial return, using a disciplined stock selection process.

Both sustainability and impact considerations are fundamental in determining the fund's investment universe and assessing business models, while engagement with companies is a key element of the investment strategy. Environmental, Social and Governance (ESG) factors are integrated within the investment process.

The fund generally holds around 30 stocks from around the world, with a Positive Impact team consensus-approved watchlist of around 150 impactful companies in which the fund manager can invest if the timing and price are right. The team undertakes a 'triple i' approach to identifying these impactful businesses, analysing the Investment quality, Intentionality and Impact of a company to assess its suitability for the fund. As part of this analysis, the team internally scores companies on these 'III' credentials, and requires above-average results for inclusion in the fund's watchlist, as well as consensus agreement of a company's merits from the entire Positive Impact team. The fund manager can then invest in these businesses when they are trading at a discount to what the team believes to be their intrinsic value, derived from scenario-valuation analysis.

From a portfolio construction perspective, the fund invests in three categories of positive impact companies: 'Pioneers', whose products or services have a transformational effect on society or the environment; 'Enablers', which provide the tools for others to deliver positive social or environmental impact; and 'Leaders', which tend to be larger, more mature businesses that are driving sustainability and positive impact through more mainstream sectors. Investing in these categories provides diversification across industries and maturity of business models.

The fund will not invest in negative impact companies, and screens out any companies deemed to be in breach of the United Nations Global Compact Principles on human rights, labour, the environment and corruption. It also screens out companies involved in the production of tobacco, alcohol, adult entertainment, controversial weapons, oil sands, nuclear power or coal-fired power, or the provision of gambling services (i.e. companies that are not capable of delivering a demonstrable positive impact to society).

The fund embraces the United Nations Sustainable Development Goals (SDG) framework and invests in companies focused on six key areas, mapped against the SDGs. On the environmental side, these are: climate actions (9.7% of the portfolio at the end of the period under review); environmental solutions (19.4%); and circular economy (9.7%). On the social side, these are: improving health, saving lives (35.5%); better working conditions (3.2%); and social inclusion (22.5%).

**John William Olsen**  
Fund manager

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

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

### Investments

#### Portfolio statement

as at 31 March Holding	2019 \$'000	2019 %
<b>EQUITIES</b>	<b>26,786</b>	<b>95.05</b>
<b>Containers &amp; packaging</b>	<b>763</b>	<b>2.71</b>
174,049 DS Smith	763	2.71
<b>Building products</b>	<b>866</b>	<b>3.07</b>
23,462 Johnson Controls International	866	3.07
<b>Electrical equipment</b>	<b>845</b>	<b>3.00</b>
10,807 Schneider Electric	845	3.00
<b>Commercial services &amp; supplies</b>	<b>2,403</b>	<b>8.53</b>
104,811 Brambles	874	3.10
23,063 ISS	703	2.50
10,256 Republic Services	826	2.93
<b>Road &amp; rail</b>	<b>790</b>	<b>2.80</b>
8,200 East Japan Railway	790	2.80
<b>Diversified consumer services</b>	<b>1,345</b>	<b>4.77</b>
6,591 Bright Horizons Family Solutions	831	2.95
188,320 Kroton Educacional ADR	514	1.82
<b>Health care equipment &amp; supplies</b>	<b>796</b>	<b>2.82</b>
3,224 Becton Dickinson	796	2.82
<b>Health care providers &amp; services</b>	<b>2,523</b>	<b>8.95</b>
13,339 Fresenius Medical Care	1,068	3.79
8,323 Quest Diagnostics	741	2.63
2,947 UnitedHealth	714	2.53
<b>Biotechnology</b>	<b>738</b>	<b>2.62</b>
36,609 Grifols	738	2.62
<b>Pharmaceuticals</b>	<b>2,076</b>	<b>7.37</b>
5,314 ALK-Abelló	883	3.14
23,097 Novo-Nordisk	1,193	4.23
<b>Life sciences tools &amp; services</b>	<b>3,503</b>	<b>12.43</b>
12,533 Agilent Technologies	999	3.54
2,601 Illumina	793	2.81
2,601 Lonza	802	2.85
3,365 Thermo Fisher Scientific	909	3.23
<b>Banks</b>	<b>2,070</b>	<b>7.35</b>
38,252 Bank of Georgia	832	2.95
10,894 HDFC Bank ADR	1,238	4.40

# M&G Positive Impact Fund

## Authorised Corporate Director's Report

### Investments

Portfolio statement (continued)		
as at 31 March	2019	2019
Holding	\$'000	%
<b>Insurance</b>	<b>1,937</b>	<b>6.88</b>
124,600 AIA	1,239	4.40
139,344 Sanlam	698	2.48
<b>Software</b>	<b>945</b>	<b>3.35</b>
5,242 Ansys	945	3.35
<b>Electronic equipment, instruments &amp; components</b>	<b>1,816</b>	<b>6.44</b>
17,400 Horiba	962	3.41
5,764 IPG Photonics	854	3.03
<b>Semiconductors &amp; semiconductor equipment</b>	<b>1,672</b>	<b>5.93</b>
44,577 ON Semiconductor	903	3.20
20,376 SolarEdge Technologies	769	2.73
<b>Electric utilities</b>	<b>1,166</b>	<b>4.14</b>
15,262 Ørsted	1,166	4.14
<b>Independent power and renewable electricity producers</b>	<b>532</b>	<b>1.89</b>
671,000 China Everbright Greentech	532	1.89
<b>Portfolio of investments (notes 2c &amp; 2d on page 7)</b>	<b>26,786</b>	<b>95.05</b>
<b>Net other assets / (liabilities)</b>	<b>1,396</b>	<b>4.95</b>
<b>Net assets attributable to shareholders</b>	<b>28,182</b>	<b>100.00</b>

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

Top ten portfolio transactions	
for the period to 31 March 2019	
Largest purchases	\$'000
HDFC Bank ADR	1,075
Novo-Nordisk	1,053
Ørsted	1,041
AIA	1,012
Fresenius Medical Care	969
Agilent Technologies	856
Illumina	805
Ansys	795
Thermo Fisher Scientific	794
ON Semiconductor	786
Other purchases	15,404
<b>Total purchases</b>	<b>24,590</b>

# M&G Positive Impact Fund

## Financial highlights

### Fund performance

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

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

### Fund level performance

Fund net asset value	
as at 31 March	2019 \$'000
Fund net asset value (NAV)	28,182

### Performance since launch

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

## Operating charges and portfolio transaction costs

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

### Operating charges

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

- **Investment management:** Charge paid to M&G for investment management of the fund (also known as Annual Management Charge).
- **Administration:** Charge paid to M&G for administration services in addition to investment management – any surplus from this charge will be retained by M&G.
- **Oversight and other independent services:** Charges paid to providers independent of M&G for services which include depositary, custody and audit.

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

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

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

### Portfolio transaction costs

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

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

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

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

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

Portfolio transaction costs	
for the period to 31 March	2019
Direct portfolio transaction costs <sup>[a]</sup>	%
Broker commission	0.07
Taxes	0.16
Costs before dilution adjustments	0.23
Dilution adjustments <sup>[b]</sup>	(0.13)
Total direct portfolio transaction costs	0.10
as at 31 March	2019
Indirect portfolio transaction costs	%
Average portfolio dealing spread	0.12

<sup>[a]</sup> As a percentage of average net asset value.

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

# M&G Positive Impact Fund

## Financial highlights

### Specific share class performance

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

Historic yields for the current period are calculated as at 12 April 2019.

#### Sterling Class 'A' Income share performance

The share class was launched on 20 November 2018.

for the period to 31 March Change in NAV per share	2019 UK p
Opening NAV	100.00
Return before operating charges and after direct portfolio transaction costs	5.48
Operating charges	(0.62)
Return after operating charges	4.86
Distributions	(0.38)
Closing NAV	104.48
<b>Direct portfolio transaction costs</b>	<b>UK p</b>
Costs before dilution adjustments	0.08
Dilution adjustments <sup>[a]</sup>	(0.05)
Total direct portfolio transaction costs	0.03
<b>Performance and charges</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.10
Operating charges	1.73*
Return after operating charges	+4.86
Historic yield	0.35
Effect on yield of charges offset against capital	1.65
<b>Other information</b>	
Closing NAV (\$'000)	41
Closing NAV percentage of total fund NAV (%)	0.15
Number of shares	29,855
Highest share price (UK p)	105.74
Lowest share price (UK p)	93.44

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

#### Sterling Class 'A' Accumulation share performance

The share class was launched on 20 November 2018.

for the period to 31 March Change in NAV per share	2019 UK p
Opening NAV	100.00
Return before operating charges and after direct portfolio transaction costs	5.48
Operating charges	(0.62)
Return after operating charges	4.86
Distributions	0.00
Retained distributions	0.00
Closing NAV	104.86
<b>Direct portfolio transaction costs</b>	<b>UK p</b>
Costs before dilution adjustments	0.08
Dilution adjustments <sup>[a]</sup>	(0.05)
Total direct portfolio transaction costs	0.03
<b>Performance and charges</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.10
Operating charges	1.72*
Return after operating charges	+4.86
Historic yield	0.00
Effect on yield of charges offset against capital	0.00
<b>Other information</b>	
Closing NAV (\$'000)	28
Closing NAV percentage of total fund NAV (%)	0.10
Number of shares	20,000
Highest share price (UK p)	105.74
Lowest share price (UK p)	93.44

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

#### Sterling Class 'I' Income share performance

The share class was launched on 20 November 2018.

for the period to 31 March Change in NAV per share	2019 UK p
Opening NAV	100.00
Return before operating charges and after direct portfolio transaction costs	5.50
Operating charges	(0.36)
Return after operating charges	5.14
Distributions	(0.38)
Closing NAV	104.76
<b>Direct portfolio transaction costs</b>	<b>UK p</b>
Costs before dilution adjustments	0.09
Dilution adjustments <sup>[a]</sup>	(0.05)
Total direct portfolio transaction costs	0.04
<b>Performance and charges</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.10
Operating charges	0.99*
Return after operating charges	+5.14
Historic yield	0.35
Effect on yield of charges offset against capital	0.90
<b>Other information</b>	
Closing NAV (\$'000)	121
Closing NAV percentage of total fund NAV (%)	0.43
Number of shares	88,415
Highest share price (UK p)	106.00
Lowest share price (UK p)	93.50

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

# M&G Positive Impact Fund

## Financial highlights

### Specific share class performance

#### Sterling Class 'I' Accumulation share performance

The share class was launched on 20 November 2018.

for the period to 31 March Change in NAV per share	2019 UK p
Opening NAV	100.00
Return before operating charges and after direct portfolio transaction costs	5.50
Operating charges	(0.36)
Return after operating charges	5.14
Distributions	(0.06)
Retained distributions	0.06
Closing NAV	105.14
<b>Direct portfolio transaction costs</b>	<b>UK p</b>
Costs before dilution adjustments	0.09
Dilution adjustments <sup>[a]</sup>	(0.05)
Total direct portfolio transaction costs	0.04
<b>Performance and charges</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.10
Operating charges	0.99*
Return after operating charges	+5.14
Historic yield	0.06
Effect on yield of charges offset against capital	0.00
<b>Other information</b>	
Closing NAV (\$'000)	11,460
Closing NAV percentage of total fund NAV (%)	40.66
Number of shares	8,317,546
Highest share price (UK p)	106.00
Lowest share price (UK p)	93.51

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

#### Sterling Class 'L' Income share performance

The share class was launched on 20 November 2018.

for the period to 31 March Change in NAV per share	2019 UK p
Opening NAV	100.00
Return before operating charges and after direct portfolio transaction costs	5.50
Operating charges	(0.27)
Return after operating charges	5.23
Distributions	(0.38)
Closing NAV	104.85
<b>Direct portfolio transaction costs</b>	<b>UK p</b>
Costs before dilution adjustments	0.09
Dilution adjustments <sup>[a]</sup>	(0.05)
Total direct portfolio transaction costs	0.04
<b>Performance and charges</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.10
Operating charges	0.74*
Return after operating charges	+5.23
Historic yield	0.35
Effect on yield of charges offset against capital	0.65
<b>Other information</b>	
Closing NAV (\$'000)	539
Closing NAV percentage of total fund NAV (%)	1.91
Number of shares	392,038
Highest share price (UK p)	106.09
Lowest share price (UK p)	93.52

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

#### Sterling Class 'L' Accumulation share performance

The share class was launched on 20 November 2018.

for the period to 31 March Change in NAV per share	2019 UK p
Opening NAV	100.00
Return before operating charges and after direct portfolio transaction costs	5.49
Operating charges	(0.26)
Return after operating charges	5.23
Distributions	(0.15)
Retained distributions	0.15
Closing NAV	105.23
<b>Direct portfolio transaction costs</b>	<b>UK p</b>
Costs before dilution adjustments	0.08
Dilution adjustments <sup>[a]</sup>	(0.05)
Total direct portfolio transaction costs	0.03
<b>Performance and charges</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.10
Operating charges	0.73*
Return after operating charges	+5.23
Historic yield	0.14
Effect on yield of charges offset against capital	0.00
<b>Other information</b>	
Closing NAV (\$'000)	15,862
Closing NAV percentage of total fund NAV (%)	56.28
Number of shares	11,502,289
Highest share price (UK p)	106.09
Lowest share price (UK p)	93.52

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



# M&G Positive Impact Fund

## Financial highlights

### Specific share class performance

#### Sterling Class 'R' Income share performance

The share class was launched on 20 November 2018.

for the period to 31 March Change in NAV per share	2019 UK p
Opening NAV	100.00
Return before operating charges and after direct portfolio transaction costs	5.49
Operating charges	(0.44)
Return after operating charges	5.05
Distributions	(0.38)
Closing NAV	104.67
<b>Direct portfolio transaction costs</b>	<b>UK p</b>
Costs before dilution adjustments	0.08
Dilution adjustments <sup>[a]</sup>	(0.05)
Total direct portfolio transaction costs	0.03
<b>Performance and charges</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.10
Operating charges	1.22*
Return after operating charges	+5.05
Historic yield	0.35
Effect on yield of charges offset against capital	1.15
<b>Other information</b>	
Closing NAV (\$'000)	27
Closing NAV percentage of total fund NAV (%)	0.10
Number of shares	20,000
Highest share price (UK p)	105.92
Lowest share price (UK p)	93.48

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

#### Sterling Class 'R' Accumulation share performance

The share class was launched on 20 November 2018.

for the period to 31 March Change in NAV per share	2019 UK p
Opening NAV	100.00
Return before operating charges and after direct portfolio transaction costs	5.50
Operating charges	(0.46)
Return after operating charges	5.04
Distributions	0.00
Retained distributions	0.00
Closing NAV	105.04
<b>Direct portfolio transaction costs</b>	<b>UK p</b>
Costs before dilution adjustments	0.08
Dilution adjustments <sup>[a]</sup>	(0.05)
Total direct portfolio transaction costs	0.03
<b>Performance and charges</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.10
Operating charges	1.26*
Return after operating charges	+5.04
Historic yield	0.00
Effect on yield of charges offset against capital	0.00
<b>Other information</b>	
Closing NAV (\$'000)	104
Closing NAV percentage of total fund NAV (%)	0.37
Number of shares	75,183
Highest share price (UK p)	105.92
Lowest share price (UK p)	93.48

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

<sup>[a]</sup> In respect of direct portfolio transaction costs.

<sup>[b]</sup> As a percentage of average net asset value.

# M&G Positive Impact Fund

## Financial statements and notes

### Financial statements

#### Statement of total return

for the period to 31 March	Note	2019 \$'000	\$'000
Income			
Net capital gains / (losses)	3		2,134
Revenue	5	103	
Expenses	6	(62)	
Net revenue / (expense) before taxation		41	
Taxation	7	(11)	
Net revenue / (expense) after taxation			30
<b>Total return before distributions</b>			<b>2,164</b>
Distributions	8		(31)
<b>Change in net assets attributable to shareholders from investment activities</b>			<b>2,133</b>

#### Statement of change in net assets attributable to shareholders

for the period to 31 March	2019 \$'000	\$'000
Opening net assets attributable to shareholders		0
Amounts received on issue of shares	26,027	
Amounts paid on cancellation of shares	(28)	
		25,999
Dilution adjustments		21
Change in net assets attributable to shareholders from investment activities (see above)		2,133
Retained distributions on Accumulation shares		29
<b>Closing net assets attributable to shareholders</b>		<b>28,182</b>

#### Balance sheet

as at 31 March	Note	2019 \$'000
<b>Assets</b>		
<b>Fixed assets</b>		
Investments		26,786
<b>Current assets</b>		
Debtors	9	36
Cash and bank balances	10	1,379
<b>Total assets</b>		<b>28,201</b>
<b>Liabilities</b>		
<b>Creditors</b>		
Distribution payable		(3)
Other creditors	11	(16)
<b>Total liabilities</b>		<b>(19)</b>
<b>Net assets attributable to shareholders</b>		<b>28,182</b>

### Notes to the financial statements

#### 1 Accounting policies

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

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

#### 2 Distribution policy

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

#### 3 Net capital gains / (losses)

for the period to 31 March	2019 \$'000
Non-derivative securities	2,194
Currency gains / (losses)	(55)
Transaction charges	(5)
<b>Net capital gains / (losses)</b>	<b>2,134</b>

#### 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 42.

for the period to 31 March	2019 \$'000	% of transaction
<b>a) Purchases</b>		
<b>Equities</b>		
Equities before transaction costs	24,571	
Commissions	6	0.02
Taxes	13	0.05
<b>Total purchases after transaction costs</b>	<b>24,590</b>	
	2019 \$'000	% of average NAV
<b>b) Direct portfolio transaction costs</b>		
<b>Commissions paid</b>		
Equities	6	0.07
<b>Taxes paid</b>		
Equities	13	0.16
<b>Total direct portfolio transaction costs [a]</b>	<b>19</b>	<b>0.23</b>
<b>c) Indirect portfolio transaction costs</b>		%
Portfolio dealing spread [b]		0.12

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

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

#### 5 Revenue

for the period to 31 March	2019 \$'000
Bank interest	1
Dividends from equity investments: non-taxable	102
<b>Total revenue</b>	<b>103</b>

# M&G Positive Impact Fund

## Financial statements and notes

### Notes to the financial statements

#### 6 Expenses

for the period to 31 March	2019 \$'000
<b>Payable to the ACD or associate</b>	
Annual management charge	48
Administration charge	12
	60
<b>Payable to the Depositary or associate</b>	
Depositary's charge (including VAT)	1
<b>Other expenses</b>	
Safe custody charge	1
<b>Total expenses</b>	<b>62</b>

The audit fee for the current period is paid by the ACD, M&G Securities Limited.

#### 7 Taxation

for the period to 31 March	2019 \$'000
<b>a) Analysis of charge in the period</b>	
Corporation tax	0
Withholding tax	11
Deferred tax (note 7c)	0
<b>Total taxation</b>	<b>11</b>
<b>b) Factors affecting taxation charge for the period</b>	
Net revenue / (expense) before taxation	41
Corporation tax at 20%	8
Effects of:	
Dividends from equity investments: non-taxable	(20)
Current year expenses not utilised	12
Withholding tax	11
<b>Total tax charge (note 7a)</b>	<b>11</b>
<b>c) Provision for deferred taxation</b>	
Provision at the start of the period	0
Deferred tax in profit and loss account (note 7a)	0
<b>Provision at the end of the period</b>	<b>0</b>

The fund has not recognised a deferred tax asset of \$12,000 arising as a result of having excess management expenses. We do not expect this asset to be utilised in the foreseeable future.

#### 8 Distributions

for the period to 31 March	2019	
	Inc <sup>[a]</sup> \$'000	Acc <sup>[b]</sup> \$'000
<b>Dividend distributions</b>		
Final	3	29
<b>Total net distributions</b>		<b>32</b>
Income received on issue of shares		(1)
<b>Distributions</b>		<b>31</b>
Net revenue / (expense) per statement of total return		30
Expenses offset against capital		1
<b>Distributions</b>		<b>31</b>

<sup>[a]</sup> Distributions payable on Income shares.

<sup>[b]</sup> Retained distributions on Accumulation shares.

#### 9 Debtors

as at 31 March	2019 \$'000
Amounts receivable on issues of shares	8
Dividends receivable	22
Withholding tax recoverable	6
<b>Total debtors</b>	<b>36</b>

#### 10 Cash and bank balances

as at 31 March	2019 \$'000
Cash held as bank balances	1,379
<b>Total cash and bank balances</b>	<b>1,379</b>

#### 11 Other creditors

as at 31 March	2019 \$'000
ACD's annual management charge payable	8
Administration charge payable	2
Expenses payable	6
<b>Total other creditors</b>	<b>16</b>

#### 12 Contingent assets, liabilities and outstanding commitments

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

#### 13 Shares in issue

The following table shows each class of share in issue during the period. 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 20.11.18	Movements		Closing 31.03.19
		Issued	Cancelled	
<b>Sterling</b>				
Class 'A' Income	0	29,855	0	29,855
Class 'A' Accumulation	0	20,000	0	20,000
Class 'I' Income	0	88,415	0	88,415
Class 'I' Accumulation	0	8,334,639	(17,093)	8,317,546
Class 'L' Income	0	397,217	(5,179)	392,038
Class 'L' Accumulation	0	11,502,289	0	11,502,289
Class 'R' Income	0	20,000	0	20,000
Class 'R' Accumulation	0	75,183	0	75,183

#### 14 Charging structure

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

Share class	Entry charge %	Exit charge %	Annual management charge %
<b>Sterling</b>			
Class 'A'	nil	n/a	1.50
Class 'I'	nil	n/a	0.75
Class 'L'	nil	n/a	0.50
Class 'R'	nil	n/a	1.00

# M&G Positive Impact Fund

## Financial statements and notes

### Notes to the financial statements

#### 15 Related parties

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

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

At the balance sheet date, shareholders from within Prudential plc, of which M&G Securities Limited is a wholly owned subsidiary, have holdings totalling 86.17% of the fund's shares.

#### 16 Events after the balance sheet date

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

#### 17 Fair value analysis

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

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

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

##### Level 2: Valuation technique using observable market data

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

##### Level 3: Valuation technique using unobservable inputs

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

as at 31 March Basis of valuation	Assets 2019 \$'000	Liabilities 2019 \$'000
Level 1	26,786	0
Level 2	0	0
Level 3	0	0
	<b>26,786</b>	<b>0</b>

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

#### 18 Risk management policies

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

#### 19 Market risk sensitivity and exposure

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 \$1,339,000. 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 \$1,409,000. A five per cent decrease would have an equal and opposite effect.

as at 31 March	2019 \$'000
<b>Currency exposure in respect of the fund</b>	
Australian dollar	885
Danish krone	3,949
Euro	2,651
Hong Kong dollar	1,770
Japanese yen	1,757
Sterling	1,625
South African rand	698
Swiss franc	802
US dollar	14,045
<b>Total</b>	<b>28,182</b>

# M&G Positive Impact Fund

## Financial statements and notes

### Notes to the financial statements

#### 21 Dividend distribution tables

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

Annual distribution period				
	Start	End	Xd	Payment
Final	20.11.18	31.03.19	01.04.19	31.05.19

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

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

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

Sterling Class 'A' Income shares			
Ordinary distributions for the period to 31 March	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019
	p	p	p
Final	0.1768	0.1989	0.3757

Sterling Class 'A' Accumulation shares			
Ordinary distributions for the period to 31 March	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019
	p	p	p
Final	0.0000	0.0000	0.0000

Sterling Class 'I' Income shares			
Ordinary distributions for the period to 31 March	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019
	p	p	p
Final	0.2969	0.0795	0.3764

Sterling Class 'I' Accumulation shares			
Ordinary distributions for the period to 31 March	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019
	p	p	p
Final	0.0626	0.0000	0.0626

Sterling Class 'L' Income shares			
Ordinary distributions for the period to 31 March	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019
	p	p	p
Final	0.2877	0.0890	0.3767

Sterling Class 'L' Accumulation shares			
Ordinary distributions for the period to 31 March	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019
	p	p	p
Final	0.1450	0.0051	0.1501

Sterling Class 'R' Income shares			
Ordinary distributions for the period to 31 March	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019
	p	p	p
Final	0.0000	0.3758	0.3758

Sterling Class 'R' Accumulation shares			
Ordinary distributions for the period to 31 March	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019
	p	p	p
Final	0.0000	0.0000	0.0000

# M&G Positive Impact Fund

Financial statements and notes

This page is intentionally blank



# M&G UK Inflation Linked Corporate Bond Fund

## Authorised Corporate Director's Report

### Investment objective

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

### Investment policy

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

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

### Investment approach

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

### Risk profile

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

The fund's focus is on investment grade, or high-quality corporate bonds, which are securities that are normally traded with relative ease. The fund's exposure to index-linked bonds may be achieved either directly or by investing in a combination of assets, including government securities and credit derivatives. In association with the use of derivatives, including those instruments not traded through an

exchange, collateral is deposited in order to mitigate the risk that a counterparty may default on its obligations or become insolvent.

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

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



The above number:

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

### Investment review

As at 1 April 2019, for the year ended 31 March 2019

#### Performance against objective

Between 3 April 2018 (the start of the review period) and 1 April 2019, the M&G UK Inflation Linked Corporate Bond Fund delivered a small positive total return (the combination of income and growth of capital) across different share classes. However, returns in this period were behind the change in the UK Consumer Prices Index (CPI), which the fund seeks to match or exceed over a rolling three- to five-year period. Over three years, the fund's returns were ahead of the CPI, although slightly behind CPI over five years.\*

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

#### Investment performance

The fund invests in a range of instruments that can help to mitigate the potentially damaging effects of inflation. It is mainly invested in inflation-linked bonds issued by high-quality companies, where both the value of the loan and the interest payments are adjusted in line with inflation until they mature. Bonds are loans that are extended by an investor to an issuing entity – such as a company or government – in exchange for regular interest payments. Bonds issued by companies are referred to as 'corporate bonds', while those issued by governments are called 'government bonds'.

The 12-month period under review was a volatile period for corporate bond markets. A variety of factors weighed on sentiment throughout 2018, including concerns about the negative impact of rising US interest rates, escalating trade war tensions between the US and China, and political turmoil in Europe and several emerging markets.

The US Federal Reserve (Fed) raised interest rates in December, making it a total of nine times US rates have risen since the great financial crisis about a decade ago. In the UK, much uncertainty remained about the eventual terms of the country's Brexit deal with the European Union (EU), contributing to periods of adverse sentiment

# M&G UK Inflation Linked Corporate Bond Fund

## Authorised Corporate Director's Report

### Investment review

#### Investment performance (continued)

towards UK corporate bonds. Investors in Europe became concerned in the latter stages of 2018 about Italian proposals to increase the country's budget deficit.

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

The mood then changed once again in early 2019, as investors took comfort from the Fed's statements that the central bank would moderate its strategy of raising interest rates. This resulted in a strong start to the year for corporate bonds, with these assets recovering some of their earlier declines.

In the UK, inflation initially picked up in the early part of the review period, with the CPI reaching 2.7% in August 2018. However, inflationary pressures eased from that point, with the CPI coming in at 1.9% in February 2019. Despite this, the market's expectation for UK inflation – based on the difference between index-linked gilt yields and conventional gilt yields – rose slightly over the period.

The fund delivered a modest positive return over the review period, helped by a rise in UK inflation expectations. While the fund maintained a low sensitivity to movements in interest rates, it nevertheless obtained some benefit from the significant fall in government bond yields in the second half of the review period. However, the overall weakness across corporate bond markets detracted from returns. (Yields refer to the income received from an investment. The yield is usually expressed annually as a percentage based on the investment's cost, its current market value or face value.)

#### Investment activities

Given ongoing uncertainty regarding Brexit, as well as potential changes to the Retail Prices Index (RPI) following a review by the House of Lords, we significantly reduced our UK index-linked bond exposure in the second half of the review period. We are particularly mindful that a smooth Brexit outcome could trigger a relief rally in sterling and a corresponding fall in UK inflation expectations. This in turn could have a negative impact on index-linked bond prices.

As a result, our index-linked gilt exposure is now focused on very short-dated instruments (such as those maturing in 2020 and 2022), where we think downside risks are limited. We also maintain modest positions in US Treasury Inflation Protected Securities (TIPS) and index-linked German bunds – these instruments provide exposure to global inflationary trends, but without being affected by Brexit noise and uncertainty over changes to the RPI.

Following the strong rally in corporate bond markets since the start of 2019, we have also recently reduced credit risk within the fund. For instance, we decreased our exposure to 'BBB' rated bonds, while increasing our allocation to more highly rated single 'A' rated bonds. We also trimmed our financial exposure, by selling or reducing several of our UK bank positions following strong performance.

The fund continues to be positioned with a low sensitivity to movements in interest rates, especially in terms of our UK interest rate risk where we have minimal exposure. This should help mitigate the negative impact of any future volatility in gilt markets amid ongoing political uncertainty.

#### Outlook

While we would not attempt to predict future political developments, we think it is fair to say that the UK currently faces unprecedented levels of political uncertainty. By focusing on index-linked bonds issued by highly rated companies that are due to be repaid in a relatively short period of time, we believe the fund is well placed to withstand any future rise in UK inflation because of sterling weakness. Furthermore, by keeping a low sensitivity to movements in interest rates, the fund should also be able to withstand any future turbulence in government bond markets.

While mindful of the recent slowdown in global growth, we maintain a broadly positive economic outlook. This is largely based on our positive assessment of the US economy, where a healthy labour market is expected to drive further wage growth over the coming months. The US is a service-based economy, and its reliance on people rather than goods means that it is unlikely to turn deflationary in the short to medium term. The market now expects the US Federal Reserve to keep interest rates on hold, or to even cut rates, but in our view the Fed may need to start increasing interest rates again sooner than expected.

Against this backdrop, we continue to favour corporate bonds over government bonds. That said, given the strong performance of corporate bonds since the start of the year, we think valuations are now closer to fair value. Until we have greater certainty over the eventual Brexit outcome, as well as the wider global economic outlook, we think a cautious stance is warranted.

#### Ben Lord

Fund manager

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

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

# M&G UK Inflation Linked Corporate Bond Fund

## Authorised Corporate Director's Report

### Investments

Portfolio statement				
as at 31 March Holding	2019 £'000	2019 %	2018 %	
<b>FIXED INCOME</b>	<b>1,068,229</b>	<b>98.85</b>	<b>99.03</b>	
<b>Debt securities</b>	<b>1,064,502</b>	<b>98.51</b>	<b>98.19</b>	
<b>'AAA' credit rated bonds</b>	<b>82,466</b>	<b>7.63</b>	<b>2.74</b>	
£2,051,000 DLL UK Equipment Finance 2019-1 FRN 1.60813% 25/03/2028	2,051	0.19		
£148,000 European Investment Bank IL 2.1% 22/11/2022	236	0.02		
£15,000,000 FMS Wertmanagement FRN 0.994% 14/01/2022	15,004	1.39		
£66,950,000 Germany (Federal Republic of) IL 0.1% 15/04/2023	65,175	6.03		
<b>'AA' credit rated bonds</b>	<b>553,804</b>	<b>51.25</b>	<b>68.73</b>	
£18,933 Baglan Moor Healthcare IL 3.92% 30/04/2029	40	0.00		
\$5,000,000 MassMutual Global Funding 2.95% 11/01/2025	3,779	0.35		
€1,500,000 Réseau Ferré de France IL 2.45% 28/02/2023	1,847	0.17		
£9,300,000 Scotland Gas Network IL 2.127% 21/10/2022	15,520	1.44		
£18,400,000 Treasury IL 0.125% 22/03/2024	24,400	2.26		
£200,000 Treasury IL 0.125% 22/03/2026	260	0.02		
£200,000 Treasury IL 1.25% 22/11/2027	393	0.04		
£76,353,000 Treasury IL 1.875% 22/11/2022	123,355	11.42		
£89,578,623 Treasury IL 2.5% 16/04/2020	320,824	29.69		
£1,180,850 Treasury IL 2.5% 17/07/2024	4,304	0.40		
\$35,000,000 US Treasury IL 0.125% 15/04/2021	28,128	2.60		
\$5,000,000 US Treasury IL 0.125% 15/07/2022	4,152	0.38		
\$30,000,000 US Treasury IL 1.25% 15/07/2020	26,802	2.48		
<b>'A' credit rated bonds</b>	<b>131,620</b>	<b>12.18</b>	<b>9.67</b>	
£1,350,000 Anglian Water Services Financing IL 3.666% 30/07/2024	2,702	0.25		
£11,168,000 Anglian Water Services Financing IL 4.125% 28/07/2020	20,417	1.89		
£8,500,000 Banco Santander 2.75% 12/09/2023	8,632	0.80		
€3,700,000 Banco Santander Var. Rate Perp. 5.481% Perpetual	3,116	0.29		
\$5,000,000 Bank of America FRN 3.3885% 05/03/2024	3,783	0.35		
€10,000,000 Bank of America Var. Rate 1.662% 25/04/2028	8,908	0.82		
£5,920,000 Bank of Scotland IL 2.64% 16/04/2020	10,021	0.93		
€2,400,000 BNP Paribas Var. Rate 2.125% 23/01/2027	2,147	0.20		
\$10,000,000 BNP Paribas Var. Rate 4.705% 10/01/2025	7,919	0.73		
\$7,500,000 BPCE 4% 12/09/2023	5,799	0.53		
\$5,097,000 Cigna FRN 3.26463% 17/09/2021	3,867	0.36		
£2,126,000 Cooperative Rabobank IL 2.25% 22/11/2022	3,309	0.31		
\$3,000,000 Crédit Agricole FRN 3.79925% 24/04/2023	2,269	0.21		
£10,000,000 HSBC Var. Rate 2.175% 27/06/2023	10,034	0.93		
€2,600,000 ING FRN 0.54% 20/09/2023	2,224	0.21		
£2,199,000 National Grid Electricity Transmission IL 3.806% 27/07/2020	3,845	0.36		
£3,013,700 Nationwide Building Society IL 3.875% 30/07/2021	9,890	0.91		
£598,898 Nationwide Building Society IL 4.25% 23/02/2024	1,974	0.18		
£2,451,923 Newgate Funding FRN 1.012% 01/12/2050	2,301	0.21		

### Portfolio statement (continued)

as at 31 March Holding	2019 £'000	2019 %	2018 %
<b>'A' credit rated bonds (continued)</b>			
£136,544 Newgate Funding FRN 1.04275% 01/12/2050	130	0.01	
£2,294,860 RMAC Securities No. 1 FRN 0.995% 12/06/2044	2,149	0.20	
€3,200,000 Santander Consumer Finance 1.125% 09/10/2023	2,793	0.26	
£2,944,000 South Eastern Power Networks IL 3.053% 05/06/2023	5,406	0.50	
£1,452,000 Southern Water Services Finance IL 3.816% 31/03/2023	2,719	0.25	
€6,074,000 UBS Group Funding (Switzerland) Var. Rate 1.25% 17/04/2025	5,266	0.49	
<b>'BBB' credit rated bonds</b>	<b>230,604</b>	<b>21.34</b>	<b>10.04</b>
\$6,000,000 ABN AMRO Bank Var. Rate 4.4% 27/03/2028	4,600	0.43	
£14,914,000 Altria 1.7% 15/06/2025	12,933	1.20	
\$5,146,000 Altria 3.8% 14/02/2024	3,994	0.37	
\$1,531,000 Altria 4.4% 14/02/2026	1,200	0.11	
€2,500,000 Banco Santander 2.5% 18/03/2025	2,221	0.20	
€7,500,000 BAT Capital 1.125% 16/11/2023	6,489	0.60	
\$10,000,000 BAT Capital 3.222% 15/08/2024	7,444	0.69	
\$8,333,000 Bayer US Finance II 3.875% 15/12/2023	6,396	0.59	
£157,000 British Telecommunications IL 3.5% 25/04/2025	329	0.03	
\$10,000,000 Celgene 3.25% 15/08/2022	7,689	0.71	
\$3,257,000 Citigroup 2.75% 24/01/2024	3,338	0.31	
\$10,000,000 CVS Health 3.7% 09/03/2023	7,744	0.72	
\$7,500,000 Enel Finance International 3.625% 25/05/2027	5,440	0.50	
\$5,000,000 Enel Var. Rate 6.625% 15/09/2076	5,363	0.50	
\$10,000,000 Energy Transfer Operating 4.05% 15/03/2025	7,732	0.71	
\$4,904,000 Energy Transfer Operating 4.5% 15/04/2024	3,902	0.36	
£5,473,000 Ford Motor Credit 4.535% 06/03/2025	5,531	0.51	
\$5,000,000 Ford Motor Credit 5.596% 07/01/2022	3,927	0.36	
€3,447,000 General Motors Financial 2.2% 01/04/2024	2,998	0.28	
\$5,000,000 General Motors Financial 5.1% 17/01/2024	3,958	0.37	
£3,216,353 Greene King Finance FRN 3.34463% 15/12/2033	3,151	0.29	
€12,000,000 Heimstaden Bostad 1.75% 07/12/2021	10,481	0.97	
€7,500,000 Lloyds Banking Var. Rate 1.75% 07/09/2028	6,321	0.58	
€6,500,000 Morgan Stanley 1.375% 27/10/2026	5,674	0.53	
\$5,000,000 Morgan Stanley FRN 4.17925% 24/10/2023	3,866	0.36	
€22,500,000 Mylan 2.25% 22/11/2024	19,642	1.82	
€4,506,000 Nationwide Building Society Var. Rate 1.5% 08/03/2026	3,855	0.36	
€2,287,000 Nationwide Building Society Var. Rate 2% 25/07/2029	1,925	0.18	
\$2,500,000 Nationwide Building Society Var. Rate 3.766% 08/03/2024	1,894	0.18	
€2,000,000 Orange 1.125% 15/07/2024	1,775	0.16	
£9,900,000 Orange Var. Rate Perp. 5.75% Perpetual	10,704	0.99	
£10,000,000 Royal Bank of Scotland Var. Rate 2.875% 19/09/2026	10,011	0.93	
£3,100,000 Royal Bank of Scotland Var. Rate 3.125% 28/03/2027	3,129	0.29	
£1,950,000 Severn Trent IL 1.3% 11/07/2022	2,424	0.22	
\$5,000,000 Société Générale 4.25% 14/09/2023	3,897	0.36	

# M&G UK Inflation Linked Corporate Bond Fund

## Authorised Corporate Director's Report

### Investments

Portfolio statement (continued)			
as at 31 March Holding	2019 £'000	2019 %	2018 %
<b>'BBB' credit rated bonds (continued)</b>			
\$2,800,000 Syngenta Finance 4.441% 24/04/2023	2,172	0.20	
€13,291,000 Takeda Pharmaceutical FRN 0.792% 21/11/2022	11,565	1.07	
£1,967,000 Thames Water Utilities Finance 2.375% 03/05/2023	1,925	0.18	
£3,152,000 Thames Water Utilities Finance IL 3.375% 21/07/2021	5,626	0.52	
£2,800,000 Volkswagen Financial Services 2.75% 10/07/2023	2,839	0.26	
€16,800,000 Volkswagen International Finance FRN 1.242% 16/11/2024	14,500	1.34	
<b>'BB' credit rated bonds</b>			
	<b>37,826</b>	<b>3.50</b>	<b>1.59</b>
€3,500,000 Banco De Sabadell Var. Rate 5.375% 12/12/2028	3,079	0.28	
£1,476,756 Catalyst Healthcare (Manchester) Financing IL 2.411% 30/09/2040	2,679	0.25	
€4,600,000 Telefónica (Europe) Var. Rate 3% Perpetual	3,830	0.36	
€5,000,000 Telefónica (Europe) Var. Rate 3.875% Perpetual	4,112	0.38	
€5,000,000 Telefónica (Europe) Var. Rate 4.375% Perpetual	4,389	0.41	
£5,400,000 Tesco IL 3.322% 05/11/2025	10,737	0.99	
€6,500,000 Teva Pharmaceutical Finance 1.125% 15/10/2024	4,857	0.45	
€5,000,000 Wind Tre 2.625% 20/01/2023	4,143	0.38	
<b>Bonds with no credit rating</b>			
	<b>28,182</b>	<b>2.61</b>	<b>5.42</b>
£4,300,000 Admiral 5.5% 25/07/2024	4,547	0.42	
£206,580 Annes Gate Property IL 3.237% 31/03/2030	417	0.04	
€4,285,000 Banca Monte dei Paschi di Siena 2% 29/01/2024	3,740	0.35	
€2,000,000 Eirles Two FRN 2020 <sup>[b]</sup>	0	0.00	
£402,775 Exchequer Partnerships IL 3.582% 31/12/2035	969	0.09	
£1,840,000 Hastings Group Finance 3% 24/05/2025	1,768	0.16	
£680,594 HpC Kings College Hospital IL 3.443% 31/03/2036	1,574	0.15	
£2,105,998 London Wall Mortgage Capital FRN 1.71988% 15/11/2049	2,105	0.19	
£2,859,000 PCL Funding III FRN 1.37963% 15/06/2023	2,845	0.26	
£3,336,004 Precise Mortgage Funding FRN 1.525% 12/03/2055	3,303	0.31	
£13 T.H.F.C IL 5.65% 30/09/2020	0	0.00	
£1,000,900 Tesco Personal Finance IL 1% 16/12/2019	1,189	0.11	
£1,923,216 The Hospital Company (Dartford) IL 3.003% 31/10/2031	3,856	0.36	
£1,868,759 Together Asset Backed Securitisation FRN 1.845% 12/03/2049	1,869	0.17	

### Portfolio statement (continued)

as at 31 March Holding	2019 £'000	2019 %	2018 %
<b>Debt derivatives</b>			
	<b>3,727</b>	<b>0.34</b>	<b>0.84</b>
<b>Credit default swaps</b>			
	<b>5,882</b>	<b>0.54</b>	<b>1.13</b>
\$(13,000,000) América Móvil Dec 2021	24	0.00	
\$(17,500,000) América Móvil Dec 2023	(218)	(0.02)	
€(9,500,000) Anglo American Capital Jun 2023	1,405	0.13	
€(7,500,000) Anglo American Capital Jun 2024	1,237	0.11	
€(22,500,000) Anheuser-Busch InBev Dec 2023	348	0.03	
€(5,000,000) Aroundtown Dec 2022	(15)	0.00	
€(17,000,000) Bayer Jan 2021	(18)	0.00	
€(5,000,000) Bayer Jun 2024	(30)	0.00	
\$(15,000,000) CVS Health Dec 2027	(293)	(0.03)	
\$(20,000,000) General Electric Dec 2023	35	0.00	
\$(7,500,000) General Electric Dec 2028	(270)	(0.02)	
\$(5,000,000) Kroger Jun 2024	(3)	0.00	
\$(135,000,000) Markit CDX North American Investment Grade Series 31 3 Year Dec 2021	1,925	0.18	
\$(57,000,000) Markit CDX North American Investment Grade Series 32 3 Year Jun 2022	861	0.08	
€(19,700,000) Markit iTraxx Europe Series 28 5 Year Dec 2022	353	0.03	
€(64,000,000) Markit iTraxx Europe Series 30 V1 3 Year Dec 2021	1,024	0.09	
\$(5,000,000) McKesson Corp Jun 2024	2	0.00	
€(5,000,000) Nationwide Building Society Dec 2022	(59)	(0.01)	
\$(10,000,000) Nordstrom Jun 2023	(44)	0.00	
\$(5,000,000) Nordstrom Mar 2028	(74)	(0.01)	
€(20,000,000) Reckitt Benckiser Treasury Services Jun 2022	389	0.04	
€(8,000,000) Royal Bank of Scotland Group Dec 2022	(87)	(0.01)	
€(7,396,450) Telecom Italia Dec 2023	(422)	(0.04)	
€(5,103,550) Telecom Italia Jun 2024	(366)	(0.03)	
\$(5,000,000) Verizon Communications Sep 2023	75	0.01	
\$(10,000,000) Verizon Communications Mar 2025	103	0.01	
<b>Interest rate swaps</b>			
	<b>(558)</b>	<b>(0.05)</b>	<b>0.02</b>
£20,000,000 Pay 0.785% Receive VaR Feb 2022	117	0.01	
£20,000,000 Pay 0.832% Receive VaR Mar 2022	90	0.01	
£30,000,000 Pay 0.874% Receive VaR Sep 2047	131	0.01	
£45,000,000 Pay 0.96% Receive VaR Mar 2022	28	0.00	
£22,500,000 Pay 0.974% Receive VaR Nov 2046	(2)	0.00	
£17,500,000 Pay 1.08875% Receive VaR Oct 2022	(68)	(0.01)	
£30,000,000 Pay 1.316% Receive VaR Feb 2020	(100)	(0.01)	
£25,000,000 Pay 1.319% Receive VaR Jan 2020	(84)	(0.01)	
£60,000,000 Pay 1.49% Receive VaR Feb 2020	(315)	(0.03)	
£75,000,000 Pay 1.71% Receive VaR Oct 2019	(585)	(0.05)	
£50,000,000 Pay 272.9% Receive 3.3475 Sep 2022	168	0.02	
£25,000,000 Pay 282.0% Receive 3.4275 Feb 2024	62	0.01	
<b>Interest rate futures</b>			
	<b>(1,597)</b>	<b>(0.15)</b>	<b>(0.31)</b>
100 2 Year US Treasury Note Jun 2019	54	(0.01)	
800 5 Year US Treasury Note Jun 2019	624	0.06	
(400) 10 Year US Treasury Note Jun 2019	(486)	(0.04)	
(300) Euro Bobl Jun 2019	(247)	(0.02)	
(100) Euro Bund Jun 2019	(218)	(0.02)	
(556) UK Long Gilt Bond Jun 2019	(1,324)	(0.12)	

# M&G UK Inflation Linked Corporate Bond Fund

## Authorised Corporate Director's Report

### Investments

Portfolio statement (continued)			
as at 31 March	2019	2019	2018
Holding	£'000	%	%
<b>CURRENCY</b>	<b>2,517</b>	<b>0.23</b>	<b>0.44</b>
<b>Forward currency contracts</b>	<b>2,517</b>	<b>0.23</b>	<b>0.44</b>
€29,559,587 Bought for £25,432,585 (expires 10.04.19)	(95)	(0.01)	
€(292,666,773) Sold for £252,616,330 (expires 10.04.19)	1,751	0.16	
\$20,074,639 Bought for £15,170,066 (expires 10.04.19)	141	0.01	
\$(239,499,732) Sold for £183,392,803 (expires 10.04.19)	720	0.07	
<b>Portfolio of investments</b>	<b>1,070,746</b>	<b>99.08</b>	<b>99.47</b>
<b>CASH EQUIVALENTS</b>	<b>7,358</b>	<b>0.68</b>	<b>0.26</b>
<b>'AAA' rated money market funds [a]</b>	<b>7,358</b>	<b>0.68</b>	<b>0.26</b>
7,358,000 Northern Trust Global Fund - Sterling	7,358	0.68	
<b>Total portfolio (notes 2c &amp; 2d on page 7)</b>	<b>1,078,104</b>	<b>99.76</b>	<b>99.73</b>
<b>Net other assets / (liabilities)</b>	<b>2,547</b>	<b>0.24</b>	<b>0.27</b>
<b>Net assets attributable to shareholders</b>	<b>1,080,651</b>	<b>100.00</b>	<b>100.00</b>

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.

[b] Defaulted bond.



# M&G UK Inflation Linked Corporate Bond Fund

## Financial highlights

### Fund performance

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

The following chart and tables show the performance for two of the fund's share classes – Sterling Class 'A' (Accumulation) shares and Sterling Class 'I' (Accumulation) shares.

We show performance for these two share classes because:

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

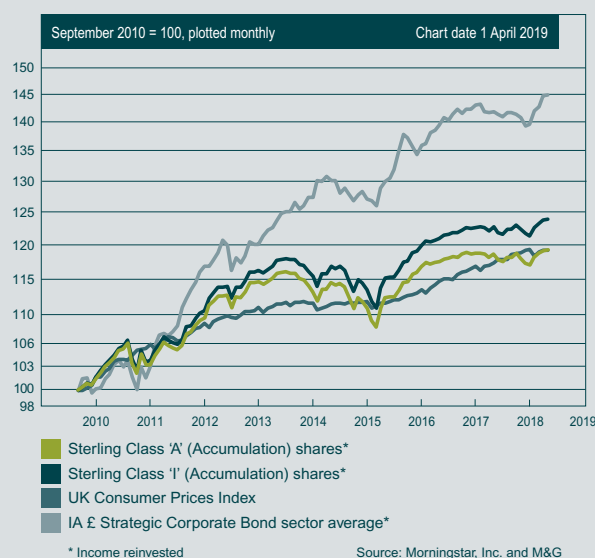
The fund is available for investment in different share classes, each with varying levels of charges and minimum investments; please refer to the Prospectus for M&G Investment Funds (10), which is available free of charge either from our website at [www.mandg.co.uk/prospectuses](http://www.mandg.co.uk/prospectuses)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

### Fund level performance

Fund net asset value			
as at 31 March	2019 £'000	2018 £'000	2017 £'000
Fund net asset value (NAV)	1,080,651	1,192,190	1,085,121

### Performance since launch

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



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

Long-term performance by share class				
	One year 03.04.18 % [a]	Three years 01.04.16 % p.a.	Five years 01.04.14 % p.a.	Since launch % p.a.
<b>Sterling [b]</b>				
Class 'A'	+0.9	+2.5	+0.7	+2.1 [c]
Class 'I'	+1.4	+2.9	+1.2	+2.5 [c]
Class 'R'	+1.2	+2.7	+0.9	+2.0 [d]

[a] Absolute basis.

[b] Price to price with income reinvested.

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

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



# M&G UK Inflation Linked Corporate Bond Fund

## Financial highlights

### Fund performance

### Operating charges and portfolio transaction costs

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

#### Operating charges

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

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

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

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

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

### Portfolio transaction costs

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

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

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

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

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

#### Portfolio transaction costs

for the year to 31 March	2019	2018	2017	Average <sup>[a]</sup>
Direct portfolio transaction costs <sup>[b]</sup>	%	%	%	%
Broker commission	0.00	0.00	0.01	0.00
Taxes	0.00	0.00	0.00	0.00
Costs before dilution adjustments	0.00	0.00	0.01	0.00
Dilution adjustments <sup>[c]</sup>	0.00	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.01	0.00
as at 31 March	2019	2018	2017	Average <sup>[a]</sup>
Indirect portfolio transaction costs	%	%	%	%
Average portfolio dealing spread	0.22	0.12	0.28	0.21

<sup>[a]</sup> Average of first three columns.

<sup>[b]</sup> As a percentage of average net asset value.

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

# M&G UK Inflation Linked Corporate Bond Fund

## Financial highlights

### Specific share class performance

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

#### Sterling Class 'A' Income share performance

The share class was launched on 16 September 2010.

for the year to 31 March Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	114.53	114.15	109.23
Return before operating charges and after direct portfolio transaction costs	2.33	2.39	7.55
Operating charges	(1.33)	(1.33)	(1.31)
Return after operating charges	1.00	1.06	6.24
Distributions	(1.43)	(0.68)	(1.32)
Closing NAV	114.10	114.53	114.15
<b>Direct portfolio transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.00	0.00	0.01
Dilution adjustments <sup>[a]</sup>	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.01
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.00	0.00	0.01
Operating charges	1.16	1.16	1.16
Return after operating charges	+0.87	+0.93	+5.71
Distribution yield	0.81	0.61	0.91
Effect on yield of charges offset against capital	1.15	1.15	1.15
<b>Other information</b>			
Closing NAV (£'000)	129,109	131,816	91,542
Closing NAV percentage of total fund NAV (%)	11.95	11.06	8.44
Number of shares	113,152,100	115,089,107	80,196,352
Highest share price (UK p)	115.10	115.85	115.28
Lowest share price (UK p)	112.77	114.10	109.32

#### Sterling Class 'A' Accumulation share performance

The share class was launched on 16 September 2010.

for the year to 31 March Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	118.14	117.06	110.82
Return before operating charges and after direct portfolio transaction costs	2.41	2.44	7.67
Operating charges	(1.37)	(1.36)	(1.33)
Return after operating charges	1.04	1.08	6.34
Distributions	(0.12)	0.00	(0.57)
Retained distributions	0.12	0.00	0.47
Closing NAV	119.18	118.14	117.06
<b>Direct portfolio transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.00	0.00	0.01
Dilution adjustments <sup>[a]</sup>	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.01
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.00	0.00	0.01
Operating charges	1.16	1.16	1.16
Return after operating charges	+0.88	+0.92	+5.72
Distribution yield	0.00	0.00	0.00
Effect on yield of charges offset against capital	0.00	0.00	0.00
<b>Other information</b>			
Closing NAV (£'000)	30,318	48,328	53,420
Closing NAV percentage of total fund NAV (%)	2.81	4.05	4.92
Number of shares	25,438,455	40,906,802	45,636,252
Highest share price (UK p)	119.23	119.16	117.47
Lowest share price (UK p)	116.96	117.00	110.91

#### Sterling Class 'I' Income share performance

The share class was launched on 16 September 2010.

for the year to 31 March Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	116.65	115.69	110.39
Return before operating charges and after direct portfolio transaction costs	2.38	2.42	7.63
Operating charges	(0.77)	(0.77)	(0.76)
Return after operating charges	1.61	1.65	6.87
Distributions	(1.46)	(0.69)	(1.57)
Closing NAV	116.80	116.65	115.69
<b>Direct portfolio transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.00	0.00	0.01
Dilution adjustments <sup>[a]</sup>	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.01
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.00	0.00	0.01
Operating charges	0.66	0.66	0.66
Return after operating charges	+1.38	+1.43	+6.22
Distribution yield	0.82	0.61	0.91
Effect on yield of charges offset against capital	0.65	0.65	0.65
<b>Other information</b>			
Closing NAV (£'000)	477,510	553,103	494,005
Closing NAV percentage of total fund NAV (%)	44.19	46.39	45.53
Number of shares	408,820,821	474,150,953	427,021,439
Highest share price (UK p)	117.67	117.81	116.82
Lowest share price (UK p)	115.30	115.67	110.53

# M&G UK Inflation Linked Corporate Bond Fund

## Financial highlights

### Specific share class performance

#### Sterling Class 'I' Accumulation share performance

The share class was launched on 16 September 2010.

for the year to 31 March Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	122.15	120.43	113.51
Return before operating charges and after direct portfolio transaction costs	2.50	2.52	7.86
Operating charges	(0.81)	(0.80)	(0.78)
Return after operating charges	1.69	1.72	7.08
Distributions	(0.74)	0.00	(1.17)
Retained distributions	0.74	0.00	1.01
Closing NAV	123.84	122.15	120.43
<b>Direct portfolio transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.00	0.00	0.01
Dilution adjustments <sup>[a]</sup>	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.01
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.00	0.00	0.01
Operating charges	0.66	0.66	0.66
Return after operating charges	+1.38	+1.43	+6.23
Distribution yield	0.17	0.00	0.26
Effect on yield of charges offset against capital	0.00	0.00	0.00
<b>Other information</b>			
Closing NAV (£'000)	442,333	457,560	444,839
Closing NAV percentage of total fund NAV (%)	40.93	38.39	40.99
Number of shares	357,173,836	374,593,898	369,378,412
Highest share price (UK p)	123.89	123.01	120.83
Lowest share price (UK p)	121.39	120.41	113.61

#### Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012.

for the year to 31 March Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	110.36	109.72	104.85
Return before operating charges and after direct portfolio transaction costs	2.24	2.29	7.24
Operating charges	(1.00)	(1.00)	(0.99)
Return after operating charges	1.24	1.29	6.25
Distributions	(1.38)	(0.65)	(1.38)
Closing NAV	110.22	110.36	109.72
<b>Direct portfolio transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.00	0.00	0.01
Dilution adjustments <sup>[a]</sup>	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.01
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.00	0.00	0.01
Operating charges	0.91	0.91	0.91
Return after operating charges	+1.12	+1.18	+5.96
Distribution yield	0.82	0.62	0.91
Effect on yield of charges offset against capital	0.90	0.90	0.90
<b>Other information</b>			
Closing NAV (£'000)	474	522	577
Closing NAV percentage of total fund NAV (%)	0.04	0.04	0.05
Number of shares	430,103	472,989	525,726
Highest share price (UK p)	111.05	111.52	110.79
Lowest share price (UK p)	108.87	109.68	104.98

#### Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012.

for the year to 31 March Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	112.65	111.34	105.18
Return before operating charges and after direct portfolio transaction costs	2.31	2.33	7.27
Operating charges	(1.03)	(1.02)	(0.99)
Return after operating charges	1.28	1.31	6.28
Distributions	(0.40)	0.00	(0.81)
Retained distributions	0.40	0.00	0.69
Closing NAV	113.93	112.65	111.34
<b>Direct portfolio transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.00	0.00	0.01
Dilution adjustments <sup>[a]</sup>	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.01
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.00	0.00	0.01
Operating charges	0.91	0.91	0.91
Return after operating charges	+1.14	+1.18	+5.97
Distribution yield	0.00	0.00	0.01
Effect on yield of charges offset against capital	0.00	0.00	0.00
<b>Other information</b>			
Closing NAV (£'000)	907	861	738
Closing NAV percentage of total fund NAV (%)	0.08	0.07	0.07
Number of shares	796,399	763,965	662,738
Highest share price (UK p)	113.97	113.51	111.71
Lowest share price (UK p)	111.74	111.30	105.27

<sup>[a]</sup> In respect of direct portfolio transaction costs.

<sup>[b]</sup> As a percentage of average net asset value.

# M&G UK Inflation Linked Corporate Bond Fund

## Financial statements and notes

### Financial statements

#### Statement of total return

for the year to 31 March	Note	2019 £'000	2018 £'000
Income			
Net capital gains / (losses)	3	(4,006)	(2,019)
Revenue	5	26,703	24,692
Expenses	6	(8,451)	(8,348)
Net revenue / (expense) before taxation		18,252	16,344
Taxation	7	(28)	(40)
Net revenue / (expense) after taxation		18,224	16,304
<b>Total return before distributions</b>		<b>14,218</b>	<b>14,285</b>
Distributions	8	(10,843)	(3,824)
<b>Change in net assets attributable to shareholders from investment activities</b>		<b>3,375</b>	<b>10,461</b>

#### Statement of change in net assets attributable to shareholders

for the year to 31 March	2019 £'000	2018 £'000
<b>Opening net assets attributable to shareholders</b>	<b>1,192,190</b>	<b>1,085,121</b>
Amounts received on issue of shares	87,218	248,364
Amounts paid on cancellation of shares	(205,030)	(152,060)
	(117,812)	96,304
Dilution adjustments	224	304
Change in net assets attributable to shareholders from investment activities (see above)	3,375	10,461
Retained distributions on Accumulation shares	2,672	0
Unclaimed distributions	2	0
<b>Closing net assets attributable to shareholders</b>	<b>1,080,651</b>	<b>1,192,190</b>

#### Balance sheet

as at 31 March	Note	2019 £'000	2018 £'000
<b>Assets</b>			
<b>Fixed assets</b>			
Investments		1,076,169	1,193,372
<b>Current assets</b>			
Debtors	9	20,648	8,236
Cash and bank balances	10	5,494	7,322
Cash equivalents		7,358	3,133
<b>Total assets</b>		<b>1,109,669</b>	<b>1,212,063</b>
<b>Liabilities</b>			
Investment liabilities		(5,423)	(7,489)
<b>Creditors</b>			
Bank overdrafts		0	(358)
Distribution payable		(4,309)	(1,959)
Other creditors	11	(19,286)	(10,067)
<b>Total liabilities</b>		<b>(29,018)</b>	<b>(19,873)</b>
<b>Net assets attributable to shareholders</b>		<b>1,080,651</b>	<b>1,192,190</b>

### Notes to the financial statements

#### 1 Accounting policies

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

#### 2 Distribution policy

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

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

#### 3 Net capital gains / (losses)

for the year to 31 March	2019 £'000	2018 £'000
Non-derivative securities	26,943	(42,359)
Derivative contracts	(35,584)	33,593
Currency gains / (losses)	4,649	6,761
Transaction charges	(14)	(14)
<b>Net capital gains / (losses)</b>	<b>(4,006)</b>	<b>(2,019)</b>

#### 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 57.

for the year to 31 March	2019 £'000	2018 £'000		
a) Purchases				
Debt securities <sup>[a]</sup>	866,018	1,163,940		
b) Sales				
Debt securities <sup>[a]</sup>	994,845	1,011,831		
Other transaction types				
Corporate actions	2,320	2,196		
Total sales after transaction costs	997,165	1,014,027		
c) Direct portfolio transaction costs				
Commissions paid	2019 £'000	% of average NAV	2018 £'000	% of average NAV
Derivatives	16	0.00	40	0.00
Taxes paid				
Derivatives	9	0.00	0	0.00
Total direct portfolio transaction costs <sup>[b]</sup>	25	0.00	40	0.00
d) Indirect portfolio transaction costs			%	%
Portfolio dealing spread <sup>[c]</sup>		0.22		0.12

<sup>[a]</sup> These transaction types do not attract direct portfolio transaction costs.

<sup>[b]</sup> Costs before dilution adjustments. Please refer to the 'Financial highlights' section for the effect of dilution adjustments.

<sup>[c]</sup> Average portfolio dealing spread at the balance sheet date.

# M&G UK Inflation Linked Corporate Bond Fund

## Financial statements and notes

### Notes to the financial statements

#### 5 Revenue

	2019 £'000	2018 £'000
<b>for the year to 31 March</b>		
Bank interest	20	43
Derivative revenue	5,761	3,200
Interest distributions	63	88
Interest on debt securities	20,859	21,361
<b>Total revenue</b>	<b>26,703</b>	<b>24,692</b>

#### 6 Expenses

	2019 £'000	2018 £'000
<b>for the year to 31 March</b>		
<b>Payable to the ACD or associate</b>		
Annual management charge	6,624	6,513
Administration charge	1,709	1,710
	8,333	8,223
<b>Payable to the Depositary or associate</b>		
Depositary's charge (including VAT)	58	58
<b>Other expenses</b>		
Audit fee (including VAT)	12	11
Interest payable	25	36
Safe custody charge	23	20
	60	67
<b>Total expenses</b>	<b>8,451</b>	<b>8,348</b>

#### 7 Taxation

	2019 £'000	2018 £'000
<b>for the year to 31 March</b>		
<b>a) Analysis of charge in the year</b>		
Corporation tax	0	0
Withholding tax	28	40
Deferred tax (note 7c)	0	0
<b>Total taxation</b>	<b>28</b>	<b>40</b>
<b>b) Factors affecting taxation charge for the year</b>		
Net revenue / (expense) before taxation	18,252	16,344
Corporation tax at 20%	3,650	3,269
Effects of:		
Interest distributions	(894)	0
Current year expenses not utilised	0	292
Prior year expenses utilised	(292)	0
Withholding tax	28	40
Retail Prices Index adjustments to gilts	(2,464)	(3,561)
<b>Total tax charge (note 7a)</b>	<b>28</b>	<b>40</b>
<b>c) Provision for deferred taxation</b>		
Provision at the start of the year	0	0
Deferred tax in profit and loss account (note 7a)	0	0
<b>Provision at the end of the year</b>	<b>0</b>	<b>0</b>

There is no deferred tax because there are no unutilised expenses in the current year (2018: £292,000).

#### 8 Distributions

	2019		2018	
	Inc <sup>[a]</sup> £'000	Acc <sup>[b]</sup> £'000	Inc <sup>[a]</sup> £'000	Acc <sup>[b]</sup> £'000
<b>for the year to 31 March</b>				
<b>Interest distributions</b>				
Interim	3,593	977	1,924	0
Final	4,309	1,695	1,959	0
Total net distributions		10,574		3,883
Income deducted on cancellation of shares		448		70
Income received on issue of shares		(179)		(129)
<b>Distributions</b>		<b>10,843</b>		<b>3,824</b>
Net revenue / (expense) per statement of total return		18,224		16,304
Expenses offset against capital		4,936		4,793
Effective yield adjustments not distributed		(12,317)		(17,807)
Income deficit transferred to capital		0		534
<b>Distributions</b>		<b>10,843</b>		<b>3,824</b>

<sup>[a]</sup> Distributions payable on Income shares.

<sup>[b]</sup> Retained distributions on Accumulation shares.

#### 9 Debtors

	2019 £'000	2018 £'000
<b>as at 31 March</b>		
Amounts receivable on issues of shares	0	1,599
Debt security interest receivable	7,985	6,448
Derivative revenue receivable	114	184
Distributions receivable	3	5
Sales awaiting settlement	12,522	0
Withholding tax recoverable	24	0
<b>Total debtors</b>	<b>20,648</b>	<b>8,236</b>

#### 10 Cash and bank balances

	2019 £'000	2018 £'000
<b>as at 31 March</b>		
Amounts held at futures clearing houses and collateral manager	4,103	7,151
Cash held as bank balances	1,391	171
<b>Total cash and bank balances</b>	<b>5,494</b>	<b>7,322</b>

#### 11 Other creditors

	2019 £'000	2018 £'000
<b>as at 31 March</b>		
ACD's annual management charge payable	312	323
Administration charge payable	81	84
Amounts payable on cancellation of shares	5,380	7,307
Derivative expense payable	36	242
Expenses payable	26	21
Purchases awaiting settlement	13,451	2,090
<b>Total other creditors</b>	<b>19,286</b>	<b>10,067</b>

#### 12 Contingent assets, liabilities and outstanding commitments

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

# M&G UK Inflation Linked Corporate Bond Fund

## Financial statements and notes

### Notes to the financial statements

#### 13 Shares in issue

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

Share class	Opening 01.04.18	Movements		Closing 31.03.19
		Issued	Cancelled	
<b>Sterling</b>				
Class 'A' Income	115,089,107	23,656,687	(25,593,694)	113,152,100
Class 'A' Accumulation	40,906,802	2,755,285	(18,223,632)	25,438,455
Class 'I' Income	474,150,953	13,778,526	(79,108,658)	408,820,821
Class 'I' Accumulation	374,593,898	33,274,996	(50,695,058)	357,173,836
Class 'R' Income	472,989	51,100	(93,986)	430,103
Class 'R' Accumulation	763,965	140,341	(107,907)	796,399

#### 14 Charging structure

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

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

#### 15 Related parties

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

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

At the balance sheet date, shareholders from within Prudential plc, of which M&G Securities Limited is a wholly owned subsidiary, have holdings totalling 0.05% (2018: 0.12%) 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.

	Assets 2019 £'000	Liabilities 2019 £'000	Assets 2018 £'000	Liabilities 2018 £'000
<b>as at 31 March</b>				
<b>Basis of valuation</b>				
Level 1	533,296	(2,275)	790,857	(3,675)
Level 2	542,873	(3,148)	402,515	(3,814)
Level 3	0	0	0	0
	<b>1,076,169</b>	<b>(5,423)</b>	<b>1,193,372</b>	<b>(7,489)</b>

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

#### 18 Risk management policies

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



# M&G UK Inflation Linked Corporate Bond Fund

## Financial statements and notes

### Notes to the financial statements

#### 19 Market risk sensitivity and exposure

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

The VaR limit set during the financial year to 31 March 2019 was 10% (2018: 10%).

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 31 March 2019 and 31 March 2018.

		2019		2018
		Utilisation of		Utilisation of
		upper limit VaR [a]		upper limit VaR [a]
for the year to 31 March	% of VaR	10%	% of VaR	10%
Lowest	0.54	5.39	0.83	8.32
Highest	1.08	10.79	1.34	13.41
Average	0.70	6.97	1.07	10.67

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

#### 20 Credit risk

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

	2019	2018
as at 31 March	£'000	£'000
Investment grade securities	998,494	1,087,015
Below investment grade securities	37,826	18,910
Unrated securities	28,182	64,707
Other investments	6,244	15,251
<b>Total</b>	<b>1,070,746</b>	<b>1,185,883</b>

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.

	Swaps	Forward currency contracts	Futures
as at 31 March 2019	£'000	£'000	£'000
Bank of America Merrill Lynch	475	0	(1,597)
Barclays Bank	(113)	(3)	0
BNP Paribas	(198)	0	0
Citigroup	1,287	0	0
Credit Suisse	(340)	0	0
Goldman Sachs	3,325	0	0
HSBC	(84)	1,698	0
JPMorgan	857	864	0
RBC	0	(3)	0
State Street Bank	0	(39)	0
UBS	115	0	0
<b>Total</b>	<b>5,324</b>	<b>2,517</b>	<b>(1,597)</b>

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

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

#### 21 Leverage risk

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

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

The lowest, highest and average level of leverage employed and utilisation of the leverage level calculated during the financial years ended 31 March 2019 and 31 March 2018 are disclosed in the table below.

	2019 [a]	2019 [a]	2018 [a]	2018 [a]
for the year to 31 March	£'000	% [b]	£'000	% [b]
Lowest	1,463,468	132.8	1,511,268	127
Highest	2,774,631	243.6	3,595,540	234
Average	1,751,956	154.2	2,025,170	155

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

[b] Expressed as a percentage over net assets.

# M&G UK Inflation Linked Corporate Bond Fund

## Financial statements and notes

### Notes to the financial statements

#### 22 Interest distribution tables

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

Semi-annual distribution periods				
	Start	End	Xd	Payment
Interim	01.04.18	30.09.18	01.10.18	30.11.18
Final	01.10.18	31.03.19	01.04.19	31.05.19

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

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

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

Sterling Class 'A' Income shares				
Interest distributions for the year to 31 March	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
	p	p	p	p
Interim	0.3262	0.2958	0.6220	0.3504
Final	0.1860	0.6247	0.8107	0.3277

Sterling Class 'A' Accumulation shares				
Interest distributions for the year to 31 March	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
	p	p	p	p
Interim	0.0000	0.0000	0.0000	0.0000
Final	0.0431	0.0800	0.1231	0.0000

Sterling Class 'I' Income shares				
Interest distributions for the year to 31 March	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
	p	p	p	p
Interim	0.3634	0.2711	0.6345	0.3554
Final	0.3580	0.4707	0.8287	0.3333

Sterling Class 'I' Accumulation shares				
Interest distributions for the year to 31 March	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
	p	p	p	p
Interim	0.1870	0.0884	0.2754	0.0000
Final	0.2200	0.2450	0.4650	0.0000

Sterling Class 'R' Income shares				
Interest distributions for the year to 31 March	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
	p	p	p	p
Interim	0.4142	0.1854	0.5996	0.3369
Final	0.3438	0.4388	0.7826	0.3156

Sterling Class 'R' Accumulation shares				
Interest distributions for the year to 31 March	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
	p	p	p	p
Interim	0.0986	0.0174	0.1160	0.0000
Final	0.1441	0.1397	0.2838	0.0000

# M&G Investment Funds (10)

## Other regulatory disclosures

### Remuneration

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

The remuneration policies are designed to ensure that any relevant conflicts of interest can be managed appropriately at all times and that the remuneration of its staff is in line with the risk policies and objectives of the UCITS funds it manages. Further details of the remuneration policy applicable at an M&G Limited level can be found here: [www.mandg.com/about-us/policies-and-business-principles](http://www.mandg.com/about-us/policies-and-business-principles). M&G's remuneration policy and its implementation is reviewed on an annual basis, or more frequently where required, and approved by the M&G Remuneration Committee. The latest review found that the remuneration policy continued to align to all local regulatory requirements and continued to operate as intended.

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

M&G Securities Limited does not directly employ any staff members. However, for the financial year ended 31 December 2018, aggregate remuneration of £47,703,371 (£7,395,780 in respect of fixed remuneration and £40,307,591 in respect of variable remuneration) was paid to individuals whose actions may have a material impact on the risk profile of the UCITS Manager, of which £3,523,355 related to senior management.

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

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

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

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

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

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

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

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

**Bunds:** Fixed income securities issued by the German government.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

# Glossary

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

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

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

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

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

**Equities:** Shares of ownership in a company.

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

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

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

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

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

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

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

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

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

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

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

**Gilts:** Fixed income securities issued by the UK government.

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

**Hedging:** A method of reducing unnecessary or unintended risk.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



# Glossary

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



# Glossary

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

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

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

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

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

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

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

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

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

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

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

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

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

**Treasuries:** Fixed income securities issued by the US government.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

M&G Securities Limited is authorised and regulated by the Financial Conduct Authority and provides investment products. The Company's registered office is 10 Fenchurch Avenue, London EC3M 5AG. Registered in England number 90776.

