M&G STRATEGIC CORPORATE BOND FUND

Issued by M&G Securities Limited

01 August 2019

Prospectus

M&G Strategic Corporate Bond Fund

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This document constitutes the Prospectus for the M&G Strategic Corporate Bond Fund (the 'Company') which has been prepared in accordance with the Open-Ended Investment Companies Regulations 2001 and the rules contained in the Collective Investment Schemes Sourcebook published by the FCA as part of its Handbook of Rules and Guidance.

The Prospectus is dated and is valid as at 01 August 2019.

Copies of this Prospectus have been sent to the Financial Conduct Authority and NatWest Trustee and Depositary Services Limited as Depositary.

The Prospectus is based on information, law and practice at the date hereof but where it refers to any statutory provision or regulation this includes any modification or re-enactment that has been made. The Company is not bound by any out of date Prospectus when it has issued a new Prospectus and potential investors should check that they have the most recently published Prospectus.

M&G Securities Limited, the Authorised Corporate Director of the Company, is the person responsible for the information contained in this Prospectus. To the best of its knowledge and belief (having taken all reasonable care to ensure that such is the case) the information contained herein does not contain any untrue or misleading statement or omit any matters required by the Regulations to be included in it. M&G Securities Limited accepts responsibility accordingly. No person has been authorised by the Company to give any information or to make any representations in connection with the offering of Shares other than those contained in the Prospectus and, if given or made, such information or representations must not be relied on as having been made by the Company. The delivery of this Prospectus (whether or not accompanied by any reports) or the issue of Shares shall not, under any circumstances, create any implication that the affairs of the Company have not changed since the date hereof.

The distribution of this Prospectus and the offering of Shares in certain jurisdictions may be restricted. Persons into whose possession this Prospectus comes are required by the Company to inform themselves about and to observe any such restrictions.

This Prospectus does not constitute an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation.

Warning: the contents of this document have not been reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to this offer. If you are in any doubt about the contents of this document you should obtain independent professional advice. In particular, no interest in the Company will be issued to any person other than the person to whom this document is addressed. In addition, (a) no offer or invitation to subscribe for Shares in the Company may be made to the public in Hong Kong; and (b) this document has not been approved by the Securities and Futures Commission in Hong Kong or any other regulatory authority in Hong Kong and accordingly interests in the Company may not be offered or sold in Hong Kong by means of this document, other than in circumstances which do not constitute an offer to the public for the purposes of the Hong Kong Companies Ordinance and the Hong Kong Securities and Futures Ordinance, as amended from time to time.

Shares in the Company are not listed on any investment exchange.

Potential investors should not treat the contents of this Prospectus as advice relating to legal, taxation, investment or any other matters and are recommended to consult their own professional advisers concerning the acquisition, holding or disposal of Shares.

The provisions of the Instrument of Incorporation are binding on each of its Shareholders (who are taken to have notice of them).

This Prospectus has been approved for the purpose of Section 21(1) of the Financial Services and Markets Act 2000 by M&G Securities Limited.

The Depositary is not a person responsible for the information contained in this Prospectus and accordingly does not accept any responsibility therefore under the Regulations or otherwise.

If you are in any doubt about the contents of this Prospectus you should consult your professional adviser.

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Customer Helpline 0800 390 390

Definitions

M&G Strategic Corporate Bond Fund

Accumulation Share: a Share in the Company in respect of which income allocated thereto is credited periodically to capital pursuant to the Regulations;

ACD: M&G Securities Limited, the Authorised Corporate Director of the Company;

ACD Agreement: The agreement entered into between the Company and the ACD authorising the ACD to manage the affairs of the Company;

Approved Bank in relation to a bank account opened by the Company:

a) if the account is opened at a branch in the United Kingdom;
   (i) the Bank of England; or
   (ii) the central bank of a member state of the OECD; or
   (iii) a bank or a building society; or
   (iv) a bank which is supervised by the central bank or other banking regulator of a member state of the OECD; or

b) if the account is opened elsewhere:
   (i) a bank in (a); or
   (ii) a credit institution established in an EEA State other than in the United Kingdom and duly authorised by the relevant home state regulator; or
   (iii) a bank which is regulated in the Isle of Man or the Channel Islands; or

c) a bank supervised by the South African Reserve Bank (d) any other bank that:

d) is subject to regulation by a national banking regulator;
   (i) is required to provide audited accounts;
   (ii) has minimum net assets of £5 million (or its equivalent in any other currency at the relevant time) and has a surplus revenue over expenditure for the last two financial years; and
   (iii) has an annual audit report which is not materially qualified.

Annual Charge: is the fee paid to the ACD as payment for carrying out its duties and responsibilities in managing the Company and to pay for third party services;

Associate: an associate in accordance with the FCA Handbook of Rules and Guidance;

Base Currency: the base currency of the Company is Pounds Sterling;

BCD Credit Institution: a credit institution under the Banking Consolidation Directive;

Class or Classes: in relation to Shares, means (according to the context) all of the Shares related to the Company or a particular class or classes of Share related to the Company;

COLL: refers to the appropriate chapter or rule in the COLL Sourcebook issued by the FCA;

COLL Sourcebook: The Collective Investment Schemes Sourcebook issued by the FCA as amended or re-enacted from time to time;

Client Account: A bank account held by us in accordance with the FCA Handbook of Rules and Guidance;

Company: M&G Strategic Corporate Bond Fund;

Dealing Day: Monday to Friday except for bank holidays in England and Wales and other days at the ACD's discretion;

Depositary: NatWest Trustee and Depositary Services Limited, the depositary of the Company;

Efficient Portfolio Management: means the use of techniques and instruments which relate to transferable securities and approved money market instruments and which fulfil the following criteria:

a) they are economically appropriate in that they are realised in a cost effective way; and

b) they are entered into for one or more of the following specific aims:

– reduction of risk;

– reduction of cost;

– generation of additional capital or income for the scheme with a risk level which is consistent with the risk profile of the scheme and the risk diversification rules laid down in COLL;

Eligible Institution: one of certain eligible institutions being a BCD credit institution authorised by its home state regulator or an Investment Firm authorised by its home state regulator as defined in the glossary of definitions in the FCA Handbook;

Fraction: a smaller denomination Share (on the basis that one thousand smaller denomination Shares make one larger denomination Share);

FCA: the Financial Conduct Authority;

Fund: M&G Strategic Corporate Bond Fund;

Group Plan: one or more of The M&G ISA, The M&G Junior ISA, The M&G Savings Plan, and the M&G Securities International Nominee Service as the context may require;

Income Share: a Share in the Company in respect of which income allocated thereto is distributed periodically to the holders thereof pursuant to the Regulations;

Instrument of Incorporation: the instrument of incorporation of the Company as amended from time to time;

Intermediate Unitholder: a firm whose name is entered in the register of the Company, or which holds Shares indirectly through a third party acting as a nominee, and which:

a) is not the beneficial owner of the relevant Share; and

b) does not manage investments on behalf of the relevant beneficial owner of the Share; or

c) does not act as a depositary of a collective investment scheme or on behalf of such a depositary in connection with its role in holding property subject to the scheme;

Investment Firm: an investment firm that provides investment services as defined in the glossary of definitions in the FCA handbook;

Investment Manager: M&G Investment Management Limited;

M&G Securities International Nominee Service: a group plan offered by the ACD designed to facilitate investment from outside the UK;

mainly: within the investment objective, an amount greater than 70%;

Member State: those countries which are members of the European Union or the European Economic Area at any given time;

Net Asset Value or NAV: the value of the Scheme Property of the Company less the liabilities of the Company as calculated in accordance with the Company's Instrument of Incorporation;

Ongoing Charges Figure: a percentage figure representing the actual cost of running the fund, see also Section 28;

Definitions

M&G Strategic Corporate Bond Fund

OTC (over the counter) derivative: a derivative instrument entered into with an approved counterparty outside of an exchange;

the Regulations: the Open-Ended Investment Companies Regulations 2001 and the rules contained in the COLL Sourcebook;

Scheme Property: the property of the Company to be given to the Depositary for safekeeping, as required by the Regulations;

Share or Shares: a share or shares in the Company (including larger denomination Shares and Fractions);

Shareholder: a holder of a registered Share in the Company;

The M&G ISA: an Individual Savings Account the manager of which is the ACD;

The M&G Junior ISA: a Junior Individual Savings Account the manager of which is the ACD;

The M&G Savings Plan: a group plan offered by the ACD designed to facilitate regular savings by Direct Debit in the UK;

XD date: the XD (or Ex-Dividend) date is the date on which the income is removed from the price of an Income Share pending the payment of a distribution.

Operating Structure and Details

1 The Company

1.1 M&G Strategic Corporate Bond Fund is an Open-Ended Investment Company with variable capital, incorporated in England and Wales under registered number IC757 and authorised by the Financial Conduct Authority with effect from 12 June 2009. The Company has been established for unlimited duration.

1.2 The Company has been certified by the FCA as complying with the conditions necessary for it to enjoy the rights conferred by the EC Directive on undertakings for collective investment in transferable securities ('UCITS').

1.3 The Head Office of the Company is at 10 Fenchurch Avenue, London, EC3M 5AG and is also the address of the place in the United Kingdom for service on the Company of notices or other documents required or authorised to be served on it. The Company does not have any direct interest in immovable property or any tangible moveable property.

1.4 The Base Currency of the Company is Pounds Sterling.

1.5 The maximum share capital of the Company is currently £250,000,000,000 and the minimum is £100. Shares in the Company have no par value and therefore the share capital of the Company at all times equals the Company's current Net Asset Value.

1.6 Shareholders in the Company are not liable for the debts of the Company.

2 Company structure

2.1 The Company is a UCITS scheme within the meaning of the Regulations.

2.2 The investment objective, investment policy and other details of the Company are set out in Appendix 1. The investment and borrowing powers under the COLL Sourcebook applicable to the Company are set out in Appendix 2 and the eligible markets on which the Company can invest are set out in Appendix 3.

3 Classes of Share

3.1 Several Share Classes may be issued in respect of the Company. The Share Classes in issue, or available for issue, are shown in Appendix 1.

The UK government announced changes to the tax law which remove the requirement to deduct tax on interest from UK Open-Ended Investment Companies with effect from April 2017. This change was enacted in the Finance Bill 2011. The Company has ceased to account for tax on net Share Classes for distributions after this date.

The Share Classes in issue, or available for issue, are shown in Appendix 1.

3.2 The Company may make available such further Classes of Share as the ACD may decide.

3.3 Holders of Income Shares are entitled to be paid the income attributed to such Shares on the relevant interim and annual allocation dates net of tax, where appropriate. The price of such Shares immediately after the end of an accounting period reduces to reflect these allocations of income.

3.4 Holders of Accumulation Shares are not entitled to be paid the income attributable to such Shares but that income is automatically transferred to (and retained as part of) the capital assets of the Company immediately after the relevant interim and / or annual accounting dates. The price of such Shares continues to reflect this retention of the income entitlement, which will be transferred after deduction of applicable tax, where appropriate.

3.5 Where the Company has different Classes of Share available, each Class may attract different charges and expenses and so monies may be deducted from Classes in unequal proportions. For this and like reasons, the proportionate interests of the Classes within the Company will vary from time to time.

3.6 Holders of Income Shares may convert all or some of their Shares to Accumulation Shares of the same Class, and holders of Accumulation Shares may convert all or some of their Shares to Income Shares of the same Class. Details of this conversion facility are set out in Section 15 of this document.

3.7 Shareholders should note that the ACD may issue hedged Share Classes. If undertaken, the hedging activity involves the use of forward currency contracts, or other instruments that achieve a similar result.

Where a forward currency contract or other instrument is entered into for a particular Share Class, the total benefits and costs of the forward currency contract are assigned solely to that Share Class. This includes gains or losses arising as a result of entering into forward currency contracts and all costs associated with the hedging activity. Whilst such transactions should be no larger than is necessary to provide the appropriate degree of protection, there is a risk that such transactions may not completely eliminate the effects of fluctuations in the exchange rates (see also Section 42 - Risk factors).

3.8 Sterling Class R Shares are available only to Intermediate Unitholders or where the deal has been arranged by a financial adviser.

3.9 Not all Share Classes listed in Appendix 1 may currently be in issue. Please see www.mandg.com/classesinissue for details of which Share Classes are currently being issued by the Company.

3.10 Where the Company does not currently issue a Share Class listed for it in Appendix 1, the ACD may be willing to arrange for it to be issued once it has secured commitments from potential customers to purchase no less than a total of £20million-worth of that Share Class. The ACD will require at least eight-weeks' notice before being able to issue such a Share Class.

3.11 Sterling Class PP Shares are only available to a company which is an Associate company or to investors at the ACD's discretion where there is a specific written agreement with the ACD.

4 Management and administration

4.1 **Authorised Corporate Director**

The Authorised Corporate Director of the Company is M&G Securities Limited which is a private company limited by shares incorporated in England and Wales under the Companies Acts 1862 to 1900 on 12 November 1906. The ultimate holding company of the ACD is Prudential plc, a company incorporated in England and Wales. The FCA reference number for M&G Securities Limited is 122057.

Registered office and head office:

10 Fenchurch Avenue, London, EC3M 5AG

Share capital:

Authorised	£100,000
Issued and paid-up	£100,000

Directors:

- Mr Gary Cotton,
- Mr Philip Jelfs,
- Mr Laurence Mumford,
- Mr Neil Donnelly,
- Margaret Ammon,

All of the directors above have significant business activities which are not connected to those of the ACD but of other companies within the M&G Group.

- Ms Carolan Dobson (non-executive director),
- Ms Michelle McGrade (non-executive director).

The ACD is responsible for managing and administering the Company's affairs in compliance with the Regulations. Other collective investment schemes for which the ACD has these responsibilities are set out in Appendix 4.

4.2 Terms of appointment

4.2.1 The ACD Agreement provides that the appointment of the ACD is for an initial period of three years and thereafter may be terminated upon 12 months' written notice by either the ACD or the Company although in certain circumstances the agreement may be terminated forthwith by notice in writing by the ACD to the Company or the Depositary, or by the Depositary or the Company to the ACD. The ACD cannot be replaced until the FCA has approved the appointment of another director in place of the retiring ACD. The ACD Agreement may be inspected at the offices of the ACD during normal business hours by any Shareholder or any Shareholder's duly authorised agent. Alternatively, a copy of the ACD Agreement may be sent to any Shareholder at his request within 10 days of the Company's receipt of such request.

4.2.2 The ACD is entitled to be paid the Annual Charge for its services in managing the Company as described in Section 28. In case of termination of the ACD Agreement it is entitled to its pro rata fees and expenses to the date of termination and any additional expenses necessarily realised in settling or realising any outstanding obligations. No compensation for loss of office is provided for in the ACD Agreement. The ACD Agreement provides indemnities by the Company to the ACD other than for matters arising by reason of the ACD's negligence, default, breach of duty or breach of trust in the performance of the ACD's duties and obligations.

4.2.3 The ACD may deal as principal in the shares of its own funds. This is often known as "book management". The ACD's reason for doing this is to reduce the share price volatility that may otherwise result from the application of the dilution adjustment (see Section 17). The ACD believes that reducing share price volatility in this way is in the best interests of Shareholders. It is possible for the ACD to make a profit from book management, although this is not the primary reason for dealing as principal. Equally, it is possible for the ACD to make a loss from book management activity. The ACD will retain any profit, and absorb any loss, made from book management. The ACD is under no obligation to account to the Depositary or the Shareholders for any profit it may make from book management activity.

5 The Depositary

NatWest Trustee and Depositary Services Limited is the Depositary of the Company.

The Depositary is incorporated in England as a private limited company. Its registered and head office is at 250 Bishopsgate, London, EC2M 4AA. The ultimate holding company of the Depositary is the Royal Bank of Scotland Group plc, which is incorporated in Scotland. The principal business activity of the Depositary is the provision of trustee and depositary services.

5.1 Duties of the Depositary

The Depositary is responsible for the safekeeping of scheme property, monitoring the cash flows of the Company and must ensure that certain processes carried out by the ACD are performed in accordance with the applicable rules and scheme documents.

5.2 Conflicts of interest

The Depositary may act as the depositary of other open-ended investment companies and as trustee or custodian of other collective investment schemes.

It is possible that the Depositary and/or its delegates and sub-delegates may in the course of its or their business be involved in other financial and professional activities, which may on occasion have potential conflicts of interest with the Company and/or other funds managed by the ACD, or other funds for which the Depositary acts as the depositary, trustee or custodian. The Depositary will, however, have regard in such event to its obligations under the Depositary Agreement and the Regulations and, in particular, will use reasonable endeavours to ensure that the performance of its duties will not be impaired by any such involvement it may have and that any conflicts which may arise will be resolved fairly and in the best interests of Shareholders collectively so far as practicable, having regard to its obligations to other clients.

Nevertheless, as the Depositary operates independently from the Company, Shareholders, the ACD and its associated suppliers and the Custodian, the Depositary does not anticipate any conflicts of interest with any of the aforementioned parties.

Up to date information regarding (i) the Depositary's name, (ii) the description of its duties and any conflicts of interest that may arise between the Company, the Shareholders or the ACD and the Depositary, and (iii) the description of any safekeeping functions delegated by the Depositary, the description of any conflicts of interest that may arise from such delegation, and the list showing the identity of each delegate and sub-delegate, will be made available to Shareholders on request.

5.3 Delegation of Safekeeping Functions

The Depositary is permitted to delegate (and authorise its delegate to sub-delegate) the safekeeping of Scheme Property.

The Depositary has delegated safekeeping of the Scheme Property to State Street Bank and Trust Company ("the Custodian"). In turn, the Custodian has delegated the custody of assets in certain markets in which the Company may invest to various sub-delegates ("Sub-Custodians"). A list of Sub-Custodians is given in Appendix 7. Investors should note that the list of Sub-Custodians is updated only at each Prospectus review.

5.4 Updated Information

Up-to-date information regarding the Depositary, its duties, its conflicts of interest, and the delegation of its safekeeping functions will be made available to shareholders on request.

5.5 **Terms of Appointment**

5.5.1 The Depositary was appointed under a Depositary Agreement dated 28 September 2018 between the ACD, the Company and the Depositary (the "Depositary Agreement").

5.5.2 Under the Depositary Agreement, the Depositary is free to render similar services to others, and the Depositary, the Company and the ACD are subject to a duty not to disclose confidential information. The powers, duties, rights and obligations of the Depositary, the Company and the ACD under the Depositary Agreement shall, to the extent of any conflict, be overridden by the FCA Rules.

5.5.3 Under the Depositary Agreement, the Depositary will be liable to the Company for any loss of Financial Instruments held in Custody or for any liabilities incurred by the Company as a result of the Depositary's negligent or intentional failure to fulfil its obligations.

5.5.4 However, the Depositary Agreement excludes the Depositary from any liability except in the case of fraud, wilful default, negligence or failure to exercise due care and diligence in the performance or non-performance of its obligations.

5.5.5 It also provides that the Company will indemnify the Depositary for any loss suffered in the performance or non-performance of its obligations except in the case of fraud, wilful default, negligence or failure to exercise due care and diligence on its part.

5.5.6 The Depositary Agreement may be terminated on 90 days' notice by the Company or the Depositary or earlier on certain breaches or the insolvency of a party. However, termination of the Depositary Agreement will not take effect, nor may the Depositary retire voluntarily, until the appointment of a new Depositary.

5.5.7 The Depositary is entitled to receive remuneration out of the scheme property of the Company for its services, though such remuneration is normally paid by the ACD out of the ACD's Annual Charge as described in Section 28.

5.5.8 The Depositary has appointed State Street Bank and Trust Company to assist the Depositary in performing its functions of custodian of the documents of title or documents evidencing title to the property of the Company. The relevant arrangements prohibit State Street Bank and Trust Company as such custodian from releasing the documents into the possession of a third party without the consent of the Depositary.

6 The Investment Manager

The ACD has appointed M&G Investment Management Limited ("MAGIM") to provide investment management and advisory services in respect of the Company. The Investment Manager has authority to make decisions on behalf of the Company and the ACD in respect of the acquisition and disposal of property and to advise in respect of the rights associated with the holding of such property. The Investment Manager has been appointed under an agreement between the ACD and the Investment Manager whereby the ACD accepts responsibility for all these services provided by the Investment Manager to the Company. The investment management agreement may be terminated on three months' written notice by the Investment Manager or the ACD, or immediately by the ACD if it decides that it is in the best interests of Shareholders to do so.

The Investment Manager's principal activity is acting as an investment manager and it is an Associate of the ACD by being a subsidiary of Prudential plc.

The fees paid to the Investment Manager for the services it provides to the Company are paid by the ACD out of the Annual Charge, as described in Section 28.

7 Administrator and Registrar

The ACD employs DST Financial Services Europe Limited to provide certain administration services and act as registrar to the Company. The ACD also employs RBC Investor Services Bank S.A. to provide certain administration services for the M&G Securities International Nominee Service.

8 The Auditor

The auditor of the Company is Ernst & Young LLP of Atria One,144 Morrison Street, Edinburgh, EH3 8EX.

9 Register of Shareholders

The Register of Shareholders is maintained by DST at its office at DST House, St Nicholas Lane, Basildon, Essex SS15 5FS and may be inspected at that address during normal UK business hours by any Shareholder or any Shareholder's duly authorised agent.

10 Fund Accounting and Pricing

The ACD has appointed State Street Bank and Trust Company to undertake the fund accounting and pricing functions on behalf of the Company.

11 Collateral Management

Where the Company enters into OTC derivative transactions, JPMorgan Chase Bank, N.A. will provide administrative services in connection with the collateral management functions.

12 Buying Shares and Selling Shares – General Information

12.1 On any given Dealing Day the ACD will be willing to sell Shares of at least one Class in the Company.

12.2 The ACD has the right to reject, on reasonable grounds relating to the circumstances of the applicant, any application for Shares in whole or part, and in this event the ACD will return any money sent, or the balance of such monies, at the risk of the applicant. The ACD may also cancel any previously accepted request for the issue of Shares in the event of either non-payment of the amount due or undue delay in payment by the applicant, including the non-clearance of cheques or other documents presented in payment.

12.3 Any subscription monies remaining after a whole number of Shares has been issued may not be returned to the applicant. Instead, fractions may be issued in such circumstances. A fraction is equivalent to one thousandth of a larger denomination Share.

12.4 The minimum initial lump sum, subsequent lump sum and regular savings plan subscriptions for Shares and the minimum redemption and minimum holding amounts in the Company are set out in Appendix 1. At its discretion, the ACD may reject any request to buy Shares for less than the minimum initial lump sum or subsequent lump sum value (as appropriate). If at any time a Shareholder's holding is below the specified holding minimum, the ACD reserves the right to sell the Shares and send the proceeds to the Shareholder, or at its absolute discretion convert the shares to another Share Class within the Company.

12.5 Please note that:

- Sterling Class C Shares are available only to a company which is an associate company or to other collective investment schemes managed by the ACD

or a company which the ACD deems to be an associate company.

- Sterling Class R Shares are available only to Intermediate Unitholders or where the deal has been arranged by a financial adviser. Where a purchase by a Shareholder of Sterling Class R Shares has been arranged by a financial adviser the ACD will maintain a record of that financial adviser linked to their account with the ACD. If a Shareholder of Class R Shares has their financial adviser removed from their account (whether at the request of the Shareholder or the financial adviser, or as a result of the financial adviser no longer being authorised by the FCA), the ACD reserves the right at its absolute discretion to switch those Shares to Class A Shares within the Company. Shareholders should note that the ongoing charge of Class A Shares is greater than that of Class R Shares.
- Shares denominated in currencies other than Sterling can normally only be bought and sold via the M&G Securities International Nominee Service (see 14.2).
- Sterling Class I Shares, and Class C and Class C-H Shares denominated in currencies other than sterling are available to distributors, platforms and other forms of intermediary who operate written fee based arrangements with their clients, to companies which the ACD deems to be associate companies and with other investors in accordance with the terms of their agreements with the ACD.

  Existing Shareholders in the Class C and I Shares, who held such Shares as at 23 November 2015 but no longer comply with the above, can continue to hold such Shares and will be able to apply in accordance with existing arrangements for additional subscriptions in Class C and I Shares which they hold. Changes to such arrangements will revert to the terms detailed above.
- Class J Shares are only available to the following investors:
  - Eligible Counterparties, investing for their own account; and
  - other collective investment schemes; and
  - distributors and other forms of intermediary, who operate fee based arrangements with their clients to provide advisory or discretionary portfolio management services and do not receive any fee rebates from the ACD; and
  - companies which the ACD deems to be associate companies and with other investors in accordance with the terms of their agreements with the ACD.

  The ACD shall not pay any fee rebates on the Class J Shares to investors.

  Such investors will only be able to invest in Class J Shares if they:
  - have entered into a specific prior written agreement with the ACD (where the Class J Shares are held via an Intermediate Unitholder, the end investor must have entered such agreement with the ACD) and;
  - have a significant investment in the Fund as determined on a case to case basis by the ACD.

  Where an investor's holding in the Share Class falls below a level determined solely by the ACD, the ACD reserves the right at its absolute discretion to:
  - reject any new subscriptions in the Class J shares; and
  - switch any remaining Class J Shares to Sterling Class I Shares, or Class C Shares denominated in currencies other than Sterling, as appropriate within the Fund.
- Class Z Shares are only available at the ACD's discretion. Class Z Shares would then be available for investors who are eligible for the Sterling Class I Shares and Class C Shares denominated in currencies other than sterling, but only once the investor has entered into a prior written fee paying arrangement with the ACD.

  These shares are designed to accommodate an alternative charging structure whereby the ACD's Annual Charge, normally charged to the class and then passed on in the share price, is instead administratively levied and collected directly from the investor.
- Sterling Class PP Shares are only available to a company which is an Associate company or to investors at the ACD's discretion where there is a specific written agreement with the ACD.

12.6 Shareholders have the right to sell Shares back to the ACD or require that the ACD arranges for the Company to buy their Shares on any Dealing Day unless the value of Shares which a Shareholder wishes to sell will mean that the Shareholder will hold Shares with a value less than the required minimum holding for the Company, in which case the Shareholder may be required to sell the entire holding.

12.7 Subject to the Shareholder maintaining the minimum holding stated in this Prospectus, part of a Shareholder's holding may be sold but the ACD reserves the right to refuse a request to sell Shares if the value of the class of Shares of any Company to be sold is less than the sum specified in Appendix 1.

13 Buying and selling Shares on the main register of Shareholders

13.1 Shares can be bought as a lump sum investment only. Investors wishing to make regular monthly contributions should invest via The M&G Savings Plan (please see 14.1 below).

13.2 Postal applications may be made on application forms obtained from the ACD. The address for postal dealing is PO Box 9039, Chelmsford, CM99 2XG. Alternatively, lump sum investments can be made under approved circumstances by telephoning M&G's Customer Dealing Line 0800 328 3196. Telephone deals can be placed between 8.00 am and 6.00 pm UK time on each Dealing Day (except for Christmas Eve and New Year's Eve when the office closes early). Deals may also be placed by visiting the ACD's website: www.mandg.co.uk.

13.3 Payment for Shares purchased by post must accompany the application. Payment for Shares purchased by other means must be made by no later than three business days, after the valuation point following receipt of the instructions to purchase.

13.4 Requests to sell Shares may be made by post, telephone, or any electronic or other means which the ACD may from time to time determine either directly or via an authorised intermediary; the ACD may require telephone or electronic requests to be confirmed in writing.

13.5 Requests to buy and sell Shares received before 12:00noon (UK time) on a Dealing Day will be executed at the price valid on that Dealing Day. Requests received after 12:00noon (UK time) will be executed using the price valid on the following Dealing Day.

13.6 Payment of proceeds will be made no more than three business days, after the later of:

receipt by the ACD, when required, of sufficient written instructions duly signed by all the relevant Shareholders and completed as to the appropriate number of Shares, together with any other appropriate evidence of title; and

the valuation point following receipt by the ACD of the request to sell.

13.7 The requirement for sufficient written sale instructions is normally waived for Shareholders of Sterling Classes of Shares if all the following conditions are met:

Dealing instructions are given by the registered holder in person;

The holding is registered in a sole name;

The sale proceeds are to be made payable to the registered holder at their registered address, which has not changed within the previous 30 days; and

The total amount payable in respect of sales by that holder on one business day does not exceed £20,000.

13.8 A contract note giving details of the Shares purchased or sold, and the price used will be sent to the Shareholder (the first named, in the case of joint Shareholders) or to an authorised agent, not later than the end of the business day following the valuation point by reference to which the price is determined. Where appropriate, this may be accompanied by a notice of the applicant's right to cancel a purchase.

13.9 Currently share certificates will not be issued in respect of Shares. Ownership of Shares will be evidenced by an entry on the Company's Register of Shareholders. Statements in respect of periodic allocations of income of the Company will show the number of Shares held by the recipient in the Company in respect of which the allocation is made. Individual statements of a Shareholder's Shares will also be issued at any time on request by the registered holder (or, when Shares are jointly held, the first named holder).

14 Buying and selling Shares via a Group Plan

14.1 The M&G Savings Plan, The M&G ISA, The M&G Junior ISA

The ACD offers The M&G Savings Plan, designed primarily to facilitate making regular savings by Direct Debit to a range of M&G Funds, and The M&G ISA and The M&G Junior ISA, designed to allow UK individuals to save tax efficiently in a range of M&G Funds. This is a summary of the buying and selling process of The M&G Savings Plan, The M&G ISA and The M&G Junior ISA. Please see our "Important Information for Investors" document for full information including the Terms & Conditions.

Shares can be bought as a lump sum investment or monthly by Direct Debit.

Postal applications may be made on application forms obtained from the ACD. The address for postal dealing is the same as in Section 13.2. Alternatively, lump sum investments can be made under approved circumstances by telephoning M&G's Customer Dealing Line (please see Section 13.2).

Payment for Shares purchased must accompany the application.

Requests to sell Shares may be sent in writing to the address in Section 13.2. Alternatively, requests to sell Shares can be made under approved circumstances by telephoning M&G's Customer Dealing Line (please see Section 13.2). Payment of proceeds will be made no more than three business days, after the valuation point following receipt by the ACD of the request to sell, provided we know the proceeds from all subscriptions, including Direct Debits, have cleared. We may delay paying the sale proceeds from any uncleared subscriptions, until we are satisfied that we have received all amounts which are due to us. Please note that Shares held in The M&G Junior ISA may not be sold without the permission of HMRC.

For lump sum investments, a contract note giving details of the Shares purchased and the price used will be issued by the end of the business day following the valuation point by reference to which the price is determined, together with, where appropriate, a notice of the applicant's right to cancel. A contract note giving details of the Shares sold and the price used will be issued by the end of the business day following the valuation point by reference to which the price is determined.

Requests to buy and sell Shares received before 12:00 noon (UK time) on a Dealing Day will be executed at the price valid on that Dealing Day. Requests received after 12:00 noon (UK time) will be executed using the price valid on the following Dealing Day.

Investors' share ownership will be evidenced by an entry in the name of M&G Nominees Limited, 10 Fenchurch Avenue, London, EC3M 5AG, on the Company's register of shareholders.

Statements will be issued twice each year. A summary of transactions will also be issued at any time on request by the holder.

14.2 The M&G Securities International Nominees Service

14.2.1 The ACD offers a nominee service (the "M&G Securities International Nominee Service") primarily designed to facilitate the buying and selling of non-sterling denominated Share Classes (though in certain circumstances, the ACD may also permit sterling denominated Share Classes to be bought and sold via this service). This is a summary of the buying and selling process of the "M&G Securities International Nominee Service". Please see the Terms & Conditions of the "M&G Securities International Nominee Service" or your agreement with the ACD, and Appendix 4A (where appropriate) for more information.

14.2.2 Investors who wish to use the M&G Securities International Nominee Service for the first time should complete and sign the application form (available from the ACD) and mail it to "RBC I&TS, RE: M&G Securities Limited, 14 Porte de France, L-4360 Esch-sur-Alzette, Luxembourg". The completed forms must be received before 9.30am CET on a Dealing Day in order for the investment account to be opened and the buying order to be executed at the share price valid on that day.

14.2.3 Subsequent purchase instruction can be sent directly to the ACD by Fax (on +352 2460 9901) or Post (at the address in Section 14.2.2). Any such purchase instruction should state the investor's account number (which is stated on each contract note), the name of the investor, the name of the Company into which the amount is to be invested and the respective Share Class (ISIN Code). In the absence of such instructions, it will not be possible to process the purchase order and the money will be returned without interest and at the expense of the sender. The minimum amount for a subsequent investment per Share Class is disclosed in Appendix 1.

14.2.4 Subsequent purchase instructions, or requests to redeem Shares must be received before 11:30am CET on a Dealing Day in order for the buying or selling order to be executed at the share price valid on that Dealing Day. Requests received after 11:30am CET will be executed using the share price valid on the following Dealing Day.

14.2.5 Payment for Shares purchased must be made by no later than three business days after the valuation point at which the buying order is executed.

14.2.6 Redemption proceeds will be paid to investors by bank transfer by the settlement date quoted on the contract note. This should be no more than three business days, after the valuation point at which the selling order is executed.

14.2.7 Investors should take into account that the processing time needed by banks involved in such transfer may differ and that it can therefore not be guaranteed that

the redemption proceeds will be credited to the investor's bank account within the aforementioned.

14.2.8 Investors' share ownership will be evidenced by an entry in the name of M&G International Investments Nominees Limited, 10 Fenchurch Avenue, London, EC3M 5AG on the Company's register of shareholders. This service is available to shareholders free of charge.

15 Converting Shares

15.1 Conversions of Income Shares to Accumulation Shares and of Accumulation Shares to Income Shares of the same Class are undertaken by reference to the respective Share prices. For persons subject to UK taxation, this will not be a realisation for the purposes of capital gains taxation.

15.2 Where the Company issues multiple Share Classes, a Shareholder may convert Shares of one Class for Shares in another Class where they are eligible to hold the other Class. Requests to convert between Share Classes must be submitted using the appropriate form available from the ACD. Such conversions will be executed within three Dealing Days of receipt of a valid instruction. Requests to convert between Share Classes are undertaken by reference to the respective Share prices of each Class. For interest distributing funds, whose prices are currently calculated net of income tax in accordance with applicable tax law, these prices will be "net" prices. The impact of using net prices where the conversion of Shares is to a Class with a lower ACD's Annual Charge (see Appendix 1) is that the Company's total tax charge will increase and this increase will be borne by all Shareholders in the receiving Share Class. This approach has been agreed with the Depositary subject to the total impact to Shareholders being immaterial. Where the ACD determines at its absolute discretion that Share Class conversions are materially prejudicial to the Shareholders of a Share Class, instructions to convert between Share Classes will only be executed on the Dealing Day following the relevant Company's XD date. In such circumstances, instructions to convert between Share Classes must be received by the ACD no sooner than ten business days before the Company's relevant XD date.

15.3 Please note that conversions may be subject to a fee. The fee will not exceed an amount equal to the aggregate of the then prevailing redemption charge (if any) in respect of Original Shares and the initial charge (if any) in respect of New Shares and is payable to the ACD.

16 Dealing charges

16.1 **Initial charge**

The ACD may impose a charge on the buying of Shares. This charge is a percentage of the total amount of your investment and is deducted from your investment before Shares are purchased. The current level in relation to the Company is set out in Appendix 1 and is subject to discounts that the ACD at its absolute discretion may apply from time to time. Increases from the current rates of charge can only be made in accordance with the COLL Sourcebook and after the ACD has revised the Prospectus to reflect the increased rate.

16.2 **Redemption charge**

16.2.1 The ACD may make a charge on the cancellation and redemption (including transfer) of Shares. Other Shares issued and bought, and persons known to the ACD to have made arrangements for the regular purchase of other Shares while this Prospectus is in force, will not be subject to any redemption charge introduced in the future in respect of those Shares. Currently, those Shares deemed to carry a redemption charge will carry a reducing redemption charge calculated in accordance with the table below. With Accumulation Shares, where any income is reinvested back into the share price, the valuation when calculating a redemption will include the capital increment associated with this reinvested income. In relation to the imposition of a redemption charge as set out above, where Shares of the Class in question have been purchased at different times by a redeeming Shareholder, the Shares to be redeemed shall be deemed to be the Shares which incur the least cost to the Shareholder and thereafter the Shares purchased first in time by that Shareholder.

Redemption charge table

The deduction from the mid value for redemption before the following anniversaries on the Sterling Class X Income and Accumulation Shares would be:

1st year	4.5%
2nd year	4.0%
3rd year	3.0%
4th year	2.0%
5th year	1.0%
Thereafter	Nil

16.2.2 The ACD may not introduce or increase a redemption charge on Shares unless:

16.2.2.1 the ACD has complied with the Regulations in relation to that introduction or change; and

16.2.2.2 the ACD has revised the Prospectus to reflect the introduction or change and the date of its commencement and has made the revised Prospectus available.

16.2.2.3 In the event of a change to the rate or method of calculation of a redemption charge, details of the previous rate or method of calculation will be available from the ACD.

17 Other dealing information

17.1 **Dilution**

The basis on which the Company's investments are valued for the purpose of calculating the price of Shares as stipulated in the Regulations and the Company's Instrument of Incorporation is summarised in Section 23. However, the actual cost of purchasing or selling investments for the Company may deviate from the mid-market value used in calculating the price of Shares in the Company due to dealing costs such as broking charges, taxes, and any spread between the buying and selling prices of the underlying investments. These dealing costs can have an adverse effect on the value of the Company, known as "dilution". It is not, however, possible to predict accurately whether dilution will occur at any point in time. The Regulations allow the cost of dilution to be met directly from the Company's assets or to be recovered from investors on the purchase or redemption of Shares in the Company inter alia by means of a dilution adjustment to the dealing price, and this is the policy which has been adopted by the ACD. The ACD shall comply with COLL 6.3.8 in its application of any such dilution adjustment. The ACD's policy is designed to minimise the impact of dilution in the Company.

The dilution adjustment for the Company will be calculated by reference to the estimated costs of dealing in the underlying investments of the Company, including any dealing spreads, commissions and transfer taxes. The need to apply a dilution adjustment will depend on the relative volume of sales (where they are issued) to redemptions (where they are cancelled) of

Shares. The ACD may apply a dilution adjustment on the issue and redemption of such Shares if, in its opinion, the existing Shareholders (for sales) or remaining Shareholders (for redemptions) might be adversely affected, and if in applying a dilution adjustment, so far as practicable, it is fair to all Shareholders and potential Shareholders. In specie transfers will not be taken into account when determining any dilution adjustment and any incoming portfolio will be valued on the same basis as the Company is priced (i.e. offer plus notional dealing charges, mid, or bid less notional dealing charges). When a dilution adjustment is not applied there may be a dilution of the assets of the Company which may constrain the future growth of the Company.

The ACD may alter its current dilution adjustment policy by giving Shareholders at least 60 days' notice and amending the Prospectus before the change takes effect.

Based on experience, the ACD would typically expect to make a dilution adjustment on most days, and this is expected to be of the magnitude detailed below. The ACD reserves the right to adjust the price by a lesser amount but will always make such an adjustment in a fair manner solely to reduce dilution and not for the purpose of creating a profit or avoiding a loss for the account of the ACD or an Associate. It should be noted that as dilution is related to inflows and outflows of monies and the purchase and sale of investments it is not possible to predict accurately if and when dilution will occur and to what extent.

Typical dilution adjustments for the Company would be: +0.41% / -0.42%.

Positive dilution adjustment figures indicate a typical increase from mid price when the Company is experiencing net issues. Negative dilution adjustment figures indicate a typical decrease from mid price when the Company is experiencing net redemptions.

Figures are based on the historic costs of dealing in the underlying investments of the Company for the twelve months to 31 January 2019, including any spreads, commissions and transfer taxes.

17.2 **In specie issues and redemptions**

At its absolute discretion the ACD may agree or determine that instead of payment in cash to, or from, the Shareholder for Shares in the Company, the settlement of an issue or redemption transaction may be effected by the transfer of property into or out of the assets of the Company on such terms as the ACD shall decide in consultation with the Investment Manager and the Depositary. In the case of redemptions, the ACD shall give notice to the Shareholder prior to the redemption proceeds becoming payable of its intention to transfer property to the Shareholder and, if required by the Shareholder, may agree to transfer to the Shareholder the net proceeds of the sale of such property.

The ACD may also offer to sell an investor's property and invest the proceeds by purchasing Shares in the Company, subject to detailed terms and conditions available upon request.

17.3 **Client account**

Cash may be held for investors in a client account in certain circumstances. Interest is not paid on any such balances.

17.4 **Excessive Trading**

17.4.1 The ACD generally encourages Shareholders to invest in the Company as part of a medium to long-term investment strategy and discourages excessive, short term, or abusive trading practices. Such activities may have a detrimental effect on the Company and other Shareholders. The ACD has several powers to help ensure that Shareholder interests are protected from such practices. These include:

17.4.1.1 Refusing an application for Shares (see paragraph 12.2);

17.4.1.2 Fair Value Pricing (see Section 23); and,

17.4.1.3 Applying the Dilution Adjustment (see paragraph 17.1).

We monitor shareholder dealing activity and if we identify any behaviour that, in our view, constitutes inappropriate or excessive trading, we may take any of the following steps with the shareholders we believe are responsible:

17.4.1.4 Issue warnings which if ignored may lead to further applications for Shares being refused;

17.4.1.5 Restrict methods of dealing available to particular Shareholders; and/or,

17.4.1.6 Impose a switching fee.

We may take these steps at any time, without any obligation to provide prior notice and without any liability for any consequence that may arise.

Inappropriate or excessive trading can sometimes be difficult to detect particularly where transactions are placed via a nominee account. The ACD therefore cannot guarantee that its efforts will be successful in eliminating such activities and their detrimental effects.

17.5 **ACD dealing as principal**

Where the ACD deals as principal in the Shares of the Company, any profits or losses arising from such transactions shall accrue to the ACD and not to the Company. The ACD is under no obligation to account to the Depositary, or to Shareholders for any profit it makes on the issue or re-issue of Shares or cancellation of Shares which it has redeemed.

18 Money laundering

As a result of legislation in force in the United Kingdom to prevent money laundering, firms conducting investment business are responsible for compliance with money laundering regulations. The ACD may verify your identity electronically when you undertake certain transactions. In certain circumstances investors may be asked to provide proof of identity when buying or selling Shares. Normally this will not result in any delay in carrying out instructions but, should the ACD request additional information, this may mean that instructions will not be carried out until the information is received. In these circumstances, the ACD may refuse to sell or, redeem Shares, release the proceeds of redemption or carry out such instructions.

19 Restrictions on dealing

19.1 The ACD may from time to time impose such restrictions as it may think necessary for the purpose of ensuring that no Shares are acquired or held by any person in breach of the law or governmental regulation (or any interpretation of a law or regulation by a competent authority) of any country or territory. In this connection, the ACD may, inter alia, reject in its discretion any application for the issue, sale, redemption, cancellation or switch of Shares or require the mandatory redemption of Shares or transfer of Shares to a person qualified to hold them.

19.2 The distribution of this Prospectus and the offering of Shares in or to persons resident in or nationals of or citizens of jurisdictions outside the UK or who are nominees of, custodians or trustees for, citizens or nationals of other countries may be affected by the laws of the relevant jurisdictions. Such Shareholders should inform themselves about and observe any applicable legal requirements. It is the responsibility of any Shareholder to satisfy himself as to the full observance

of the laws and regulatory requirements of the relevant jurisdiction, including obtaining any governmental, exchange control or other consents which may be required, or compliance with other necessary formalities needing to be observed and payment of any issue, transfer or other taxes or duties due in such jurisdiction. Any such Shareholder will be responsible for any such issue, transfer or other taxes or payments by whomsoever payable and the Company (and any person acting on behalf of it) shall be fully indemnified and held harmless by such Shareholder for any such issue, transfer or other taxes or duties as the Company (and any person acting on behalf of it) may be required to pay.

19.3 If it comes to the notice of the ACD that any Shares ("affected Shares") are owned directly or beneficially in breach of any law or governmental regulation (or any interpretation of a law or regulation by a competent authority) of any country or territory, which would (or would if other Shares were acquired or held in like circumstances) result in the Company incurring any liability to taxation which the Company would not be able to recoup itself or suffering any other adverse consequence (including a requirement to register under any securities or investment or similar laws or governmental regulations of any country or territory) or by virtue of which the Shareholder or Shareholders in question is/are not qualified to hold such Shares or if it reasonably believes this to be the case, the ACD may give notice to the Shareholder(s) of the affected Shares requiring the transfer of such Shares to a person who is qualified or entitled to own them or that a request in writing be given for the redemption of such Shares. If any Shareholder upon whom such a notice is served does not within thirty days after the date of such notice transfer their affected Shares to a person qualified to own them or submit a written request for their redemption to the ACD or establish to the satisfaction of the ACD (whose judgement is final and binding) that they or the beneficial owner are qualified and entitled to own the affected Shares, they shall be deemed upon the expiration of that thirty day period to have given a request in writing for the redemption or cancellation (at the discretion of the ACD) of all the affected Shares pursuant to the Regulations.

19.4 A Shareholder who becomes aware that they are holding or own affected Shares shall forthwith, unless they have already received a notice as aforesaid, either transfer all their affected Shares to a person qualified to own them or submit a request in writing to the ACD for the redemption of all their affected Shares.

19.5 Where a request in writing is given or deemed to be given for the redemption of affected Shares, such redemption will be effected in the same manner as provided for under the Regulations, if effected at all.

20 Suspension of dealings in the Company

20.1 The ACD may with the agreement of the Depositary, or must if the Depositary so requires, suspend for a period the issue, sale, cancellation and redemption of Shares or any Class of Shares in the Company if the ACD or the Depositary is of the opinion that due to exceptional circumstances there is good and sufficient reason to do so having regard to the interests of Shareholders.

20.2 Re-calculation of the Share price for the purpose of sales and purchases will commence at the time the suspension is ended or at the next relevant valuation point following the ending of the suspension.

20.3 The ACD will notify Shareholders as soon as is practicable after the commencement of the suspension, including details of the exceptional circumstances which have led to the suspension, in a clear, fair and not misleading way and giving Shareholders details of how to find further information about the suspensions.

20.4 Where such suspension takes place, the ACD will publish, on its website or other general means, sufficient details to keep Shareholders appropriately informed about the suspension, including, if known, its possible duration.

20.5 During the suspension none of the obligations in COLL 6.2 (Dealing) will apply but the ACD will comply with as much of COLL 6.3 (Valuation and Pricing) during the period of suspension as is practicable in light of the suspension.

20.6 Suspension will cease as soon as practicable after the exceptional circumstances leading to the suspension have ceased but the ACD and the Depositary will formally review the suspension at least every 28 days and will inform the FCA of the review and any change to the information given to Shareholders.

20.7 The exceptional circumstances in which the ACD or the Depositary may require the temporary suspension of the issue, sale, cancellation and redemption of Shares, or any class of Shares in the Fund includes, but is not limited to the following:

during any period when, in the opinion of the ACD or the Depositary, an accurate valuation of the Fund cannot occur, including:

20.7.1.1 where one or more markets is unexpectedly closed or where dealing is suspended or restricted;

20.7.1.2 during a political, economic, military or other emergency; or

20.7.1.3 during any breakdown in the means of communication or computation normally employed in determining the price or value of any of the investments of the Fund or any Classes of Shares;

upon the decision of the ACD, having given sufficient notice to Shareholders, to wind up the Fund (see Section 34).

21 Governing law

All deals in Shares are governed by English law.

22 Valuation of the Company

22.1 The price of a Share of a particular Class in the Company is calculated by reference to the Net Asset Value of the Company and attributable to that Class and adjusted for the effect of charges applicable to that Class and further adjusted to reduce any dilutive effect of dealing in the Company (for more detail of dilution adjustment see paragraph 17.1). The Net Asset Value per Share of the Company is currently calculated at 12:00 noon UK time on each Dealing Day.

22.2 The ACD may at any time during a Dealing Day carry out an additional valuation if the ACD considers it desirable to do so.

23 Calculation of the Net Asset Value

23.1 The value of the Scheme Property of the Company shall be the value of its assets less the value of its liabilities determined in accordance with the following provisions.

23.2 All the Scheme Property (including receivables) of the Company is to be included, subject to the following provisions.

23.3 Property which is not cash (or other assets dealt with in paragraph 23.4) or a contingent liability transaction shall be valued as follows and the prices used shall be (subject as follows) the most recent prices which it is practicable to obtain:

units or shares in a collective investment scheme:

23.3.1.1 if, a single price for buying and selling units or shares is quoted, at the most recent such price; or

23.3.1.2 if, separate buying or selling prices are quoted, at the average of the two prices provided the buying price has been reduced by any initial charge included therein and the selling price excludes any exit or redemption charge attributable thereto; or

23.3.1.3 if, in the opinion of the ACD, the price obtained is unreliable or no recent traded price is available or no recent price exists or if the most recent price available does not reflect the ACD's best estimate of the value of the units or shares, at a value which, in the opinion of the ACD, is fair and reasonable;

exchange-traded derivative contracts:

23.3.1.4 if a single price for buying and selling the exchange-traded derivative contract is quoted, at that price; or

23.3.1.5 if separate

and selling prices are quoted, at the average of the two prices; or

over-the-counter derivative products shall be valued in accordance with the method of valuation as shall have been agreed between the ACD and the Depositary;

any other investment;

23.3.1.6 if, a single price for buying and selling the security is quoted, at that price; or

23.3.1.7 if, separate buying and selling prices are quoted, the average of those two prices; or

23.3.1.8 if, in the opinion of the ACD, the price obtained is unreliable or no recent traded price is available or if no price exist or if the most recent price available does not reflect the ACD's best estimate of the value of the securities, at a value which in the opinion of the ACD is fair and reasonable;

property other than that described in paragraphs 23.3.1, 23.3.2, 23.3.3 and 23.3.4 above: at a value which, in the opinion of the ACD, represents a fair and reasonable mid-market price.

23.4 Cash and amounts held in current, deposit and margin accounts and in other time-related deposits shall normally be valued at their nominal values.

23.5 In determining the value of the Scheme Property, all instructions given to issue or cancel Shares shall be assumed (unless the contrary is shown) to have been carried out and any cash payment made or received and all consequential action required by the Regulations or the Instrument shall be assumed (unless the contrary is shown) to have been taken.

23.6 Subject to paragraphs 23.7 and 23.8 below, agreements for the unconditional sale or purchase of property which are in existence but uncompleted shall be assumed to have been completed and all consequential action required to have been taken. Such unconditional agreements need not be taken into account if made shortly before the valuation takes place and, in the opinion of the ACD, their omission will not materially affect the final Net Asset Value amount.

23.7 Futures or contracts for differences which are not yet due to be performed and unexpired and unexercised written or purchased options shall not be included under paragraph 23.6.

23.8 All agreements are to be included under paragraph 23.7 which are, or ought reasonably to have been, known to the person valuing the property.

23.9 An estimated amount for anticipated tax liabilities (on unrealised capital gains where the liabilities have accrued and are payable out of the property of the Scheme; on realised capital gains in respect of previously completed and current accounting periods; and on income where liabilities have accrued) at that point in time including (as applicable and without limitation) capital gains tax, income tax, corporation tax, value added tax, stamp duty and any foreign taxes and duties will be deducted.

23.10 An estimated amount for any liabilities payable out of the Scheme Property and any tax thereon treating periodic items as accruing from day to day will be deducted.

23.11 The principal amount of any outstanding borrowings whenever repayable and any accrued but unpaid interest on borrowings will be deducted.

23.12 An estimated amount for accrued claims for repayments of tax of whatever nature to the Company which may be recoverable will be added.

23.13 Any other credits or amounts due to be paid into the Scheme Property will be added.

23.14 A sum representing any interest or any income accrued due or deemed to have accrued but not received will be added.

23.15 The amount of any adjustment deemed necessary by the ACD to ensure that the Net Asset Value is based on the most recent information and is fair to all Shareholders will be added or deducted as appropriate.

23.16 Currencies or values in currencies other than pounds sterling shall be converted at the relevant valuation point at a rate of exchange that is not likely to result in any material prejudice to the interests of Shareholders or potential Shareholders.

24 Price per Share in each Class

The price per Share at which Shares are bought by investors is the sum of the Net Asset Value of a Share adjusted to reduce any dilutive effect of dealing in the Company (for more detail of dilution adjustment see paragraph 17.1) before any initial charge. The price per Share at which Shares are sold by investors is the Net Asset Value per Share adjusted to reduce any dilutive effect of dealing in the Company (for more detail of dilution adjustment see 17.1) before any applicable redemption charge.

25 Pricing basis

There shall be a single price for a Share in any Class. The Company deals on a forward pricing basis. A forward price is the price calculated at the next valuation point after the purchase or sale is agreed.

26 Publication of prices

The most recent price of Shares appear daily on our website at www.mandg.com or can be obtained from Customer Relations on 0800 390 390.

27 Risk factors

Potential investors should consider the risk factors referenced in Section 42 before investing in the Company.

28 Charges and Expenses

Introduction

This section describes the charges and expenses that a Shareholder bears on their investment and how they work. It details the payments that may be made out of the Company as expenses and as charges for services

in relation to the management, operation and administration of the Company.

28.1 **The ACD's Annual Charge**

28.1.1 The ACD is permitted to take a charge from each Share Class of the Company as payment for carrying out its duties and responsibilities and to pay for certain third parties' services. This is known as the ACD's "Annual Charge".

28.1.2 The Annual Charge covers, among other things, the following:

(1) ACD fees and expenses,

(2) Service providers' (including the Investment Manager and the Depositary) fees and expenses,

(3) Fees for the provision of hedging services incurred by the offering of hedged Share Classes,

(4) All the costs, charges, fees and expenses payable in relation to the operation and management of each Share Class of the Company which may be taken from scheme property under the FCA rules, excluding those set out in Section 28.4, Other payments from the scheme property of the Company not included in the Annual Charge. These permitted costs, charges, fees and expenses include:

(a) The Depositary's fees and expenses for acting as depositary, its custody charges in relation to the safekeeping of scheme property and its custody transaction charges

(b) Registrar fees and expenses covering the establishment and maintenance of the Register of Shareholders and any sub-register of Shareholders

(c) Documentation costs and expenses, such as preparing, printing and distributing the Prospectus and the KIIDs, as well as the annual reports of the Company and any other documents made available to Shareholders

(d) Costs of registration, publication of Share prices, listing on a Stock Exchange, creation, conversion and cancellation of Shares Classes

(e) Costs of production and dispatch of payments made by the Company

(f) Costs of arranging and convening meetings of Shareholders

(g) Legal fees and expenses other than the extraordinary expenses as referenced in Section 28.4

(h) Audit fees and expenses

(i) Liabilities that are charges, costs and expenses arising on unitisation, amalgamation or reconstruction including certain liabilities arising after transfer of property to the Company in consideration for the issue of Shares as more fully detailed in the Regulations

(j) VAT where applicable in relation to the Annual Charge or each of the costs, charges, fees and expenses included in the Annual Charge.

28.1.3 Costs and expenses relating to research services provided to the Investment Manager by brokers, or independent research providers, will be borne by the Investment Manager.

28.1.4 The costs of a Company relating to investments in collective investment schemes will be borne by the ACD out of the Annual Charge to ensure Shareholders are not charged for those in addition to the Annual Charge.

28.2 **Calculation and operation of the Annual Charge**

28.2.1 The Annual Charge is set as a rate which is a percentage of the Net Asset Value of each Share Class in the Company. The annual rate of this charge is set out for each Share Class of the Company in Appendix 1.

28.2.2 The Annual Charge is calculated as follows:

Each day the ACD charges one-365th of the Annual Charge (or one-366th if it is a leap year). If the day is not a Dealing Day, the ACD will take the charge into account on the next Dealing Day. The ACD calculates this charge using the Net Asset Value of each Share Class on the previous Dealing Day.

28.2.3 Though the Annual Charge is calculated and taken into account daily in each Share Class's price, it is actually paid to the ACD every fortnight in arrears.

28.2.4 In setting the Annual Charge, the ACD is taking upon itself the risk that the Net Asset Value of each Share Class of the Company will fall to the extent that the Annual Charge will not fully recompense it for the charges and expenses that the ACD would otherwise be entitled to charge to each Share Class of the Company. Conversely, the ACD is not accountable to Shareholders should the aggregate fees generated by the Annual Charge in any period exceed the charges and expenses that it incurs and the ACD will retain the surplus.

28.3 **Changes to the Annual Charge**

28.3.1 The ACD reserves the right to increase or decrease the Annual Charge. In the event of any changes to the Annual Charge the ACD will notify Shareholders in accordance with the FCA's requirements under the COLL Sourcebook. This does not include changes to the level of the discount to the Annual Charge (as described in Section 28.5) arising as a result of a change in the Net Asset Value of the Company.

28.4 **Other payments from the scheme property of the Company not included in the Annual Charge**

28.4.1 In addition to the Annual Charge, and in accordance with the COLL Sourcebook, the following payments, and any VAT payable on them, will be made out of the scheme property of the Company, where they arise.

(a) Portfolio transaction costs including broker's commission, taxes and duties (including stamp duty), and other disbursements which are necessarily incurred in effecting transactions for the Company.

(b) Extraordinary expenses including, without limitation, litigation expenses and the fees and expenses of legal and other professional advisers ("Extraordinary Expenses").

(c) Interest on borrowing and charges incurred in effecting or terminating such borrowing or in negotiating or varying the terms of such borrowing on behalf of the Company.

(d) Taxation and duties payable in respect of the property of the Company or of the issue or redemption of Shares;
(e) Any value added or similar tax relating to any charge or expense set out in this Section 28.4.

28.5 Discounts to the Annual Charge

28.5.1 The ACD will pass to Shareholders some of the benefit of potential savings, achieved from economies of scale generated by a significant growth of assets under management in the Company, by applying a discount to the Annual Charge of the Company. The applicable discount to the Annual Charge will be determined by the size of the Company as shown in the table below.

28.5.2 The ACD reserves the right to change the Net Asset Value range or change the discount associated with each band of the Net Asset Value range as shown in the table in this Section 28.5.

In the event of any such changes, the ACD will notify Shareholders.

28.5.3 The ACD will review the Net Asset Value of the Company on at least a quarterly basis and will implement the applicable discount on a forward basis, as soon as possible but no later than 13 business days after quarter end. Where the Company has experienced a decline in its Net Asset Value, the ACD will only remove or reduce a discount when the Net Asset Value is lower than the relevant threshold after the application of a buffer as shown in the table below.

Fund Net Asset Value	Annual Charge discount	Buffer applied in case of reducing Net Asset Value
£0-1bn	Nil	Not applicable
£1-2bn	0.02%	£100m
£2-3bn	0.04%	£100m
£3-4bn	0.06%	£100m
£4-5bn	0.08%	£200m
£5-6bn	0.10%	£200m
More than £6bn	0.12%	£200m

See below a numerical example:

Time	Fund AUM	Discounted Annual Charge for a Share Class A Annual Charge: 1.40%
Quarter 1	£1.67bn	1.38% (1.40% - 0.02%) A 0.02% discount is applied to the Annual Charge as the Fund's Net Asset Value is in the £1-2bn range.
Quarter 2	£958m	1.38% No change as the Fund's Net Asset Value falls within the £100m buffer and has not reduced below the £900m threshold.
Quarter 3	£882m	1.40% The 0.02% discount is removed as the Fund's Net Asset Value is below the £100m buffer.
Quarter 4	£1.05bn	1.38% (1.40% - 0.02%) A 0.02% discount is applied as the Fund's Net Asset Value is in the £1-2bn range.
Quarter 5	£2.15bn	1.36% (1.40% - 0.04%) A 0.04% discount is applied to the Annual Charge as the Fund's Net Asset Value is in the £2-3bn range.

Information regarding the Annual Charge, including any discount currently applicable to each Share Class of the Company can be found at www.mandg.co.uk

28.6 Allocation of charges and expenses

28.6.1 For each Share Class, the charges and expenses described in this section are either charged to capital or income (or both) depending upon whether they are Income Shares or Accumulation Shares.

- For Income Shares, most charges and expenses are charged to capital. This treatment of the charges and expenses may increase the amount of income available for distribution to Shareholders in the Share Class concerned, but it may constrain capital growth.
- For Accumulation Shares, most charges and expenses are paid from income. If there is insufficient income to fully pay those charges and expenses, the residual amount is taken from capital.

Allocation of Charges		
	Accumulation Shares	**Income Shares**
Annual Charge	100% to Income	100% to Capital
Portfolio transaction costs	100% to Capital	100% to Capital
Extraordinary Expenses	100% to Income	100% to Income
Interest on borrowing	100% to Income	100% to Income
Charges incurred in effecting or terminating borrowing or in negotiating or varying the terms of borrowing on behalf of the Company	100% to Income	100% to Income

28.7 **The Ongoing Charge(s) Figure**

28.7.1 Each Class of shares in the Company has an Ongoing Charge(s) Figure and this is shown in the relevant Key Investor Information Document.

28.7.2 The Ongoing Charge(s) Figure is intended to assist Shareholders to ascertain and understand the impact of charges on their investment each year and to compare the level of those charges with the level of charges in other funds. It will normally equal the ACD's Annual Charge, except where extraordinary expenses (as described in paragraph 28.4) have been incurred or a discount to the ACD's Annual Charge has been applied or removed.

28.7.3 The Ongoing Charge(s) Figure excludes portfolio transaction costs and any initial charge or redemption charge but will capture the effect of the various charges and expenses referred to in this section. In common with other types of investors in financial markets, the Company incurs costs when buying and selling underlying investments in pursuit of their investment objective. These portfolio transaction costs include dealing spread, broker commissions, transfer taxes and stamp duty incurred by the Company on transactions. The annual and half-yearly reports of the Company provide further information on portfolio transaction costs incurred in the relevant reporting period.

28.7.4 The Ongoing Charge(s) Figure also excludes interest on borrowing.

29 Stock lending

29.1 The Company or the Depositary at the request of the Company, may enter into repo contracts or certain stock lending arrangements in respect of the Company. The Company or the Depositary delivers securities which are the subject of the stock lending arrangement in return for an agreement that securities of the same kind and amount should be redelivered to the Company or the Depositary at a later date. The Company or the Depositary at the time of delivery receives collateral to cover the risk of the future redelivery not being completed. There is no limit on the value of the property of the Company which may be the subject of repo contracts or stock lending arrangements.

29.2 Stock lending arrangements must be an arrangement of the kind described in Section 263B of the Taxation of Chargeable Gains Act 1992. The arrangements must also comply with the requirements of the Regulations.

30 Shareholder meetings and voting rights

30.1 **Annual general meeting**

In accordance with the provisions of the Open-Ended Investment Companies (Amendment) Regulations 2005, the Company has elected not to hold annual general meetings.

30.2 **Requisitions of meetings**

30.2.1 The ACD or the Depositary may requisition a general meeting at any time.

30.2.2 Shareholders may also requisition a general meeting of the Company. A requisition by Shareholders must state the objects of the meeting, be dated, be signed by Shareholders who, at the date of the requisition, are registered as holding not less than one-tenth in value of all Shares then in issue and the requisition must be deposited at the head office of the Company. The ACD must convene a general meeting no later than eight weeks after receipt of such requisition.

30.3 **Notice and quorum**

Shareholders will receive at least 14 days notice of a Shareholders' meeting (other than an adjourned meeting where a shorter period of notice can apply) and are entitled to be counted in the quorum and vote at such meeting either in person or by proxy. The quorum for a meeting is two Shareholders, present in person or by proxy. If after a reasonable time from the time set for an adjourned meeting there are not two Shareholders present in person or by proxy, the quorum for the adjourned meeting shall be one person entitled to be counted in a quorum present at the meeting. Notices of meetings and adjourned meetings will normally be given in writing to the Shareholder's registered address (or, at the discretion of the ACD, such other address which we may hold for the purposes of correspondence).

30.4 **Voting rights**

30.4.1 At a meeting of Shareholders, on a show of hands every Shareholder who (being an individual) is present in person or (being a corporation) is present by its representative properly authorised in that regard, has one vote.

30.4.2 On a poll vote, a Shareholder may vote either in person or by proxy. The voting rights attaching to each Share are such proportion of the voting rights attaching to all the Shares in issue that the price of the Share bears to the aggregate price(s) of all the Shares in issue as at a cut-off date selected by the ACD which is a reasonable time before the notice of meeting is deemed to have been served.

A Shareholder entitled to more than one vote need not, if they vote, use all their votes or cast all the votes they use in the same way.

Except where the Regulations or the Instrument of Incorporation of the Company require an extraordinary resolution (which needs at least 75% of the votes validly cast at the meeting to be in favour for the resolution to be passed) any resolution required will be passed by a simple majority of the votes validly cast for and against the resolution.

The ACD may not be counted in the quorum for a meeting and neither the ACD nor any Associate of the

ACD is entitled to vote at any meeting of the Company except in respect of Shares which the ACD or Associate holds on behalf of or jointly with a person who, if the registered Shareholder, would be entitled to vote and from whom the ACD or Associate has received voting instructions.

'Shareholders' in this context means Shareholders on a cut-off date selected by the ACD which is a reasonable time before the notice of the relevant meeting was deemed to have been served but excludes holders of shares who are known to the ACD not to be Shareholders at the time of the meeting.

Where an extraordinary resolution is required to conduct business at a meeting of Shareholders and every Shareholder is prohibited under COLL 4.4.8R(4) from voting, with the written agreement of the Depositary to the process, the resolution may instead be passed with the written consent of Shareholders representing at least 75% of the Shares in issue.

Investors using the M&G Securities International Nominees Service whose holdings are registered through M&G International Investments Nominees Limited will be offered a vote at general meetings when the ACD considers, at its sole discretion, that the investors' interests may be materially affected.

30.5 **Class meetings**

The above provisions, unless the context otherwise requires, apply to Class meetings as they apply to general meetings of Shareholders.

30.6 **Variation of Class rights**

The rights attached to a Class may not be varied unless done so pursuant to the notification requirements of COLL 4.3R.

31 Taxation

31.1 **General**

The information given under this heading does not constitute legal or tax advice and prospective investors should consult their own professional advisers about the implications of subscribing for, buying, holding, exchanging, selling or otherwise disposing of Shares under the laws of the jurisdiction in which they may be subject to tax.

The statements below are only intended as a general summary of UK tax law and practice as at the date of this Prospectus and may change in the future. Any investor who is in any doubt as to their UK tax position in relation to the Company should consult a UK professional adviser.

31.2 **Taxation of the Company**

31.2.1 **Income**

The Company will be liable to corporation tax on its taxable income less expenses at the basic rate of income tax (currently 20%).

31.2.2 **Capital gains**

Capital gains accruing to the Company will be exempt from UK tax.

31.3 **Distributions**

Should the Company be over 60% invested in qualifying assets (broadly interest paying) throughout the relevant distribution period, it can elect to make interest distributions. In all other cases it will pay dividend distributions. It is the ACD's current intention that the Company will be managed in such a way that it will be able to make interest distributions.

31.4 **Taxation of the investor**

The following notes are primarily for the information of UK Shareholders. Information relating generally to non-resident Shareholders is also given.

31.4.1 **Dividend distributions - UK resident individual Shareholders**

Currently UK dividends are subject to a £2,000 tax-free dividend allowance for all taxpayers, which replaces the 10% tax credit applied in prior periods. For dividend income in excess of this allowance, the applicable tax rate for basic rate taxpayers is 7.5%, the rate for higher rate taxpayers is 32.5% and the rate for additional taxpayers is 38.1%.

31.4.2 **Dividend distributions – UK resident corporate Shareholders**

For UK resident corporate Shareholders, any dividend distributions will be divided into that part which relates to UK dividend income of the Company, and that part which relates to other income. The part relating to UK dividend income is generally not taxable. The other part is taxable as if it were an annual payment and is subject to corporation tax. The taxable part of the distribution is deemed to have been paid net of an income tax deduction of 20% which can be offset against a Shareholder's liability to corporation tax and may be recoverable. The tax voucher will show the ratio between the part relating to UK dividend income (franked investment income) and the part relating to taxable annual payments and also shows, in terms of a pence per Share rate, the tax which can be recovered. The maximum amount of income tax if any, that may be reclaimed from HM Revenue & Customs is the corporate Shareholder's proportion of the Shareholder's non-foreign deemed income tax.

31.4.3 **Interest distributions**

Currently, interest distributions are paid without deduction of income tax.

Personal Savings Allowance is available whereby the first £1,000 of savings income is exempt from tax for basic rate taxpayers and the first £500 for higher rate taxpayers.

UK resident corporate Shareholders should note that where they hold a fund which makes interest distributions, gains will be subject to loan relationship rules.

31.4.4 **Capital gains**

Profits arising on disposal of Shares are subject to capital gains tax. However, if the total gains from all sources realised by an individual Shareholder in a tax year, after deducting allowable losses, are less than the annual exemption, there is no capital gains tax to apply. Where income equalisation applies (see section below), the buying price of Shares includes accrued income which is repaid to the investor with the first allocation of income following the purchase. This repayment is deemed to be a repayment of capital and is therefore made without deduction of tax but must be deducted from the investor's base cost of the relevant Shares for purposes of calculating any liability to capital gains tax.

31.4.5 Where over 60% of the investments of the Company are interest-bearing or economically equivalent investments, the Shareholdings of UK resident corporate Shareholders will generally be subject to the loan relationships regime.

32 Tax Reporting

32.1 The UK has implemented the Foreign Account Tax Compliant Act (FATCA) and the OECD Standard for Automatic Exchange of Financial Account Information through the International Tax Compliance Regulations 2015. In order to fulfill our obligations, we are required to obtain certification of certain tax information from Shareholders which includes (but not limited to) tax residency, tax identification number, and tax status classification of corporate Shareholders. If certain conditions apply or if required information is not provided to us, information about your M&G shareholding may be passed to HM Revenue & Customs in order to be passed on to other tax authorities.

33 Income equalisation

33.1 Income equalisation will be applied to Shares issued by the Company.

33.2 Part of the purchase price of a Share reflects the relevant share of accrued income received or to be received by the Company. This capital sum is returned to a Shareholder with the first allocation of income in respect of a Share issued during the relevant accounting period.

33.3 The amount of income equalisation is calculated by dividing the aggregate of the amounts of income included in the price of Shares issued to or bought by Shareholders in a particular Share Class in an annual or interim accounting period (see paragraph 35.2.4) by the number of those Shares and applying the resultant average to each of the Shares in question.

34 Winding up of the Company

34.1 The Company shall not be wound up except as an unregistered company under Part V of the Insolvency Act 1986 or under the Regulations.

34.2 Where the Company is to be wound up under the Regulations, such winding up may only be commenced following approval by the FCA. The FCA may only give such approval if the ACD provides a statement (following an investigation into the affairs of the Company) either that the Company will be able to meet its liabilities within 12 months of the date of the statement or that the Company will be unable to do so.

34.3 The Company may be wound up under the Regulations if:

an extraordinary resolution to that effect is passed by Shareholders; or

the period (if any) fixed for the duration of the Company by the Instrument of Incorporation expires, or the event (if any) occurs on the occurrence of which the Instrument of Incorporation provides that the Company is to be wound up (for example, if the Share capital of the Company is below its prescribed minimum); or

on the date of effect stated in any agreement by the FCA to a request by the ACD for the revocation of the authorisation order in respect of the Company.

34.4 On the occurrence of any of the above:

Regulations 6.2, 6.3 and 5 relating to Dealing, Valuation and Pricing and Investment and Borrowing will cease to apply to the Company;

the Company will cease to issue and cancel Shares and the ACD shall cease to sell or redeem Shares or arrange for the Company to issue or cancel them for the Company;

no transfer of a Share shall be registered and no other change to the register shall be made without the sanction of the ACD;

where the Company is being wound up, the Company shall cease to carry on its business except in so far as it is beneficial for the winding up of the Company;

the corporate status and powers of the Company and, subject to the provisions of this paragraphs 34 the powers of the ACD shall remain until the Company is dissolved.

34.5 The ACD shall, as soon as practicable after the Company falls to be wound up, realise the assets and meet the liabilities of the Company and, after paying out or retaining adequate provision for all liabilities properly payable and retaining provision for the costs of winding up, arrange for the Depositary to make one or more interim distributions out of the proceeds to Shareholders proportionately to their rights to participate in the Scheme Property of the Company. When the ACD has caused all of the Scheme Property to be realised and all of the liabilities of the Company to be realised, the ACD shall arrange for the Depositary also to make a final distribution to Shareholders as at (or prior to) the date on which the final account is sent to Shareholders of any balance remaining, if applicable, in proportion to their holdings in the Company.

34.6 On completion of a winding up of the Company, the Company will be dissolved and any money which is legitimately the property of the Company (including unclaimed distributions) and standing to the account of the Company, will be paid into court within one month of dissolution.

34.7 Following the completion of the winding up of the Company, the ACD shall provide written confirmation to the Registrar of Companies and shall notify the FCA that it has done so.

34.8 the completion of a winding up of either the Company, the ACD must prepare a final account showing how the winding up took place and how the Scheme Property was distributed. The auditor of the Company shall make a report in respect of the final account stating their opinion as to whether the final account has been properly prepared. This final account and the auditor's report must be sent to the FCA, to each Shareholder and, in the case of the winding up of the Company, to the Registrar of Companies within two months of the termination of the winding up.

35 General information

35.1 **Accounting periods**

The annual accounting period of the Company ends each year on 31 August (the accounting reference date). The half-yearly accounting period ends each year on the last day of February.

35.2 **Income allocations**

Allocations of income are made in respect of the income available for allocation in each annual accounting period and, each interim accounting period (see Appendix 1).

Distributions of income are paid on or before the annual and interim income allocation dates as set out in Appendix 1.

If a distribution remains unclaimed for a period of six years after it has become due, it will be forfeited and will revert to the Company.

The amount available for allocation in any accounting period is calculated by taking the aggregate of the income received or receivable for the account of the Company in respect of that period, and deducting the charges and expenses of the Company paid or payable out of income in respect of that accounting period. The ACD then makes such other adjustments as it considers appropriate (and after consulting the auditor as appropriate) in relation to taxation, income equalisation, income unlikely to be received within 12 months following the relevant income allocation date, income which should not be accounted for on an accrual basis because of lack of information as to how it accrues, transfers between the income and capital account and any other adjustments which the ACD considers appropriate after consulting the auditor.

The amount initially deemed available in respect of any one Class of Share may be reduced if the income attributed to another Class of Share is less than the charges applicable to that Class of Share.

Income from debt securities is recognised on an effective yield basis. Effective yield is an income calculation that takes account of amortisation of any discount or premium on the purchase price of the debt security over the remaining life of the security.

Distributions made to the first named joint Shareholder are as effective a discharge to the Company and the ACD as if the first named Shareholder had been a sole Shareholder.

Income produced by the Company's investments accumulates during each accounting period. If, at the end of the accounting year, income exceeds expenses, the net income of the Company is available to be distributed to Shareholders. In order to conduct a controlled dividend flow to Shareholders, interim distributions will be, at the Investment Manager's discretion, up to a maximum of the distributable income available for the period. All remaining income is distributed in accordance with the Regulations.

Where the Company does not issue Accumulation shares, a Shareholder may choose to have their income reinvested to purchase additional shares of the Company. Where the reinvestment of income has been permitted, the ACD will waive any initial charge due on such re-investment. Re-investment of allocations of income is made fourteen days before the relevant income allocation date.

35.3 **Annual Reports**

35.3.1 Annual reports of the Company are published within four months of each annual accounting period and half-yearly reports are published within two months of each half-yearly accounting period and are available to Shareholders on request. Shareholders will receive copies of the annual and half-yearly short reports on publication.

35.4 **Documents of the Company**

35.4.1 The following documents may be inspected free of charge between 9.00am and 5.00pm UK time every Dealing Day at the offices of the ACD at 10 Fenchurch Avenue, London, EC3M 5AG:

35.4.1.1 the most recent annual and half-yearly reports of the Company;

35.4.1.2 the Instrument of Incorporation (and any amending instrument of incorporation);

35.4.1.3 Shareholders may obtain copies of the above documents as well as the Prospectus from the above addresses. The ACD may make a charge at its discretion for copies of certain documents, however the most recent annual and half-yearly reports of the Company and the Prospectus are available to any person free of charge.

35.5 **Risk Management and other information**

The following information is available from the ACD on request;

35.5.1 **Risk Management**

Information on the risk management methods used in relation to the Company, the quantitative limits which apply to that risk management and any developments in the risk and yields of the main categories of investment.

35.5.2 **Execution Policy**

The Investment Manager's execution policy sets out the basis upon which the Investment Manager will effect transactions and place orders in relation to the Company whilst complying with its obligations under the FCA Handbook to obtain the best possible result for the ACD on behalf of the Company.

35.5.3 **Exercise of voting rights**

A description of the Investment Manager's strategy for determining how voting rights attached to ownership of Scheme Property are to be exercised for the benefit of the Company. Details of action taken in respect of voting rights are also available.

35.5.4 **Gifts and Hospitality**

The ACD and the Investment Manager may provide or receive hospitality or small business gifts from intermediaries who sell their products, operators of other collective investment schemes in which they invest, or other counterparties with whom we deal. The hospitality is typically a meal or attendance at a social engagement where the opportunity exists for participants to discuss business issues such as market developments or the ACD's and the Investment Manager's products. The ACD and the Investment Manager may also provide assistance, such as providing a speaker, or paying towards materials used at a business training event or a conference organised by or for such firms. Such gifts and hospitality are in no way predicated on past, current, or future business activity. The ACD's and the Investment Manager's procedures place controls on such arrangements to ensure that there is no Shareholder disadvantage. Our normal limits per individual events/items are £200 for hospitality and £100 for gifts per individual concerned.

35.6 **Management of collateral**

In the context of OTC financial derivatives transactions and efficient portfolio management techniques, the Company may receive collateral with a view to reduce its counterparty risk. This section sets out the collateral management applied by the Company in such cases.

35.6.1 **Eligible collateral**

Collateral received by the Company may be used to reduce its counterparty risk exposure if it complies with the criteria set out in regulation notably in terms of liquidity, valuation, issuer credit quality, correlation, risks linked to the management of collateral and enforceability.

In particular, collateral should comply with the following conditions:

35.6.1.1 Any collateral received other than cash should be of high quality, highly liquid and traded on a regulated

market or multilateral trading facility with transparent pricing in order that it can be sold quickly at a price that is close to pre-sale valuation;

35.6.1.2 It should be valued on at least a daily basis and assets that exhibit high price volatility should not be accepted as collateral unless suitably conservative haircuts are in place;

35.6.1.3 It should be issued by an entity that is independent from the counterparty and is expected not to display a high correlation with the performance of the counterparty;

35.6.1.4 It should be sufficiently diversified in terms of country, markets and issuers with a maximum exposure of 20% of the Company's net asset value to any single issuer on an aggregate basis, taking into account all collateral received;

35.6.1.5 It should be capable of being fully enforced by the Company at any time without reference to or approval from the counterparty.

Subject to the abovementioned conditions, collateral received by the Company may consist of:

35.6.1.6 liquid assets such as cash and cash equivalents, including short-term bank certificates and Money Market Instruments;

35.6.1.7 bonds issued or guaranteed by a Member State of the OECD or by their local public authorities or by supranational institutions and undertakings with EU, regional or worldwide scope;

35.6.1.8 shares or units issued by money market Collective investment Schemes calculating a daily NAV and being assigned a rating of AAA or its equivalent;

35.6.1.9 shares or units by UCITS investing mainly in bonds/shares mentioned in 35.6.1.10 and 35.6.1.11 below,

35.6.1.10 bonds issued or guaranteed by first class issuers offering an adequate liquidity; and

35.6.1.11 shares admitted to or dealt in on a regulated market of an EU Member State or on a stock exchange of a member state of the OECD, on the condition that these shares are included in a main index.

A reinvestment of cash provided as collateral may only be effected where in compliance with the respective regulations.

35.6.2 **Level of collateral**

The Company will determine the required level of collateral for OTC financial derivatives transactions and efficient portfolio management techniques by reference to the applicable counterparty risk limits and taking into account the nature and characteristics of transactions, the creditworthiness and identity of counterparties and prevailing market conditions.

35.6.3 **OTC financial derivative transactions**

The Investment Manager will generally require the counterparty to an OTC derivative to post collateral in favour of the Company representing, at any time during the lifetime of the agreement, up to 100% of the Company's exposure under the transaction.

35.6.4 **Haircut policy**

Collateral acceptability and haircuts will depend on a number of factors including the asset pool available to the Company for posting as well as the asset types acceptable to the Company when receiving collateral, but will as a rule be of high quality, liquid and not display significant correlation with the counterparty under normal market conditions.

The taking of collateral is intended as a hedge against default risk, with haircuts seen as hedging the risk on that collateral. From this point of view, haircuts are an adjustment to the quoted market value of a collateral security to take account of the unexpected loss that may be faced due to the difficulty in realising that security in response to a default by the counterparty. By applying a haircut, the quoted market value of a collateral security is translated into a probable future liquidation or restoration value.

To this end therefore the haircuts that are applied are the result of a view of the credit and liquidity risk of the collateral and will become more "aggressive" depending on the asset type and maturity profile.

As at the date of this Prospectus, the Investment Manager typically accepts the following collateral types and applies the following haircuts in relation thereto:

Collateral type	Typical haircut
Cash	0%
Government Bonds	1% to 20%
Corporate Bonds	1% to 20%

The Investment Manager reserves the right to depart from the above haircut levels where it would be appropriate to do so, taking into account the assets' characteristics (such as the credit standing of the issuers, the maturity, the currency and the price volatility of the assets). Furthermore, the Investment Manager reserves the right to accept collateral types other than those disclosed above.

No haircut will generally be applied to cash collateral.

35.6.5 **Reinvestment of collateral**

Non-cash collateral received by the Fund on behalf of a Company cannot be sold, reinvested or pledged, except where and to the extent permissible under regulations.

Cash collateral received by the Company can only be:

35.6.5.1 placed on deposit with credit institutions which have their registered office in an EU Member State or, if their registered office is located in a third-country, are subject to prudential rules considered by the FCA as equivalent to those laid down in EU law;

35.6.5.2 invested in high-quality government bonds;

35.6.5.3 used for the purpose of reverse repo transactions provided the transactions are with credit institutions subject to prudential supervision and the Company is able to recall at any time the full amount of cash on accrued basis; and/or

35.6.5.4 invested in short-term money market funds as defined in the ESMA Guidelines on a common definition of European Money Market Funds.

Any reinvestment of cash collateral should be sufficiently diversified in terms of country, markets and issuers with a maximum exposure, on an aggregate basis, of 20% of the Company's Net Asset Value to any single issuer. The Company may incur a loss in reinvesting the cash collateral it receives. Such a loss may arise due to a decline in the value of the investment made with cash collateral received. A decline in the value of such

investment of the cash collateral would reduce the amount of collateral available to be returned by the Company to the counterparty at the conclusion of the transaction. The Company would be required to cover the difference in value between the collateral originally received and the amount available to be returned to the counterparty, thereby resulting in a loss to the Company.

35.7 **Notices**

Notices to Shareholders will normally be given in writing to the Shareholder's registered address (or, at the discretion of the ACD, such other address which we may hold for the purposes of correspondence).

36 Preferential Treatment

From time to time the ACD may afford preferential terms of investment to certain groups of investors. In assessing whether such terms are afforded to an investor, the ACD will ensure that any such concession is not inconsistent with its obligation to act in the overall best interests of the Company and its investors. In particular, the ACD may typically exercise its discretion to waive the initial charge, or redemption charge, or investment minima for investment in a Class for investors that are investing sufficiently large amounts, either initially or are anticipated to do so over time, such as platform service providers and institutional investors including fund of fund investors. The ACD may also have agreements in place with such groups of investors which result in them paying a reduced Annual Charge. Additionally, the ACD may grant similar preferential terms to the employees of companies within the Prudential Group of companies or their associates.

37 Complaints

If you wish to complain about any aspect of the service you have received or to request a copy of M&G's complaints handling procedures, please contact M&G Customer Relations, PO Box 9039, Chelmsford CM99 2XG. If your complaint is not dealt with to your satisfaction, you can then complain to: The Financial Ombudsman Service (FOS), Exchange Tower, London, E14 9SR.

38 US Persons

38.1 The Shares in the Company have not been and will not be registered under the United States Securities Act of 1933, as amended, or registered or qualified under the securities laws of any state of the United States and may not be offered, sold, transferred or delivered, directly or indirectly, to any investors within the United States or to, or for the account of, US Persons except in certain limited circumstances pursuant to a transaction exempt from such registration or qualification requirements. None of the Shares have been approved or disapproved by the US Securities and Exchange Commission, any state securities commission in the United States or any other US regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of the Shares or the accuracy or adequacy of the Prospectus. The Company will not be registered under the United States Investment Company Act of 1940, as amended.

39 Markets for the Company

The Company is marketable to all retail investors.

40 Genuine diversity of ownership

40.1 Shares in the Company are and will continue to be widely available. The intended categories of investors are retail and institutional investors.

40.2 Shares in the Company are and will continue to be marketed and made available widely to reach the intended categories of investors and in a manner appropriate to attract those categories of investors.

41 Remuneration Policy

The ACD applies a staff remuneration policy consistent with the principles outlined in the Undertakings for Collective Investment in Transferable Securities Directive (UCITS) (No.2009/65/EC), as amended, the Alternative Investment Fund Managers Directive (AIFMD) (No. 2011/61/EU), as amended, and the FCA Handbook of Rules and Guidance. The remuneration policy is overseen by a remuneration committee and is designed to promote sound and effective risk management by, amongst other things:

– identifying staff with the ability to have a material impact on the risk profile of either the ACD or the Funds;

– ensuring that the remuneration of those staff is in line with the risk profiles of the ACD and of the Funds, and that any relevant conflicts of interest are appropriately managed at all times;

– setting out the link between pay and performance for all of the ACD's employees, including the terms of annual bonus and long-term incentive plans and individual remuneration packages for Directors and other senior employees.

Please visit the following site:

http://www.mandg.com/en/corporate/about-mg/our-people/ for up-to-date details of the remuneration policy, including, but not limited to:

– a description of how remuneration and benefits are calculated;

– the identities of persons responsible for awarding the remuneration; and

– the composition of the remuneration committee.

Alternatively, a paper copy can be obtained from our Customer Relations Department free of charge on 0800 390 390.

Risk Factors
M&G Strategic Corporate Bond Fund

42 Risk Factors

General Risks	Risk Warning	M&G Strategic Corporate Bond Fund
Risk to Capital & Income will vary	The investments of the Fund are subject to normal market fluctuations and other risks inherent in investing in shares, bonds and other stock market related assets. These fluctuations may be more extreme in periods of market disruption and other exceptional events. There can be no assurance that any appreciation in value of investments will occur or that the investment objective will actually be achieved. The value of investments and the income from them will fall as well as rise and investors may not recoup the original amount they invested. Past performance is not a guide to future performance.	✓
Charges to Capital	The charges and expenses attributable to the Company's Income Shares are taken from capital, in whole or in part, and as a result capital growth for that Share Class will be constrained.	✓
Counterparty Risk	Whilst the Investment Manager will place transactions, hold positions (including derivatives transactions) and deposit cash with a range of counterparties, there is a risk that a counterparty may default on its obligations or become insolvent, which may put the Fund's capital at risk.	✓
Liquidity Risk	The Fund's investments may be subject to liquidity constraints which means that securities may trade infrequently and in small volumes. Normally liquid securities may also be subject to periods of significantly lower liquidity in difficult market conditions. As a result, changes in the value of investments may be more unpredictable and in certain cases, it may be difficult to deal a security at the last market price quoted or at a value considered to be fair.	✓
Suspension of dealing in shares	Investors are reminded that in exceptional circumstances their right to sell or redeem Shares may be temporarily suspended	✓
Cancellation Risks	When cancellation rights are applicable and are exercised, the full amount invested may not be returned if the price falls before we are informed of your intention to cancel.	✓
Inflation	A change in the rate of inflation will affect the real value of your investment.	✓
Taxation	The current tax regime applicable to investors in collective investment schemes in their country of residence or domicile and the UK schemes themselves is not guaranteed and may be subject to change. Any changes may have a negative impact on returns received by investors. The M&G Funds rely extensively on tax treaties to reduce domestic rates of withholding tax in countries where it invests. A risk exists that tax authorities in countries with which the United Kingdom has double tax treaties may, change their position on the application of the relevant tax treaty. As a consequence, higher tax may be suffered on investments (e.g. as a result of the imposition of withholding tax in that foreign jurisdiction). Accordingly, any such withholding tax may impinge upon the returns to the Fund and investors. In specific treaties which contain 'limitation of benefits' provisions (e.g. US), the tax treatment of the Fund may be affected by the tax profiles of investors in the Fund as such treaties may require the majority of investors in the Fund to be from the same jurisdiction. Failing to meet the limitation of benefits provision may result in increased withholding tax being suffered by the Fund.	✓
Tax Developments	The tax regulations which M&G Funds are subject to constantly change as a result of (i) technical developments – changes in law regulations; (ii) interpretative developments – changes in the way tax authorities apply law and (iii) market practice – whilst tax law is in place, there may be difficulties applying the law in practice (e.g. due to operational constraints). Any changes to the tax regimes applicable to M&G Funds and investors in their country of residence or domicile may impact negatively on the returns received by investors.	✓
Brexit Impact on Withholding Taxes	Currently, the Fund is regulated as a UCITS fund and can access local tax exemptions on withholding taxes applicable to dividends distributed in certain EU investment markets. As a consequence of UK leaving the EU, UK funds may no longer be able to be considered UCITS compliant. As a result of this, the local tax exemption may no longer be available and withholding tax rates on dividends will increase to the domestic rates applicable in the EU countries where the Fund invests (subject to tax treaties).	

42 Risk Factors		M&G Strategic Corporate Bond Fund
Cyber Event Risk	Like other business enterprises, the use of the internet and other electronic media and technology exposes M&G Funds, its service providers, and their respective operations, to potential risks from cyber-security attacks or incidents (collectively, "cyber-events"). Cyber-events may include, for example, unauthorised access to systems, networks or devices (such as, for example, through "hacking" activity), infection from computer viruses or other malicious software code, and attacks which shut down, disable, slow or otherwise disrupt operations, business processes or website access or functionality. In addition to intentional cyber-events, unintentional cyber-events can occur, such as, for example, the inadvertent release of confidential information. Any cyber-event could adversely impact the Fund and its Shareholders. A cyber-event may cause the Fund, or its service providers to lose proprietary information, suffer data corruption, lose operational capacity (such as, for example, the loss of the ability to process transactions, calculate the Net Asset Value of the Fund or allow Shareholders to transact business) and/or fail to comply with applicable privacy and other laws. Among other potentially harmful effects, cyber-events also may result in theft, unauthorised monitoring and failures in the physical infrastructure or operating systems that support the Fund and its service providers. In addition, cyber-events affecting issuers in which the Fund invests could cause the Fund's investments to lose value.	✓
Derivatives	**Risk Warning**	
Derivatives (Sophisticated Funds)	The Fund undertakes transactions in derivatives and forward transactions, both on exchange and OTC, for the purposes of meeting the investment objective, protecting the risk to capital, currency, duration and credit management, as well as for hedging. The Risk Management Process document sets out the approved derivative strategies.	✓
Derivatives - Correlation (Basis Risk)	Correlation risk is the risk of loss due to divergence between two rates or prices. This applies particularly where an underlying position is hedged through derivative contracts which are not the same as (but may be similar to) the underlying position.	✓
Derivatives - Valuation	Valuation risk is the risk of differing valuations of derivatives arising from different permitted valuation methods. Many derivatives, in particular non-exchange traded (OTC) derivatives, are complex and often valued subjectively and the valuation can only be provided by a limited number of market professionals who are often also the counterparty to the transaction. As a result, the daily valuation may differ from the price that can actually be achieved when trading the position in the market.	✓
Derivatives - Liquidity	Liquidity risk exists when a particular instrument is difficult to purchase or sell. Derivative transactions that are particularly large or traded off market (i.e. OTC), may be less liquid and therefore not readily adjusted or closed out. Where it is possible to buy or sell, this may be at a price that differs from the price of the position as reflected in the valuation.	✓
Derivatives - Counterparty	Certain derivative types may require the establishment of a long term exposure to a single counterparty which increases the risk of counterparty default or insolvency. While these positions are collateralised, there is a residual risk between both the mark to market and the receipt of the corresponding collateral as well as between the final settlement of the contract and the return of any collateral amount. This risk is referred to as daylight risk. In certain circumstances, the physical collateral returned may differ from the original collateral posted. This may impact the future returns of the Fund.	✓
Derivatives – Legal Risk	Derivative transactions are typically undertaken under separate legal arrangements. In the case of OTC derivatives, a standard International Swaps and Derivatives Association ("ISDA") agreement is used to govern the trade between the Fund and the counterparty. The agreement covers situations such as a default of either party and also the delivery and receipt of collateral. As a result, there is a risk of loss to the Fund where liabilities in those agreements are challenged in a court of law.	✓
Derivatives - Volatility	Derivatives may be used in a limited way to obtain exposure to investments rather than holding the investments directly. It is anticipated that the use of derivatives will not materially alter the risk profile of the Fund or increase price fluctuations compared to equivalent funds that do not invest in derivatives.	✓

Risk Factors
M&G Strategic Corporate Bond Fund

42 Risk Factors		M&G Strategic Corporate Bond Fund
Short Sales	The Fund may take short positions through the use of derivatives which are not backed by equivalent physical assets. Short positions reflect an investment view that the price of the underlying asset is expected to fall in value. Accordingly, if this view is incorrect and the asset rises in value, the short position could involve losses of the Fund's capital due to the theoretical possibility of an unlimited rise in their market price.	✓
Fund Specific	**Risk Warning**	
Currency & Exchange Rate Risk	Currency exchange rate fluctuations will impact the value of a Fund which holds currencies or assets denominated in currencies that differ from the Valuation Currency of the Fund.	✓
Interest Rate Risk	Interest rate fluctuations will affect the capital and income value of investments within Funds that invest substantially in fixed income investments. This effect will be more apparent if the Fund holds a significant proportion of its portfolio in long dated securities.	✓
Credit Risk	The value of the Fund will fall in the event of the default or perceived increased credit risk of an issuer. This is because the capital and income value and liquidity of the investment is likely to decrease. AAA rated government and corporate bonds have a relatively low risk of default compared to non-investment grade bonds. However, the ratings are subject to change and they may be downgraded. The lower the rating the higher the risk of default.	✓
Zero or Negative Yield	The costs of using derivatives to implement a short position within a Fund, for example short positions in currency or Government bonds, may result in a zero or negative yield on the portfolio. In such circumstances the Fund may not make any distributions and any shortfall will be met from capital.	✓
Future launch of Hedged Share Classes	The ACD may issue hedged Share Classes with market conditions largely dictating the timing of the launch.	✓
Hedged Share Classes - no segregation of liabilities between Share Classes in a fund	Gains or losses arising from currency hedging transactions are borne by the Shareholders of the respective hedged Share Classes. Given that there is no segregation of liabilities between Share Classes, there is a risk that, under certain circumstances, the settlement of currency hedging transactions or the requirement for collateral (if such activity is collateralised) in relation to one Share Class could have an adverse impact on the net asset value of the other Share Classes in issue.	✓
Hedged Share Class implications for specific Share Class	The Investment Manager will undertake transactions specifically to reduce the exposure of holders of hedged Share Classes to movements in the material currencies within a Fund's portfolio (look through) or to movements in the reference currency, base or Valuation Currency of the Fund (replication), as appropriate. The hedging strategy employed will not completely eliminate the exposure of the hedged Share Classes to currency movements and no assurance can be given that the hedging objective will be achieved. Investors should be aware that the hedging strategy may substantially limit Shareholders of the relevant hedged Share Class from benefiting if the hedged Share Class currency falls against the reference currency. Notwithstanding the hedging of the Share Classes described above, Shareholders in those Share Classes may still be exposed to an element of currency exchange rate risk. During periods when interest rates across currency areas are very similar, the Interest Rate Differential ("IRD") is very small, the impact on hedged Share Class returns is low. However, in an environment where interest rates are significantly different between the Fund's exposure currency and the hedged Share Class currency, the IRD will be higher and the performance difference will be greater.	✓
Eurozone	There is a risk that one or more countries will exit the Euro and re-establish their own currencies. In light of this uncertainty or in the event that this does occur, there is an increased risk of volatility in asset values, liquidity and default risk. In addition, there is a risk that disruption in Eurozone markets could give rise to difficulties in valuing the assets of the Fund. In the event that it is not possible to carry out an accurate valuation of the Fund, dealing may be temporarily suspended.	✓

42 Risk Factors		M&G Strategic Corporate Bond Fund
Liabilities of the Fund	Shareholders are not liable for the debts of the Fund. A Shareholder is not liable to make any further payment to the Fund after he has paid in full for the purchase of Shares.	✓
Negative Interest Rates	Cash or money market instruments held in the Fund are subject to the prevailing interest rates in the specific currency of the asset. There may be situations where the interest rate environment results in rates turning negative. In such situations the Fund may have to pay to have money on deposit or hold the money market instrument.	✓

Appendix 1

Details of M&G Strategic Corporate Bond Fund

1.1 M&G Strategic Corporate Bond Fund

Investment Objective

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

Investment Policy

The Fund invests mainly in investment grade bonds. The Fund may invest in derivatives in pursuit of the fund objective and for the purposes of efficient portfolio management. The Fund may also invest in other assets including collective investment schemes, other transferable securities and other debt instruments (including corporate, high yield and government debt, convertible and preference stocks), cash, and near cash, deposits, warrants and money market instruments.

Benchmark: IA Sterling Corporate Bond sector

The Fund is actively managed. The benchmark is a comparator against which the Fund's performance can be measured. The sector has been chosen as the Fund's comparator benchmark as the Fund is a constituent of the sector. The comparator benchmark does not constrain the Fund's portfolio construction.

For unhedged Share Classes, the benchmark is shown in the Share Class currency.

Other information: The Fund is not a feeder UCITS and will not hold units in a feeder UCITS.

Accounting reference date: 31 August

Income allocation date: On or before 31 December (Final), 31 March (Interim), 30 June (Interim), 30 September (Interim)

Investment Minima

Share Classes in issue or available for issue	Currency	Lump sum initial Investment	Lump sum subsequent investment	Lump sum holding	Regular Saving (per month)	Redemption
Sterling Class A – Accumulation and Income	GBP	500	100	500	10	100
Sterling Class I – Accumulation and Income	GBP	500,000	10,000	500,000	N/A	10,000
Sterling Class J – Accumulation and Income	GBP	200,000,000	500,000	200,000,000	N/A	500,000
Sterling Class PP – Accumulation and Income	GBP	500,000	10,000	500,000	N/A	10,000
Sterling Class R – Accumulation and Income	GBP	500	100	500	10	100
Sterling Class X – Accumulation and Income	GBP	500	100	500	10	100
Sterling Class Z – Accumulation and Income	GBP	20,000,000	500,000	20,000,000	N/A	500,000

Information on which Share Classes are currently being issued can be found on www.mandg.com/classesinissue

Share Classes in issue or available for issue	Initial Charge %	Redemption Charge %	Annual Charge %
Sterling Class A – Accumulation and Income	N/A	N/A	1.15
Sterling Class I – Accumulation and Income	N/A	N/A	0.65
Sterling Class J – Accumulation and Income	N/A	N/A	Up to 0.65
Sterling Class PP – Accumulation and Income	N/A	N/A	0.50
Sterling Class R – Accumulation and Income	N/A	N/A	0.90
Sterling Class X – Accumulation and Income	N/A	N/A	1.15
Sterling Class Z – Accumulation and Income	N/A	N/A	0.00

See Section 28. Charges and Expenses above for further detail on the charges, and the potential discount to the Annual Charge. The current Annual Charge including any discounts currently applicable to each Share Class for the Company can be found at www.mandg.co.uk

Appendix 1

Details of M&G Strategic Corporate Bond Fund

Investor Profile

This Fund is suitable for all types of investors, with basic investment knowledge, seeking to invest in an actively managed fund pursuing the objective and investment policy of the Fund as described above. Investors should be looking to invest for at least five years and should appreciate that their capital will be at risk and that the value of their investment and any derived income may fall as well as rise.

Other Information

Investment Manager	M&G Investment Management Limited
Valuation point	12.00 noon UK time
Launch date	1 September 2009
Product Reference Number	499676

Appendix 2

Investment Management and borrowing powers of the Company

1 The ACD's investment policy may mean that at times, where it is considered appropriate, the property of the Company will not be fully invested and that prudent levels of liquidity will be maintained.

1.1 **Treatment of obligations**

Where the COLL Sourcebook allows a transaction to be entered into or an investment to be retained only (for example, investment in warrants and nil and partly paid securities and the general power to accept or underwrite) if possible obligations arising out of the investment transactions or out of the retention would not cause any breach of any limits in COLL 5, it must be assumed that the maximum possible liability of the Company under any other of those rules has also to be provided for.

Where a rule in the COLL Sourcebook permits an investment transaction to be entered into or an investment to be retained only if that investment transaction, or the retention, or other similar transactions, are covered:

1.1.1 it must be assumed that in applying any of those rules, no element of cover must be used more than once.

1.2 **UCITS schemes: permitted types of scheme property**

The scheme property of the Company must, except where otherwise provided by COLL 5, consist solely of any or all of:

1.2.1 transferable securities;

1.2.2 approved money market instruments;

1.2.3 units in collective investment schemes;

1.2.4 derivatives and forward transactions;

1.2.5 deposits; and

1.2.6 movable and immovable property that is necessary for the direct pursuit of the Company's business;

in accordance with the rules in COLL 5.2.

1.3 **Transferable Securities**

1.3.1 A transferable security is an investment falling within article 76 (Shares etc), article 77 (Instruments creating or acknowledging indebtedness), article 78 (Government and public securities), article 79 (Instruments giving entitlement to investments) and article 80 (Certificates representing certain securities) of the Regulated Activities Order.

1.3.2 An investment is not a transferable security if the title to it cannot be transferred, or can be transferred only with the consent of a third party.

1.3.3 In applying paragraph 1.3.2 to an investment which is issued by a body corporate, and which is an investment falling within articles 76 (Shares, etc) or 77 (Instruments creating or acknowledging indebtedness) of the Regulated Activities Order, the need for any consent on the part of the body corporate or any members or debenture holders of it may be ignored.

1.3.4 An investment is not a transferable security unless the liability of the holder of it to contribute to the debts of the issuer is limited to any amount for the time being unpaid by the holder of it in respect of the investment.

2 Investment in transferable securities

2.1 The Company may invest in a transferable security only to the extent that the transferable security fulfils the following criteria:

2.1.1 the potential loss which the Company may incur with respect to holding the transferable security is limited to the amount paid for it;

2.1.2 its liquidity does not compromise the ability of the ACD to comply with its obligation to redeem units at the request of any qualifying Shareholder (see COLL 6.2.16R(3));

2.1.3 reliable valuation is available for it as follows:

2.1.3.1 in the case of a transferable security admitted to or dealt in on an eligible market, where there are accurate, reliable and regular prices which are either market prices or prices made available by valuation systems independent from issuers;

2.1.3.2 in the case of a transferable security not admitted to or dealt in on an eligible market, where there is a valuation on a periodic basis which is derived from information from the issuer of the transferable security or from competent investment research;

2.1.4 appropriate information is available for it as follows:

2.1.4.1 in the case of a transferable security admitted to or dealt in on an eligible market, where there is regular, accurate and comprehensive information available to the market on the transferable security or, where relevant, on the portfolio of the transferable security;

2.1.4.2 in the case of a transferable security not admitted to or dealt in on an eligible market, where there is regular and accurate information available to the ACD on the transferable security or, where relevant, on the portfolio of the transferable security;

2.1.5 it is negotiable; and

2.1.6 its risks are adequately captured by the risk management process of the ACD.

2.2 Unless there is information available to the ACD that would lead to a different determination, a transferable security which is admitted to or dealt in on an eligible market shall be presumed:

2.2.1 not to compromise the ability of the ACD to comply with its obligation to redeem units at the request of any qualifying Shareholder; and

2.2.2 to be negotiable.

2.3 Not more than 5% in value of the Company is to consist of warrants.

3 Closed end funds constituting transferable securities

3.1 A unit in a closed end fund shall be taken to be a transferable security for the purposes of investment by the Company, provided it fulfils the criteria for transferable securities set out in Section 2, and either:

3.1.1 where the closed end fund is constituted as an investment company or a unit trust:

3.1.1.1 it is subject to corporate governance mechanisms applied to companies; and

3.1.1.2 where another person carries out asset management activity on its behalf, that person

Appendix 2

Investment Management and borrowing powers of the Company

is subject to national regulation for the purpose of investor protection; or

3.1.2 where the closed end fund is constituted under the law of contract:

3.1.2.1 it is subject to corporate governance mechanisms equivalent to those applied to companies; and

3.1.2.2 it is managed by a person who is subject to national regulation for the purpose of investor protection.

4 Transferable securities linked to other assets

4.1 The Company may invest in any other investment which shall be taken to be a transferable security for the purposes of investment by the Company provided the investment:

4.1.1 fulfils the criteria for transferable securities set out in Section 2 above; and

4.1.2 is backed by or linked to the performance of other assets, which may differ from those in which the Company can invest.

4.2 Where an investment in 4.1 contains an embedded derivative component (see COLL 5.2.19R(3A)), the requirements of this section with respect to derivatives and forwards will apply to that component.

5 Approved Money Market Instruments

5.1 An approved money market instrument is a money market instrument which is normally dealt in on the money market, is liquid and has a value which can be accurately determined at any time.

5.2 A money market instrument shall be regarded as normally dealt in on the money market if it:

5.2.1 has a maturity at issuance of up to and including 397 days;

5.2.2 has a residual maturity of up to and including 397 days;

5.2.3 undergoes regular yield adjustments in line with money market conditions at least every 397 days; or

5.2.4 has a risk profile, including credit and interest rate risks, corresponding to that of an instrument which has a maturity as set out in 5.2.1 or 5.2.2 or is subject to yield adjustments as set out in 5.2.3.

5.3 A money market instrument shall be regarded as liquid if it can be sold at limited cost in an adequately short time frame, taking into account the obligation of the ACD to redeem units at the request of any qualifying Shareholder (see COLL 6.2.16R(3)).

5.4 A money market instrument shall be regarded as having a value which can be accurately determined at any time if accurate and reliable valuations systems, which fulfil the following criteria, are available:

5.4.1 enabling the ACD to calculate a net asset value in accordance with the value at which the instrument held in the portfolio could be exchanged between knowledgeable willing parties in an arm's length transaction; and

5.4.2 based either on market data or on valuation models including systems based on amortised costs.

5.5 A money market instrument that is normally dealt in on the money market and is admitted to or dealt in on an eligible market shall be presumed to be liquid and have a value which can be accurately determined at any time unless there is information available to the ACD that would lead to a different determination.

6 Transferable securities and money market instruments generally to be admitted or dealt in on an Eligible Market

6.1 Transferable securities and approved money market instruments held within the Company must be:

6.1.1 admitted to or dealt on an eligible market (as described in paragraphs 7.3 or 7.4); or

6.1.2 dealt on an eligible market as described (in paragraph 7.3.2).

6.1.3 for an approved money market instrument not admitted to or dealt in on an eligible market within 8.1; or

6.1.4 recently issued transferable securities provided that:

6.1.4.1 the terms of issue include an undertaking that application will be made to be admitted to an eligible market; and

6.1.4.2 such admission is secured within a year of issue.

6.2 However, the Company may invest no more than 10% of the scheme property in transferable securities and approved money market instruments other than those referred to in 6.1.

7 Eligible markets regime: purpose

7.1 To protect investors the markets on which investments of the Company are dealt in or traded on should be of an adequate quality ("eligible") at the time of acquisition of the investment and until it is sold.

7.2 Where a market ceases to be eligible, investments on that market cease to be approved securities. The 10% restriction on investing in non approved securities applies and exceeding this limit because a market ceases to be eligible will generally be regarded as an inadvertent breach.

7.3 A market is eligible for the purposes of the rules if it is:

7.3.1 a regulated market; or

7.3.2 a market in an EEA State which is regulated, operates regularly and is open to the public; or

7.3.3 any market within 7.4

7.4 A market not falling within paragraph 7.3 is eligible for the purposes of COLL 5 if:

7.4.1 the ACD, after consultation with and notification to the Depositary, decides that market is appropriate for investment of, or dealing in, the Scheme Property;

7.4.2 the market is included in a list in the Prospectus; and

7.4.3 the Depositary has taken reasonable care to determine that:

adequate custody arrangements can be provided for the investment dealt in on that market; and

all reasonable steps have been taken by the ACD in deciding whether that market is eligible.

7.5 In paragraph 7.4.1, a market must not be considered appropriate unless it is regulated, operates regularly, is recognised as a market or exchange or as a self regulatory organisation by an overseas regulator, is

open to the public, is adequately liquid and has adequate arrangements for unimpeded transmission of income and capital to or for the order of investors.

7.6 The eligible markets in which the Company may invest are set out in Appendix 3.

8 Money market instruments with a regulated issuer

8.1 In addition to instruments admitted to or dealt in on an eligible market, the Company may invest in an approved money market instrument provided it fulfils the following requirements:

8.1.1 the issue or the issuer is regulated for the purpose of protecting investors and savings; and

8.1.2 the instrument is issued or guaranteed in accordance with Section 9 below.

8.2 The issue or the issuer of a money market instrument, other than one dealt in on an eligible market, shall be regarded as regulated for the purpose of protecting investors and savings if:

8.2.1 the instrument is an approved money market instrument;

8.2.2 appropriate information is available for the instrument (including information which allows an appropriate assessment of the credit risks related to investment in it), in accordance with Section 10 below; and

8.2.3 the instrument is freely transferable.

9 Issuers and guarantors of money market instruments

9.1 The Company may invest in an approved money market instrument if it is:

9.1.1 issued or guaranteed by any one of the following:

9.1.1.1 a central authority of an EEA State or, if the EEA State is a federal state, one of the members making up the federation;

9.1.1.2 a regional or local authority of an EEA State;

9.1.1.3 the European Central Bank or a central bank of an EEA State;

9.1.1.4 the European Union or the European Investment Bank;

9.1.1.5 a non-EEA State or, in the case of a federal state, one of the members making up the federation;

9.1.1.6 a public international body to which one or more EEA States belong; or

9.1.2 issued by a body, any securities of which are dealt in on an eligible market; or

9.1.3 issued or guaranteed by an establishment which is:

9.1.3.1 subject to prudential supervision in accordance with criteria defined by Community law; or

9.1.3.2 subject to and complies with prudential rules considered by the FCA to be at least as stringent as those laid down by Community law.

9.2 An establishment shall be considered to satisfy the requirement in 9.1.3.2 if it is subject to and complies with prudential rules, and fulfils one or more of the following criteria:

9.2.1 it is located in the European Economic Area;

9.2.2 it is located in an OECD country belonging to the Group of Ten;

9.2.3 it has at least investment grade rating;

9.2.4 on the basis of an in-depth analysis of the issuer, it can be demonstrated that the prudential rules applicable to that issuer are at least as stringent as those laid down by Community law.

10 Appropriate information for money market instruments

10.1 In the case of an approved money market instrument within 9.1.2 or issued by a body of the type referred to in 11 below; or which is issued by an authority within 9.1.1.2 or a public international body within 9.1.1.6 but is not guaranteed by a central authority within 9.1.1.1, the following information must be available:

10.1.1 information on both the issue or the issuance programme, and the legal and financial situation of the issuer prior to the issue of the instrument, verified by appropriately qualified third parties not subject to instructions from the issuer;

10.1.2 updates of that information on a regular basis and whenever a significant event occurs; and

10.1.3 available and reliable statistics on the issue or the issuance programme.

10.2 In the case of an approved money market instrument issued or guaranteed by an establishment within 9.1.3, the following information must be available:

10.2.1 information on the issue or the issuance programme or on the legal and financial situation of the issuer prior to the issue of the instrument;

10.2.2 updates of that information on a regular basis and whenever a significant event occurs; and

10.2.3 available and reliable statistics on the issue or the issuance programme, or other data enabling an appropriate assessment of the credit risks related to investment in those instruments.

10.3 In the case of an approved money market instrument:

10.3.1 within 9.1.1.1, 9.1.1.4 or 9.1.1.5; or

10.3.2 which is issued by an authority within 9.1.1.2 or a public international body within 9.1.1.6 and is guaranteed by a central authority within 9.1.1.1;

information must be available on the issue or the issuance programme, or on the legal and financial situation of the issuer prior to the issue of the instrument.

11 Spread: general

11.1 This Section 11 on spread does not apply in respect of a transferable security or an approved money-market instrument to which COLL 5.2.1R (Spread: government and public securities) applies.

11.2 For the purposes of this requirement companies included in the same group for the purposes of consolidated accounts as defined in accordance with Directive 83/349/EEC or in the same group in

accordance with international accounting standards are regarded as a single body.

11.3 Not more than 20% in value of the Scheme Property is to consist of deposits with a single body.

11.4 Not more than 5% in value of the Scheme Property is to consist of transferable securities or approved money market instruments issued by any single body.

11.5 The limit of 5% in paragraph 11.4 is raised to 10% in respect of up to 40% in value of the Scheme Property. Covered bonds need not be taken into account for the purpose of applying the limit of 40%. The limit of 5% in 11.4 is raised to 25% in value of the Scheme Property in respect of covered bonds, provided that when the Company invests more than 5% in covered bonds issued by a single body, the total value of covered bonds held must not exceed 80% in value of the Scheme Property.

11.6 In applying paragraphs 11.4 and 11.5 certificates representing certain securities are treated as equivalent to the underlying security.

11.7 The exposure to any one counterparty in an OTC derivative transaction must not exceed 5% in value of the Scheme Property. This limit is raised to 10% where the counterparty is an Approved Bank.

11.8 Not more than 20% in value of the Company is to consist of transferable securities and approved money market instruments issued by the same group (as referred to in paragraph 11.2).

11.9 Not more than 10% in value of the Company is to consist of the units of any one collective investment scheme.

11.10 In applying the limits in paragraphs 11.3, 11.4, 11.5, 11.6 and 11.7 and in relation to a single body not more than 20% in value of the Scheme Property is to consist of any combination of two or more of the following:

11.10.1 transferable securities (including covered bonds) or approved money market instruments issued by that body; or

11.10.2 deposits made with that body; or

11.10.3 exposures from OTC derivatives transactions made with

that body.

11.11 For the purpose of calculating the limits in 11.7 and 11.10, the exposure in respect of an OTC derivative may be reduced to the extent that collateral is held in respect of it if the collateral meets each of the conditions specified in 11.12.

11.12 The conditions referred to in 11.11 are that the collateral:

11.12.1 is marked-to-market on a daily basis and exceeds the value of the amount at risk;

11.12.2 is exposed only to negligible risks (e.g. government bonds of first credit rating or cash) and is liquid;

11.12.3 is held by a third party custodian not related to the provider or is legally secured from the consequences of a failure of a related party; and

11.12.4 can be fully enforced by the Company at any time.

11.13 For the purpose of calculating the limits in 11.7 and 11.10, OTC derivative positions with the same counterparty may be netted provided that the netting procedures:

11.13.1 comply with the conditions set out in Section 3 (Contractual netting (Contracts for novation and other netting agreements)) of Annex III to Directive 2000/12/EC; and

11.13.2 are based on legally binding agreements.

11.14 In applying this rule, all derivatives transactions are deemed to be free of counterparty risk if they are performed on an exchange where the clearing house meets each of the following conditions:

11.14.1 it is backed by an appropriate performance guarantee; and

11.14.2 it is characterised by a daily mark-to-market valuation of the derivative positions and an at least daily margining.

12 Spread: Government and public securities

12.1 This section applies in respect of a transferable security or an approved money-market instrument ("such securities") that is issued by:

12.1.1 an EEA State;

12.1.2 a local authority of an EEA State;

12.1.3 a non-EEA State; or

12.1.4 a public international body to which one or more EEA States belong.

12.2 Where no more than 35% in value of the Scheme Property is invested in such securities issued by any one body, there is no limit on the amount which may be invested in such securities or in any one issue.

12.3 Subject to its investment objective and policy, the Company may invest more than 35% in value of the Scheme Property in such securities issued by any one body provided that:

12.3.1 the ACD has before any such investment is made consulted with the Depositary and as a result considers that the issuer of such securities is one which is appropriate in accordance with the investment objective of the Company;

12.3.2 no more than 30% in value of the Scheme Property consists of such securities of any one issue;

12.3.3 the Scheme Property includes such securities issued by that or another issuer, of at least six different issues.

12.4 In relation to such securities:

12.4.1 issue, issued and issuer include guarantee, guaranteed and guarantor; and

12.4.2 an issue differs from another if there is a difference as to repayment date, rate of interest, guarantor or other material terms of the issue.

12.5 Notwithstanding paragraph 11.1 above, and subject to paragraphs 12.2 and 12.3, in applying the 20% limit in 11.11 with respect to a single body, government and public securities issued by that body shall be taken into account.

13 Investment in collective investment schemes

13.1 The Fund may invest in units in a collective investment scheme provided that the second scheme complies with the following requirements:

13.1.1 it is a scheme which complies with the conditions necessary for it to enjoy the rights conferred by the UCITS Directive; or

13.1.2 is recognised under the provisions of Section 272 of the Act (Individually recognised overseas schemes) that is authorised by the supervisory authorities of Guernsey, Jersey or the Isle of Man (provided the requirements of article 50(1)(e) of the UCITS Directives are met); or

13.1.3 is authorised as a non-UCITS retail scheme (provided the requirements of article 50(1)(e) of the UCITS Directive are met); or

13.1.4 is authorised in another EEA State (provided the requirements of article 50(1)(e) of the UCITS Directive are met);

13.1.5 be authorised by the competent authority of an OECD member country (other than another EEA State) which has:

a) signed the IOSCO Multilateral Memorandum of Understanding; and

b) approved the scheme's management company, rules and depositary/custody arrangements;

13.1.6 it is a scheme which complies where relevant with paragraph 13.4 below; and

13.1.7 it is a scheme which has terms which prohibit more than 10% in value of the Scheme Property consisting of units in collective investment schemes.

13.2 Not more than 10% of the Scheme Property of the Company is to consist of units in collective investment schemes.

13.3 In accordance with COLL 5.2.15R the Company may invest up to 10% of its Scheme property units in collective investment schemes managed or operated by (or, if it is an open-ended investment company has as its authorised corporate director), the ACD or an Associate of the ACD.

13.4 The Company must not invest in or dispose of units in another collective investment scheme (the second scheme), which is managed or operated by (or in the case of an open-ended investment company has as its authorised corporate director), the ACD, or an Associate of the ACD, unless:

13.4.1 there is no charge in respect of the investment in or the disposal of units in the second scheme; or

13.4.2 the ACD is under a duty to pay to the Company by the close of business on the fourth business day next after the agreement to buy or to sell the amount referred to in paragraphs 13.4.3 and 13.4.4;

13.4.3 on investment, either:

any amount by which the consideration paid by the Company for the units in the second scheme exceeds the price that would have been paid for the benefit of the second scheme had the units been newly issued or sold by it; or

if such price cannot be ascertained by the ACD, the maximum amount of any charge permitted to be made by the seller of units in the second scheme;

13.4.4 on disposal, the amount of any charge made for the account of the ACD or operator of the second scheme or an Associate of any of them in respect of the disposal; and

13.5 In paragraphs 13.4.1 to 13.4.4 above:

13.5.1 any addition to or deduction from the consideration paid on the acquisition or disposal of units in the second scheme, which is applied for the benefit of the second scheme and is, or is like, a dilution levy made in accordance with the COLL Sourcebook, is to be treated as part of the price of the units and not as part of any charge; and

14 Investment in nil and partly paid securities

14.1 A transferable security or an approved money market instrument on which any sum is unpaid falls within a power of investment only if it is reasonably foreseeable that the amount of any existing and potential call for any sum unpaid could be paid by the Company, at the time when payment is required, without contravening the rules in COLL 5.

15 Derivatives – General

15.1 The Company may, in accordance with the COLL Sourcebook, use derivatives for the purposes of Efficient Portfolio Management (including hedging) as well as for investment purposes.

15.2 Under the COLL Sourcebook derivatives are permitted for the Company for investment purposes and derivative transactions may be used for the purposes of hedging or meeting the investment objective or both.

15.3 A transaction in derivatives or a forward transaction must not be effected for the Company unless the transaction is of a kind specified in Section 16 below (Permitted transactions (derivatives and forwards)); and the transaction is covered, as required by Section 28 (Cover for transactions in derivatives and forward transactions).

15.4 Where the Company invests in derivatives, the exposure to the underlying assets must not exceed the limits set out in COLL in relation to spread (COLL 5.2.13 R Spread: general and COLL 5.2.14 R Spread: government and public securities) except for index based derivatives where the rules below apply.

15.5 Where a transferable security or approved money market instrument embeds a derivative, this must be taken into account for the purposes of complying with this section.

15.6 A transferable security or an approved money market instrument will embed a derivative if it contains a component which fulfils the following criteria:

15.6.1 by virtue of that component some or all of the cash flows that otherwise would be required by the transferable security or approved money market instrument which functions as host contract can be modified according to a specified interest rate, financial instrument price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable, and therefore vary in a way similar to a stand-alone derivative;

15.6.2 its economic characteristics and risks are not closely related to the economic characteristics and risks of the host contract; and

15.6.3 it has a significant impact on the risk profile and pricing of the transferable security or approved money market instrument.

15.6.4 A transferable security or an approved money market instrument does not embed a derivative where it contains a component which is contractually transferable independently of the transferable security or the approved money market instrument. That

component shall be deemed to be a separate instrument.

15.7 Where a scheme invests in an index based derivative, provided the relevant index falls within Section 17 (Financial indices underlying derivatives) the underlying constituents of the index do not have to be taken into account for the purposes of the rules on spread in COLL. The relaxation is subject to the ACD continuing to ensure that the Scheme Property provides a prudent spread of risk.

Please refer to Section 42 above for a description of the risk factors associated with investments in derivatives.

16 Permitted transactions (derivatives and forwards)

16.1 A transaction in a derivative must be in an approved derivative; or be one which complies with Section 20 (OTC transactions in derivatives).

16.2 A transaction in a derivative must have the underlying consisting of any or all of the following to which the scheme is dedicated:

16.2.1 transferable securities permitted under Section 6 (Transferable securities and approved money market instruments generally to be admitted or dealt in on an Eligible Market);

16.2.2 approved money market instruments permitted under Section 5 (approved money market instruments) above;

16.2.3 deposits permitted under Section 23 (investment in deposits) below;

16.2.4 derivatives permitted under this rule;

16.2.5 collective investment scheme units permitted under Section 13 (investment collective investment schemes) above;

16.2.6 financial indices which satisfy the criteria set out at Section 17 (financial indices underlying derivatives) below;

16.2.7 interest rates;

16.2.8 foreign exchange rates; and

16.2.9 currencies.

16.3 A transaction in an approved derivative must be effected on or under the rules of an eligible derivatives market.

16.4 A transaction in a derivative must not cause the Company to diverge from its investment objective as stated in the Instrument constituting the scheme and the most recently published version of this Prospectus.

16.5 A transaction in a derivative must not be entered into if the intended effect is to create the potential for an uncovered sale of one or more, transferable securities approved, money market instruments, units in collective investment schemes, or derivatives provided that a sale is not to be considered as uncovered if the conditions in Section 19 (Requirement to cover sales) are satisfied.

16.6 Any forward transaction must be with an Eligible Institution or an Approved Bank.

16.7 A derivative includes an instrument which fulfils the following criteria:

16.7.1 it allows the transfer of the credit risk of the underlying independently from the other risks associated with that underlying;

16.7.2 it does not result in the delivery or the transfer of assets other than those referred to in paragraph 1.2 above (UCITS schemes: permitted types of scheme property) including cash;

16.7.3 in the case of an OTC derivative, it complies with the requirements in Section 20 below (OTC transactions in derivatives);

16.7.4 its risks are adequately captured by the risk management process of the ACD, and by its internal control mechanisms in the case of risks of asymmetry of information between the ACD and the counterparty to the derivative, resulting from potential access of the counterparty to non-public information on persons whose assets are used as the underlying by that derivative.

16.8 The Company may not undertake transactions in derivatives on commodities.

17 Financial indices underlying derivatives

17.1 The financial indices referred to in 16.2.6 are those which satisfy the following criteria:

17.1.1 the index is sufficiently diversified;

17.1.2 the index represents an adequate benchmark for the market to which it refers; and

17.1.3 the index is published in an appropriate manner.

17.2 A financial index is sufficiently diversified if:

17.2.1 it is composed in such a way that price movements or trading activities regarding one component do not unduly influence the performance of the whole index;

17.2.2 where it is composed of assets in which the Company is permitted to invest, its composition is at least diversified in accordance with the requirements with respect to spread and concentration set out in this section; and

17.2.3 where it is composed of assets in which the Company cannot invest, it is diversified in a way which is equivalent to the diversification achieved by the requirements with respect to spread and concentration set out in this section.

17.3 A financial index represents an adequate benchmark for the market to which it refers if:

17.3.1 it measures the performance of a representative group of underlyings in a relevant and appropriate way;

17.3.2 it is revised or rebalanced periodically to ensure that it continues to reflect the markets to which it refers, following criteria which are publicly available; and

17.3.3 the underlyings are sufficiently liquid, allowing users to replicate it if necessary.

17.4 A financial index is published in an appropriate manner if:

17.4.1 its publication process relies on sound procedures to collect prices, and calculate and subsequently publish the index value, including pricing procedures for components where a market price is not available; and

17.4.2 material information on matters such as index calculation, rebalancing methodologies, index changes or any operational difficulties in providing timely or accurate information is provided on a wide and timely basis.

Appendix 2

Investment Management and borrowing powers of the Company

17.5 Where the composition of underlyings of a transaction in a derivative does not satisfy the requirements for a financial index, the underlyings for that transaction shall where they satisfy the requirements with respect to other underlyings pursuant to 16.2, be regarded as a combination of those underlyings.

18 Transactions for the purchase of property

18.1 A derivative or forward transaction which will or could lead to the delivery of property for the account of the Company may be entered into only if that property can be held for the account of the Company, and the ACD having taken reasonable care determines that delivery of the property under the transaction will not occur or will not lead to a breach of the rules in the COLL Sourcebook.

19 Requirement to cover sales

19.1 No agreement by or on behalf of the Company to dispose of property or rights may be made unless the obligation to make the disposal and any other similar obligation could immediately be honoured by the Company by delivery of property or the assignment (or, in Scotland, assignation) of rights, and the property and rights above are owned by the Company at the time of the agreement. This requirement does not apply to a deposit.

19.2 Paragraph 19.1 does not apply where:

19.2.1 the risks of the underlying financial instrument of a derivative can be appropriately represented by another financial instrument and the underlying financial instrument is highly liquid; or

19.2.2 the ACD or the Depositary has the right to settle the derivative in cash and cover exists within the Scheme Property which falls within one of the following asset Classes:

cash;

liquid debt instruments (e.g. government bonds of first credit rating) with appropriate safeguards (in particular, haircuts); or

other highly liquid assets having regard to their correlation with the underlying of the financial derivative instruments, subject to appropriate safeguards (e.g. haircuts where relevant).

19.3 In the asset classes referred to in 19.2.2, an asset may be considered as liquid where the instrument can be converted into cash in no more than seven business days at a price closely corresponding to the current valuation of the financial instrument on its own market.

20 OTC transactions in derivatives

20.1 Any transaction in an OTC derivative under paragraph 16.1 must be:

20.1.1 in a future, option or contract for differences;

20.1.2 with an approved counterparty; a counterparty to a transaction in derivatives is approved only if the counterparty is an Eligible Institution or an Approved Bank; or a person whose permission (including any requirements or limitations), as published in the FCA Register or whose Home State authorisation, permits it to enter into the transaction as principal off-exchange;

20.1.3 on approved terms; the terms of the transaction in derivatives are approved only if, before the transaction is entered into, the Depositary is satisfied that the counterparty has agreed with the Company: to provide at least daily and at any other time at the request of the Company reliable and verifiable valuation in respect of that transaction corresponding to its fair value (being the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction) and which does not rely only on market quotations by the counterparty and that it will, at the request of the Company, enter into a further transaction to sell, liquidate or close out that transaction at any time, at a fair value arrived at under the reliable market value basis or pricing model agreed under 20.1.4; and

20.1.4 capable of reliable valuation; a transaction in derivatives is capable of reliable valuation only if the ACD having taken reasonable care determines that, throughout the life of the derivative (if the transaction is entered into), it will be able to value the investment concerned with reasonable accuracy: on the basis of an up-to-date market value which the ACD and the Depositary have agreed is reliable; or if that value is not available, on the basis of a pricing model which the ACD and the Depositary have agreed uses an adequate recognised methodology; and

20.1.5 subject to verifiable valuation; a transaction in derivatives is subject to verifiable valuation only if, throughout the life of the derivative (if the transaction is entered into) verification of the valuation is carried out by:

20.1.5.1 an appropriate third party which is independent from the counterparty of the derivative, at an adequate frequency and in such a way that the ACD is able to check it; or

20.1.5.2 a department within the ACD which is independent from the department in charge of managing the scheme property and which is adequately equipped for such a purpose.

21 Valuation of OTC derivatives

21.1 For the purposes of paragraph 20.1.2, the ACD must:

21.1.1 establish, implement and maintain arrangements and procedures which ensure appropriate, transparent and fair valuation of the exposures of the Company to OTC derivatives; and

21.1.2 ensure that the fair value of OTC derivatives is subject to adequate, accurate and independent assessment.

21.2 Where the arrangements and procedures referred to in paragraph 21.1.1 involve the performance of certain activities by third parties, the ACD must comply with the requirements in SYSC 8.1.13 R (Additional requirements for a management company) and COLL 6.6A.4 R (4) to (6) (Due diligence requirements of AFMs of UCITS schemes).

21.3 The arrangements and procedures referred to in this rule must be:

21.3.1 adequate and proportionate to the nature and complexity of the OTC derivative concerned; and

21.3.2 adequately documented

22 Risk management

22.1 The ACD must use a risk management process, as reviewed by the Depositary, enabling it to monitor and measure as frequently as appropriate the risk of the

Company's positions and their contribution to the overall risk profile of the Company.

22.2 The following details of the risk management process must be regularly notified by the ACD to the FCA and at least on an annual basis:

22.2.1 a true and fair view of the types of derivatives and forward transactions to be used within a Company together with their underlying risks and any relevant quantitative limits; and

22.2.2 the methods for estimating risks in derivative and forward transactions.

23 Investment in deposits

23.1 The Company may invest in deposits only with an Approved Bank and which are repayable on demand or have the right to be withdrawn, and maturing in no more than 12 months.

24 Significant influence

24.1 The Company must not acquire transferable securities issued by a body corporate and carrying rights to vote (whether or not on substantially all matters) at a general meeting of that body corporate if:

24.1.1 immediately before the acquisition, the aggregate of any such securities held by the Company gives the Company power significantly to influence the conduct of business of that body corporate; or

24.1.2 the acquisition gives the Company that power.

24.2 The Company is to be taken to have power significantly to influence the conduct of business of a body corporate if it can, because of the transferable securities held by it, exercise or control the exercise of 20% or more of the voting rights in that body corporate (disregarding for this purpose any temporary suspension of voting rights in respect of the transferable securities of that body corporate).

25 Concentration

The Company:

25.1 must not acquire transferable securities (other than debt securities) which:

25.1.1 do not carry a right to vote on any matter at a general meeting of the body corporate that issued them; and

25.1.2 represent more than 10% of those securities issued by that body corporate;

25.2 must not acquire more than 10% of the debt securities issued by any single body;

25.3 must not acquire more than 25% of the units in a collective investment scheme;

25.4 must not acquire more than 10% of the approved money market instruments issued by any single body; and

25.5 need not comply with the limits in paragraphs 25.2 to 25.4 if, at the time of acquisition, the net amount in issue of the relevant investment cannot be calculated.

26 Schemes replicating an index

26.1 Notwithstanding Section 11 the Company may invest up to 20% in value of the Scheme Property in shares and debentures which are issued by the same body where the stated investment policy is to replicate the composition of a relevant index as defined below.

26.2 Replication of the composition of a relevant index shall be understood to be a reference to replication of the composition of the underlying assets of that index, including the use of techniques and instruments permitted for the purpose of efficient portfolio management.

26.3 The 20% limit can be raised up to 35% in value of the Scheme Property, but only in respect of one body and where justified by exceptional market conditions.

26.4 The indices referred to above are those which satisfy the following criteria:

26.4.1 The composition is sufficiently diversified;

26.4.2 The index represents an adequate benchmark for the market to which it refers; and

26.4.3 The index is published in an appropriate manner.

26.5 The composition of an index is sufficiently diversified if its components adhere to the spread and concentration requirements in this section.

26.6 An index represents an adequate benchmark if its provider uses a recognised methodology which generally does not result in the exclusion of a major issuer of the market to which it refers.

26.7 An index is published in an appropriate manner if:

26.7.1 it is accessible to the public;

26.7.2 the index provider is independent from the index-replicating Sub-fund; this does not preclude index providers and the Sub-fund from forming part of the same group, provided that effective arrangements for the management of conflicts of interest are in place.

27 Derivatives exposure

27.1 The Company may invest in derivatives and forward transactions as long as the exposure to which the Company is committed by that transaction itself is suitably covered from within its Scheme Property. Exposure will include any initial outlay in respect of that transaction.

27.2 Cover ensures that the Company is not exposed to the risk of loss of property, including money, to an extent greater than the net value of the Scheme Property. Therefore, the Company must hold Scheme Property sufficient in value or amount to match the exposure arising from a derivative obligation to which the Company is committed. Section 28 (Cover for transactions in derivatives and forward transactions) sets out detailed requirements for cover of the Company.

27.3 Cover used in respect of one transaction in derivatives or forward transaction must not be used for cover in respect of another transaction in derivatives or a forward transaction.

28 Cover for transactions in derivatives and forward transactions

28.1 A transaction in derivatives or forward transaction is to be entered into only if the maximum exposure, in terms of the principal or notional principal created by the transaction to which the scheme is or may be committed by another person is covered globally.

28.2 Exposure is covered globally if adequate cover from within the Scheme Property is available to meet the scheme's total exposure, taking into account the value of the underlying assets, any reasonably foreseeable market movement, counterparty risk, and the time available to liquidate any positions.

28.3 Cash not yet received into the Scheme Property but due to be received within one month is available as cover.

28.4 Property the subject of a stock lending transaction is only available for cover if the ACD has taken reasonable

care to determine that it is obtainable (by return or re-acquisition) in time to meet the obligation for which cover is required.

28.5 The total exposure relating to derivatives held in the Company may not exceed the net value of the Scheme Property.

29 Daily calculation of global exposure

29.1 The ACD must calculate the global exposure of the Company on at least a daily basis.

29.2 For the purposes of this section, exposure must be calculated taking into account the current value of the underlying assets, the counterparty risk, future market movements and the time available to liquidate the positions.

30 Calculation of global exposure

30.1 The ACD must calculate the global exposure of the Company it manages either as:

30.1.1 the incremental exposure and leverage generated through the use of derivatives and forward transactions (including embedded derivatives as referred to in Section 15 (Derivatives: general), which may not exceed 100% of the Net Asset Value of the scheme property of the Company, by way of the commitment approach; or

30.1.2 the market risk of the scheme property of the Company, by way of the value at risk approach.

30.2 The ACD must ensure that the method selected above is appropriate, taking into account:

30.2.1 the investment strategy pursued by the Company;

30.2.2 the types and complexities of the derivatives and forward transactions used; and

30.2.3 the proportion of the scheme property comprising derivatives and forward transactions.

30.3 Where a Company employs techniques and instruments including repo contracts or stock lending transactions in accordance with Section 33 (Stock lending) in order to generate additional leverage or exposure to market risk, the ACD must take those transactions into consideration when calculating global exposure.

30.4 For the purposes of paragraph 30.1, value at risk means a measure of the maximum expected loss at a given confidence level over the specific time period.

30.5 The ACD calculates the global exposure of M&G Strategic Corporate Bond Fund using the value at risk (VaR) based techniques.

31 Commitment approach

31.1 Where the ACD uses the commitment approach for the calculation of global exposure, it must:

31.1.1 ensure that it applies this approach to all derivative and forward transactions (including embedded derivatives as referred to in Section 15 (Derivatives: general)), whether used as part of the Company's general investment policy, for the purposes of risk reduction or for the purposes of Efficient Portfolio Management in accordance with Section 33 (Stock lending); and

31.1.2 convert each derivative or forward transaction into the market value of an equivalent position in the underlying asset of that derivative or forward (standard commitment approach).

31.2 The ACD may apply other calculation methods which are equivalent to the standard commitment approach.

31.3 For the commitment approach, the ACD may take account of netting and hedging arrangements when calculating global exposure of the Company, where these arrangements do not disregard obvious and material risks and result in a clear reduction in risk exposure.

31.4 Where the use of derivatives or forward transactions does not generate incremental exposure for the Company, the underlying exposure need not be included in the commitment calculation.

31.5 Where the commitment approach is used, temporary borrowing arrangements entered into on behalf of the Company in accordance with Section 35 need not form part of the global exposure calculation.

32 Cover and borrowing

32.1 Cash obtained from borrowing, and borrowing which the ACD reasonably regards an Eligible Institution or an Approved Bank to be committed to provide, is available for cover under the previous Section 28 (Cover for transactions in derivatives and forward transactions) as long as the normal limits on borrowing (see below) are observed.

32.2 Where, for the purposes of this section the Company borrows an amount of currency from an Eligible Institution or an Approved Bank; and keeps an amount in another currency, at least equal to such borrowing for the time on deposit with the lender (or his agent or nominee), then this applies as if the borrowed currency, and not the deposited currency, were part of the Scheme Property, and the normal limits on borrowing under Section 34 (General power to borrow) do not apply to that borrowing.

33 Cash and near cash

33.1 Cash and near cash must not be retained in the Scheme Property except to the extent that this may reasonably be regarded as necessary in order to enable:

33.1.1 the pursuit of the Company's investment objective; or

33.1.2 redemption of Shares; or

33.1.3 efficient management of the Company in accordance with its investment objective; or

33.1.4 other purposes which may reasonably be regarded as ancillary to the investment objective of the Company.

33.2 During the period of the initial offer the Scheme Property may consist of cash and near cash without limitation.

34 General power to borrow

34.1 The Company may, in accordance with this section and Section 35, borrow money for the use of the Company on terms that the borrowing is to be repayable out of the Scheme Property. This power to borrow is subject to the obligation of the Company to comply with any restriction in the instrument constituting the Company.

34.2 The Company may borrow under paragraph 34.1 only from an Eligible Institution or an Approved Bank.

34.3 The ACD must ensure that any borrowing is on a temporary basis and that borrowings are not persistent, and for this purpose the ACD must have regard in particular to:

34.3.1 the duration of any period of borrowing; and

34.3.2 the number of occasions on which resort is had to borrowing in any period.

Appendix 2

Investment Management and borrowing powers of the Company

34.4 The ACD must ensure that no period of borrowing exceeds three months, without the consent of the Depositary.

34.5 These borrowing restrictions do not apply to "back to back" borrowing for currency hedging purposes.

34.6 The Company must not issue any debenture unless it acknowledges or creates a borrowing that complies with paragraph 34.1 to 34.5.

35 Borrowing limits

35.1 The ACD must ensure that the Company's borrowing does not, on any business day, exceed 10% of the value of the Scheme Property of the Company.

35.2 In this Section 35, "borrowing" includes, as well as borrowing in a conventional manner, any other arrangement (including a combination of derivatives) designed to achieve a temporary injection of money into the Scheme Property in the expectation that the sum will be repaid.

35.3 Borrowing does not include any arrangement for the Company to pay to a third party (including the ACD) any set up costs which the Company is entitled to amortise and which were paid on behalf of the Company by the third party.

36 Restrictions on lending of money

36.1 None of the money in the Scheme Property of the Company may be lent and, for the purposes of this prohibition, money is lent by the Company if it is paid to a person ("the payee") on the basis that it should be repaid, whether or not by the payee.

36.2 Acquiring a debenture is not lending for the purposes of paragraph 36.1; nor is the placing of money on deposit or in a current account.

36.3 Paragraph 36.1 does not prevent the Company from providing an officer of the Company with funds to meet expenditure to be incurred by him for the purposes of the Company (or for the purposes of enabling him properly to perform his duties as an officer of the Company) or from doing anything to enable an officer to avoid incurring such expenditure.

37 Restrictions on lending of property other than money

37.1 The Scheme Property of the Company other than money must not be lent by way of deposit or otherwise.

37.2 The Scheme Property of the Company must not be mortgaged.

38 General power to accept or underwrite issues of stock

38.1 Any power in Chapter 5 of the COLL Sourcebook to invest in transferable securities may be used for the purpose of entering into transactions to which this section applies, subject to compliance with any restriction in the Instrument of Incorporation.

38.2 This section applies, subject to paragraph 38.3, to any agreement or understanding:

38.2.1 which is an underwriting or Sub-underwriting agreement; or

38.2.2 which contemplates that securities will or may be issued or subscribed for or acquired for the account of the Company.

38.3 Paragraph 38.2 does not apply to:

38.3.1 an option; or

38.3.2 a purchase of a transferable security which confers a right:

to subscribe for or acquire a transferable security; or

to convert one transferable security into another.

38.3.3 The exposure of the Company to agreements and understandings within paragraph 38.2 must, on any business day:

be covered in accordance with the requirements of rule 5.3.3R of the COLL Sourcebook; and

be such that, if all possible obligations arising under them had immediately to be met in full, there would be no breach of any limit in Chapter 5 of the COLL Sourcebook.

39 Guarantees and indemnities

39.1 The Company or the Depositary for the account of the Company must not provide any guarantee or indemnity in respect of the obligation of any person.

39.2 None of the Scheme Property of the Company may be used to discharge any obligation arising under a guarantee or indemnity with respect to the obligation of any person.

39.3 Paragraphs 39.1 and 39.2 do not apply in respect of the Company to:

39.3.1 any indemnity or guarantee given for margin requirements where the derivatives or forward transactions are being used in accordance with the FCA rules;

39.3.2 an indemnity falling within the provisions of regulation 62(3) (Exemptions from liability to be void) of the Treasury Regulations;

39.3.3 an indemnity (other than any provision in it which is void under regulation 62 of the Treasury Regulations) given to the Depositary against any liability incurred by it as a consequence of the safekeeping of any of the Scheme Property by it or by anyone retained by it to assist it to perform its function of the safekeeping of the Scheme Property; and

39.3.4 an indemnity given to a person winding up a scheme if the indemnity is given for the purposes of arrangements by which the whole or part of the property of that scheme becomes the first property of the Company and the holders of units in that scheme become the first Shareholders in the Company.

40 Efficient Portfolio Management

40.1 The Company may use its property to enter into transactions for the purposes of efficient portfolio management ('EPM') and may enter into any transaction to hedge (i.e. with the purpose of preserving the value of an asset or assets of the Company).

40.2 Permitted EPM transactions (excluding stock lending arrangements) are transactions in derivatives (i.e. options, futures or contracts for differences) dealt in or traded on an approved derivatives market; off exchange futures, options or contracts for differences resembling options; or synthetic futures in certain circumstances. The Company may enter into approved derivatives transactions on derivatives markets which are eligible. Eligible derivatives markets are those which the ACD after consultation with the Depositary has decided are appropriate for the purpose of investment of or dealing in the scheme property with regard to the relevant criteria set out in the Regulations and the Guidance on eligible markets issued by the FCA as amended from time to time.

Appendix 2

Investment Management and borrowing powers of the Company

40.3 The eligible derivatives markets for the Company are set out in Appendix 3.

40.4 New eligible derivatives markets may be added to the Company in accordance with the Regulations and only after the ACD has revised the Prospectus accordingly.

40.5 Any forward transactions must be with an approved counterparty (eligible institutions, money market institutions etc). A derivatives or forward transaction which would or could lead to delivery of scheme property to the Depositary in respect of the Company may be entered into only if such scheme property can be held by the Company, and the ACD reasonably believes that delivery of the property pursuant to the transactions will not lead to a breach of the Regulations.

40.6 There is no limit on the amount of the scheme property which may be used for EPM but the transactions must satisfy three broadly-based requirements:

40.6.1 A transaction must reasonably be believed by the ACD to be economically appropriate to the efficient portfolio management of the Company. This means that transactions undertaken to reduce risk or cost (or both) must alone or in combination with other EPM transactions diminish a risk or cost of a kind or level which it is sensible to reduce and transactions undertaken to generate additional capital or income must confer a benefit on the Company.

40.6.2 EPM may not include speculative transactions.

40.6.3 The purpose of an EPM transaction for the Company must be to achieve one of the following aims in respect of the Company:

- reduction of risk
- reduction of cost
- the generation of additional capital or income

40.6.3.1 Reduction of risk allows for the use of the technique of cross-currency hedging in order to switch all or part of the Company's exposure away from a currency the ACD considers unduly prone to risk, to another currency. This aim also permits the use of stock index contracts to change the exposure from one market to another, a technique known as 'tactical asset allocation'.

40.6.3.2 Reduction of cost allows for the use of futures or options contracts, either on specific stocks or on an index, in order to minimise or eliminate the effect of changing prices of stocks to be bought or sold.

40.6.3.3 The aims of reduction of risk or cost, together or separately, allow the ACD on a temporary basis to use the technique of tactical asset allocation. Tactical asset allocation permits the ACD to undertake a switch in exposure by use of derivatives, rather than through sale and purchase of the scheme property. If an EPM transaction for the Company relates to the acquisition or potential acquisition of transferable securities, the ACD must intend that the Company should invest in transferable securities within a reasonable time and the ACD shall thereafter ensure that, unless the position has itself been closed out, that intention is realised within that reasonable time.

40.6.3.4 The generation of additional capital or income for the Company with no or an acceptably low level of risk means the ACD reasonably believes that the Company is certain (or certain barring events which are not reasonably foreseeable) to derive a benefit.

The generation of additional capital or income may arise out of taking advantage of price imperfections or from the receipt of a premium for writing of covered call or covered put options (even if the benefit is obtained at the expense of the foregoing of yet greater benefit) or pursuant to stock lending as permitted by the Regulations. The relevant purpose must relate to scheme property; scheme property (whether precisely identified or not) which is to be or is proposed to be acquired for the Company; and anticipated cash receipts of the Company, if due to be received at some time and likely to be received within one month.

40.7 Each EPM transaction must be fully covered 'individually' by scheme property of the right kind (i.e. in the case of exposure in terms of property, appropriate transferable securities or other property; and, in the case of exposure in terms of money, cash, near-cash instruments, borrowed cash or transferable securities which can be sold to realise the appropriate cash). It must also be covered 'globally' (i.e. after providing cover for existing EPM transactions there is adequate cover for another EPM transaction within the scheme property - there can be no gearing). Scheme property and cash can be used only once for cover and, generally, scheme property is not available for cover if it is the subject of a stock lending transaction. The EPM lending transaction in a back to back currency borrowing (i.e. borrowing permitted in order to reduce or eliminate risk arising by reason of fluctuations in exchange rates) does not require cover.

Appendix 3
Eligible Markets

Where permitted by its objective and policy, the Company may deal in any securities, derivatives or money market instruments on any market that is:

a) a regulated market (as defined for the purposes of COLL); or
b) a market in an EEA State which is regulated, operates regularly and is open to the public; or
c) a market which the ACD, after consultation with the Depositary, decides is appropriate for investment of or dealing in the Scheme Property, is listed below and the Depositary has taken reasonable care to determine that (i) adequate custody arrangements can be provided for the investment dealt in on that market; and (ii) all reasonable steps have been taken by the ACD in deciding whether the market is eligible (see Appendix 2, 7.4 for more detail).

For the purposes of "b" above, the Manager may trade in bonds and other securities issued by non-UK institutions, on the UK OTC Market. Additionally, for "c" above, the markets listed below have been deemed appropriate.

In addition, up to 10% in value of the Company may be invested in transferable securities and/or derivatives which are not listed on these markets.

In the event that an eligible market changes its name or merges with another eligible market, the successor market will be an eligible market unless the FCA's COLL rules require further due diligence by the ACD and Depositary in order for it to be approved. In these circumstances, the Prospectus will be updated with the name of the new market at the next available opportunity

Europe (non-EEA States)	
Croatia	Zagreb Exchange
Switzerland	SIX Swiss Exchange
Turkey	Borsa Istanbul
Americas	
Brazil	BM&F Bovespa
Canada	TSX (forms part of the TMX Group)
Colombia	Bolsa de Valores de Colombia (BVC) exchange
Mexico	Bolsa Mexicana de Valores (Mexican Stock Exchange)
United States	New York Stock Exchange
	NYSE Mkt LLC
	NYSE Arca
	Boston Stock Exchange (BSE)
	Chicago Stock Exchange (CHX)
	The NASDAQ Stock Market
	US OTC market regulated by FINRA
	National Stock Exchange
	NASDAQ OMX PHLX

The market in transferable securities issued by or on behalf of the Government of the United States of America conducted through those persons for the time being recognised and supervised by the Federal Reserve Bank of New York and known as primary dealers.

Africa	
South Africa	The JSE Securities Exchange
	The Bond Exchange of South Africa (BESA)
Far East	
Australia	Australian Securities Exchange (ASX)
China	Shanghai Stock Exchange
	Shenzhen Stock Exchange
Hong Kong	Hong Kong Exchanges
	Growth Global Enterprise Market (GEM)
India	Bombay Stock Exchange Limited
	The National Stock Exchange of India
Indonesia	Indonesia Stock Exchange (IDX)
Japan	Tokyo Stock Exchange
	Nagoya Stock Exchange
	Sapporo Stock Exchange
	JASDAQ
Korea	Korea Exchange Incorporated (KRX)
Malaysia	Bursa Malaysia Berhad
New Zealand	New Zealand Stock Exchange
Philippines	Philippine Stock Exchange (PSE)
Singapore	Singapore Exchange (SGX)
Sri Lanka	Colombo Stock Exchange
Taiwan	Taiwan Stock Exchange
	Gre Tai (Taiwan OTC)
Thailand	The Stock Exchange of Thailand (SET)
Middle East	
Israel	Tel Aviv Stock Exchange (TASE)

For the purposes of "c" above, the derivatives markets listed below have been deemed appropriate.

Europe (Non-EEA States)	
Switzerland	EUREX
Americas	
Canada	The Montreal Exchange
United States	CME Group Inc
	Chicago Board Options Exchange (CBOE)
Africa	
South Africa	The South African Futures Exchange (SAFEX)
Far East	

Appendix 3
Eligible Markets

Australia	Australian Securities Exchange (ASX)
Hong Kong	Hong Kong Exchanges
Japan	Osaka Securities Exchange
Korea	Korea Exchange Incorporated (KRX)
New Zealand	New Zealand Futures Exchange
Singapore	Singapore Exchange (SGX)
Thailand	Thailand Futures Exchange (TFEX)

Appendix 4

Other Collective Investment Schemes of the ACD

M&G Investment Funds (1)
M&G Investment Funds (2)
M&G Investment Funds (3)
M&G Investment Funds (4)
M&G Investment Funds (5)
M&G Investment Funds (7)
M&G Investment Funds (10)
M&G Investment Funds (11)
M&G Investment Funds (12)
M&G Global Dividend Fund
M&G Global Macro Bond Fund
M&G Optimal Income Fund
M&G Property Portfolio

The ACD is also the Manager of the M&G Feeder of Property Portfolio, The Equities Investment Fund for Charities, The Charibond Charities Fixed Interest Common Investment Fund, and The National Association of Almshouses Common Investment Fund.

Appendix 5
Performance Table

Past performance is not a guide to future performance

M&G Strategic Corporate Bond Fund

Sterling Class A The cumulative performance since launch is 91.0%.

On 1 September 2009 the M&G Strategic Corporate Bond Fund de-merged from M&G Investment Funds (1) to become a stand alone OEIC. The performance includes the history of the merging fund which was originally launched on 20 February 2004.

Appendix 6
List of Sub-custodians

Albania	Raiffeisen Bank sh.a., Tirana
Argentina	Citibank N.A., Buenos Aires
Australia	Hong Kong and Shanghai Banking Corporation Limited, Parramatta
Austria	1) UniCredit Bank Austria AG, Vienna 2) Deutsche Bank AG, Eschborn
Bahamas	N/A
Bahrain	HSBC Bank Middle East, Al Seef
Bangladesh	Standard Chartered Bank, Dhaka
Belgium	Deutsche Bank AG, Amsterdam branch (operating through the Amsterdam branch with support from its Brussels branch)
Benin	Standard Chartered Bank Côte d'Ivoire, Abidjan
Bermuda	HSBC Bank Bermuda Limited, Hamilton
Bosnia-Herzegovina The Federation of Bosnia and Herzegovina	UniCredit Bank d.d., Sarajevo
Botswana	Standard Chartered Bank of Botswana Limited, Gaborone
Brazil	Citibank N.A. São Paulo Branch, São Paulo
Bulgaria	1) Citibank Europe plc, Sofia 2) UniCredit Bulbank AD, Sofia
Burkina Faso	Standard Chartered Bank Côte d'Ivoire, Abidjan
Canada	1) State Street Trust Company Canada, Toronto (Depositary transactions) 2) RBC Investor Services, Toronto (Physical transaction)
Cayman Islands	N/A
Channel Islands	N/A
Chile	Itaú CorpBanca S.A., Santiago de Chile
China A-Shares	1) China Construction Bank, Beijing 2) HSBC Bank (China) Company Limited, Shanghai
China B-Shares	HSBC Bank (China) Company Limited, Shanghai
China Connect (Stock Connect)	1) Standard Chartered Bank (Hong Kong) Hong Kong Limited, Hong Kong 2) The Hong Kong and Shanghai Banking Corporation Limited, Hong Kong 3) Citibank N.A., Hong Kong
Clearstream	State Street is a direct participant in Clearstream Banking Luxembourg. State Street does not use a subcustodian bank.
Colombia	Cititrust Colombia S.A. Sociedad Fiduciaria, Bogota
Costa Rica	Banco BCT S.A., San Jose
Croatia	1) Privredna Banka Zagreb d.d, Zagreb 2) Zagrebacka banka d.d., Zagreb
Curaçao	N/A
Cyprus	BNP Paribas Securities Services, S.C.A., Athens (operating remotely to service the Cyprus market)
Czech Republic	1) Ceskoslovenská Obchodní Banka A.S., Prague 2) UniCredit Bank Czech Republic and Slovakia, a.s., Praha
Denmark	1) Skandinaviska Enskilda Banken AB (SEB), Copenhagen 2) Nordea Bank Danmark A/S, Copenhagen
Ecuador	N/A
Egypt	Citibank N.A., Cairo
Estonia	AS SEB Pank, Tallinn
Ethiopia	N/A
Eswatini	Standard Bank Eswatini Limited, Eswatini
Euroclear	Since State Street is a direct participant in Euroclear Bank, State Street does not use a subcustodian bank.
Finland	1) Skandinaviska Enskilda Banken AB (publ) (SEB), Helsinki 2) Nordea Bank Finland Plc, Helsinki
France	Deutsche Bank AG, Amsterdam branch (operating through the Amsterdam branch with support from its Paris branch)
Georgia	JSC Bank of Georgia, Tbilisi
Germany	1) State Street Bank International GmbH, Munich 2) Deutsche Bank AG, Eschborn
Ghana	Standard Chartered Bank Ghana Limited, Accra
Greece	BNP Paribas Securities Services, S.C.A., Athens
Guernsey	N/A
Guinea Bissau	Standard Chartered Bank Côte d'Ivoire, Abidjan
Hong Kong	Standard Chartered Bank (Hong Kong) Limited, Hong Kong
Hungary	1) Citibank Europe plc, Hungarian Branch, Budapest 2) UniCredit Bank Hungary Zrt., Budapest
Iceland	Landsbankinn hf, Reykjavik
India	Citibank, N.A., Mumbai
Indonesia	Deutsche Bank A.G., Jakarta
Ireland	State Street Bank and Trust Company, Edinburgh
Isle of Man	N/A
Israel	Bank Hapoalim B.M., Tel Aviv
Italy	1) Deutsche Bank S.p.A., Milan 2) Intesa Sanpaolo (ISP), Milan
Ivory Coast	Standard Chartered Bank Côte d'Ivoire, Abidjan
Jamaica	N/A
Japan	1) Mizuho Bank, Ltd, Tokyo 2) The Hong Kong and Shanghai Banking Corporation, Japan branch (HSBC), Tokyo
Jersey	N/A
Jordan	Standard Chartered Bank, Shmeissani Branch, Amman
Kazakhstan	JSC Citibank Kazakhstan, Almaty
Kenya	Standard Chartered Bank Kenya Limited, Nairobi
Kuwait	HSBC Bank Middle East Limited, Kuwait
Latvia	AS SEB Bankas, Riga
Lebanon	N/A
Liechtenstein	N/A
Lithuania	SEB Bankas, Vilnius

Appendix 6
List of Sub-custodians

Luxembourg	Since State Street is a direct participant in Clearstream Banking Luxembourg, State Street does not use a subcustodian bank. Luxembourg domiciled assets may be held in either the Euroclear or Clearstream ICSDs.
Macedonia (Republic of Macedonia)	N/A
Malawi	Standard Bank Limited, Blantyre
Malaysia	1) Standard Chartered Bank Malaysia Berhad Menara Standard Chartered, Kuala Lumpur 2) Deutsche Bank (Malaysia) Berhad Investor Services, Kuala Lumpur
Mali	Standard Chartered Bank Côte d'Ivoire, Abidjan
Malta	N/A
Marshall Islands	N/A
Mauritius	Hong Kong and Shanghai Banking Corp. Limited, Ebene
Mexico	Banco Nacional de México S.A. (Banamex) Global Securities Services, Mexico City
Morocco	Citibank Maghreb, Casablanca
Mozambique	N/A
Namibia	Standard Bank Namibia Limited, Windhoek
Netherlands	Deutsche Bank AG, Amsterdam branch
New Zealand	The Hong Kong and Shanghai Banking Corp. Limited, Auckland
Niger	Standard Chartered Bank Côte d'Ivoire, Abidjan
Nigeria	Stanbic IBTC Bank Plc., Lagos
Norway	1) Skandinaviska Enskilda Banken, Oslo (operating through its Oslo branch) 2) Nordea Bank Norge ASA, Oslo
Oman	HSBC Bank Oman S.A.O.G, Seeb
Pakistan	Deutsche Bank AG, Karachi
Palestine	N/A
Panama	Citibank, N.A., Panama City
Peru	Citibank del Perú S.A., Lima
Philippines	Deutsche Bank AG, Taguig City
Poland	Bank Handlowy w Warszawie S.A., Warsaw
Portugal	Deutsche Bank AG, Amsterdam Branch (operating through the Amsterdam branch with support from its Lisbon branch)
Puerto Rico	N/A
Qatar	HSBC Bank Middle East Limited, Doha
Republic of Srpska	UniCredit Bank d.d, Sarajevo
Romania	Citibank Europe plc, Dublin – Romania Branch, Bucharest
Russia	AO Citibank, Moscow
Rwanda	N/A
Saudi Arabia	HSBC Saudi Arabia Limited, Riyadh
Senegal	Standard Chartered Bank Côte d'Ivoire, Abidjan
Serbia	Unicredit Bank Serbia JSC Belgrade
Singapore	Citibank N.A., Singapore
Slovak Republic	UniCredit Bank Czech Republic and Slovakia, a.s., Bratislava
Slovakia	N/A
Slovenia	UniCredit Banka Slovenija d.d., Ljubljana
South Africa	1) Standard Bank of South Africa Limited, Johannesburg 2) FirstRand Bank Limited, Johannesburg
South Korea	1) Deutsche Bank AG, Seoul 2) Hong Kong and Shanghai Banking Corp. Limited, Seoul
Spain	Deutsche Bank SAE Investor Services, Madrid
Sri Lanka	The Hong Kong and Shanghai Banking Corporation Limited, Colombo
Swaziland	Standard Bank Swaziland Limited, Mbabane
Sweden	1) Nordea Bank AB (publ), Stockholm 2) Skandinaviska Enskilda Banken, Stockholm
Switzerland	1) UBS Switzerland AG, Zurich 2) Credit Suisse AG, Zurich
Taiwan	1) Deutsche Bank AG, Taipei 2) Standard Chartered Bank (Taiwan) Limited, Taipei
Tanzania	Standard Chartered Bank Tanzania Limited, Dar es Salaam
Thailand	Standard Chartered Bank (Thai) Public Company Limited, Bangkok
Togo	Standard Chartered Bank Côte d'Ivoire, Abidjan
Transnational	N/A
Trinidad & Tobago	N/A
Tunisia	Union Internationale de Banques (UIB), Tunis
Turkey	1) Citibank A.S., Istanbul 2) Deutsche Bank A.S., Istanbul
Uganda	Standard Chartered Bank Uganda Limited, Kampala
Ukraine	JSC Citibank, Kyiv
United Arab Emirates - Abu Dhabi Securities Exchange- ADX	HSBC Bank Middle East Limited Global Banking and Markets, Dubai
United Arab Emirates - DFM	HSBC Bank Middle East Limited Global Banking and Markets, Dubai
United Arab Emirates - Dubai International Financial Center (DIFC)	HSBC Bank Middle East Limited Global Banking and Markets, Dubai
United Kingdom	State Street Bank and Trust Company, Edinburgh
United States	1) State Street Bank and Trust Company, Boston 2) DTCC Newport Office Center, Jersey City
Uruguay	Banco Itau Uruguay S.A., Montevideo
Venezuela	N/A
Vietnam	Hong Kong & Shanghai Banking Corp. Ltd. Centre Point, Ho Chi Minh City
WAEMU (West African Economic and Monetary Union)	N/A
Zambia	Standard Chartered Bank Zambia Plc, Lusaka
Zimbabwe	Stanbic Bank Zimbabwe Limited, Harare

Directory

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