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M&G Investment Funds (3)

Interim Long Report and unaudited Financial Statements
for the six months ended 31 December 2018

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M&G Investment Funds (3)

Authorised Corporate Director's Report

The Authorised Corporate Director (ACD) of M&G Investment Funds (3) presents its Interim Long Report and unaudited Financial Statements for the six months ended 31 December 2018.

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

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

Company information

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

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

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

As at 31 December 2018 none of the funds held shares of the other funds within this OEIC.

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

Fund managers

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

M&G Corporate Bond Fund

Richard Woolnough

M&G Dividend Fund

Phil Cliff

M&G Emerging Markets Bond Fund

Claudia Calich

M&G European Corporate Bond Fund

Stefan Isaacs

M&G European High Yield Bond Fund

James Tomlins

M&G Fund of Investment Trust Shares

Richard O'Connor

M&G Global Government Bond Fund

Claudia Calich

M&G Recovery Fund

Tom Dobell

M&G Smaller Companies Fund

Garfield Kiff

ACD

M&G Securities Limited,
Laurence Pountney Hill, London EC4R 0HH, UK
Telephone: 0800 390 390 (UK only)

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

Directors of the ACD

M Ammon*, G N Cotton, N M Donnelly, P R Jelfs,
G W MacDowall**, L J Mumford

* Appointed 26 July 2018.

** Resigned 4 January 2019.

Investment manager

M&G Investment Management Limited,
Laurence Pountney Hill, London EC4R 0HH, UK
Telephone: +44 (0)20 7626 4588

(Authorised and regulated by the Financial Conduct Authority)

Registrar

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

Depositary

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

Independent auditor

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

Important information

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

At the shareholder meeting the merger of the non-sterling share classes from M&G European High Yield Bond Fund into the M&G (Lux) Global High Yield Bond Fund was approved. Approval was also granted for the merger of the sterling share classes into M&G Global High Yield Bond Fund, a sub-fund of M&G Investment Funds (2) with the exception of Sterling Class 'I' and 'X' share classes voting to remain. The effective date of the merger for the M&G European High Yield Bond Fund was 25 January 2019.

On 6 August 2018, the Euro 'C' Income share class, Swiss franc 'A-H' share classes and US dollar 'C-H' share classes closed within the M&G European High Yield Bond Fund.

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

M&G Investment Funds (3)

Authorised Corporate Director's Report

Investor information

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

Customer services and administration for UK clients:

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

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

Telephone: 0800 390 390 (UK only)

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

Customer services and administration for non-UK clients:

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

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

Telephone: +352 2605 9944

Email: csmandg@rbc.com

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

Austrian paying and information agent:

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

Belgian financial agent:

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

Danish representative agent:

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

French centralising agent:

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

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

German information agent:

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

Greek paying agent and distributor:

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

Irish facilities agent:

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

Italian paying agents:

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

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

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

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

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

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

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

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

Luxembourg paying and information agent:

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

Portuguese distributor:

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

Spanish representative:

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

Swedish paying agent:

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

Swiss paying agent and representative:

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

M&G Investment Funds (3)

Authorised Corporate Director's Report

Authorised Corporate Director's Responsibilities

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

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

Directors' statement

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

G N COTTON
L J MUMFORD

} Directors

13 February 2019

M&G Investment Funds (3)

Financial statements and notes

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

Notes to the financial statements

Accounting policies

The interim financial statements have been prepared on the same basis as the audited financial statements for the year ended 30 June 2018. They are prepared under the historical cost convention, as modified by the revaluation of investments, and in accordance with the Statement of Recommended Practice (SORP) for Authorised Funds issued by the Investment Association in May 2014.

M&G Corporate Bond Fund

Authorised Corporate Director's Report

Investment objective

The fund aims to provide income and capital growth.

Investment policy

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

Investment approach

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

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

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

Risk profile

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

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

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

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

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



The above number:

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

Investment review

As at 2 January 2019, for the six months ended 31 December 2018

Performance against objective

Between 2 July 2018 (the start of the review period) and 2 January 2019, the M&G Corporate Bond Fund delivered a small negative total return (the combination of income and growth of capital) in its sterling share classes, broadly in line with the average return of its peers. Returns for the fund's euro share classes were lower, the result of sterling weakness against the euro over the period*.

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

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

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

M&G Corporate Bond Fund

Authorised Corporate Director's Report

Investment review

Investment performance

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

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

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

These more challenging conditions led to losses across many parts of the bond market over the six-month period. Sterling and euro-denominated investment grade corporate bonds generally suffered more than US dollar-denominated corporate bonds, while high yield corporate bonds declined more notably.

The fund's performance was driven by its sizeable exposure to investment grade corporate bonds (fixed income securities issued by a company with a medium or high credit rating from a recognised credit rating agency, which are considered to be at lower risk from default than those issued by companies with lower credit ratings) and to asset-backed securities (bonds whose income payments are derived from a specified group of underlying pooled assets).

The fund's allocation (just over 20%) to US dollar-denominated corporate bonds was beneficial, as these generally performed better than their sterling equivalents over the six months, as was its relative lack of exposure to sterling-denominated bonds issued by financials versus a comparable index. However, the fund's relative lack of sensitivity to changes in interest rates (known as 'duration') constrained performance.

Investment activities

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

We once again took advantage of opportunities to add value through relative value trades – for example, taking advantage of the difference in pricing between bonds from the same company issued in different currencies or different maturities – during the review period. In August, for example, we switched a position in Aviva to a slightly longer dated sterling denominated bond from the same issuer. In October, we switched some US dollar-denominated positions into equivalent sterling ones, primarily in the telecoms sector.

After a significant sell-off in corporate bond markets towards the end of 2018 caused prices to fall, we have been happy to add some credit risk back into the portfolio. In December, for example, we sold some good-quality names that had performed well, for example Goldman Sachs and Apple, in order to buy into selected good value credits such as Sky and WPP Group.

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

Outlook

In our view, monetary policy pursued by the core central banks over the past decade has worked and the world has normalised. Interest rates are the only part not to have yet returned to 'normal', although rates in the US are not too far off.

Monetary policy works with a lag. We can see this in the labour market, where wages were high in 2007-2008 off the back of a strong global economy in 2005-2006. There are clear signs that the US labour market is now overheating, which will drive pay higher. Both the US and UK are services-dominated economies and as a result, when wages rise, so does inflation.

While the UK is at a different stage in the cycle to the US from a monetary policy perspective due to Brexit, the two are in a similar place from an economic standpoint.

Our main concern at present is less about an imminent US recession. Rather, we worry that if the financial system is truly different since the great financial crisis – as many have argued – when central banks do eventually need to put on the brakes, they may need to put them on harder than before. At the same time, we remain vigilant about any further escalation in global trade tensions.

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

Richard Woolnough

Fund manager

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

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

M&G Corporate Bond Fund

Authorised Corporate Director's Report

Investments

Portfolio statement

as at Holding	31.12.18 £'000	31.12.18 %	30.06.18 %
FIXED INCOME	3,410,221	94.27	96.43
Debt securities	3,422,573	94.61	96.50
'AAA' credit rated bonds	267,195	7.39	10.26
£941,126 Alba FRN 2049	941	0.03	
£10,000,000 Barclays Bank 4.25% 2022	10,799	0.30	
£3,800,000 Barclays Bank FRN 2023	3,766	0.10	
£148,014 BL Superstores Finance 4.482% 2030	166	0.00	
£3,840,000 Broadgate Financing 4.821% 2036	4,892	0.14	
£322,637 Broadgate Financing 4.949% 2031	373	0.01	
£4,600,000 Cie de Financement Foncier 5.5% 2027	5,834	0.16	
£3,942,000 Delamare Cards FRN 2022	3,920	0.11	
£1,609,730 E-Carat FRN 2023	1,605	0.04	
£640,000 European Coal and Steel 6.875% 2019	642	0.02	
£5,000,000 European Investment Bank 4.5% 2029	6,259	0.17	
£15,000,000 European Investment Bank 5.5% 2025	18,512	0.51	
£20,000,000 European Investment Bank FRN 2021	20,079	0.56	
£5,000,000 KFW 0.875% 2022	4,944	0.14	
£15,000,000 KFW 1.625% 2020	15,127	0.42	
£1,000,000 KFW 5.5% 2025	1,249	0.03	
£1,000,000 KFW 6% 2028	1,395	0.04	
£13,428,000 Lanark Master Issuer FRN 2069	13,273	0.37	
\$10,000,000 Microsoft 3.45% 2036	7,383	0.20	
\$7,500,000 Microsoft 3.75% 2043	5,658	0.16	
\$13,987,000 Microsoft 3.95% 2056	10,593	0.29	
\$15,000,000 Microsoft 4% 2055	11,488	0.32	
\$7,000,000 Microsoft 4.5% 2040	5,832	0.16	
\$35,000,000 Microsoft 4.75% 2055	30,442	0.84	
\$500,000 Microsoft 5.2% 2039	455	0.01	
\$3,000,000 Microsoft 5.3% 2041	2,775	0.08	
\$2,598,130 Paragon Mortgages No. 15 FRN 2039	1,915	0.05	
£3,986,000 Penarth Master Issuer FRN 2022	3,979	0.11	
£4,291,433 Residential Mortgage Securities No. 30 FRN 2050	4,246	0.12	
£8,326,390 Ripon Mortgages FRN 2056	8,276	0.23	
£16,250,000 Santander 5.125% 2021	17,580	0.49	
£10,000,000 Santander UK FRN 2020	9,998	0.28	
£4,944,000 Santander UK FRN 2022	4,909	0.13	
£1,429,091 THRONES 2014-1 FRN 2049	1,426	0.04	
£3,845,972 Towd Point Mortgage Funding FRN 2045 (20 Apr)	3,847	0.11	
£4,827,745 Towd Point Mortgage Funding FRN 2045 (22 May)	4,806	0.13	
£9,023,530 Towd Point Mortgage Funding FRN 2051	9,022	0.25	
£10,000,000 Wellcome Trust 2.517% 2118	8,789	0.24	
'AA' credit rated bonds	251,857	6.96	9.07
£25,000,000 Apple 3.05% 2029	26,771	0.74	
£844,080 Autolink Concessionaires (M6) 8.39% 2022	953	0.03	
£815,000 Broadgate Financing 4.999% 2033	970	0.03	
£277,124 Coventry & Rugby Hospital 3.246% IL 2040	577	0.02	
£5,000,000 Deutsche Bahn Finance 3.125% 2026	5,447	0.15	
£531,065 Eurosail-UK FRN 2045	514	0.01	
£4,101,000 Federal National Mortgage Association 5.375% 2028	5,338	0.15	
£3,031,778 Integrated Accommodation Services 6.48% 2029	3,727	0.10	

Portfolio statement (continued)

as at Holding	31.12.18 £'000	31.12.18 %	30.06.18 %
'AA' credit rated bonds (continued)			
£960,000 Investor 5.5% 2037	1,300	0.04	
£3,022,210 Juturna 5.0636% 2033	3,635	0.10	
£20,000,000 Land Securities Capital Markets Var. Rate 2026 (1.974%)	19,985	0.55	
£16,000,000 Land Securities Capital Markets 2.375% 2029	16,096	0.44	
£8,858,000 Land Securities Capital Markets 2.399% 2031	8,846	0.24	
£5,000,000 Land Securities Capital Markets Var. Rate 2039 (2.625%)	4,750	0.13	
£553,000 Land Securities Capital Markets Var. Rate 2027 (5.391%)	640	0.02	
£2,500,000 LCR Finance 4.5% 2028	3,130	0.09	
£6,807,000 Mercantile Investment Trust 6.125% 2030	8,778	0.24	
\$863,797 Paragon Mortgages No. 13 FRN 2039	628	0.02	
£640,000 Places for People 8.625% 2020	693	0.02	
£2,530,000 Province of Quebec 12.25% 2020	2,832	0.08	
£10,000,000 Réseau Ferré de France 5% 2052	15,512	0.43	
£10,000,000 Réseau Ferré de France 5.25% 2028	12,874	0.36	
£6,000,000 Réseau Ferré de France 5.25% 2035	8,278	0.23	
£3,000,000 Réseau Ferré de France 5.5% 2021	3,358	0.09	
£3,400,000 Slate No. 1 FRN 2051	3,385	0.09	
£2,000,000 SLM Student Loan Trust 5.15% 2039	1,888	0.05	
£11,000,000 SNCF Mobilités 5.375% 2027	13,855	0.38	
£5,000,000 Southern Water Services Finance 5% 2021	5,366	0.15	
£10,000,000 Towd Point Mortgage Funding FRN 2046	10,016	0.28	
£5,400,000 Trafford Centre Finance FRN 2038	4,797	0.13	
£25,000,000 Transport for London 2.25% 2022	25,599	0.71	
£5,000,000 Transport for London 3.875% 2042	5,826	0.16	
£25,000,000 Treasury 3.75% 2019	25,493	0.70	
'A' credit rated bonds	736,824	20.37	19.26
£10,000,000 América Móvil 4.375% 2041	11,324	0.31	
£10,000,000 Anglian Water Services Financing 2.75% 2029	10,005	0.28	
£1,556,000 Anheuser-Busch InBev 2.85% 2037	1,381	0.04	
£30,000,000 Anheuser-Busch InBev 6% 2029	27,557	0.76	
£14,000,000 Anheuser-Busch InBev 9.75% 2024	19,173	0.53	
£10,000,000 Banco Santander 2.75% 2023	9,911	0.27	
£35,000,000 Bank of America 2.3% 2025	34,535	0.95	
£2,000,000 Bank of America 4.25% 2026	2,217	0.06	
£3,000,000 Bank of America 7% 2028	4,037	0.11	
\$3,571,000 Bank of America Var. Rate 2028 (3.705%)	2,672	0.07	
£3,400,000 Bank of Scotland 2.64% IL 2020	5,753	0.16	
£646,226 BL Superstores Finance 5.27% 2030	702	0.02	
\$5,000,000 BNP Paribas 3.8% 2024	3,799	0.10	
£4,362,000 Brown-Forman 2.6% 2028	4,374	0.12	
£10,000,000 Canadian Imperial Bank of Commerce FRN 2022	10,011	0.28	
\$3,509,000 Cigna 4.375% 2028	2,742	0.08	
\$4,505,000 Cigna 4.8% 2038	3,443	0.10	
£1,262,410 Clavis Securities FRN 2032	1,199	0.03	
\$3,474,000 Cloverie Var. Rate 2046 (5.625%)	2,696	0.07	
\$5,000,000 Comcast 4.7% 2048	3,938	0.11	
\$15,000,000 Comcast 4.95% 2058	11,859	0.33	
£20,000,000 Comcast 5.5% 2029	25,195	0.70	
\$2,500,000 Crédit Agricole 4.125% 2027	1,873	0.05	
£2,500,000 Crédit Agricole Var. Rate Perp. (7.5%)	2,588	0.07	
£5,000,000 Deutsche Pfandbriefbank 1% 2020	4,957	0.14	
\$7,207,000 DowDuPont 5.319% 2038	5,797	0.16	

M&G Corporate Bond Fund

Authorised Corporate Director's Report

Investments

Portfolio statement (continued)

as at Holding	31.12.18 £'000	31.12.18 %	30.06.18 %
'A' credit rated bonds (continued)			
\$6,687,000 DowDuPont 5.419% 2048	5,418	0.15	
£10,900,000 EDF 6% 2114	13,832	0.38	
£6,650,000 ELM Var. Rate Perp. (6.3024%)	6,708	0.18	
€15,583,000 ENGIE 5.95% 2111	23,434	0.65	
\$10,000,000 Eni 4.75% 2028	7,609	0.21	
£1,384,666 Eurosail FRN 2044	1,364	0.04	
£2,500,000 Heathrow Funding 5.225% 2025	2,815	0.08	
£2,000,000 Heathrow Funding 6.45% 2033	2,721	0.07	
£25,000,000 Heathrow Funding 6.75% 2028	32,287	0.89	
£12,000,000 Heathrow Funding 7.075% 2030	16,201	0.45	
£3,150,000 Heathrow Funding 9.2% 2023	3,650	0.10	
£2,192,000 Housing Finance 5% 2027	2,519	0.07	
£3,000,000 Housing Finance 8.625% 2023	3,832	0.11	
£3,000,000 HSBC Bank 5.375% 2033	3,450	0.10	
£11,550,000 HSBC Bank Var. Rate 2030 (5.375%)	13,036	0.36	
£19,000,000 HSBC Holdings 2.625% 2028	18,252	0.50	
£15,000,000 HSBC Holdings Var. Rate 2026 (2.256%)	14,258	0.39	
\$10,000,000 HSBC Holdings Var. Rate 2028 (4.041%)	7,460	0.21	
£4,000,000 INTU (SGS) Finance 3.875% 2023	4,030	0.11	
£4,808,000 INTU (SGS) Finance 4.25% 2030	4,785	0.13	
£5,500,000 INTU (SGS) Finance 4.625% 2028	5,686	0.16	
£7,000,000 INTU Finance 4.125% 2028	7,123	0.20	
£15,000,000 JPMorgan Chase 3.5% 2026	16,256	0.45	
£350,000 Lloyds Bank 11.75% Perp.	723	0.02	
£40,000,000 Lloyds Bank 5.125% 2025	47,431	1.31	
£3,386,000 London & Quadrant Housing Trust 2.625% 2026	3,437	0.10	
£2,891,000 London & Quadrant Housing Trust 2.625% 2028	2,887	0.08	
£4,000,000 London & Quadrant Housing Trust 3.125% 2053	3,819	0.11	
£3,419,600 Mitchells & Butlers Finance 5.574% 2030	3,857	0.11	
£15,000,000 Munich Re Finance Var. Rate 2042 (6.625%)	16,827	0.47	
£3,000,000 National Grid Electricity Transmission 3.806% IL 2020	5,243	0.14	
£2,857,000 National Westminster Bank FRN 2020	2,857	0.08	
£1,258,955 Newgate Funding FRN 2050	1,188	0.03	
£2,000,000 Northern Powergrid 7.25% 2022	2,407	0.07	
£3,750,000 Northern Powergrid Yorkshire 4.375% 2032	4,393	0.12	
£6,116,000 Notting Hill Housing Trust 3.25% 2048	5,791	0.16	
£1,339,000 Penarian Housing Finance 3.212% 2052	1,284	0.04	
£5,000,000 Places for People 3.625% 2028	5,012	0.14	
£9,598,000 Places for People 5.875% 2031	11,612	0.32	
£2,553,369 Quadrant Housing Finance Var. Rate 2033 (7.93%)	3,519	0.10	
\$1,000,000 Société Générale Var. Rate Perp. (6%)	740	0.02	
£2,888,000 Society of Lloyds Var. Rate 2047 (4.875%)	2,868	0.08	
£6,176,000 South Eastern Power Networks 5.5% 2026	7,361	0.20	
£8,100,000 South Eastern Power Networks 6.375% 2031	10,969	0.30	

Portfolio statement (continued)

as at Holding	31.12.18 £'000	31.12.18 %	30.06.18 %
'A' credit rated bonds (continued)			
£10,000,000 Southern Water Services Finance 6.125% 2019	10,106	0.28	
£12,000,000 Spain (Kingdom of) 5.25% 2029	14,073	0.39	
£1,526,000 T.H.F.C Funding No 3 5.2% 2043	1,965	0.05	
€5,445,000 Takeda Pharmaceutical 3% 2030	4,972	0.14	
£2,000,000 UNITE (USAF) II 3.374% 2023	2,117	0.06	
£4,066,000 United Utilities Water Finance 2% 2025	4,004	0.11	
£6,000,000 Wales & West Utilities Finance 4.625% 2023	6,769	0.19	
£8,000,000 Wales & West Utilities Finance 5% 2028	9,548	0.26	
£4,500,000 Wales & West Utilities Finance 5.75% 2030	5,780	0.16	
£33,000,000 Wells Fargo 2% 2025	31,930	0.88	
£4,246,000 Wells Fargo 2.125% 2023	4,208	0.12	
£40,000,000 Wells Fargo 5.25% 2023	44,744	1.24	
£3,500,000 Westfield America Management 2.125% 2025	3,419	0.09	
\$1,000,000 Willow No. 2 (Ireland) Var. Rate 2045 (4.25%)	715	0.02	
£3,426,000 Yorkshire Power Finance 7.25% 2028	4,762	0.13	
£6,000,000 Yorkshire Water Services Odsal Finance 6.5876% 2023	7,129	0.20	
£5,420,000 Zurich Finance (UK) Var. Rate Perp. (6.625%)	5,894	0.16	
	1,773,278	49.02	46.60
'BBB' credit rated bonds			
£7,500,000 3i Group 5.75% 2032	9,069	0.25	
£3,750,000 AA Bond Company 4.875% 2043	3,572	0.10	
£3,000,000 Akelius Residential Property 2.375% 2025	2,839	0.08	
£10,000,000 Anglian Water Services Financing 2.625% 2027	9,369	0.26	
£7,000,000 Anglian Water Services Financing 4.5% 2026	7,519	0.21	
£2,972,000 Annington Funding 2.646% 2025	2,861	0.08	
£3,889,000 Annington Funding 3.184% 2029	3,711	0.10	
£3,703,000 Annington Funding 3.685% 2034	3,513	0.10	
£2,812,000 Annington Funding 3.935% 2047	2,608	0.07	
£2,100,000 APT Pipelines 4.25% 2024	2,263	0.06	
£2,207,000 Aroundtown 3% 2029	2,006	0.06	
£9,300,000 AT&T 4.25% 2043	9,313	0.26	
£9,800,000 AT&T 4.375% 2029	10,490	0.29	
\$10,000,000 AT&T 4.5% 2048	6,730	0.19	
£41,120,000 AT&T 4.875% 2044	44,894	1.24	
£5,000,000 AT&T 5.2% 2033	5,762	0.16	
\$3,000,000 AT&T 5.25% 2037	2,296	0.06	
\$10,000,000 AT&T 5.65% 2047	7,790	0.22	
\$2,000,000 AT&T 6.35% 2040	1,644	0.05	
\$750,000 AT&T 6.375% 2041	617	0.02	
£4,100,000 AT&T 7% 2040	5,699	0.16	
£21,100,000 Aviva Var. Rate 2036 (6.125%)	22,406	0.62	
£9,950,000 Aviva Var. Rate 2049 (4.375%)	9,058	0.25	
£13,963,000 Aviva Var. Rate 2058 (6.875%)	15,484	0.43	
£18,550,000 Aviva Var. Rate Perp. (6.125%)	19,165	0.53	
£15,000,000 AXA Var. Rate 2054 (5.625%)	15,409	0.43	
£6,500,000 AXA Var. Rate Perp. (5.453%)	6,579	0.18	
£14,630,000 AXA Var. Rate Perp. (6.686%)	15,933	0.44	
\$5,000,000 Bank of America 4.183% 2027	3,747	0.10	
\$5,833,000 Bank of America 4.25% 2026	4,405	0.12	
£15,000,000 Bank of America 5.5% 2021	16,305	0.45	
£6,000,000 Barclays 3.125% 2024	5,922	0.16	
£10,000,000 Barclays 3.25% 2033	8,789	0.24	
£2,000,000 Barclays Var. Rate 2023 (2.375%)	1,938	0.05	

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Portfolio statement (continued)			
as at Holding	31.12.18 £'000	31.12.18 %	30.06.18 %
'BBB' credit rated bonds (continued)			
£9,654,000 BAT Capital 2.125% 2025	9,174	0.25	
\$8,000,000 BAT Capital 4.39% 2037	5,144	0.14	
£25,000,000 BAT International Finance 2.25% 2052	16,310	0.45	
£16,000,000 BAT International Finance 4% 2026	16,936	0.47	
£10,000,000 BAT International Finance 4% 2055	9,532	0.26	
£1,000,000 BAT International Finance 5.75% 2040	1,231	0.03	
£4,500,000 BAT International Finance 6% 2022	5,036	0.14	
£1,000,000 BAT International Finance 6% 2034	1,244	0.03	
\$5,000,000 Bayer US Finance 4.375% 2028	3,731	0.10	
\$5,000,000 Bayer US Finance 4.625% 2038	3,542	0.10	
\$4,000,000 Bayer US Finance 4.7% 2064	2,548	0.07	
\$7,500,000 Bayer US Finance 4.875% 2048	5,316	0.15	
\$1,143,000 BNP Paribas 4.375% 2025	866	0.02	
\$15,000,000 BNP Paribas 4.625% 2027	11,333	0.31	
£6,000,000 Bouygues 5.5% 2026	7,106	0.20	
£9,000,000 BPCE 5.25% 2029	10,109	0.28	
£25,000,000 British Telecommunications 3.125% 2031	24,006	0.66	
£15,000,000 British Telecommunications 3.625% 2047	13,602	0.38	
\$9,931,000 British Telecommunications 9.625% 2030	10,451	0.29	
£2,260,000 Bunzl Finance 2.25% 2025	2,188	0.06	
£13,455,000 Cadent Finance 2.125% 2028	12,570	0.35	
£3,666,000 Channel Link Enterprises Finance 3.848% 2050	3,749	0.10	
£10,000,000 Channel Link Enterprises Finance Var. Rate 2050 (3.043%)	9,833	0.27	
£2,500,000 Cie De St-Gobain 4.625% 2029	2,843	0.08	
\$1,834,000 Citigroup 4.4% 2025	1,407	0.04	
\$17,500,000 Citigroup 4.45% 2027	13,107	0.36	
£5,000,000 Citigroup 4.5% 2031	5,397	0.15	
\$2,500,000 Citigroup 5.5% 2025	2,038	0.06	
£3,785,000 CPMK Finance 3.69% 2028	3,840	0.11	
£6,000,000 CPMK Finance 7.239% 2042	7,234	0.20	
\$3,000,000 Crédit Agricole Var. Rate Perp. (4%)	2,138	0.06	
\$1,000,000 Crédit Agricole Var. Rate Perp. (7.875%)	781	0.02	
£3,000,000 Credit Suisse Group Funding 2.75% 2025	2,931	0.08	
£9,000,000 Credit Suisse Group Var. Rate 2025 (2.125%)	8,539	0.24	
£2,703,000 CRH Finance (U.K.) 4.125% 2029	2,955	0.08	
\$2,423,000 Deutsche Telekom International Finance 4.875% 2042	1,823	0.05	
\$15,000,000 Deutsche Telekom International Finance 8.75% 2030	15,260	0.42	
£13,000,000 Deutsche Telekom International Finance 8.875% 2028	19,553	0.54	
£1,776,000 Digital Stout Holding 2.75% 2024	1,756	0.05	
£3,806,000 Digital Stout Holding 3.3% 2029	3,678	0.10	
\$2,094,000 Dow Chemical 4.8% 2028	1,661	0.05	
\$3,482,000 Dow Chemical 5.55% 2048	2,753	0.08	
£1,500,000 E.ON International Finance 5.875% 2037	1,946	0.05	
\$7,000,000 Enel Finance International 3.5% 2028	4,707	0.13	

Portfolio statement (continued)

as at Holding	31.12.18 £'000	31.12.18 %	30.06.18 %
'BBB' credit rated bonds (continued)			
\$30,000,000 Enel Finance International 3.625% 2027	20,588	0.57	
£5,000,000 Enel Finance International 5.625% 2024	5,660	0.16	
£500,000 Enel Var. Rate 2075 (7.75%)	525	0.01	
\$500,000 Energy Transfer Partners 4.9% 2035	344	0.01	
\$1,000,000 Energy Transfer Partners 6.125% 2045	748	0.02	
\$3,572,000 Energy Transfer Partners 6.5% 2042	2,801	0.08	
£3,000,000 ENGIE Var. Rate Perp. (4.625%)	3,000	0.08	
£132,000 ENW Capital Finance 6.125% 2021	146	0.00	
£7,116,000 FCE Bank 2.727% 2022	6,985	0.19	
£5,000,000 FCE Bank 2.759% 2019	5,016	0.14	
£5,000,000 FCE Bank 3.25% 2020	5,029	0.14	
\$2,500,000 Ford Motor Company 4.75% 2043	1,511	0.04	
\$10,000,000 Ford Motor Credit 4.389% 2026	7,048	0.19	
£6,000,000 G4S 7.75% 2019	6,114	0.17	
£5,500,000 Gatwick Funding 2.625% 2048	4,555	0.13	
£17,500,000 Gatwick Funding 3.125% 2041	16,448	0.45	
£10,000,000 Gatwick Funding 3.25% 2048	9,360	0.26	
£5,000,000 Gatwick Funding 4.625% 2034	5,780	0.16	
£16,000,000 Gatwick Funding 5.25% 2024	18,164	0.50	
£16,000,000 Gatwick Funding 6.125% 2028	19,505	0.54	
£1,290,102 General Electric Capital 6.44% 2022	1,318	0.04	
\$2,500,000 General Motors 5.15% 2038	1,669	0.05	
\$1,000,000 General Motors 6.6% 2036	763	0.02	
\$1,500,000 General Motors Financial 4% 2025	1,097	0.03	
\$2,500,000 General Motors Financial 4% 2026	1,755	0.05	
\$7,000,000 General Motors Financial 4.3% 2025	5,170	0.14	
£10,000,000 Goldman Sachs Group 3.125% 2029	9,634	0.27	
£4,800,000 Goldman Sachs Group 6.875% 2038	6,211	0.17	
£4,200,000 Goldman Sachs Group 7.125% 2025	5,234	0.14	
£2,500,000 Goldman Sachs Group 7.25% 2028	3,300	0.09	
£2,354,880 Greene King Finance 4.0643% 2035	2,493	0.07	
£2,294,020 Greene King Finance 5.318% 2031	2,631	0.07	
£7,000,000 H.J. Heinz Finance UK 6.25% 2030	8,476	0.23	
\$955,000 HCA 5% 2024	734	0.02	
\$2,308,000 HCA 5.25% 2025	1,790	0.05	
\$5,000,000 HCA 5.5% 2047	3,686	0.10	
\$1,000,000 HCA 5.875% 2022	799	0.02	
£2,500,000 Heathrow Funding 7.125% 2024	3,003	0.08	
£5,500,000 HSBC Holdings 5.75% 2027	6,289	0.17	
£7,500,000 HSBC Holdings 6% 2040	8,950	0.25	
£11,000,000 HSBC Holdings 6.75% 2028	13,655	0.38	
£4,000,000 HSBC Holdings 7% 2038	5,334	0.15	
£3,500,000 Iberdrola Finanzas 7.375% 2024	4,337	0.12	
£20,000,000 Imperial Brands Finance 4.875% 2032	21,879	0.60	
£19,500,000 Imperial Brands Finance 5.5% 2026	22,235	0.61	
£23,000,000 Imperial Brands Finance 8.125% 2024	28,685	0.79	
£3,566,000 Informa 3.125% 2026	3,584	0.10	
£8,000,000 InterContinental Hotels 2.125% 2026	7,438	0.21	
€2,681,000 InterContinental Hotels 2.125% 2027	2,374	0.07	
\$6,000,000 Intesa Sanpaolo 3.875% 2028	3,991	0.11	
\$1,000,000 Intesa Sanpaolo 4.375% 2048	584	0.02	
£915,000 Italy (Republic of) 5.25% 2034	990	0.03	
£40,000,000 Italy (Republic of) 6% 2028	45,478	1.26	
\$5,000,000 JPMorgan Chase 3.625% 2027	3,632	0.10	
\$10,000,000 JPMorgan Chase 3.875% 2024	7,676	0.21	
\$7,500,000 JPMorgan Chase 4.25% 2027	5,740	0.16	

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Portfolio statement (continued)			
as at Holding	31.12.18 £'000	31.12.18 %	30.06.18 %
'BBB' credit rated bonds (continued)			
\$3,500,000 Kinder Morgan 5.05% 2046	2,509	0.07	
\$6,000,000 Kinder Morgan Energy Partners 6.95% 2038	5,323	0.15	
£12,500,000 KPN 5% 2026	14,165	0.39	
£15,000,000 KPN 5.75% 2029	18,163	0.50	
\$7,000,000 KPN 8.375% 2030	7,083	0.20	
£11,000,000 Kraft Heinz Foods 4.125% 2027	11,538	0.32	
\$5,000,000 Kraft Heinz Foods 4.375% 2046	3,230	0.09	
£10,000,000 LafargeHolcim Sterling Finance (Netherlands) 3% 2032	8,913	0.25	
£25,000,000 Legal & General Group 5.375% 2045	25,708	0.71	
£17,500,000 Legal & General Group Var. Rate 2048 (5.125%)	17,317	0.48	
£20,000,000 Legal & General Group Var. Rate 2064 (5.5%)	18,672	0.52	
£10,000,000 Lloyds Bank 7.625% 2025	12,393	0.34	
£5,500,000 Lloyds Bank 9.625% 2023	6,933	0.19	
£10,000,000 Lloyds Bank Var. Rate 2025 (5.75%)	10,414	0.29	
£1,750,000 Longstone Finance 4.896% 2036	1,970	0.05	
£2,625,000 McDonald's 5.875% 2032	3,423	0.09	
\$1,250,000 McDonald's 6.3% 2037	1,139	0.03	
\$2,000,000 McDonald's 6.3% 2038	1,839	0.05	
£19,000,000 Mexico (United Mexican States) 5.625% 2114	18,003	0.50	
£579,803 Mitchells & Butlers Finance 5.965% 2025	624	0.02	
£1,234,044 Mitchells & Butlers Finance 6.013% 2030	1,392	0.04	
£3,000,000 Mitchells & Butlers Finance FRN 2033	2,493	0.07	
£1,000,000 Mondeléz International 3.875% 2045	1,003	0.03	
£1,750,000 Mondeléz International 4.5% 2035	1,920	0.05	
£15,000,000 Morgan Stanley 2.625% 2027	14,815	0.41	
\$7,500,000 Morgan Stanley 3.95% 2027	5,513	0.15	
\$5,000,000 Morgan Stanley 4.35% 2026	3,779	0.10	
\$1,141,000 Nationwide Building Society 4% 2026	811	0.02	
\$10,000,000 Nationwide Building Society Var. Rate 2032 (4.125%)	6,856	0.19	
£12,500,000 Next 3.625% 2028	12,230	0.34	
£10,500,000 Next 4.375% 2026	11,088	0.31	
£11,250,000 NGG Finance Var. Rate 2073 (5.625%)	11,854	0.33	
£5,000,000 NIE Finance 6.375% 2026	6,287	0.17	
£2,000,000 Northern Gas Networks 5.875% 2019	2,042	0.06	
£7,000,000 Northumbrian Water 6.875% 2023	8,343	0.23	
£15,000,000 Orange 5.625% 2034	19,411	0.54	
£19,250,000 Orange 8.125% 2028	27,982	0.77	
\$15,000,000 Orange 8.5% 2031	16,096	0.44	
€7,500,000 Orange Var. Rate Perp. (5%)	7,168	0.20	
£6,500,000 Orange Var. Rate Perp. (5.75%)	6,790	0.19	
£1,500,000 Orange Var. Rate Perp. (5.875%)	1,575	0.04	
£10,000,000 Rabobank 4.625% 2029	10,765	0.30	
£833,000 Rabobank 5.25% 2027	936	0.03	
£2,600,000 RELX Investments 2.75% 2019	2,609	0.07	
\$1,000,000 Reynolds American 6.15% 2043	751	0.02	
€3,422,000 Royal Bank of Scotland 2.5% 2023	3,127	0.09	
\$7,723,000 Royal Bank of Scotland FRN 2029	5,759	0.16	

Portfolio statement (continued)

as at Holding	31.12.18 £'000	31.12.18 %	30.06.18 %
'BBB' credit rated bonds (continued)			
£7,500,000 Royal Bank of Scotland Var. Rate 2026 (2.875%)	7,179	0.20	
\$1,000,000 Security Capital Group 7.7% 2028	831	0.02	
£1,000,000 Severn Trent 1.3% IL 2022	1,239	0.03	
£4,160,000 Severn Trent Utilities Finance 2.75% 2031	4,058	0.11	
£6,000,000 Severn Trent Utilities Finance 3.625% 2026	6,379	0.18	
£10,000,000 Severn Trent Utilities Finance 6.25% 2029	13,016	0.36	
£4,500,000 Sky 4% 2029	4,997	0.14	
\$3,000,000 Société Générale 4% 2027	2,226	0.06	
\$2,500,000 Société Générale 5% 2024	1,975	0.06	
£3,000,000 South East Water Finance 5.6577% 2019	3,084	0.09	
£2,533,000 Southern Gas Networks 3.1% 2036	2,458	0.07	
£5,000,000 Southern Gas Networks 4.875% 2023	5,654	0.16	
£4,000,000 SSE 6.25% 2038	5,474	0.15	
£6,000,000 SSE 8.375% 2028	8,701	0.24	
£2,000,000 Student Finance 2.6663% 2024	1,969	0.05	
\$5,000,000 Telefónica (Europe) 8.25% 2030	4,956	0.14	
£6,500,000 Telefónica Emisiones 5.289% 2022	7,220	0.20	
£6,500,000 Telefónica Emisiones 5.375% 2026	7,466	0.21	
£11,500,000 Telefónica Emisiones 5.597% 2020	12,000	0.33	
\$8,000,000 Telefónica Emisiones 7.045% 2036	7,141	0.20	
£215,260 Telereal Securitisation 6.1645% 2033	265	0.01	
£5,000,000 Thames Water Utilities Cayman 1.875% 2024	4,856	0.13	
£1,967,000 Thames Water Utilities Cayman 2.375% 2023	1,909	0.05	
£5,000,000 Thames Water Utilities Cayman 2.625% 2032	4,644	0.13	
£3,543,000 Thames Water Utilities Cayman 2.875% 2027	3,387	0.09	
£5,000,000 Thames Water Utilities Cayman 3.5% 2028	5,198	0.14	
£10,000,000 Thames Water Utilities Cayman 4% 2025	10,822	0.30	
£10,000,000 Thames Water Utilities Cayman 4.375% 2034	11,129	0.31	
£5,000,000 Thames Water Utilities Cayman 4.625% 2046	5,839	0.16	
£6,500,000 Thames Water Utilities Cayman Var. Rate 2030 (5.75%)	7,115	0.20	
£3,727,000 Thames Water Utilities Finance 3.375% IL 2021	6,588	0.18	
£3,590,000 Thames Water Utilities Finance 5.125% 2037	4,340	0.12	
£12,500,000 Thames Water Utilities Finance 6.75% 2028	16,363	0.45	
£17,550,000 Time Warner Cable 5.25% 2042	18,901	0.52	
£4,950,000 Time Warner Cable 5.75% 2031	5,637	0.16	
\$4,000,000 United Business Media 5.75% 2020	3,206	0.09	
£3,813,000 Vector Group 7.625% 2019	3,817	0.11	
£10,000,000 Verizon Communications 3.125% 2035	9,560	0.26	
£11,250,000 Verizon Communications 3.375% 2036	11,008	0.30	
\$7,000,000 Verizon Communications 4.272% 2036	5,162	0.14	
\$35,000,000 Verizon Communications 4.672% 2022	24,808	0.69	
\$5,000,000 Verizon Communications 5.012% 2049	3,868	0.11	
\$45,000,000 Verizon Communications 5.012% 2054	33,836	0.94	
\$11,000,000 Verizon Communications 5.25% 2037	8,973	0.25	
£40,000,000 Vodafone Group 3% 2056	32,094	0.89	
£10,000,000 Vodafone Group 3.375% 2049	8,765	0.24	
\$5,000,000 Vodafone Group 5% 2038	3,671	0.10	

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Investments

Portfolio statement (continued)			
as at Holding	31.12.18 £'000	31.12.18 %	30.06.18 %
'BBB' credit rated bonds (continued)			
\$8,889,000 Vodafone Group 5.25% 2048	6,476	0.18	
£18,600,000 Volkswagen International Finance 4.125% 2031	18,933	0.52	
£6,000,000 Walgreens Boots Alliance 3.6% 2025	6,201	0.17	
£5,500,000 Wells Fargo 4.875% 2035	6,389	0.18	
£7,500,000 Welltower 4.5% 2034	8,105	0.22	
£5,000,000 Welltower 4.8% 2028	5,582	0.15	
£2,000,000 WPP Finance 2.875% 2046	1,504	0.04	
'BB' credit rated bonds			
	134,254	3.71	3.73
£2,050,000 Daily Mail & General Trust 6.375% 2027	2,310	0.06	
£5,501,436 Delamare Finance 5.5457% 2029	6,118	0.17	
£8,920,000 Delamare Finance 6.067% 2029	10,199	0.28	
£2,000,000 Ei Group 6.375% 2031	2,164	0.06	
£5,000,000 Ei Group 6.875% 2025	5,348	0.15	
£3,000,000 Lloyds Banking Group Var. Rate Perp. (7.625%)	3,081	0.09	
£3,367,000 Lloyds Banking Group Var. Rate Perp. (7.875%)	3,603	0.10	
£885,000 Marston's Issuer Var. Rate 2027 (5.1576%)	818	0.02	
£2,000,000 Marston's Issuer Var. Rate 2032 (5.1774%)	2,178	0.06	
£4,000,000 Nationwide Building Society Var. Rate Perp. (6.875%)	4,020	0.11	
£3,000,000 Petrobras Global Finance 5.375% 2029	2,803	0.08	
£814,000 Petrobras Global Finance 6.25% 2026	839	0.02	
£3,000,000 Petrobras Global Finance 6.625% 2034	3,003	0.08	
£61,619 Road Management Consolidated 9.18% 2021	68	0.00	
\$3,300,000 Royal Bank of Scotland 6% 2023	2,609	0.07	
\$7,059,000 Royal Bank of Scotland 6.1% 2023	5,598	0.15	
\$7,000,000 Royal Bank of Scotland 6.125% 2022	5,569	0.16	
\$750,000 Société Générale Var. Rate Perp. (7.875%)	580	0.02	
£13,000,000 Telecom Italia 5.875% 2023	13,536	0.37	
£27,524,423 Tesco Property Finance 3 5.744% 2040	30,853	0.85	
£9,781,047 Tesco Property Finance 4 5.8006% 2040	11,071	0.31	
£9,837,491 Tesco Property Finance 5 5.6611% 2041	10,880	0.30	
\$5,000,000 UBS Group Funding (Switzerland) Var. Rate Perp. (5%)	3,251	0.09	
€2,000,000 Unitymedia 3.5% 2027	1,843	0.05	
€1,000,000 Unitymedia 4% 2025	923	0.03	
£1,000,000 Virgin Media Secured Finance 5.125% 2025	989	0.03	
Bonds with no credit rating			
	259,165	7.16	7.58
€1,822,000 Assicurazioni Generali Var. Rate 2047 (5.5%)	1,698	0.05	
£10,050,000 Assicurazioni Generali Var. Rate Perp. (6.269%)	9,646	0.27	
£3,250,000 Assura Financing 3% 2028	3,215	0.09	
£3,000,000 BUPA Finance 5% 2026	3,141	0.09	
£3,669,789 Charter Mortgage Funding FRN 2025	3,624	0.10	
£3,412,000 Coventry Building Society 1.875% 2023	3,291	0.09	

Portfolio statement (continued)

as at Holding	31.12.18 £'000	31.12.18 %	30.06.18 %
Bonds with no credit rating (continued)			
£1,588,000 Coventry Building Society FRN 2020	1,588	0.04	
£8,847,000 DP World 4.25% 2030	8,697	0.24	
£1,437,361 Duncan Funding FRN 2063	1,438	0.04	
£4,152,000 Eversholt Funding 3.529% 2042	3,905	0.11	
£10,000,000 Eversholt Funding 6.359% 2025	12,115	0.33	
£1,966,589 Fintrust Debenture 9.25% 2023	2,481	0.07	
£1,122,462 Gosforth Funding FRN 2058	1,122	0.03	
£4,000,000 Grand Union 4.625% 2043	5,011	0.14	
£1,732,936 Greater Gabbard Ofco 4.137% 2032	1,944	0.05	
£7,800,000 Grosvenor UK Finance 6.5% 2026	9,904	0.27	
£721,000 Guardian Royal Exchange 6.625% 2023	856	0.02	
£12,000,000 Hammerson 6% 2026	13,584	0.38	
£10,000,000 Hammerson 7.25% 2028	12,421	0.34	
£920,000 Hastings Group Finance 3% 2025	867	0.02	
£1,000,000 Heathrow Finance 5.75% 2025	1,032	0.03	
£4,022,418 Highbury Finance 7.017% 2023	4,590	0.13	
£7,265,133 Housing Securities 8.375% 2019	7,291	0.20	
£196,165 INTU Debenture 5.562% 2027	210	0.01	
£2,500,000 John Lewis 4.25% 2034	2,059	0.06	
£6,000,000 John Lewis 6.125% 2025	6,409	0.18	
£3,000,000 LAB Investments 7.125% 2019	3,018	0.08	
£2,333,000 Leeds Building Society Var. Rate 2029 (3.75%)	2,042	0.06	
£5,902,000 London Merchant Securities 6.5% 2026	7,383	0.20	
£9,941,884 London Wall Mortgage Capital FRN 2050	9,815	0.27	
£7,477,000 Moat Homes Finance 5% 2041	9,425	0.26	
€4,600,000 Munich Re Finance Var. Rate 2049 (3.25%)	4,194	0.12	
£2,282,000 National Express 2.5% 2023	2,241	0.06	
£2,500,000 National Express 6.625% 2020	2,662	0.07	
£7,071,000 Orbit Capital 3.375% 2048	6,999	0.19	
£4,984,000 Orbit Group 3.5% 2045	5,018	0.14	
£808,823 Paragon Mortgages No. 22 FRN 2042	809	0.02	
£2,859,000 PCL Funding FRN 2023	2,852	0.08	
£9,300,000 Peel South East 10% 2026	12,901	0.36	
£2,500,000 Principality Building Society 2.375% 2023	2,409	0.07	
£376,101 Road Management Services 3.642% IL 2028	706	0.02	
£15,000,000 Segro 5.625% 2020	16,021	0.44	
£4,750,000 South West Water Finance 5.875% 2040	6,647	0.18	
£2,731,000 Southern Housing 3.5% 2047	2,746	0.08	
£5,000,000 Suez 5.375% 2030	6,340	0.18	
£1,684,519 Summit Finance (Law) 6.484% 2028	1,935	0.05	
£414,674 THFC Social Housing 8.75% 2021	486	0.01	
£2,065,793 Together Asset Backed Securitisation FRN 2049	2,054	0.06	
£15,000,000 University of Oxford 2.544% 2117	13,350	0.37	
£1,250,000 Virgin Money Holdings (UK) Var. Rate 2024 (4.75%)	1,170	0.03	
£250,000 Washington Mutual Bank 5.5% 2019 (a)	0	0.00	
£2,000,000 Westfield Stratford FRN 2024	1,995	0.06	
£1,900,000 Witan Investment Trust 6.125% 2025	2,315	0.06	
£1,163,000 Wm Morrison Supermarkets 3.5% 2026	1,206	0.03	
£1,263,000 Wm Morrison Supermarkets 4.625% 2023	1,391	0.04	
£5,011,000 Wm Morrison Supermarkets 4.75% 2029	5,644	0.16	
£1,250,000 Yorkshire Building Society 3.5% 2026	1,252	0.03	

M&G Corporate Bond Fund

Authorised Corporate Director's Report

Investments

Portfolio statement (continued)			
as at Holding	31.12.18 £'000	31.12.18 %	30.06.18 %
Debt derivatives	(12,352)	(0.34)	(0.07)
Interest rate futures	(12,380)	(0.34)	(0.08)
300 10 Year US Treasury Note Mar 2019	297	0.01	
(177) Euro Bund Mar 2019	(112)	0.00	
(42) Euro Buxl Mar 2019	(108)	0.00	
(1,284) Long Gilt Bond Mar 2019	(865)	(0.03)	
(149) US Long Treasury Bond Mar 2019	(726)	(0.02)	
(1,744) US Ultra Long Treasury Bond Mar 2019	(10,866)	(0.30)	
Interest rate swaps	28	0.00	0.01
£10,000,000 Pay 1.5425% Receive VAR Mar 2047	28	0.00	
CURRENCY	(7,346)	(0.21)	(0.36)
Forward currency contracts	(7,346)	(0.21)	(0.36)
€862,060 Bought for £780,664 (expires 10.01.19)	(7)	0.00	
€321,234 Bought for £289,994 (expires 13.03.19)	(1)	0.00	
€(16,302,736) Sold for £14,371,151 (expires 10.01.19)	(253)	(0.01)	
€(11,439,056) Sold for £10,176,829 (expires 13.02.19)	(97)	0.00	
€(28,494,171) Sold for £25,834,706 (expires 13.03.19)	218	0.01	
\$69,455,586 Bought for £54,385,340 (expires 10.01.19)	(6)	0.00	
\$(298,259,491) Sold for £226,027,734 (expires 10.01.19)	(7,491)	(0.21)	
\$(203,085,085) Sold for £157,100,241 (expires 13.02.19)	(1,636)	(0.05)	
\$(232,512,027) Sold for £183,415,065 (expires 13.03.19)	1,927	0.05	
Portfolio of investments	3,402,875	94.06	96.07
CASH EQUIVALENTS	147,890	4.09	2.14
'AAA' rated money market funds ^[b]	147,890	4.09	2.14
147,890,137 Northern Trust Global Fund - Sterling	147,890	4.09	
Total portfolio	3,550,765	98.15	98.21
Net other assets / (liabilities)	66,813	1.85	1.79
Net assets attributable to shareholders	3,617,578	100.00	100.00

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

^[a] Defaulted bond.

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

Portfolio transactions		
for the six months to 31 December	2018	2017
Portfolio transactions	£'000	£'000
Total purchases	519,845	376,338
Total sales	595,324	579,343

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

M&G Corporate Bond Fund

Financial highlights

Fund performance

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

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

We show performance for these two share classes because:

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

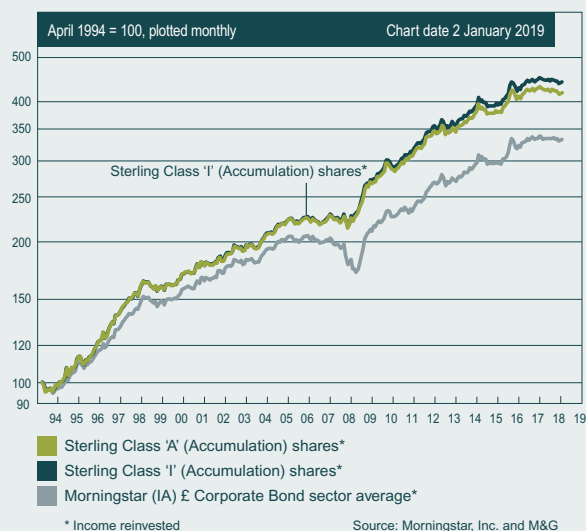
The fund is available for investment in different share classes, each with varying levels of charges and minimum investments; please refer to the Prospectus for M&G Investment Funds (3), which is available free of charge either from our website at www.mandg.co.uk/prospectuses or by calling M&G Customer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

Fund level performance

Fund net asset value			
as at	31.12.18 £'000	30.06.18 £'000	30.06.17 £'000
Fund net asset value (NAV)	3,617,578	3,696,143	4,127,165

Performance since launch

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



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

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

Long-term performance by share class

	Six months 02.07.18 % [a]	Three years 04.01.16 %p.a.	Five years 02.01.14 %p.a.	Since launch %p.a.
Euro [b]				
Class 'A'	-2.7	-3.5	+2.3	+3.7 [c]
Class 'C'	-2.3	-2.8	+3.1	+4.2 [c]
Sterling [d]				
Class 'A'	-0.5	+3.3	+4.0	+6.0 [e]
Class 'I'	-0.2	+3.7	+4.4	+6.3 [f]
Class 'R'	-0.4	+3.5	+4.2	+3.9 [g]
Class 'X'	-0.5	+3.2	+3.9	+5.8 [h]

[a] Absolute basis.

[b] Price to price with gross income reinvested.

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

[d] Price to price with income reinvested.

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

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

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

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

M&G Corporate Bond Fund

Financial highlights

Fund performance

Operating charges and portfolio transaction costs

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

Operating charges

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

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

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

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

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

Portfolio transaction costs

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

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

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

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

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

Portfolio transaction costs

as at	31.12.18	30.06.18	30.06.17	Average ^[a]
Indirect portfolio transaction costs	%	%	%	%
Average portfolio dealing spread	0.85	0.72	0.70	0.76

^[a] Average of first three columns.

M&G Corporate Bond Fund

Financial highlights

Specific share class performance

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

Euro Class 'A' Accumulation share performance

The share class was launched on 29 November 2002.

	Six months to 31.12.18 Euro ¢	Year to 30.06.18 Euro ¢	Year to 30.06.17 Euro ¢
Change in NAV per share			
Opening NAV	1,847.42	1,869.07	1,884.71
Return before operating charges and after direct portfolio transaction costs	(28.94)	4.65	10.91
Operating charges	(13.20)	(26.30)	(26.55)
Return after operating charges	(42.14)	(21.65)	(15.64)
Distributions	(20.64)	(41.42)	(45.87)
Retained distributions	20.64	41.42	45.87
Closing NAV	1,805.28	1,847.42	1,869.07

Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.01	0.02	0.02
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.01	0.02	0.02

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges	1.41	1.41	1.41
Return after operating charges	-2.28	-1.16	-0.83
Distribution yield	2.34	2.19	2.27
Effect on yield of charges offset against capital	0.00	0.00	0.00

Other information

Closing NAV (£'000)	13,011	14,337	19,148
Closing NAV percentage of total fund NAV (%)	0.36	0.39	0.46
Number of shares	803,612	875,979	1,165,891
Highest share price (Euro ¢)	1,883.17	1,916.24	1,973.09
Lowest share price (Euro ¢)	1,793.34	1,795.84	1,770.31

Euro Class 'C' Accumulation share performance

The share class was launched on 29 November 2002.

	Six months to 31.12.18 Euro ¢	Year to 30.06.18 Euro ¢	Year to 30.06.17 Euro ¢
Change in NAV per share			
Opening NAV	1,977.46	1,985.70	1,987.37
Return before operating charges and after direct portfolio transaction costs	(31.13)	4.89	11.47
Operating charges	(6.63)	(13.13)	(13.14)
Return after operating charges	(37.76)	(8.24)	(1.67)
Distributions	(29.53)	(59.15)	(63.47)
Retained distributions	29.53	59.15	63.47
Closing NAV	1,939.70	1,977.46	1,985.70

Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.01	0.02	0.02
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.01	0.02	0.02

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges	0.66	0.66	0.66
Return after operating charges	-1.91	-0.41	-0.08
Distribution yield	3.09	2.94	3.02
Effect on yield of charges offset against capital	0.00	0.00	0.00

Other information

Closing NAV (£'000)	2,113	3,234	3,021
Closing NAV percentage of total fund NAV (%)	0.06	0.09	0.07
Number of shares	121,477	184,614	173,121
Highest share price (Euro ¢)	2,021.09	2,044.58	2,083.25
Lowest share price (Euro ¢)	1,926.74	1,910.26	1,871.36

Sterling Class 'A' Income share performance

The share class was launched on 15 April 1994.

	Six months to 31.12.18 UK p	Year to 30.06.18 UK p	Year to 30.06.17 UK p
Change in NAV per share			
Opening NAV	39.70	41.21	40.50
Return before operating charges and after direct portfolio transaction costs	(0.14)	0.45	2.79
Operating charges	(0.23)	(0.48)	(0.48)
Return after operating charges	(0.37)	(0.03)	2.31
Distributions	(0.72)	(1.48)	(1.60)
Closing NAV	38.61	39.70	41.21

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

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges	1.16	1.16	1.16
Return after operating charges	-0.93	-0.07	+5.70
Distribution yield	3.74	3.59	3.67
Effect on yield of charges offset against capital	1.15	1.15	1.15

Other information

Closing NAV (£'000)	159,937	224,543	302,208
Closing NAV percentage of total fund NAV (%)	4.42	6.08	7.32
Number of shares	414,266,112	565,571,858	733,359,260
Highest share price (UK p)	40.32	41.95	43.16
Lowest share price (UK p)	38.78	39.95	40.42

M&G Corporate Bond Fund

Financial highlights

Specific share class performance

Sterling Class 'A' Accumulation share performance

The share class was launched on 15 April 1994.

	Six months to 31.12.18 UK p	Year to 30.06.18 UK p	Year to 30.06.17 UK p
Change in NAV per share			
Opening NAV	69.17	69.24	65.67
Return before operating charges and after direct portfolio transaction costs	(0.25)	0.74	4.54
Operating charges	(0.41)	(0.81)	(0.79)
Return after operating charges	(0.66)	(0.07)	3.75
Distributions	(0.87)	(1.72)	(1.84)
Retained distributions	0.87	1.72	1.66
Closing NAV	68.51	69.17	69.24
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges	1.16	1.16	1.16
Return after operating charges	-0.95	-0.10	+5.71
Distribution yield	2.59	2.44	2.52
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (£'000)	318,333	367,913	459,881
Closing NAV percentage of total fund NAV (%)	8.80	9.95	11.14
Number of shares	464,645,477	531,917,115	664,216,712
Highest share price (UK p)	70.25	70.75	70.07
Lowest share price (UK p)	68.16	68.85	66.07

Sterling Class 'I' Income share performance

The share class was launched on 2 July 2007.

	Six months to 31.12.18 UK p	Year to 30.06.18 UK p	Year to 30.06.17 UK p
Change in NAV per share			
Opening NAV	40.12	41.44	40.52
Return before operating charges and after direct portfolio transaction costs	(0.15)	0.44	2.80
Operating charges	(0.13)	(0.27)	(0.27)
Return after operating charges	(0.28)	0.17	2.53
Distributions	(0.73)	(1.49)	(1.61)
Closing NAV	39.11	40.12	41.44
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges	0.66	0.66	0.66
Return after operating charges	-0.70	+0.41	+6.24
Distribution yield	3.74	3.59	3.68
Effect on yield of charges offset against capital	0.65	0.65	0.65
Other information			
Closing NAV (£'000)	2,167,227	2,073,188	2,235,091
Closing NAV percentage of total fund NAV (%)	59.91	56.09	54.16
Number of shares	5,540,753,637	5,167,353,603	5,394,151,045
Highest share price (UK p)	40.77	42.22	43.22
Lowest share price (UK p)	39.27	40.36	40.51

Sterling Class 'I' Accumulation share performance

The share class was launched on 2 July 2007.

	Six months to 31.12.18 UK p	Year to 30.06.18 UK p	Year to 30.06.17 UK p
Change in NAV per share			
Opening NAV	72.40	72.12	68.09
Return before operating charges and after direct portfolio transaction costs	(0.26)	0.76	4.73
Operating charges	(0.24)	(0.48)	(0.47)
Return after operating charges	(0.50)	0.28	4.26
Distributions	(1.09)	(2.16)	(2.27)
Retained distributions	1.09	2.16	2.04
Closing NAV	71.90	72.40	72.12
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges	0.66	0.66	0.66
Return after operating charges	-0.69	+0.39	+6.26
Distribution yield	3.09	2.94	3.02
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (£'000)	544,069	573,803	618,336
Closing NAV percentage of total fund NAV (%)	15.04	15.52	14.98
Number of shares	756,727,838	792,512,099	857,427,451
Highest share price (UK p)	73.58	73.89	72.98
Lowest share price (UK p)	71.50	71.87	68.62

Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012.

	Six months to 31.12.18 UK p	Year to 30.06.18 UK p	Year to 30.06.17 UK p
Change in NAV per share			
Opening NAV	106.69	110.46	108.29
Return before operating charges and after direct portfolio transaction costs	(0.38)	1.20	7.47
Operating charges	(0.49)	(1.00)	(1.01)
Return after operating charges	(0.87)	0.20	6.46
Distributions	(1.94)	(3.97)	(4.29)
Closing NAV	103.88	106.69	110.46
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges	0.91	0.91	0.91
Return after operating charges	-0.82	+0.18	+5.97
Distribution yield	3.74	3.59	3.68
Effect on yield of charges offset against capital	0.90	0.90	0.90
Other information			
Closing NAV (£'000)	9,128	9,318	4,014
Closing NAV percentage of total fund NAV (%)	0.25	0.25	0.10
Number of shares	8,787,429	8,733,707	3,633,768
Highest share price (UK p)	108.39	112.50	115.46
Lowest share price (UK p)	104.32	107.33	108.16

M&G Corporate Bond Fund

Financial highlights

Specific share class performance

Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012.

	Six months to 31.12.18 UK p	Year to 30.06.18 UK p	Year to 30.06.17 UK p
Change in NAV per share			
Opening NAV	127.97	127.78	120.92
Return before operating charges and after direct portfolio transaction costs	(0.46)	1.36	8.38
Operating charges	(0.59)	(1.17)	(1.14)
Return after operating charges	(1.05)	0.19	7.24
Distributions	(1.76)	(3.50)	(3.72)
Retained distributions	1.76	3.50	3.34
Closing NAV	126.92	127.97	127.78
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges	0.91	0.91	0.91
Return after operating charges	-0.82	+0.15	+5.99
Distribution yield	2.84	2.69	2.77
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (£'000)	16,106	15,318	1,913
Closing NAV percentage of total fund NAV (%)	0.45	0.41	0.05
Number of shares	12,689,913	11,969,919	1,496,999
Highest share price (UK p)	130.01	130.75	129.31
Lowest share price (UK p)	126.24	127.27	121.77

Sterling Class 'X' Income share performance

The share class was launched on 15 April 1994.

	Six months to 31.12.18 UK p	Year to 30.06.18 UK p	Year to 30.06.17 UK p
Change in NAV per share			
Opening NAV	39.67	41.17	40.51
Return before operating charges and after direct portfolio transaction costs	(0.15)	0.45	2.79
Operating charges	(0.23)	(0.47)	(0.53)
Return after operating charges	(0.38)	(0.02)	2.26
Distributions	(0.72)	(1.48)	(1.60)
Closing NAV	38.57	39.67	41.17
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges	1.16	1.16	1.28*
Return after operating charges	-0.96	-0.05	+5.58
Distribution yield	3.74	3.59	3.67
Effect on yield of charges offset against capital	1.15	1.15	1.15
Other information			
Closing NAV (£'000)	370,147	394,950	457,161
Closing NAV percentage of total fund NAV (%)	10.23	10.69	11.08
Number of shares	959,628,320	995,698,514	1,110,390,963
Highest share price (UK p)	40.29	41.91	43.16
Lowest share price (UK p)	38.75	39.91	40.38

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

M&G Corporate Bond Fund

Financial highlights

Specific share class performance

Sterling Class 'X' Accumulation share performance

The share class was launched on 15 April 1994.

	Six months to 31.12.18 UK p	Year to 30.06.18 UK p	Year to 30.06.17 UK p
Change in NAV per share			
Opening NAV	67.13	67.20	63.79
Return before operating charges and after direct portfolio transaction costs	(0.24)	0.71	4.42
Operating charges	(0.40)	(0.78)	(0.85)
Return after operating charges	(0.64)	(0.07)	3.57
Distributions	(0.84)	(1.67)	(1.71)
Retained distributions	0.84	1.67	1.55
Closing NAV	66.49	67.13	67.20
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges	1.16	1.16	1.28*
Return after operating charges	-0.95	-0.10	+5.60
Distribution yield	2.59	2.44	2.29
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (£'000)	17,507	19,539	26,392
Closing NAV percentage of total fund NAV (%)	0.48	0.53	0.64
Number of shares	26,328,233	29,105,020	39,274,822
Highest share price (UK p)	68.18	68.67	68.01
Lowest share price (UK p)	66.15	66.83	64.14

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

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

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

M&G Corporate Bond Fund

Financial statements and notes

Financial statements

Statement of total return

for the six months to 31 December	2018		2017	
	£'000	£'000	£'000	£'000
Income				
Net capital gains / (losses)		(83,943)		31,599
Revenue	68,555		74,219	
Expenses	(14,850)		(16,428)	
Net revenue / (expense) before taxation	53,705		57,791	
Taxation	83		(213)	
Net revenue / (expense) after taxation		53,788		57,578
Total return before distributions		(30,155)		89,177
Distributions		(63,413)		(68,128)
Change in net assets attributable to shareholders from investment activities		(93,568)		21,049

Statement of change in net assets attributable to shareholders

for the six months to 31 December	2018		2017	
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		3,696,143		4,127,165
Amounts received on issue of shares	322,154		67,824	
Amounts paid on cancellation of shares	(322,021)		(224,722)	
		133		(156,898)
Dilution adjustments		1,554		565
Change in net assets attributable to shareholders from investment activities (see above)		(93,568)		21,049
Retained distributions on Accumulation shares		13,291		15,024
Unclaimed distributions		25		14
Closing net assets attributable to shareholders		3,617,578		4,006,919

The opening net assets attributable to shareholders for 2018 differs to the closing position in 2017 by the change in net assets attributable to shareholders for the second half of the comparative financial year.

Balance sheet

as at	31 December 2018	30 June 2018
	£'000	£'000
Assets		
Fixed assets		
Investments	3,425,043	3,567,032
Current assets		
Debtors	59,587	84,904
Cash and bank balances	36,884	28,564
Cash equivalents	147,890	79,060
Total assets	3,669,404	3,759,560
Liabilities		
Investment liabilities	(22,168)	(16,097)
Creditors		
Overdrawn positions at futures clearing houses and collateral manager	(631)	(44)
Distribution payable	(26,124)	(25,462)
Other creditors	(2,903)	(21,814)
Total liabilities	(51,826)	(63,417)
Net assets attributable to shareholders	3,617,578	3,696,143

Notes to the financial statements

Accounting policies

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

Distribution policy

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

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

M&G Corporate Bond Fund

Financial statements and notes

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M&G Dividend Fund

Authorised Corporate Director's Report

Investment objective and policy

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

Investment approach

The M&G Dividend Fund employs a bottom-up stockpicking approach, driven by the fundamental analysis of individual companies. The fund manager seeks to invest in companies with excellent capital discipline and long-term dividend growth potential. The fund manager believes rising dividends create upward pressure on the value of shares. Dividend yield is not the primary consideration for stock selection.

The fund manager aims to create a diversified portfolio with exposure to a broad range of sectors. He selects stocks with different drivers of dividend growth to construct a portfolio that has the potential to cope in a variety of market conditions. The fund invests with a long-term investment view and a typical holding period of three to five years.

Risk profile

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

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



The above number:

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

Investment review

As at 2 January 2019, for the six months ended 31 December 2018

Distribution summary

Over the six-month review period, the fund distributed income of 0.80 pence per Sterling Class 'A' (Income) share. This distribution matches the payment made in the same period last year. The distribution represents a yield (distributed income as a percentage of the share price as at 2 January 2019) of 5.47% versus a yield of 4.45% for the FTSE All-Share Index, a comparative index, reflecting a yield premium of 22.9% for the fund.

The lack of a high dividend payout among the UK's largest companies has remained a recurrent theme, as large companies often struggle to increase their dividends when growth proves elusive or is simply more challenging, once companies have reached maturity. (Dividends represent a share in the profits of a company and are paid out to the company's shareholders at set times of the year.) Another recurrent theme has been Brexit, which represented a formidable headwind over the course of 2018, casting an enduring shadow over the UK stockmarket. The uncertainty surrounding Brexit's outcome has meant that many companies have lacked the visibility needed to make operational decisions.

The period under review stood in stark contrast to the first half of 2018, which had withstood the unexpected return of extreme market turbulence, also called volatility, in February, to subsequently deliver a strong recovery of the UK market. However, this temporary respite was to be short-lived. The market's benign mood turned sour and we witnessed a seemingly inexorable downward slide of investors' appetite for UK equities (company shares). The last quarter of the year was particularly painful, as investors' risk aversion increased to exceptional levels, almost irrespective of companies' underlying fundamentals. Anxiety levels were fuelled by an endless series of agonising political twists on the outcome of Brexit, concerns about slowing global growth, worries over the trade dispute between the US and China and the near-term evolution of US interest rates – all of which conspired to bring global financial markets to a bruising close. Volatility indeed had returned in 2018.

In this context, we continued to avoid stocks whose dividends are volatile as a result of their sensitivity to external factors – ultimately beyond their control – and continued to look for companies with sustainable earnings and financial discipline, with the aim of delivering a reliable dividend stream.

As a result, a majority of the fund's holdings delivered good dividend growth, in line with their long-term commitment. Dividends were particularly healthy across our financial holdings, with St. James's Place raising its payout by 20%, Jupiter Fund Management by over 16% and insurer Sampo delivering a 13% rise. Not all financials fared so well, however, as Lloyds Banking Group delivered a more moderate 7% dividend growth and HSBC Holdings kept its dividend flat.

Some of our real estate-linked holdings also delivered solid dividend growth, with UNITE Group, a student accommodation company, delivering an impressive uplift of 30%, while IWG, a temporary office provider, announced a less stellar, but still solid increase of nearly 12%.

M&G Dividend Fund

Authorised Corporate Director's Report

Investment review

Distribution summary (continued)

Our holdings within food services registered resilient performances as well, with dividend increases of over 12% and 11% respectively for Compass Group and Hilton Food Group.

Not all of our holdings delivered growth, however, and we saw DS Smith cutting its dividend by 3% on the back of the capital increase linked to the acquisition of European competitor Europac, but we expect to see the company return to dividend growth next year.

Against this backdrop, we were happy with the overall dividend growth across the portfolio, considering the current economic context, and encouraged after a tougher year last year which saw distribution cut by 3%. We also maintained a yield above that of the FTSE All-Share Index while continuing to avoid highly leveraged companies (i.e. companies with high levels of debt). We remain selective about our dividend streams and endeavour to strike a sensible balance between long-term dividend progression and attractive valuations. This is in full recognition that the combination of a high yield and rising distribution is important to our investors. We remain committed to delivering on these twin income objectives.

The fund's distribution and distribution yield are shown in the 'Specific share class performance' tables in this report. The distribution is subject to changes in the market environment and there is no guarantee that the fund will increase the distribution in every reporting period.

Performance against objective

Between 2 July 2018 (the start of the review period) and 2 January 2019, the fund delivered a negative total return (the combination of income and capital growth) across all its share classes and lagged the FTSE All-Share Index, which registered a negative performance of -9.8% over the six-month period.

Over this period the fund did not achieve its objective of growing the distribution (albeit over a relatively short period) or generating capital growth. However, it did achieve its objective in terms of delivering a distribution yield above that of the FTSE All-Share Index. Over a longer period of five years, the fund has achieved all aspects of its objective.*

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

Performance review

In a very challenging period for the UK stockmarket, healthcare was the only sector to produce a positive return, while telecommunications and technology also proved more resilient than the wider market. The worst performer for the period was industrials, while the consumer sectors, as well as oil & gas, also underperformed the index. For the fund, stockpicking within industrials, as well as the above-index position in the sector, led to the largest drag on relative returns. Stock selection within the consumer goods and basic materials sectors also weighed on relative performance, as did the below-index position in healthcare. On the upside, selection within consumer services, financials and technology was supportive.

From a stock-specific perspective, DS Smith was the largest detractor for the period under review – despite publishing strong operational results, the stock fell by nearly 40% during the period. This was primarily based on fears of overcapacity in the cardboard market. We believe, however, that these concerns are overdone in the short term, as the US market offers a roadmap for long-term consolidation and structurally higher returns in the European market. With regard to short-term operating performance, management confirmed that 70% of their customers are in the 'fast-moving consumer goods' (FMCG) segment – a stable sector – which means the company has high visibility over its order book. We also anticipate support from the growth of internet shopping and from consumers and retailers alike switching from single use plastic towards renewable, recyclable materials.

Other detractors included online gaming company GVC Holdings and packaging company Essentra. GVC was hurt by the UK government bringing forward previously announced plans to increase the level of taxation in the UK. We continue, however, to see significant potential in the US market as, in May 2018, the US Supreme Court repealed the 'Gambling Prohibition Act' which had prohibited online gaming and gambling. A number of US individual states have since legalised gambling on sporting events. GVC bolstered its 'first mover' advantage by striking an early and strategic deal with MGM resorts, which will enable it to combine MGM's brand and GVC's online capabilities. The biggest market in the world has just opened up yet valuations do not reflect this. We expect to see earnings and dividends continuing to grow over the next few years, along with the demand for online gaming.

With regard to Essentra, we have continued to engage with the company regularly and our meetings with senior management have given us comfort that the company is refocusing on its core business, which we think should bring a rebound in revenue and profitability. We see significant upside for the stock, as we anticipate that the company is at an inflexion point for a recovery in profits and believe that the recovery thesis remains intact.

On the upside, the fund's largest contributor was Luxembourg-based satellite company SES FDR. Having been one of our largest detractors during the previous review period, the company delivered strong turnaround performance, justifying our decision to hold on to the stock after a couple of quarters of disappointing performance.

Other supportive holdings included pharmaceutical company Roche Holding and insurance provider Admiral Group. Roche was boosted by the combination of a very strong set of results and investors' aversion to risk, which led to healthcare outperforming in the US and Europe alike. The resilience of Roche's product pipeline surprised investors who had anticipated the demise of some of the company's blockbuster drugs as their patents reached expiry. Finally, we believe Admiral will benefit as the motor insurance industry is structurally becoming more disciplined than it has been in previous cycles. Admiral has strong competitive advantages and a positive corporate culture which we believe has also accounted for a big part of its success.

Investment activities

We completed six new purchases and six complete sales during the period under review, consistent with our long-term investment horizon of three years or more. Our investment decisions are based on the detailed analysis of company fundamentals and the thorough assessment of valuation to determine whether a stock merits its place

M&G Dividend Fund

Authorised Corporate Director's Report

Investment review

Investment activities (continued)

in the fund. Understanding corporate culture and strategy is another prerequisite to understanding the value creation that a company can potentially deliver. This entails regular meetings and engagement with senior management, as well as site visits to their operational facilities. It is through the methodical application of this iterative process that we aim to identify new ideas.

Over the period in review, we purchased shares in HSBC Holdings, Lancashire Holdings and St James's Place, thus increasing our positions in financial companies. We believe Lancashire Holdings, the Bermuda-based insurer, is mispriced and will offer growth opportunities without any need for additional financing thanks to its robust balance sheet and surplus capital. We think St James's Place has a unique business model within the asset management segment and believe the company will continue to deliver superior growth and returns.

Our investment in mining company Rio Tinto represented a tactical allocation to decrease our below-index positioning in materials, while Tritax EuroBox provides exposure to the fast-growing market of logistics and warehousing estates, which are benefiting from the strong growth of online retail.

Finally, market volatility gave us an opportunity to build a position in Unilever – one of the most stable, highest quality companies in our investment universe – at an advantageous valuation.

In terms of sales, we took profits on Prudential to rotate into more attractive opportunities elsewhere.

Other sales included Domino's Pizza, as the rollout of new locations was slower than expected. We also felt that the lack of stability in key management positions was likely to further increase the execution risk.

Outlook

What a difference a year makes. The FTSE All-Share Index had ended 2017 at an all-time high, despite ongoing macroeconomic uncertainties: lower forecasts for economic growth, the first interest rate increases in 10 years and inflation on the rise following Brexit-induced sterling weakness. In contrast, 2018 was a year of two halves which met a brutal end, as evidenced by the FTSE All-Share's near 10% plunge over the period under review.

We want to remind our investors that the UK stockmarket is not just UK-centric and that the punishment inflicted by investors on the UK market seems disproportionate. This is particularly so when we consider that its constituent companies are, for the most part, linked to international markets and opportunities, demonstrating that they reach well beyond the confines of the domestic economy.

With this in mind, we remain firmly focused on our mandate, which is the analysis of company fundamentals and valuation, in the conviction that these factors drive returns over the long term. In the current context, we believe the UK market continues to offer long-term significant growth opportunities and what will hopefully – retrospectively – reveal itself as a unique opportunity for stockpickers. Medium-sized companies in particular are still a source of attractive

opportunities, given their potential to deliver long-term growth for the benefit of shareholders, even among more domestically biased businesses. Selectivity, though, remains paramount.

We remain committed to our dividend growth strategy and our conviction-based approach, and believe that the cash-generative nature of the fund's holdings, their ability to grow dividends over the long term and their attractive valuation will be positive for the fund. The fund's current yield of 5.47% (as at 2 January 2019), which we aim to grow over time, offers, we believe, a favourable proposition for long-term investors.

Phil Cliff

Fund manager

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

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

Investments

Portfolio statement

as at Holding	31.12.18 £'000	31.12.18 %	30.06.18 %
EQUITIES	1,064,824	99.23	101.01
Oil & gas producers	78,789	7.34	6.95
15,803,606 BP	78,789	7.34	
Oil equipment, services & distribution	3,632	0.34	0.42
2,990,875 Prosafe	3,632	0.34	
Chemicals	18,989	1.77	2.33
506,796 Methanex	18,989	1.77	
Mining	30,426	2.84	0.00
808,234 Rio Tinto	30,426	2.84	
Construction & materials	2,656	0.25	0.26
807,204 Polypipe	2,656	0.25	
Aerospace & defence	27,268	2.54	3.51
5,922,608 BAE Systems	27,268	2.54	
General industrials	53,104	4.95	5.60
11,270,407 DS Smith	33,507	3.12	
223,425 Siemens	19,597	1.83	
Industrial engineering	49,826	4.64	5.02
1,762,815 IMI	16,720	1.56	
889,491 Kone	33,106	3.08	
Support services	59,683	5.56	6.76
10,621,378 Essentra	36,431	3.40	
3,549,595 Howden Joinery Group	15,583	1.45	
3,706,623 IWG	7,669	0.71	
Beverages	21,144	1.97	1.72
2,639,648 Britvic	21,144	1.97	
Food producers	10,378	0.97	0.52
1,153,140 Hilton Food Group	10,378	0.97	
Household goods & home construction	18,088	1.69	2.16
5,942,026 Countryside Properties	18,088	1.69	

M&G Dividend Fund

Authorised Corporate Director's Report

Investments

Portfolio statement (continued)				
as at Holding	31.12.18 £'000	31.12.18 %	30.06.18 %	
Personal goods	17,786	1.66	0.00	
431,588 Unilever	17,786	1.66		
Tobacco	89,029	8.30	10.63	
1,647,579 British American Tobacco	41,354	3.86		
2,011,168 Imperial Brands	47,675	4.44		
Healthcare equipment & services	9,617	0.90	2.04	
6,879,346 ConvaTec	9,617	0.90		
Pharmaceuticals & biotechnology	63,859	5.95	7.30	
631,097 AstraZeneca	36,812	3.43		
139,620 Roche Holding 'Genusschein'	27,047	2.52		
Media	62,073	5.78	7.14	
2,450,000 RELX	39,653	3.69		
1,501,826 SES FDR	22,420	2.09		
Travel & leisure	60,759	5.66	7.09	
2,129,005 Compass Group	34,916	3.25		
3,865,805 GVC Holdings	25,843	2.41		
Gas, water & multi-utilities	19,399	1.81	1.40	
2,545,095 National Grid	19,399	1.81		
Banks	88,559	8.25	5.34	
5,229,615 HSBC Holdings	33,736	3.14		
57,943,709 Lloyds Banking Group	29,893	2.79		
3,818,794 Nordea Bank	24,930	2.32		
Non-life insurance	94,802	8.83	6.67	
1,404,891 Admiral Group	28,631	2.67		
1,121,283 Hiscox	18,008	1.68		
1,883,911 Lancashire Holdings	11,445	1.06		
4,383,177 Sabre Insurance Group	12,010	1.12		
720,264 Sampo	24,708	2.30		
Life insurance	46,280	4.31	7.46	
1,575,970 Aviva	5,911	0.55		
4,932,333 Phoenix Group	27,730	2.58		
1,345,184 St. James's Place	12,639	1.18		
Real estate investment trusts	45,424	4.23	3.49	
14,470,457 Tritax Big Box	19,043	1.77		
10,800,000 Tritax EuroBox	10,001	0.93		
2,034,734 UNITE Group	16,380	1.53		
Financial services	50,784	4.73	5.04	
1,041,208 3i Group	8,082	0.75		
2,773,306 Intermediate Capital Group	25,944	2.42		
5,669,115 Jupiter Fund Management	16,758	1.56		
Equity investment instruments	12,765	1.19	1.06	
1,150,000 Honeycomb Investment Trust	12,765	1.19		
Software & computer services	29,705	2.77	1.10	
2,154,065 Micro Focus International	29,705	2.77		
Unlisted	0	0.00	0.00	
377,518 Izodia ^[a]	0	0.00		

Portfolio statement (continued)

as at Holding	31.12.18 £'000	31.12.18 %	30.06.18 %
CURRENCY	(726)	(0.07)	(0.04)
Forward currency contracts	(726)	(0.07)	(0.04)
\$21,138,668 Bought for £16,579,152 (expires 09.01.19)	(28)	0.00	
\$(35,795,075) Sold for £27,329,145 (expires 09.01.19)	(698)	(0.07)	
Portfolio of investments	1,064,098	99.16	100.97
CASH EQUIVALENTS	18,037	1.68	0.75
'AAA' rated money market funds ^[b]	18,037	1.68	0.75
18,036,965 Northern Trust Global Fund - Sterling	18,037	1.68	
Total portfolio	1,082,135	100.84	101.72
Net other assets / (liabilities)	(9,019)	(0.84)	(1.72)
Net assets attributable to shareholders	1,073,116	100.00	100.00

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

^[a] Suspended.

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

Top ten portfolio transactions

for the six months to 31 December 2018

	£'000
Largest purchases	
HSBC Holdings	34,460
Rio Tinto	30,400
Unilever	17,847
Micro Focus International	17,118
St. James's Place	15,734
Lancashire Holdings	12,962
Tritax EuroBox	10,800
Phoenix Group	10,230
National Grid	8,339
DS Smith	8,199
Other purchases	54,385
Total purchases	220,474
Largest sales	
AstraZeneca	32,951
Prudential ^[a]	26,997
SES FDR	22,446
Aviva	20,492
Domino's Pizza	13,116
British American Tobacco	10,867
Phoenix Group	8,598
ConvaTec	7,862
Kone	7,385
Countryside Properties	4,733
Other sales	40,920
Total sales	196,367

^[a] Related party to the fund.

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

M&G Dividend Fund

Financial highlights

Fund performance

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

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

We show performance for these two share classes because:

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

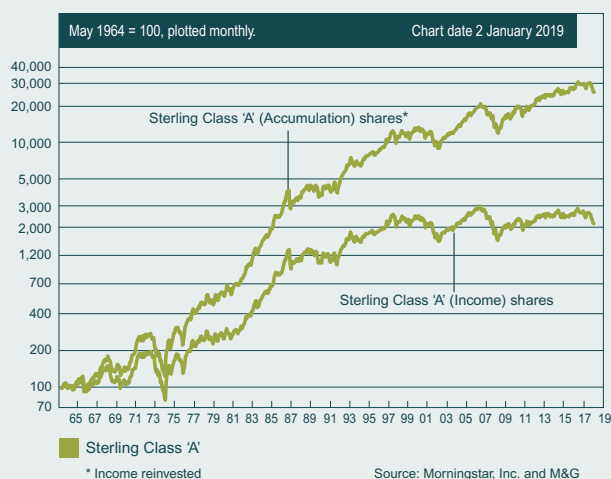
The fund is available for investment in different share classes, each with varying levels of charges and minimum investments; please refer to the Prospectus for M&G Investment Funds (3), which is available free of charge either from our website at www.mandg.co.uk/prospectuses or by calling M&G Customer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

Fund level performance

Fund net asset value			
as at	31.12.18 £'000	30.06.18 £'000	30.06.17 £'000
Fund net asset value (NAV)	1,073,116	1,204,479	1,288,318

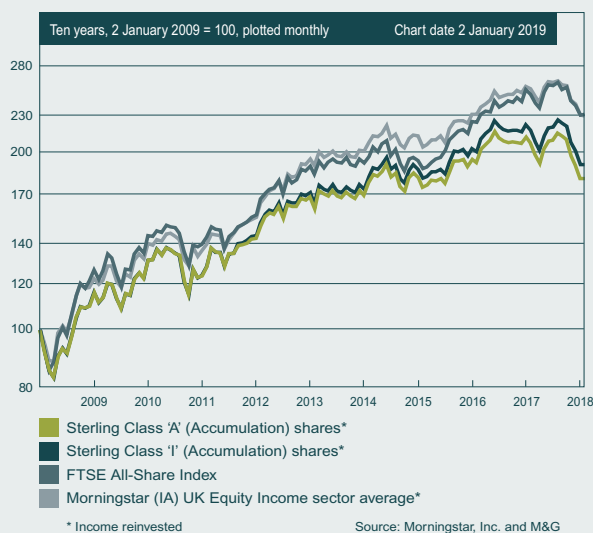
Share class performance since launch

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



Ten-year performance

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



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

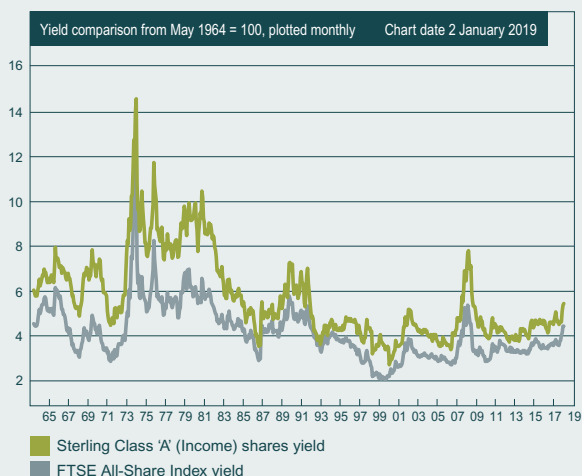
M&G Dividend Fund

Financial highlights

Fund performance

Historic yield

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

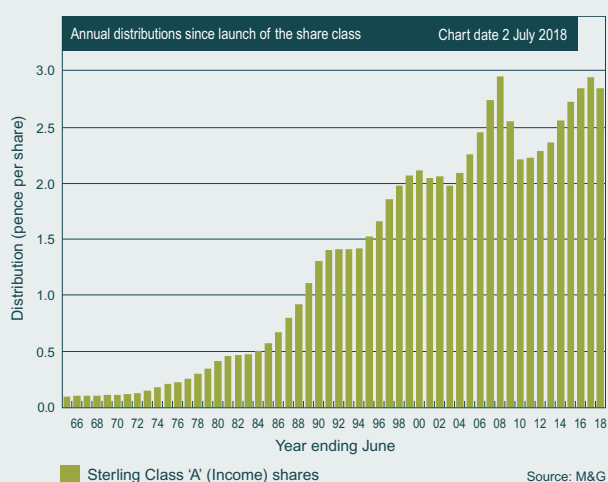


Source: Morningstar, Inc. and M&G

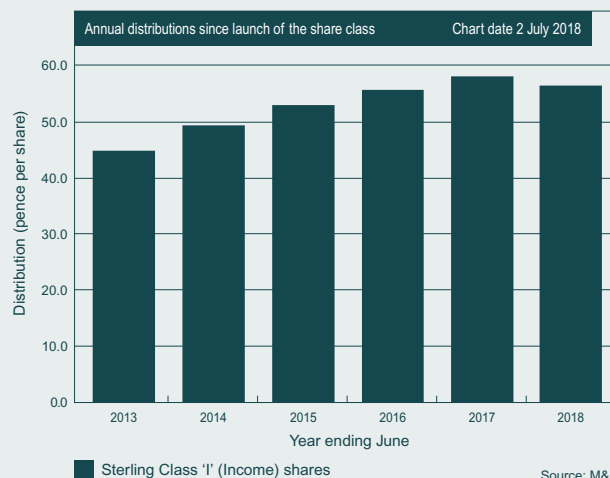
Historic yield: The historic yield reflects distributions declared over the past twelve months as a percentage of the mid-market price, as at the date shown. It does not include any preliminary charge and investors may be subject to tax on their distributions.

Distribution since launch

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



Source: M&G



Source: M&G

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

Long-term performance by share class

	Six months 02.07.18 % ^[a]	Three years 04.01.16 %p.a.	Five years 02.01.14 %p.a.	Since launch %p.a.
Sterling^[b]				
Class 'A'	-12.3	+0.4	+1.3	+10.7 ^[c]
Class 'C'	-11.7	+1.9	+2.8	+5.2 ^[d]
Class 'I'	-12.0	+1.1	+2.1	+5.2 ^[e]
Class 'R'	-12.1	+0.9	+1.8	+4.9 ^[e]
Class 'X'	-12.3	+0.4	+1.3	+6.3 ^[f]

^[a] Absolute basis.

^[b] Price to price with income reinvested.

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

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

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

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

M&G Dividend Fund

Financial highlights

Fund performance

Operating charges and portfolio transaction costs

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

Operating charges

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

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

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

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

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

Portfolio transaction costs

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

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

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

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

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

Portfolio transaction costs

	Six months to 31.12.18	Year to 30.06.18	Year to 30.06.17	Average ^[a]
Direct portfolio transaction costs ^[b]	%	%	%	%
Broker commission	0.02	0.04	0.04	0.03
Taxes	0.14	0.12	0.10	0.12
Costs before dilution adjustments	0.16	0.16	0.14	0.15
Dilution adjustments ^[c]	(0.05)	(0.03)	(0.02)	(0.03)
Total direct portfolio transaction costs	0.11	0.13	0.12	0.12
as at	31.12.18	30.06.18	30.06.17	Average ^[a]
Indirect portfolio transaction costs	%	%	%	%
Average portfolio dealing spread	0.13	0.10	0.12	0.12

^[a] Average of first three columns.

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

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

M&G Dividend Fund

Financial highlights

Specific share class performance

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

Historic yields for the current period are calculated as at 11 January 2019.

Sterling Class 'A' Income share performance

The share class was launched on 6 May 1964.

	Six months to 31.12.18 UK p	Year to 30.06.18 UK p	Year to 30.06.17 UK p
Change in NAV per share			
Opening NAV	61.07	65.01	56.52
Return before operating charges and after direct portfolio transaction costs	(7.62)	(0.04)	12.49
Operating charges	(0.52)	(1.05)	(1.05)
Return after operating charges	(8.14)	(1.09)	11.44
Distributions	(0.80)	(2.85)	(2.95)
Closing NAV	52.13	61.07	65.01
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.05	0.10	0.09
Dilution adjustments ^[a]	(0.02)	(0.02)	(0.01)
Total direct portfolio transaction costs	0.03	0.08	0.08
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.11	0.13	0.12
Operating charges	1.70	1.68	1.66
Return after operating charges	-13.33	-1.68	+20.24
Historic yield	5.23	4.60	4.55
Effect on yield of charges offset against capital	1.66	1.66	1.66
Other information			
Closing NAV (£'000)	252,353	303,852	364,142
Closing NAV percentage of total fund NAV (%)	23.51	25.23	28.27
Number of shares	484,078,993	497,549,090	560,171,148
Highest share price (UK p)	63.11	65.92	69.22
Lowest share price (UK p)	52.16	57.44	57.24

Sterling Class 'A' Accumulation share performance

The share class was launched on 6 May 1964.

	Six months to 31.12.18 UK p	Year to 30.06.18 UK p	Year to 30.06.17 UK p
Change in NAV per share			
Opening NAV	702.83	714.80	594.58
Return before operating charges and after direct portfolio transaction costs	(87.48)	(0.34)	131.29
Operating charges	(5.96)	(11.63)	(11.07)
Return after operating charges	(93.44)	(11.97)	120.22
Distributions	(4.63)	(20.17)	(20.18)
Retained distributions	4.63	20.17	20.18
Closing NAV	609.39	702.83	714.80
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.56	1.07	0.93
Dilution adjustments ^[a]	(0.18)	(0.21)	(0.13)
Total direct portfolio transaction costs	0.38	0.86	0.80
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.11	0.13	0.12
Operating charges	1.70	1.68	1.66
Return after operating charges	-13.29	-1.67	+20.22
Historic yield	3.26	2.83	2.83
Effect on yield of charges offset against capital	0.01	0.01	0.01
Other information			
Closing NAV (£'000)	61,770	74,303	88,701
Closing NAV percentage of total fund NAV (%)	5.76	6.17	6.89
Number of shares	10,136,372	10,571,996	12,409,112
Highest share price (UK p)	726.56	724.97	736.85
Lowest share price (UK p)	600.55	639.57	601.50

Sterling Class 'C' Income share performance

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

The share class was launched on 3 January 2006.

	Six months to 31.12.18 UK p	Year to 30.06.18 UK p	Year to 30.06.17 UK p
Change in NAV per share			
Opening NAV	74.35	77.96	66.76
Return before operating charges and after direct portfolio transaction costs	(9.33)	(0.02)	14.83
Operating charges	(0.08)	(0.14)	(0.12)
Return after operating charges	(9.41)	(0.16)	14.71
Distributions	(0.98)	(3.45)	(3.51)
Closing NAV	63.96	74.35	77.96
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.06	0.12	0.10
Dilution adjustments ^[a]	(0.02)	(0.02)	(0.02)
Total direct portfolio transaction costs	0.04	0.10	0.08
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.11	0.13	0.12
Operating charges	0.20	0.18	0.16
Return after operating charges	-12.66	-0.21	+22.03
Historic yield	5.17	4.57	4.52
Effect on yield of charges offset against capital	0.16	0.16	0.16
Other information			
Closing NAV (£'000)	623,664	665,795	687,746
Closing NAV percentage of total fund NAV (%)	58.12	55.27	53.38
Number of shares	975,084,624	895,430,657	882,227,059
Highest share price (UK p)	76.94	79.12	82.90
Lowest share price (UK p)	63.99	69.68	67.62

M&G Dividend Fund

Financial highlights

Specific share class performance

Sterling Class 'I' Income share performance

The share class was launched on 3 August 2012.

	Six months to 31.12.18 UK p	Year to 30.06.18 UK p	Year to 30.06.17 UK p
Change in NAV per share			
Opening NAV	1,221.44	1,290.34	1,113.45
Return before operating charges and after direct portfolio transaction costs	(152.86)	(0.51)	246.53
Operating charges	(5.88)	(11.59)	(11.34)
Return after operating charges	(158.74)	(12.10)	235.19
Distributions	(16.04)	(56.80)	(58.30)
Closing NAV	1,046.66	1,221.44	1,290.34
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.98	1.93	1.74
Dilution adjustments ^[a]	(0.32)	(0.38)	(0.25)
Total direct portfolio transaction costs	0.66	1.55	1.49
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.11	0.13	0.12
Operating charges	0.95	0.93	0.91
Return after operating charges	-13.00	-0.94	+21.12
Historic yield	5.20	4.59	4.53
Effect on yield of charges offset against capital	0.91	0.91	0.91
Other information			
Closing NAV (£'000)	69,126	83,800	86,799
Closing NAV percentage of total fund NAV (%)	6.44	6.96	6.74
Number of shares	6,604,402	6,860,758	6,726,821
Highest share price (UK p)	1,263.06	1,309.05	1,373.16
Lowest share price (UK p)	1,047.21	1,146.68	1,127.65

Sterling Class 'I' Accumulation share performance

The share class was launched on 3 August 2012.

	Six months to 31.12.18 UK p	Year to 30.06.18 UK p	Year to 30.06.17 UK p
Change in NAV per share			
Opening NAV	1,593.43	1,608.51	1,327.98
Return before operating charges and after direct portfolio transaction costs	(198.90)	(0.55)	294.13
Operating charges	(7.67)	(14.53)	(13.60)
Return after operating charges	(206.57)	(15.08)	280.53
Distributions	(15.25)	(57.32)	(56.52)
Retained distributions	15.25	57.32	56.52
Closing NAV	1,386.86	1,593.43	1,608.51
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	1.28	2.42	2.09
Dilution adjustments ^[a]	(0.41)	(0.48)	(0.30)
Total direct portfolio transaction costs	0.87	1.94	1.79
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.11	0.13	0.12
Operating charges	0.95	0.93	0.91
Return after operating charges	-12.96	-0.94	+21.12
Historic yield	4.04	3.55	3.52
Effect on yield of charges offset against capital	0.01	0.01	0.01
Other information			
Closing NAV (£'000)	18,895	22,216	19,636
Closing NAV percentage of total fund NAV (%)	1.76	1.84	1.52
Number of shares	1,362,450	1,394,209	1,220,766
Highest share price (UK p)	1,648.33	1,632.10	1,657.16
Lowest share price (UK p)	1,366.64	1,447.45	1,343.61

Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012.

	Six months to 31.12.18 UK p	Year to 30.06.18 UK p	Year to 30.06.17 UK p
Change in NAV per share			
Opening NAV	120.34	127.45	110.26
Return before operating charges and after direct portfolio transaction costs	(15.04)	(0.06)	24.47
Operating charges	(0.73)	(1.45)	(1.52)
Return after operating charges	(15.77)	(1.51)	22.95
Distributions	(1.58)	(5.60)	(5.76)
Closing NAV	102.99	120.34	127.45
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.10	0.19	0.18
Dilution adjustments ^[a]	(0.03)	(0.04)	(0.03)
Total direct portfolio transaction costs	0.07	0.15	0.15
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.11	0.13	0.12
Operating charges	1.20	1.18	1.16
Return after operating charges	-13.10	-1.18	+20.81
Historic yield	5.21	4.59	4.54
Effect on yield of charges offset against capital	1.16	1.16	1.16
Other information			
Closing NAV (£'000)	14,479	15,978	8,925
Closing NAV percentage of total fund NAV (%)	1.35	1.33	0.69
Number of shares	14,059,398	13,277,490	7,002,965
Highest share price (UK p)	124.41	129.28	135.66
Lowest share price (UK p)	103.04	113.04	111.66

Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012.

	Six months to 31.12.18 UK p	Year to 30.06.18 UK p	Year to 30.06.17 UK p
Change in NAV per share			
Opening NAV	156.97	158.85	131.47
Return before operating charges and after direct portfolio transaction costs	(19.57)	(0.07)	29.12
Operating charges	(0.95)	(1.81)	(1.74)
Return after operating charges	(20.52)	(1.88)	27.38
Distributions	(1.35)	(5.27)	(5.22)
Retained distributions	1.35	5.27	5.22
Closing NAV	136.45	156.97	158.85
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.13	0.24	0.21
Dilution adjustments ^[a]	(0.04)	(0.05)	(0.03)
Total direct portfolio transaction costs	0.09	0.19	0.18
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.11	0.13	0.12
Operating charges	1.20	1.18	1.16
Return after operating charges	-13.07	-1.18	+20.83
Historic yield	3.78	3.31	3.29
Effect on yield of charges offset against capital	0.01	0.01	0.01
Other information			
Closing NAV (£'000)	13,997	15,165	396
Closing NAV percentage of total fund NAV (%)	1.30	1.26	0.03
Number of shares	10,258,091	9,661,090	249,149
Highest share price (UK p)	162.34	161.16	163.69
Lowest share price (UK p)	134.46	142.68	133.01

M&G Dividend Fund

Financial highlights

Specific share class performance

Sterling Class 'X' Income share performance

The share class was launched on 1 October 2002.

	Six months to 31.12.18 UK p	Year to 30.06.18 UK p	Year to 30.06.17 UK p
Change in NAV per share			
Opening NAV	61.35	65.30	56.78
Return before operating charges and after direct portfolio transaction costs	(7.66)	(0.03)	12.53
Operating charges	(0.52)	(1.06)	(1.05)
Return after operating charges	(8.18)	(1.09)	11.48
Distributions	(0.80)	(2.86)	(2.96)
Closing NAV	52.37	61.35	65.30
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.05	0.10	0.09
Dilution adjustments ^[a]	(0.02)	(0.02)	(0.01)
Total direct portfolio transaction costs	0.03	0.08	0.08
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.11	0.13	0.12
Operating charges	1.70	1.68	1.66
Return after operating charges	-13.33	-1.67	+20.22
Historic yield	5.23	4.60	4.55
Effect on yield of charges offset against capital	1.66	1.66	1.66
Other information			
Closing NAV (£'000)	16,171	19,977	27,807
Closing NAV percentage of total fund NAV (%)	1.51	1.66	2.16
Number of shares	30,877,583	32,562,207	42,580,816
Highest share price (UK p)	63.40	66.22	69.54
Lowest share price (UK p)	52.40	57.70	57.50

Sterling Class 'X' Accumulation share performance

The share class was launched on 1 October 2002.

	Six months to 31.12.18 UK p	Year to 30.06.18 UK p	Year to 30.06.17 UK p
Change in NAV per share			
Opening NAV	695.26	707.10	588.17
Return before operating charges and after direct portfolio transaction costs	(86.53)	(0.33)	129.89
Operating charges	(5.90)	(11.51)	(10.96)
Return after operating charges	(92.43)	(11.84)	118.93
Distributions	(4.58)	(19.95)	(19.97)
Retained distributions	4.58	19.95	19.97
Closing NAV	602.83	695.26	707.10
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.56	1.06	0.92
Dilution adjustments ^[a]	(0.18)	(0.21)	(0.13)
Total direct portfolio transaction costs	0.38	0.85	0.79
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.11	0.13	0.12
Operating charges	1.70	1.68	1.66
Return after operating charges	-13.29	-1.67	+20.22
Historic yield	3.26	2.83	2.83
Effect on yield of charges offset against capital	0.01	0.01	0.01
Other information			
Closing NAV (£'000)	2,661	3,393	4,166
Closing NAV percentage of total fund NAV (%)	0.25	0.28	0.32
Number of shares	441,384	488,082	589,155
Highest share price (UK p)	718.73	717.16	728.91
Lowest share price (UK p)	594.08	632.68	595.02

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

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

M&G Dividend Fund

Financial statements and notes

Financial statements

Statement of total return

for the six months to 31 December	2018		2017	
	£'000	£'000	£'000	£'000
Income				
Net capital gains / (losses)		(177,054)		(6,629)
Revenue	20,271		20,042	
Expenses	(4,456)		(4,976)	
Net revenue / (expense) before taxation	15,815		15,066	
Taxation	(40)		(79)	
Net revenue / (expense) after taxation		15,775		14,987
Total return before distributions		(161,279)		8,358
Distributions		(15,521)		(15,494)
Change in net assets attributable to shareholders from investment activities		(176,800)		(7,136)

Statement of change in net assets attributable to shareholders

for the six months to 31 December	2018		2017	
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		1,204,479		1,288,318
Amounts received on issue of shares	91,530		75,217	
Amounts paid on cancellation of shares	(47,487)		(63,105)	
		44,043		12,112
Dilution adjustments		468		296
Change in net assets attributable to shareholders from investment activities (see above)		(176,800)		(7,136)
Retained distributions on Accumulation shares		835		748
Unclaimed distributions		91		136
Closing net assets attributable to shareholders		1,073,116		1,294,474

The opening net assets attributable to shareholders for 2018 differs to the closing position in 2017 by the change in net assets attributable to shareholders for the second half of the comparative financial year.

Balance sheet

as at	31 December 2018	30 June 2018
	£'000	£'000
Assets		
Fixed assets		
Investments	1,064,824	1,216,668
Current assets		
Debtors	8,298	14,540
Cash and bank balances	112	3,807
Cash equivalents	18,037	9,087
Total assets	1,091,271	1,244,102
Liabilities		
Investment liabilities	(726)	(513)
Creditors		
Bank overdrafts	(1,745)	0
Distribution payable	(14,942)	(36,437)
Other creditors	(742)	(2,673)
Total liabilities	(18,155)	(39,623)
Net assets attributable to shareholders	1,073,116	1,204,479

Notes to the financial statements

Accounting policies

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

Distribution policy

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

In order to conduct a controlled dividend flow to shareholders, interim distributions will be at the fund manager's discretion, up to the maximum of the distributable income available for the period.

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

M&G Dividend Fund

Financial statements and notes

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M&G Emerging Markets Bond Fund

Authorised Corporate Director's Report

Investment objective

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

Investment policy

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

Investment approach

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

Risk profile

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

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

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

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

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



The above number:

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

Investment review

As at 2 January 2019, for the six months ended 31 December 2018

Performance against objective

Between 2 July 2018 (the start of the review period) and 2 January 2019, the different share classes of the M&G Emerging Markets Bond Fund delivered varied performance.

The returns of the fund's sterling unhedged share classes were positive, helped by modestly positive returns across the main segments of the emerging markets bonds. In addition, the fund maintained a sizeable exposure to the US dollar, which gained in value against sterling and provided some further upside to the sterling unhedged share classes.

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

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

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

Investment performance

A number of global factors held back returns in emerging market bonds during the six months under review. These included actual and anticipated higher interest rates in the important US economy, as well as heightened trade tensions between the US and China.

M&G Emerging Markets Bond Fund

Authorised Corporate Director's Report

Investment review

Investment performance (continued)

In bond markets, actual or expected rises in interest rates typically hamper performance. Bonds are loans in the form of a security, usually issued by a government – government bonds – or company – corporate bonds – which normally pay a fixed rate of interest over a given time period, at the end of which the initial amount borrowed is repaid. Bond prices move inversely to their yields (the annual interest received on the bond as a percentage of its price). Given the size and relevance of the US market in a global context, the effects of US interest rate moves can be felt internationally, including in emerging markets.

In addition, international trade concerns increased as President Trump's administration imposed new tariffs on an expanded range of imported goods from China. This prompted retaliatory moves by the government in Beijing. Such anti-free trade measures are generally viewed as harmful for emerging countries, for which export revenues are often important. While this theme remained a focal point as 2018 ended, both countries agreed in December to refrain from imposing any further tariffs for three months. They also scheduled new talks in the new year to address their trade dispute.

More generally, global economic growth forecasts began to moderate towards the end of 2018, which further weighed on sentiment towards many areas of the global financial markets, including emerging market bonds.

Several emerging markets also faced their own specific economic challenges. These included Turkey, whose debt levels and deteriorating political relations with the US contributed to a sharp fall in the value of its currency. In Argentina, policy mistakes by the central bank were largely blamed for a deterioration in the country's finances, which compelled the government to seek assistance from the International Monetary Fund (IMF). Also in Latin America, political uncertainty returned in Brazil as it prepared for a general election in October. However, the victory of Jair Bolsonaro in the contest was well received in financial markets, and Brazilian assets rallied after the result.

Despite the variety of challenging economic and political themes, emerging market bonds recorded modestly positive returns in the period, with improved performance delivered from these assets later in 2018. This improvement appeared to have been helped by softer rhetoric from the US Federal Reserve regarding further interest rate rises, as well as confirmation from the US and China about ceasing levying new tariffs for now.

In the fund, we maintained a preference throughout the period for investing in a diversified way across emerging market regions. The fund's allocations consisted of government and corporate bonds denominated in local currencies or 'hard' currencies such as the US dollar or euro.

Investment activities

Overall, our investment strategy continued to reflect our belief that investing in the right mix of local and hard currency government and corporate bonds is key to delivering performance in the fund. Going into the review period, the fund's asset allocation was local currency government bonds 29.8%, hard currency government bonds 40.7%, hard currency corporate bonds 23.7%, and local currency corporate bonds 5.3%.

As always, we looked to evaluate if periods of weaker performance and, therefore, lower bond prices, offered potential long-term buying opportunities. Within this approach, our investment activity included adding some exposure to real estate issuers in China. While avoiding investments in China for some time, we felt valuations in this segment of the market started to look attractive after a period of underperformance. In other sectors, we added a position in China's Fufeng Group, a significant provider of flavour enhancers in the food industry.

Elsewhere, we sold a position in Bahrain's Oil and Gas Authority in July as we reassessed its outlook and took a less favourable view on the holding. Subsequently, however, we bought newly issued bonds from Tabreed, an energy-related group in the United Arab Emirates, based on our opinion that the securities were attractively priced.

Among emerging market government bonds, our transactions included selling out of the fund's local currency holding in South Africa during August. This largely reflected our view that sentiment towards the rand faced increased difficulties amid a weaker economic outlook in South Africa. Elsewhere, our investment assessment improved towards local currency government debt in Turkey, given factors such as the significant decline of the lira. Consequently, we bought Turkish lira-denominated government bonds and, later in the review period, we added US-dollar denominated government bonds in Turkey.

We continued to monitor all areas of the market for buying opportunities after the marked declines among emerging market assets during the opening months of the period. In November, our purchases included some corporate positions in Latin America, including bonds from Mexican energy group Pemex as we felt their valuation levels were appealing at lower price levels. We also increased the fund's holding of bonds issued by Tocumen International Airport in Panama City. These investments were funded largely as we took profits from the fund's position in Brazilian foods group BRF.

In the final quarter of 2018, our purchases also included euro-denominated government bonds in Romania and Montenegro, while we sold US dollar-denominated bonds from the government of Morocco.

At the end of December, the fund was invested around 40% in hard currency government bonds, 25% in local currency government bonds and around 27% in emerging market hard currency corporate bonds. The remainder of the fund was held in local currency corporate bonds and cash.

Outlook

Higher US interest rates and ongoing international trade tensions remained key considerations in emerging market bonds towards the end of 2018. These factors also contributed to some forecasts of slower global economic growth, including from large financial institutions such as the IMF.

Against this backdrop, however, we believe that lower prices in some areas of emerging market bonds during the review period left some securities looking fairer value – an assessment that we felt was supported by their attractive relative yields. Generally, emerging market bonds offer higher yields relative to other parts of the global bond markets for taking on higher degrees of risk.

Among other relevant themes, we believe that the creditworthiness of corporations in emerging markets remains resilient or is improving. We continue to favour holding an allocation to emerging market corporate bonds on a selective basis.

M&G Emerging Markets Bond Fund

Authorised Corporate Director's Report

Investment review

Outlook (continued)

We also maintain a preference for holding globally diversified exposures to hard and local currency government bonds. The fund's largest currency exposure going into 2019 remained to the US dollar, which totalled 69%. In local currencies, the fund's largest allocations were to the Brazilian real, Indian rupee, Russian ruble, Indonesian rupiah, Malaysian ringgit, and Turkish lira.

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

Claudia Calich
Fund manager

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

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

Investments

Portfolio statement

as at Holding	31.12.18 \$'000	31.12.18 %	30.06.18 %
FIXED INCOME	464,977	96.02	98.10
Debt securities	464,977	96.02	98.10
'AAA' credit rated bonds	8,144	1.68	1.06
INR210,400,000 European Bank for Reconstruction & Development 6% 2020	2,955	0.61	
IDR42,070,000,000 Inter-American Development Bank 7.875% 2023	2,900	0.60	
INR168,280,000 International Finance 5.85% 2022	2,289	0.47	
'AA' credit rated bonds	30,012	6.20	6.15
\$4,586,000 Qatar (State of) 6.4% 2040	5,728	1.18	
\$22,800,000 US Treasury 0.625% IL 2024	24,284	5.02	
'A' credit rated bonds	32,377	6.69	8.58
CLP3,365,500,000 Chile (Republic of) 5.5% 2020	4,982	1.03	
RM39,125,000 Malaysia (Govt. of) 3.882% 2022	9,527	1.97	
PEN23,349,000 Peru (Republic of) 8.2% 2026	8,115	1.67	
PLN21,035,000 Poland (Republic of) 2.5% 2026	5,558	1.15	
THB126,200,000 Thailand (Kingdom of) 1.2% IL 2021	4,195	0.87	
'BBB' credit rated bonds	98,016	20.24	18.71
\$2,146,000 Aeropuerto Internacional de Tocumen 5.625% 2036	2,183	0.45	
\$3,236,000 Aeropuerto Internacional de Tocumen 6% 2048	3,206	0.66	
\$2,945,000 Bharti Airtel 4.375% 2025	2,661	0.55	
COP20,206,000,000 Bogota Distrito Capital 9.75% 2028	6,748	1.39	
\$2,539,000 Fufeng Group 5.875% 2021	2,555	0.53	
\$2,924,000 Gaz Capital 7.288% 2037	3,253	0.67	
IDR129,577,000,000 Indonesia (Republic of) 8.25% 2036	8,888	1.83	
KZT673,126,000 Kazakhstan (Republic of) 0% 2019	1,705	0.35	

Portfolio statement (continued)

as at Holding	31.12.18 \$'000	31.12.18 %	30.06.18 %
'BBB' credit rated bonds (continued)			
£3,050,000 Mexico (United Mexican States) 5.625% 2114	3,690	0.76	
MXN56,800,000 Mexico (United Mexican States) 8% 2047	2,605	0.54	
MXN77,410,000 Mexico (United Mexican States) 10% 2024	4,187	0.86	
INR590,000,000 National Highways 7.3% 2022	8,017	1.66	
\$3,085,000 Perusahaan Listrik Negara 4.125% 2027	2,847	0.59	
\$4,207,000 Petroleos Mexicano 5.35% 2028	3,661	0.76	
PHP290,000,000 Philippines (Republic of) 6.25% 2036	5,360	1.11	
€4,174,000 Romania (Republic of) 2.875% 2029	4,631	0.96	
RUB902,410,000 Russia (Federation of) 8.15% 2027	12,675	2.62	
\$2,922,000 SASOL Financing 5.875% 2024	2,900	0.60	
\$2,693,000 Southern Gas Corridor 6.875% 2026	2,905	0.60	
THB140,094,000 Thailand (Kingdom of) 1.25% IL 2028	4,217	0.87	
UYU126,783,000 Uruguay (Republic of) 8.5% 2028	3,416	0.70	
UYU101,091,000 Uruguay (Republic of) 9.875% 2022	3,091	0.64	
\$2,945,000 Vanke Real Estate (Hong Kong) 3.975% 2027	2,615	0.54	
'BB' credit rated bonds	94,195	19.45	22.59
\$2,945,000 ABJA Investment 5.45% 2028	2,511	0.52	
\$4,544,000 Bahamas (Commonwealth of) 6% 2028	4,574	0.94	
\$3,786,000 Bolivia (Plurinational State of) 4.5% 2028	3,234	0.67	
BRL55,500,000 Brazil (Federal Republic of) 10% 2025	14,934	3.08	
\$2,795,000 Cemex Finance 6% 2024	2,779	0.57	
\$1,262,000 Country Garden 5.125% 2025	1,052	0.22	
KZT1,591,500,000 Development Bank of Kazakhstan 9.5% 2020	4,010	0.83	
\$3,366,000 Dominican Republic 7.45% 2044	3,503	0.72	
DOP54,800,000 Dominican Republic 8.9% 2023	1,060	0.22	
DOP115,700,000 Dominican Republic 10.5% 2023	2,323	0.48	
DOP92,900,000 Dominican Republic 15% 2019	1,884	0.39	
DOP61,800,000 Dominican Republic 15.95% 2021	1,394	0.29	
\$2,945,000 Grupo Kuo SAB de 5.75% 2027	2,672	0.55	
\$5,848,000 Guatemala (Republic of) 4.5% 2026	5,483	1.13	
\$5,301,000 Honduras (Republic of) 7.5% 2024	5,554	1.15	
\$2,524,000 Hunt Oil (Peru) 6.375% 2028	2,552	0.53	
\$2,751,000 Inretail Pharma 5.375% 2023	2,753	0.57	
€4,060,000 Macedonia (Govt. of) 5.625% 2023	5,181	1.07	
\$2,882,000 MAF Global Securities 5.5% Perp.	2,705	0.56	
\$2,019,000 MAF Global Securities Var. Rate Perp. (6.375%)	1,858	0.38	
\$3,504,000 MARB BondCo 6.875% 2025	3,246	0.67	
\$3,732,000 Oman (Salutante of) 5.625% 2028	3,276	0.68	
\$3,606,000 Oman (Salutante of) 6.75% 2048	2,969	0.61	
\$3,786,000 Paraguay (Republic of) 6.1% 2044	3,956	0.82	
\$3,459,000 Petrobras Global Finance 5.75% 2029	3,195	0.66	
\$2,963,000 Petrobras Global Finance 7.375% 2027	3,052	0.63	
\$2,819,000 Rede D'or Finance 4.95% 2028	2,485	0.51	
'B' credit rated bonds	140,851	29.09	28.38
€2,375,000 Albania (Republic of) 3.5% 2025	2,700	0.56	
\$4,363,000 Angola (Republic of) 9.375% 2048	4,080	0.84	
\$2,777,000 Angola (Republic of) 9.5% 2025	2,920	0.60	
€5,633,224 Argentina (Republic of) 7.82% 2033	5,418	1.12	
ARS59,161,481 Argentina (Republic of) FRN 2020	1,690	0.35	
\$3,439,000 Buenos Aires (Province of) 7.875% 2027	2,462	0.51	

M&G Emerging Markets Bond Fund

Authorised Corporate Director's Report

Investments

Portfolio statement (continued)				
as at Holding	31.12.18 \$'000	31.12.18 %	30.06.18 %	
'B' credit rated bonds (continued)				
\$4,544,000	Cameroon (Republic of) 9.5% 2025	4,610	0.95	
\$2,104,000	China Evergrande 7.5% 2023	1,849	0.38	
\$4,985,000	Córdoba (Province of) 7.125% 2027	3,580	0.74	
\$3,339,000	Ecuador (Republic of) 7.875% 2028	2,730	0.56	
\$4,502,000	Ecuador (Republic of) 8.75% 2023	4,180	0.86	
EGP34,750,000	Egypt (Arab Republic of) 0% 2019 (2 Apr)	1,849	0.38	
EGP40,025,000	Egypt (Arab Republic of) 0% 2019 (16 Apr)	2,113	0.44	
EGP53,425,000	Egypt (Arab Republic of) 0% 2019 (18 Jun)	2,732	0.56	
€4,165,000	Egypt (Arab Republic of) 5.625% 2030	4,117	0.85	
\$4,838,000	Ethiopia (Federal Democratic Republic of) 6.625% 2024	4,619	0.95	
\$3,702,000	Ghana (Republic of) 10.75% 2030	4,182	0.86	
\$3,870,000	Jamaica (Govt. of) 8% 2039	4,417	0.91	
\$2,524,000	Jordan (Kingdom of) 7.375% 2047	2,233	0.46	
\$4,964,000	JSC Georgia Capital 6.375% 2024	4,495	0.93	
\$3,155,000	Kernel 8.75% 2022	3,018	0.62	
\$2,524,000	MHP 7.75% 2024	2,341	0.48	
\$2,524,000	Mongolia (Govt. of) 5.625% 2023	2,390	0.49	
€2,735,000	Montenegro (Republic of) 3.375% 2025	3,087	0.64	
\$2,005,000	Nigeria (Federal Republic of) 6.5% 2027	1,770	0.37	
\$2,693,000	Nigeria (Federal Republic of) 8.747% 2031	2,613	0.54	
\$4,712,000	Pakistan (Islamic Republic of) 7.875% 2036	4,173	0.86	
\$6,451,000	Rwanda (Republic of) 6.625% 2023	6,387	1.32	
€3,474,000	Senegal (Republic of) 4.75% 2028	3,651	0.75	
\$2,945,000	Sri Lanka (Republic of) 5.75% 2023	2,712	0.56	
\$4,207,000	Sri Lanka (Republic of) 6.85% 2025	3,903	0.81	
\$2,104,000	Sunac China 7.95% 2022	1,974	0.41	
\$1,809,000	Suriname (Republic of) 9.25% 2026	1,748	0.36	
\$4,067,000	Tajikistan (Republic of) 7.125% 2027	3,568	0.74	
€3,934,000	Turkey (Republic of) 5.2% 2026	4,485	0.93	
TRY33,656,309	Turkey (Republic of) 10.5% 2020	5,756	1.19	
TRY23,138,713	Turkey (Republic of) 11% 2027	3,369	0.70	
\$2,104,000	Türkiye Garanti Bankası 3.587% 2023	1,983	0.41	
\$5,091,000	Ukraine (Republic of) 7.75% 2022	4,671	0.97	
\$2,032,000	VTR Finance 6.875% 2024	2,032	0.42	
\$1,472,000	Wanda Properties International 7.25% 2024	1,402	0.29	
\$2,735,000	Yingde Gases Investment 6.25% 2023	2,552	0.53	
\$2,518,000	YPF Sociedad Anónima 8.5% 2025	2,251	0.47	
\$2,735,000	Zambia (Republic of) 8.5% 2024	2,039	0.42	
	'D' credit rated bonds	4,323	0.89	1.14
\$9,676,200	Petroleos de Venezuela (formerly PDVSA) 5.375% 2027	1,422	0.29	
\$9,676,000	Venezuela (Republic of) 7% 2038	2,178	0.45	
\$3,171,300	Venezuela (Republic of) 9.25% 2028	723	0.15	
	Bonds with no credit rating	57,059	11.78	11.49
\$3,849,000	Armenia (Republic of) 7.15% 2025	4,034	0.83	
€3,113,000	Central Bank Tunisia 5.625% 2024	3,219	0.66	
€3,918,000	Côte d'Ivoire (Republic of) 5.25% 2030	3,954	0.82	

Portfolio statement (continued)

as at Holding	31.12.18 \$'000	31.12.18 %	30.06.18 %	
Bonds with no credit rating (continued)				
€3,639,000	Côte d'Ivoire (Republic of) 6.625% 2048	3,503	0.72	
\$2,805,000	Dar Al-Arkan Sukuk 6.875% 2023	2,603	0.54	
\$9,340,000	Debt and Asset Trading 1% 2025	6,370	1.32	
\$4,123,000	DP World Crescent (formerly DP World) 4.848% 2028	4,030	0.83	
\$4,281,000	Gabonese (Republic of) 6.95% 2025	3,824	0.79	
\$3,576,000	GTLK Europe DAC 5.125% 2024	3,271	0.68	
\$2,903,000	Liquid Telecom Finance 8.5% 2022	2,925	0.60	
\$2,944,927	Petroleos de Venezuela 9.75% 2035	551	0.11	
\$3,445,000	Puma International Financing 5% 2026	2,704	0.56	
\$4,793,000	Royal Capital 5.875% Perp.	4,442	0.92	
\$2,524,000	SSB No.1 Var. Rate 2025 (9.625%)	2,387	0.49	
\$3,786,000	Tabreed Sukuk Spc 5.5% 2025	3,837	0.79	
\$1,750,010	Tanzania (United Republic of) FRN 2020	1,777	0.37	
\$4,123,000	TC Ziraat Bankasi 5.125% 2023	3,628	0.75	
	CURRENCY	412	0.08	0.05
	Forward currency contracts	412	0.08	0.05
ARS185,000,000	Bought for \$4,358,068 (expires 09.01.19)	509	0.10	
ARS(107,170,000)	Sold for \$2,758,559 (expires 09.01.19)	(61)	(0.01)	
€(40,050,000)	Sold for \$45,856,449 (expires 10.01.19)	(31)	(0.01)	
£(1,180,000)	Sold for \$1,502,207 (expires 10.01.19)	(5)	0.00	
Portfolio of investments	465,389	96.10	98.15	
	CASH EQUIVALENTS	12,425	2.57	0.44
	'AAA' rated money market funds [a]	12,425	2.57	0.44
12,425,000	Northern Trust Global Fund - US dollar	12,425	2.57	
	SHARE CLASS HEDGING	(214)	(0.04)	0.13
	Forward currency contracts for share class hedging	(214)	(0.04)	0.13
£104,104,306	Bought for \$133,184,319 (expires 10.01.19)	(218)	(0.04)	
£(3,357,849)	Sold for \$4,292,643 (expires 10.01.19)	4	0.00	
Total portfolio	477,600	98.63	98.72	
Net other assets / (liabilities)	6,620	1.37	1.28	
Net assets attributable to shareholders	484,220	100.00	100.00	

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

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

Portfolio transactions

for the six months to 31 December	2018 \$'000	2017 \$'000
Portfolio transactions		
Total purchases	285,232	526,362
Total sales	295,774	104,767

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

M&G Emerging Markets Bond Fund

Financial highlights

Fund performance

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

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

We show performance for these two share classes because:

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

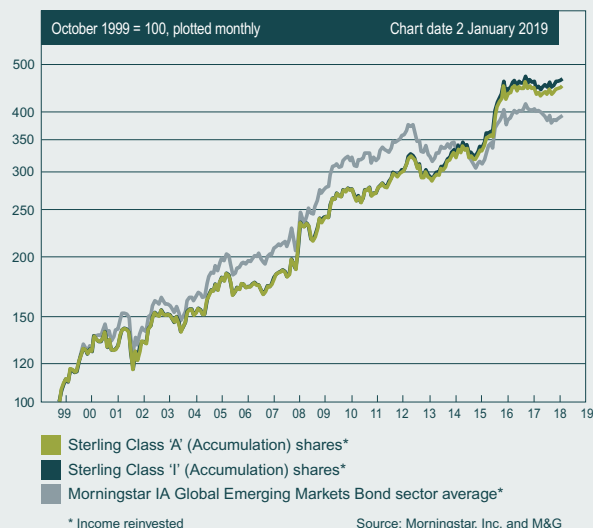
The fund is available for investment in different share classes, each with varying levels of charges and minimum investments; please refer to the Prospectus for M&G Investment Funds (3), which is available free of charge either from our website at www.mandg.co.uk/prospectuses or by calling M&G Customer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

Fund level performance

Fund net asset value			
as at	31.12.18 \$'000	30.06.18 \$'000	30.06.17 \$'000
Fund net asset value (NAV)	484,220	1,183,643	523,208

Performance since launch

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



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

M&G Emerging Markets Bond Fund

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Fund performance

To give an indication of the performance of the fund, the following table shows the compound rate of return, over the period to 7 December 2018 for non-sterling share classes and 2 January 2019 for sterling share classes. Calculated on a price to price basis with income reinvested.

Long-term performance by share class				
	Six months 02.07.18 % ^[a]	Three years 04.01.16 % p.a.	Five years 02.01.14 % p.a.	Since launch % p.a.
Euro ^[b]				
Class 'A'	+1.2	+3.7	+7.8	+6.4 ^[c]
Class 'A-H'	-2.4	+3.0	n/a	+0.9 ^[d]
Class 'B'	+1.0	+3.2	+7.3	+6.4 ^[e]
Class 'B-H'	-2.6	+2.4	n/a	+2.0 ^[f]
Class 'C'	+1.5	+4.4	+8.4	+7.0 ^[c]
Class 'C-H'	-2.1	+3.6	n/a	+1.4 ^[d]
Sterling ^[g]				
Class 'A'	+4.2	+10.8	+9.2	+8.4 ^[h]
Class 'I'	+4.5	+11.5	+9.7	+7.9 ^[c]
Class 'I-H'	-0.4	+4.8	n/a	+3.4 ^[i]
Class 'R'	+4.3	+11.1	+9.4	+6.9 ^[i]
Class 'X'	+4.2	+10.8	+9.2	+8.1 ^[k]
Swiss franc ^[b]				
Class 'A'	-1.1	+5.0	+6.0	+5.2 ^[e]
Class 'A-H'	-2.4	+2.5	n/a	+1.3 ^[i]
Class 'C'	-0.8	+5.7	+6.6	+5.8 ^[e]
Class 'C-H'	-2.2	+3.2	n/a	+1.9 ^[i]
US dollar ^[b]				
Class 'A'	-1.1	+5.2	+3.9	+4.1 ^[c]
Class 'C'	-0.8	+5.9	+4.5	+4.7 ^[c]

^[a] Absolute basis.

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

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

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

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

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

^[g] Price to price with income reinvested.

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

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

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

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

Operating charges and portfolio transaction costs

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

Operating charges

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

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

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

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

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

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Fund performance

Operating charges and portfolio transaction costs

Portfolio transaction costs

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

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

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

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

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

Portfolio transaction costs				
	Six months to 31.12.18	Year to 30.06.18	Year to 30.06.17	Average ^[a]
Direct portfolio transaction costs ^[b]	%	%	%	%
Taxes	0.05	0.00	0.00	0.02
Costs before dilution adjustments	0.05	0.00	0.00	0.02
Dilution adjustments ^[c]	0.00	0.00	0.00	0.00
Total direct portfolio transaction costs	0.05	0.00	0.00	0.02
as at	31.12.18	30.06.18	30.06.17	Average ^[a]
Indirect portfolio transaction costs	%	%	%	%
Average portfolio dealing spread	0.80	0.80	0.65	0.75

^[a] Average of first three columns.

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

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

Specific share class performance

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

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

Euro Class 'A' Income share performance

The share class was launched on 12 July 2013.

	Six months to 31.12.18 Euro ¢	Year to 30.06.18 Euro ¢	Year to 30.06.17 Euro ¢
Change in NAV per share			
Opening NAV	1,157.10	1,276.15	1,259.58
Return before operating charges and after direct portfolio transaction costs	32.36	(26.91)	114.62
Operating charges	(7.44)	(17.76)	(19.37)
Return after operating charges	24.92	(44.67)	95.25
Distributions	(33.74)	(74.38)	(78.68)
Return to shareholder as a result of share class closure	(1,148.28)	n/a	n/a
Closing NAV	0.00	1,157.10	1,276.15
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.28	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.28	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.05	0.00	0.00
Operating charges	1.43	1.44	1.44
Return after operating charges	+2.15	-3.50	+7.56
Distribution yield	7.05	6.59	6.66
Effect on yield of charges offset against capital	1.40	1.40	1.40
Other information			
Closing NAV (\$'000)	0	22,967	16,157
Closing NAV percentage of total fund NAV (%)	0.00	1.94	3.09
Number of shares	0	1,705,124	1,110,158
Highest share price (Euro ¢)	1,202.39	1,300.88	1,390.41
Lowest share price (Euro ¢)	1,141.03	1,185.67	1,276.61

M&G Emerging Markets Bond Fund

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Specific share class performance

Euro Class 'A' Accumulation share performance

The share class was launched on 19 April 2012.

	Six months to 31.12.18 Euro ¢	Year to 30.06.18 Euro ¢	Year to 30.06.17 Euro ¢
Change in NAV per share			
Opening NAV	1,483.46	1,539.01	1,431.23
Return before operating charges and after direct portfolio transaction costs	41.41	(33.83)	130.32
Operating charges	(9.53)	(21.72)	(22.54)
Return after operating charges	31.88	(55.55)	107.78
Distributions	(33.82)	(69.54)	(69.34)
Retained distributions	33.82	69.54	69.34
Return to shareholder as a result of share class closure	(1,515.34)	n/a	n/a
Closing NAV	0.00	1,483.46	1,539.01
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.35	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.35	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.05	0.00	0.00
Operating charges	1.43	1.44	1.44
Return after operating charges	+2.15	-3.61	+7.53
Distribution yield	5.64	5.18	5.26
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	0	74,901	61,484
Closing NAV percentage of total fund NAV (%)	0.00	6.33	11.75
Number of shares	0	4,337,543	3,503,064
Highest share price (Euro ¢)	1,541.46	1,568.68	1,625.71
Lowest share price (Euro ¢)	1,462.79	1,471.36	1,450.05

Euro Class 'A-H' Income share performance

The share class was launched on 10 November 2014.

	Six months to 31.12.18 Euro ¢	Year to 30.06.18 Euro ¢	Year to 30.06.17 Euro ¢
Change in NAV per share			
Opening NAV	850.50	943.68	927.01
Return before operating charges and after direct portfolio transaction costs	(6.87)	(23.78)	86.69
Operating charges	(5.45)	(13.56)	(13.98)
Return after operating charges	(12.32)	(37.34)	72.71
Distributions	(23.92)	(55.84)	(56.04)
Return to shareholder as a result of share class closure	(814.26)	n/a	n/a
Closing NAV	0.00	850.50	943.68
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.20	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.20	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.05	0.00	0.00
Operating charges	1.45	1.46	1.46
Return after operating charges	-1.45	-3.96	+7.84
Distribution yield	7.03	6.57	6.54
Effect on yield of charges offset against capital	1.42	1.42	1.42
Other information			
Closing NAV (\$'000)	0	11,557	2,008
Closing NAV percentage of total fund NAV (%)	0.00	0.98	0.38
Number of shares	0	1,167,333	186,595
Highest share price (Euro ¢)	876.26	979.47	984.95
Lowest share price (Euro ¢)	833.15	876.38	913.41

Euro Class 'A-H' Accumulation share performance

The share class was launched on 10 November 2014.

	Six months to 31.12.18 Euro ¢	Year to 30.06.18 Euro ¢	Year to 30.06.17 Euro ¢
Change in NAV per share			
Opening NAV	1,058.27	1,104.43	1,022.27
Return before operating charges and after direct portfolio transaction costs	(8.72)	(29.72)	97.56
Operating charges	(6.78)	(16.44)	(15.40)
Return after operating charges	(15.50)	(46.16)	82.16
Distributions	(23.18)	(50.46)	(47.89)
Retained distributions	23.18	50.46	47.89
Return to shareholder as a result of share class closure	(1,042.77)	n/a	n/a
Closing NAV	0.00	1,058.27	1,104.43
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.25	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.25	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.05	0.00	0.00
Operating charges	1.45	1.46	1.46
Return after operating charges	-1.46	-4.18	+8.04
Distribution yield	5.61	5.15	5.13
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	0	69,922	20,783
Closing NAV percentage of total fund NAV (%)	0.00	5.91	3.97
Number of shares	0	5,676,009	1,650,000
Highest share price (Euro ¢)	1,090.20	1,164.13	1,118.44
Lowest share price (Euro ¢)	1,036.54	1,055.19	1,016.30

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Specific share class performance

Euro Class 'B' Income share performance

The share class was launched on 11 September 2015.

	Six months to 31.12.18 Euro ¢	Year to 30.06.18 Euro ¢	Year to 30.06.17 Euro ¢
Change in NAV per share			
Opening NAV	944.07	1,046.58	1,038.16
Return before operating charges and after direct portfolio transaction costs	26.39	(22.08)	94.76
Operating charges	(8.18)	(19.59)	(21.64)
Return after operating charges	18.21	(41.67)	73.12
Distributions	(27.50)	(60.84)	(64.70)
Return to shareholder as a result of share class closure	(934.78)	n/a	n/a
Closing NAV	0.00	944.07	1,046.58
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.23	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.23	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.05	0.00	0.00
Operating charges	1.93	1.94	1.95
Return after operating charges	+1.93	-3.98	+7.04
Distribution yield	7.05	6.59	6.67
Effect on yield of charges offset against capital	1.90	1.90	1.90
Other information			
Closing NAV (\$'000)	0	3,473	2,418
Closing NAV percentage of total fund NAV (%)	0.00	0.29	0.46
Number of shares	0	316,053	202,551
Highest share price (Euro ¢)	979.20	1,064.88	1,141.50
Lowest share price (Euro ¢)	929.91	969.21	1,052.12

Euro Class 'B' Accumulation share performance

The share class was launched on 26 July 2013.

	Six months to 31.12.18 Euro ¢	Year to 30.06.18 Euro ¢	Year to 30.06.17 Euro ¢
Change in NAV per share			
Opening NAV	1,374.78	1,433.36	1,339.52
Return before operating charges and after direct portfolio transaction costs	38.34	(31.34)	122.13
Operating charges	(11.90)	(27.24)	(28.29)
Return after operating charges	26.44	(58.58)	93.84
Distributions	(28.19)	(57.50)	(57.59)
Retained distributions	28.19	57.50	57.59
Return to shareholder as a result of share class closure	(1,401.22)	n/a	n/a
Closing NAV	0.00	1,374.78	1,433.36
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.33	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.33	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.05	0.00	0.00
Operating charges	1.93	1.94	1.95
Return after operating charges	+1.92	-4.09	+7.01
Distribution yield	5.14	4.68	4.76
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	0	13,013	10,843
Closing NAV percentage of total fund NAV (%)	0.00	1.10	2.07
Number of shares	0	813,161	663,282
Highest share price (Euro ¢)	1,425.86	1,458.41	1,515.82
Lowest share price (Euro ¢)	1,354.09	1,366.06	1,357.21

Euro Class 'B-H' Income share performance

The share class was launched on 11 September 2015.

	Six months to 31.12.18 Euro ¢	Year to 30.06.18 Euro ¢	Year to 30.06.17 Euro ¢
Change in NAV per share			
Opening NAV	924.26	1,030.89	1,017.65
Return before operating charges and after direct portfolio transaction costs	(7.48)	(25.61)	95.34
Operating charges	(7.95)	(20.13)	(20.82)
Return after operating charges	(15.43)	(45.74)	74.52
Distributions	(25.97)	(60.89)	(61.28)
Return to shareholder as a result of share class closure	(882.86)	n/a	n/a
Closing NAV	0.00	924.26	1,030.89
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.22	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.22	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.05	0.00	0.00
Operating charges	1.95	1.95	2.00
Return after operating charges	-1.67	-4.44	+7.32
Distribution yield	7.04	6.58	6.54
Effect on yield of charges offset against capital	1.92	1.92	1.92
Other information			
Closing NAV (\$'000)	0	6,528	2,414
Closing NAV percentage of total fund NAV (%)	0.00	0.55	0.46
Number of shares	0	606,736	205,296
Highest share price (Euro ¢)	951.81	1,068.50	1,076.12
Lowest share price (Euro ¢)	903.51	952.54	999.95

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Specific share class performance

Euro Class 'B-H' Accumulation share performance

The share class was launched on 11 September 2015.

Change in NAV per share	Six months to 31.12.18 Euro ¢	Year to 30.06.18 Euro ¢	Year to 30.06.17 Euro ¢
Opening NAV	1,089.40	1,142.87	1,063.05
Return before operating charges and after direct portfolio transaction costs	(8.83)	(30.74)	101.67
Operating charges	(9.38)	(22.73)	(21.85)
Return after operating charges	(18.21)	(53.47)	79.82
Distributions	(21.45)	(46.31)	(44.14)
Retained distributions	21.45	46.31	44.14
Return to shareholder as a result of share class closure	(1,071.19)	n/a	n/a
Closing NAV	0.00	1,089.40	1,142.87
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.26	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.26	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.05	0.00	0.00
Operating charges	1.95	1.96	1.97
Return after operating charges	-1.67	-4.68	+7.51
Distribution yield	5.11	4.65	4.63
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	0	10,105	2,048
Closing NAV percentage of total fund NAV (%)	0.00	0.85	0.39
Number of shares	0	796,895	157,111
Highest share price (Euro ¢)	1,121.83	1,200.91	1,157.48
Lowest share price (Euro ¢)	1,064.93	1,086.44	1,054.64

Euro Class 'C' Income share performance

The share class was launched on 8 August 2014.

Change in NAV per share	Six months to 31.12.18 Euro ¢	Year to 30.06.18 Euro ¢	Year to 30.06.17 Euro ¢
Opening NAV	1,227.46	1,344.79	1,318.90
Return before operating charges and after direct portfolio transaction costs	34.38	(28.73)	120.14
Operating charges	(4.34)	(9.85)	(11.30)
Return after operating charges	30.04	(38.58)	108.84
Distributions	(35.84)	(78.75)	(82.95)
Return to shareholder as a result of share class closure	(1,221.66)	n/a	n/a
Closing NAV	0.00	1,227.46	1,344.79
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.30	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.30	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.05	0.00	0.00
Operating charges	0.78	0.79	0.81*
Return after operating charges	+2.45	-2.87	+8.25
Distribution yield	7.05	6.60	6.67
Effect on yield of charges offset against capital	0.75	0.75	0.75
Other information			
Closing NAV (\$'000)	0	1,234	22
Closing NAV percentage of total fund NAV (%)	0.00	0.10	0.00
Number of shares	0	86,392	1,434
Highest share price (Euro ¢)	1,278.60	1,374.14	1,463.16
Lowest share price (Euro ¢)	1,212.19	1,254.67	1,336.88

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

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Specific share class performance

Euro Class 'C' Accumulation share performance

The share class was launched on 19 April 2012.

Change in NAV per share	Six months to 31.12.18 Euro ¢	Year to 30.06.18 Euro ¢	Year to 30.06.17 Euro ¢
Opening NAV	1,534.99	1,582.14	1,462.29
Return before operating charges and after direct portfolio transaction costs	42.90	(34.88)	132.77
Operating charges	(5.41)	(12.27)	(12.92)
Return after operating charges	37.49	(47.15)	119.85
Distributions	(39.57)	(81.98)	(80.78)
Retained distributions	39.57	81.98	80.78
Return to shareholder as a result of share class closure	(1,572.48)	n/a	n/a
Closing NAV	0.00	1,534.99	1,582.14
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.37	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.37	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.05	0.00	0.00
Operating charges	0.78	0.79	0.80
Return after operating charges	+2.44	-2.98	+8.20
Distribution yield	6.29	5.84	5.87
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	0	72,132	51,564
Closing NAV percentage of total fund NAV (%)	0.00	6.09	9.86
Number of shares	0	4,036,942	2,857,779
Highest share price (Euro ¢)	1,598.87	1,616.42	1,668.92
Lowest share price (Euro ¢)	1,515.82	1,518.84	1,481.60

Euro Class 'C-H' Income share performance

The share class was launched on 10 November 2014.

Change in NAV per share	Six months to 31.12.18 Euro ¢	Year to 30.06.18 Euro ¢	Year to 30.06.17 Euro ¢
Opening NAV	858.21	946.21	923.51
Return before operating charges and after direct portfolio transaction costs	(6.96)	(23.99)	86.46
Operating charges	(3.05)	(7.75)	(7.52)
Return after operating charges	(10.01)	(31.74)	78.94
Distributions	(24.17)	(56.26)	(56.24)
Return to shareholder as a result of share class closure	(824.03)	n/a	n/a
Closing NAV	0.00	858.21	946.21
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.20	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.20	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.05	0.00	0.00
Operating charges	0.80	0.81	0.83*
Return after operating charges	-1.17	-3.35	+8.55
Distribution yield	7.02	6.57	6.55
Effect on yield of charges offset against capital	0.77	0.77	0.77
Other information			
Closing NAV (\$'000)	0	14,017	279
Closing NAV percentage of total fund NAV (%)	0.00	1.18	0.05
Number of shares	0	1,403,092	25,896
Highest share price (Euro ¢)	884.68	985.16	987.18
Lowest share price (Euro ¢)	842.94	884.13	912.82

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

M&G Emerging Markets Bond Fund

Financial highlights

Specific share class performance

Euro Class 'C-H' Accumulation share performance

The share class was launched on 10 November 2014.

	Six months to 31.12.18	Year to 30.06.18	Year to 30.06.17
Change in NAV per share	Euro ¢	Euro ¢	Euro ¢
Opening NAV	1,077.32	1,116.73	1,027.37
Return before operating charges and after direct portfolio transaction costs	(8.92)	(30.16)	98.42
Operating charges	(3.83)	(9.25)	(9.06)
Return after operating charges	(12.75)	(39.41)	89.36
Distributions	(26.69)	(58.56)	(54.82)
Retained distributions	26.69	58.56	54.82
Return to shareholder as a result of share class closure	(1,064.57)	n/a	n/a
Closing NAV	0.00	1,077.32	1,116.73
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.25	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.25	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.05	0.00	0.00
Operating charges	0.80	0.81	0.83*
Return after operating charges	-1.18	-3.53	+8.70
Distribution yield	6.26	5.80	5.74
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	0	292,789	82,780
Closing NAV percentage of total fund NAV (%)	0.00	24.74	15.82
Number of shares	0	23,347,427	6,499,831
Highest share price (Euro ¢)	1,110.44	1,181.82	1,130.50
Lowest share price (Euro ¢)	1,057.99	1,074.00	1,023.89

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

Sterling Class 'A' Income share performance

The share class was launched on 1 October 2002.

	Six months to 31.12.18	Year to 30.06.18	Year to 30.06.17
Change in NAV per share	UK p	UK p	UK p
Opening NAV	90.22	98.68	91.59
Return before operating charges and after direct portfolio transaction costs	3.33	(1.27)	14.58
Operating charges	(0.67)	(1.39)	(1.45)
Return after operating charges	2.66	(2.66)	13.13
Distributions	(3.01)	(5.80)	(6.04)
Closing NAV	89.87	90.22	98.68
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.02	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.02	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.05	0.00	0.00
Operating charges	1.44	1.43	1.44
Return after operating charges	+2.95	-2.70	+14.34
Distribution yield	6.70	6.59	6.66
Effect on yield of charges offset against capital	1.40	1.40	1.40
Other information			
Closing NAV (\$'000)	2,890	2,900	4,399
Closing NAV percentage of total fund NAV (%)	0.60	0.25	0.84
Number of shares	2,518,429	2,446,112	3,434,988
Highest share price (UK p)	94.98	102.42	106.26
Lowest share price (UK p)	89.00	91.42	94.15

Sterling Class 'A' Accumulation share performance

The share class was launched on 1 October 2002.

	Six months to 31.12.18	Year to 30.06.18	Year to 30.06.17
Change in NAV per share	UK p	UK p	UK p
Opening NAV	215.73	221.99	194.94
Return before operating charges and after direct portfolio transaction costs	7.97	(3.10)	31.12
Operating charges	(1.60)	(3.16)	(3.13)
Return after operating charges	6.37	(6.26)	27.99
Distributions	(5.65)	(10.12)	(9.95)
Retained distributions	5.65	10.12	9.01
Closing NAV	222.10	215.73	221.99
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.05	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.05	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.05	0.00	0.00
Operating charges	1.44	1.43	1.44
Return after operating charges	+2.95	-2.82	+14.36
Distribution yield	5.31	5.18	5.27
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	3,652	3,257	3,387
Closing NAV percentage of total fund NAV (%)	0.75	0.28	0.65
Number of shares	1,287,778	1,149,090	1,175,620
Highest share price (UK p)	227.14	230.38	229.28
Lowest share price (UK p)	212.83	211.61	200.31

M&G Emerging Markets Bond Fund

Financial highlights

Specific share class performance

Sterling Class 'I' Income share performance

The share class was launched on 19 April 2012.

	Six months to 31.12.18 UK p	Year to 30.06.18 UK p	Year to 30.06.17 UK p
Change in NAV per share			
Opening NAV	122.46	133.08	122.73
Return before operating charges and after direct portfolio transaction costs	4.55	(1.74)	19.57
Operating charges	(0.50)	(1.03)	(1.10)
Return after operating charges	4.05	(2.77)	18.47
Distributions	(4.09)	(7.85)	(8.12)
Closing NAV	122.42	122.46	133.08
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.03	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.03	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.05	0.00	0.00
Operating charges	0.79	0.79	0.81*
Return after operating charges	+3.31	-2.08	+15.05
Distribution yield	6.69	6.59	6.66
Effect on yield of charges offset against capital	0.75	0.75	0.75
Other information			
Closing NAV (\$'000)	126,912	120,174	73,978
Closing NAV percentage of total fund NAV (%)	26.21	10.14	14.14
Number of shares	81,200,160	74,689,403	42,832,068
Highest share price (UK p)	129.32	138.27	142.65
Lowest share price (UK p)	120.99	123.92	126.17

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

Sterling Class 'I' Accumulation share performance

The share class was launched on 19 April 2012.

	Six months to 31.12.18 UK p	Year to 30.06.18 UK p	Year to 30.06.17 UK p
Change in NAV per share			
Opening NAV	159.19	162.75	142.11
Return before operating charges and after direct portfolio transaction costs	5.89	(2.29)	22.71
Operating charges	(0.65)	(1.27)	(1.29)
Return after operating charges	5.24	(3.56)	21.42
Distributions	(4.70)	(8.51)	(8.26)
Retained distributions	4.70	8.51	7.48
Closing NAV	164.43	159.19	162.75
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.04	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.04	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.05	0.00	0.00
Operating charges	0.79	0.79	0.81*
Return after operating charges	+3.29	-2.19	+15.07
Distribution yield	5.95	5.84	5.87
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	207,007	188,425	133,202
Closing NAV percentage of total fund NAV (%)	42.75	15.92	25.46
Number of shares	98,600,301	90,080,597	63,063,127
Highest share price (UK p)	168.11	169.09	168.06
Lowest share price (UK p)	157.28	155.95	146.03

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

M&G Emerging Markets Bond Fund

Financial highlights

Specific share class performance

Sterling Class 'I-H' Income share performance

The share class was launched on 24 July 2015.

	Six months to 31.12.18 UK p	Year to 30.06.18 UK p	Year to 30.06.17 UK p
Change in NAV per share			
Opening NAV	95.40	104.06	100.35
Return before operating charges and after direct portfolio transaction costs	(0.15)	(1.59)	10.80
Operating charges	(0.39)	(0.85)	(0.88)
Return after operating charges	(0.54)	(2.44)	9.92
Distributions	(3.09)	(6.22)	(6.21)
Closing NAV	91.77	95.40	104.06
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.02	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.02	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.05	0.00	0.00
Operating charges	0.80	0.81	0.82*
Return after operating charges	-0.57	-2.34	+9.89
Distribution yield	6.59	6.67	6.56
Effect on yield of charges offset against capital	0.77	0.77	0.77
Other information			
Closing NAV (\$'000)	56,800	42,591	8,354
Closing NAV percentage of total fund NAV (%)	11.73	3.60	1.60
Number of shares	48,477,614	33,978,254	6,185,809
Highest share price (UK p)	98.45	108.87	108.60
Lowest share price (UK p)	93.91	98.22	100.04

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

Sterling Class 'I-H' Accumulation share performance

The share class was launched on 24 July 2015.

	Six months to 31.12.18 UK p	Year to 30.06.18 UK p	Year to 30.06.17 UK p
Change in NAV per share			
Opening NAV	111.91	114.88	104.83
Return before operating charges and after direct portfolio transaction costs	(0.19)	(2.01)	11.49
Operating charges	(0.46)	(0.96)	(0.91)
Return after operating charges	(0.65)	(2.97)	10.58
Distributions	(3.20)	(6.06)	(5.71)
Retained distributions	3.20	6.06	5.18
Closing NAV	111.26	111.91	114.88
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.03	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.03	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.05	0.00	0.00
Operating charges	0.80	0.81	0.82
Return after operating charges	-0.58	-2.59	+10.09
Distribution yield	5.83	5.89	5.78
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	70,126	60,640	984
Closing NAV percentage of total fund NAV (%)	14.48	5.12	0.19
Number of shares	49,362,506	41,238,190	659,831
Highest share price (UK p)	115.48	122.22	116.25
Lowest share price (UK p)	110.15	111.53	104.94

Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012.

	Six months to 31.12.18 UK p	Year to 30.06.18 UK p	Year to 30.06.17 UK p
Change in NAV per share			
Opening NAV	113.94	124.34	115.11
Return before operating charges and after direct portfolio transaction costs	4.22	(1.64)	18.34
Operating charges	(0.70)	(1.44)	(1.51)
Return after operating charges	3.52	(3.08)	16.83
Distributions	(3.80)	(7.32)	(7.60)
Closing NAV	113.66	113.94	124.34
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.03	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.03	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.05	0.00	0.00
Operating charges	1.19	1.19	1.19
Return after operating charges	+3.09	-2.48	+14.62
Distribution yield	6.70	6.59	6.66
Effect on yield of charges offset against capital	1.15	1.15	1.15
Other information			
Closing NAV (\$'000)	1,001	845	137
Closing NAV percentage of total fund NAV (%)	0.21	0.07	0.03
Number of shares	690,022	564,280	84,847
Highest share price (UK p)	120.12	129.10	133.65
Lowest share price (UK p)	112.48	115.41	118.33

M&G Emerging Markets Bond Fund

Financial highlights

Specific share class performance

Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012.

	Six months to 31.12.18 UK p	Year to 30.06.18 UK p	Year to 30.06.17 UK p
Change in NAV per share			
Opening NAV	146.24	150.09	131.44
Return before operating charges and after direct portfolio transaction costs	5.40	(2.07)	21.06
Operating charges	(0.90)	(1.78)	(1.73)
Return after operating charges	4.50	(3.85)	19.33
Distributions	(4.02)	(7.24)	(7.12)
Retained distributions	4.02	7.24	6.44
Closing NAV	150.74	146.24	150.09
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.04	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.04	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.05	0.00	0.00
Operating charges	1.19	1.19	1.18
Return after operating charges	+3.08	-2.57	+14.71
Distribution yield	5.55	5.43	5.53
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	2,198	2,154	19
Closing NAV percentage of total fund NAV (%)	0.45	0.18	0.00
Number of shares	1,141,801	1,120,772	9,971
Highest share price (UK p)	154.14	155.83	155.00
Lowest share price (UK p)	144.35	143.37	135.07

Sterling Class 'X' Income share performance

The share class was launched on 15 October 1999.

	Six months to 31.12.18 UK p	Year to 30.06.18 UK p	Year to 30.06.17 UK p
Change in NAV per share			
Opening NAV	88.88	97.23	90.24
Return before operating charges and after direct portfolio transaction costs	3.28	(1.26)	14.37
Operating charges	(0.66)	(1.37)	(1.43)
Return after operating charges	2.62	(2.63)	12.94
Distributions	(2.96)	(5.72)	(5.95)
Closing NAV	88.54	88.88	97.23
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.02	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.02	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.05	0.00	0.00
Operating charges	1.44	1.43	1.44
Return after operating charges	+2.95	-2.70	+14.34
Distribution yield	6.70	6.59	6.66
Effect on yield of charges offset against capital	1.40	1.40	1.40
Other information			
Closing NAV (\$'000)	7,189	7,459	10,426
Closing NAV percentage of total fund NAV (%)	1.49	0.63	1.99
Number of shares	6,358,866	6,387,180	8,262,050
Highest share price (UK p)	93.59	100.92	104.69
Lowest share price (UK p)	87.69	90.07	92.77

Sterling Class 'X' Accumulation share performance

The share class was launched on 15 October 1999.

	Six months to 31.12.18 UK p	Year to 30.06.18 UK p	Year to 30.06.17 UK p
Change in NAV per share			
Opening NAV	216.22	222.49	195.39
Return before operating charges and after direct portfolio transaction costs	7.99	(3.10)	31.15
Operating charges	(1.61)	(3.17)	(3.10)
Return after operating charges	6.38	(6.27)	28.05
Distributions	(5.66)	(10.14)	(9.97)
Retained distributions	5.66	10.14	9.02
Closing NAV	222.60	216.22	222.49
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.05	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.05	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.05	0.00	0.00
Operating charges	1.44	1.44	1.43
Return after operating charges	+2.95	-2.82	+14.36
Distribution yield	5.30	5.18	5.27
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	6,445	6,309	5,402
Closing NAV percentage of total fund NAV (%)	1.33	0.53	1.03
Number of shares	2,267,685	2,220,614	1,870,725
Highest share price (UK p)	227.65	230.90	229.81
Lowest share price (UK p)	213.31	212.08	200.78

Swiss franc Class 'A' Accumulation share performance

The share class was launched on 26 July 2013.

	Six months to 31.12.18 Swiss ¢	Year to 30.06.18 Swiss ¢	Year to 30.06.17 Swiss ¢
Change in NAV per share			
Opening NAV	1,321.81	1,296.33	1,199.02
Return before operating charges and after direct portfolio transaction costs	5.37	44.88	115.93
Operating charges	(8.40)	(19.40)	(18.62)
Return after operating charges	(3.03)	25.48	97.31
Distributions	(29.42)	(62.29)	(57.90)
Retained distributions	29.42	62.29	57.90
Return to shareholder as a result of share class closure	(1,318.78)	n/a	n/a
Closing NAV	0.00	1,321.81	1,296.33
Direct portfolio transaction costs	Swiss ¢	Swiss ¢	Swiss ¢
Costs before dilution adjustments	0.31	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.31	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.05	0.00	0.00
Operating charges	1.43	1.44	1.45
Return after operating charges	-0.23	+1.97	+8.12
Distribution yield	5.64	5.18	5.26
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	0	671	552
Closing NAV percentage of total fund NAV (%)	0.00	0.06	0.11
Number of shares	0	50,425	40,847
Highest share price (Swiss ¢)	1,367.65	1,408.80	1,350.30
Lowest share price (Swiss ¢)	1,268.98	1,296.12	1,210.97

M&G Emerging Markets Bond Fund

Financial highlights

Specific share class performance

Swiss franc Class 'A-H' Accumulation share performance

The share class was launched on 24 July 2015.

Change in NAV per share	Six months to 31.12.18 Swiss ¢	Year to 30.06.18 Swiss ¢	Year to 30.06.17 Swiss ¢
Opening NAV	1,063.96	1,114.19	1,036.22
Return before operating charges and after direct portfolio transaction costs	(9.57)	(33.73)	93.71
Operating charges	(6.82)	(16.50)	(15.74)
Return after operating charges	(16.39)	(50.23)	77.97
Distributions	(23.30)	(50.98)	(48.45)
Retained distributions	23.30	50.98	48.45
Return to shareholder as a result of share class closure	(1,047.57)	n/a	n/a
Closing NAV	0.00	1,063.96	1,114.19
Direct portfolio transaction costs	Swiss ¢	Swiss ¢	Swiss ¢
Costs before dilution adjustments	0.25	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.25	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.05	0.00	0.00
Operating charges	1.45	1.45	1.46
Return after operating charges	-1.54	-4.51	+7.52
Distribution yield	5.56	5.15	5.15
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	0	705	253
Closing NAV percentage of total fund NAV (%)	0.00	0.06	0.05
Number of shares	0	65,828	21,750
Highest share price (Swiss ¢)	1,095.76	1,172.13	1,128.53
Lowest share price (Swiss ¢)	1,041.48	1,061.05	1,027.83

Swiss franc Class 'C' Accumulation share performance

The share class was launched on 26 July 2013.

Change in NAV per share	Six months to 31.12.18 Swiss ¢	Year to 30.06.18 Swiss ¢	Year to 30.06.17 Swiss ¢
Opening NAV	1,358.65	1,323.85	1,216.85
Return before operating charges and after direct portfolio transaction costs	5.52	45.71	117.61
Operating charges	(4.73)	(10.91)	(10.61)
Return after operating charges	0.79	34.80	107.00
Distributions	(34.21)	(72.94)	(67.05)
Retained distributions	34.21	72.94	67.05
Return to shareholder as a result of share class closure	(1,359.44)	n/a	n/a
Closing NAV	0.00	1,358.65	1,323.85
Direct portfolio transaction costs	Swiss ¢	Swiss ¢	Swiss ¢
Costs before dilution adjustments	0.32	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.32	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.05	0.00	0.00
Operating charges	0.78	0.79	0.81*
Return after operating charges	+0.06	+2.63	+8.79
Distribution yield	6.29	5.84	5.86
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	0	191	61
Closing NAV percentage of total fund NAV (%)	0.00	0.02	0.01
Number of shares	0	13,966	4,400
Highest share price (Swiss ¢)	1,406.11	1,443.66	1,377.73
Lowest share price (Swiss ¢)	1,306.31	1,323.81	1,229.05

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

M&G Emerging Markets Bond Fund

Financial highlights

Specific share class performance

Swiss franc Class 'C-H' Accumulation share performance

The share class was launched on 24 July 2015.

	Six months to 31.12.18 Swiss ¢	Year to 30.06.18 Swiss ¢	Year to 30.06.17 Swiss ¢
Change in NAV per share			
Opening NAV	1,082.94	1,126.83	1,041.13
Return before operating charges and after direct portfolio transaction costs	(10.04)	(34.66)	94.83
Operating charges	(3.68)	(9.23)	(9.13)
Return after operating charges	(13.72)	(43.89)	85.70
Distributions	(26.88)	(59.13)	(55.44)
Retained distributions	26.88	59.13	55.44
Return to shareholder as a result of share class closure	(1,069.22)	n/a	n/a
Closing NAV	0.00	1,082.94	1,126.83
Direct portfolio transaction costs	Swiss ¢	Swiss ¢	Swiss ¢
Costs before dilution adjustments	0.24	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.24	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.05	0.00	0.00
Operating charges	0.80	0.80	0.85*
Return after operating charges	-1.27	-3.89	+8.23
Distribution yield	6.20	5.80	5.75
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	0	83	56
Closing NAV percentage of total fund NAV (%)	0.00	0.01	0.01
Number of shares	0	7,636	4,734
Highest share price (Swiss ¢)	1,115.98	1,189.87	1,140.99
Lowest share price (Swiss ¢)	1,062.79	1,079.79	1,035.16

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

US dollar Class 'A' Income share performance

The share class was launched on 8 August 2014.

	Six months to 31.12.18 US ¢	Year to 30.06.18 US ¢	Year to 30.06.17 US ¢
Change in NAV per share			
Opening NAV	1,061.84	1,147.32	1,106.69
Return before operating charges and after direct portfolio transaction costs	5.46	0.39	125.33
Operating charges	(6.76)	(16.63)	(16.54)
Return after operating charges	(1.30)	(16.24)	108.79
Distributions	(30.27)	(69.24)	(68.16)
Return to shareholder as a result of share class closure	(1,030.27)	n/a	n/a
Closing NAV	0.00	1,061.84	1,147.32
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.25	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.25	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.05	0.00	0.00
Operating charges	1.43	1.44	1.44
Return after operating charges	-0.12	-1.42	+9.83
Distribution yield	7.05	6.59	6.66
Effect on yield of charges offset against capital	1.40	1.40	1.40
Other information			
Closing NAV (\$'000)	0	1,644	823
Closing NAV percentage of total fund NAV (%)	0.00	0.14	0.16
Number of shares	0	154,796	71,706
Highest share price (US ¢)	1,096.71	1,205.01	1,197.01
Lowest share price (US ¢)	1,047.41	1,092.76	1,100.93

US dollar Class 'A' Accumulation share performance

The share class was launched on 19 April 2012.

	Six months to 31.12.18 US ¢	Year to 30.06.18 US ¢	Year to 30.06.17 US ¢
Change in NAV per share			
Opening NAV	1,315.06	1,336.66	1,216.19
Return before operating charges and after direct portfolio transaction costs	6.74	(1.84)	138.94
Operating charges	(8.37)	(19.76)	(18.47)
Return after operating charges	(1.63)	(21.60)	120.47
Distributions	(29.31)	(62.53)	(58.10)
Retained distributions	29.31	62.53	58.10
Return to shareholder as a result of share class closure	(1,313.43)	n/a	n/a
Closing NAV	0.00	1,315.06	1,336.66
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.31	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.31	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.05	0.00	0.00
Operating charges	1.43	1.44	1.44
Return after operating charges	-0.12	-1.62	+9.91
Distribution yield	5.64	5.18	5.27
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	0	18,196	13,349
Closing NAV percentage of total fund NAV (%)	0.00	1.54	2.55
Number of shares	0	1,383,678	998,719
Highest share price (US ¢)	1,358.21	1,428.76	1,352.09
Lowest share price (US ¢)	1,297.17	1,310.01	1,217.09

M&G Emerging Markets Bond Fund

Financial highlights

Specific share class performance

US dollar Class 'C' Income share performance

The share class was launched on 8 August 2014.

	Six months to 31.12.18 US ¢	Year to 30.06.18 US ¢	Year to 30.06.17 US ¢
Change in NAV per share			
Opening NAV	1,090.90	1,171.00	1,122.39
Return before operating charges and after direct portfolio transaction costs	5.62	0.16	127.48
Operating charges	(3.87)	(9.36)	(9.53)
Return after operating charges	1.75	(9.20)	117.95
Distributions	(31.12)	(70.90)	(69.34)
Return to shareholder as a result of share class closure	(1,061.53)	n/a	n/a
Closing NAV	0.00	1,090.90	1,171.00
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.26	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.26	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.05	0.00	0.00
Operating charges	0.78	0.78	0.81*
Return after operating charges	+0.16	-0.79	+10.51
Distribution yield	7.05	6.59	6.66
Effect on yield of charges offset against capital	0.75	0.75	0.75
Other information			
Closing NAV (\$'000)	0	8,286	8,973
Closing NAV percentage of total fund NAV (%)	0.00	0.70	1.72
Number of shares	0	759,594	766,299
Highest share price (US ¢)	1,127.35	1,233.87	1,221.33
Lowest share price (US ¢)	1,077.34	1,122.39	1,120.04

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

US dollar Class 'C' Accumulation share performance

The share class was launched on 19 April 2012.

	Six months to 31.12.18 US ¢	Year to 30.06.18 US ¢	Year to 30.06.17 US ¢
Change in NAV per share			
Opening NAV	1,362.17	1,375.54	1,242.33
Return before operating charges and after direct portfolio transaction costs	6.94	(2.17)	143.93
Operating charges	(4.75)	(11.20)	(10.72)
Return after operating charges	2.19	(13.37)	133.21
Distributions	(34.33)	(73.79)	(67.76)
Retained distributions	34.33	73.79	67.76
Return to shareholder as a result of share class closure	(1,364.36)	n/a	n/a
Closing NAV	0.00	1,362.17	1,375.54
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.32	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.32	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.05	0.00	0.00
Operating charges	0.78	0.79	0.81*
Return after operating charges	+0.16	-0.97	+10.72
Distribution yield	6.29	5.84	5.87
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	0	126,475	6,053
Closing NAV percentage of total fund NAV (%)	0.00	10.69	1.16
Number of shares	0	9,284,817	440,025
Highest share price (US ¢)	1,407.64	1,475.85	1,391.08
Lowest share price (US ¢)	1,345.24	1,356.67	1,247.85

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

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

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

M&G Emerging Markets Bond Fund

Financial statements and notes

Financial statements

Statement of total return

for the six months to 31 December	2018		2017	
	\$'000	\$'000	\$'000	\$'000
Income				
Net capital gains / (losses)		(49,113)		18,645
Revenue	36,547		22,298	
Expenses	(5,293)		(3,651)	
Net revenue / (expense) before taxation	31,254		18,647	
Taxation	(186)		(85)	
Net revenue / (expense) after taxation		31,068		18,562
Total return before distributions		(18,045)		37,207
Distributions		(31,820)		(18,661)
Change in net assets attributable to shareholders from investment activities		(49,865)		18,546

Statement of change in net assets attributable to shareholders

for the six months to 31 December	2018		2017	
	\$'000	\$'000	\$'000	\$'000
Opening net assets attributable to shareholders		1,183,643		523,208
Amounts received on issue of shares	194,094		497,592	
Amounts paid on cancellation of shares	(205,394)		(53,938)	
Transfer to M&G (Lux) Emerging Markets Bond Fund	(661,672)		0	
		(672,972)		443,654
Dilution adjustments		800		1,337
Change in net assets attributable to shareholders from investment activities (see above)		(49,865)		18,546
Retained distributions on Accumulation shares		22,614		19,493
Closing net assets attributable to shareholders		484,220		1,006,238

The opening net assets attributable to shareholders for 2018 differs to the closing position in 2017 by the change in net assets attributable to shareholders for the second half of the comparative financial year.

Balance sheet

as at	31 December 2018	30 June 2018
	\$'000	\$'000
Assets		
Fixed assets		
Investments	465,490	1,163,948
Current assets		
Debtors	17,283	28,621
Cash and bank balances	2,121	532
Cash equivalents	12,425	5,135
Total assets	497,319	1,198,236
Liabilities		
Investment liabilities	(315)	(583)
Creditors		
Bank overdrafts	(47)	0
Distribution payable	(8,525)	(8,078)
Other creditors	(4,212)	(5,932)
Total liabilities	(13,099)	(14,593)
Net assets attributable to shareholders	484,220	1,183,643

Notes to the financial statements

Accounting policies

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

Distribution policy

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

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

M&G Emerging Markets Bond Fund

Financial statements and notes

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M&G European Corporate Bond Fund

Authorised Corporate Director's Report

Investment objective

The fund aims to provide income and capital growth.

Investment policy

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

Investment approach

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

Risk profile

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

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

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

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

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



The above number:

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

Investment review

As at 2 January 2019, for the six months ended 31 December 2018

Performance against objective

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

On 9 November 2018, the fund's non-sterling share classes merged into the M&G (Lux) Euro Corporate Bond Fund, a Luxembourg-authorized SICAV which launched on that date. The M&G European Corporate Bond Fund's euro and Swiss franc shares had broadly flat returns between 1 July 2018 and 9 November 2018, while its US dollar share classes generated positive returns.

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

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

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

M&G European Corporate Bond Fund

Authorised Corporate Director's Report

Investment review

Investment performance

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

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

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

These more challenging conditions led to losses across many parts of the bond market over the six-month period. Sterling and euro-denominated investment grade corporate bonds generally suffered more than US dollar-denominated corporate bonds, while high yield corporate bonds declined more notably.

The fund's performance was driven by its sizeable exposure to investment grade corporate bonds. However, the fund's relative lack of sensitivity to changes in interest rates (known as 'duration') constrained performance.

Investment activities

One of the key drivers of a bond fund's performance is the ability to adjust the portfolio's sensitivity to changes in interest rates, known as 'duration' and measured in years. Being shorter duration means that a fund is relatively less sensitive to changes in interest rates than longer-duration funds. During the course of the reporting period, we slightly adjusted the fund's duration, while keeping it short overall. We moved it between around 0.8 and 0.5 years short of a comparable index, ending the reporting period at around 0.5 years short.

We continue to like financials and retained a significant exposure to this sector throughout the review period. We bought selected short-dated bank bonds from lower down the capital structure – which we believe provide a good trade-off in terms of the potential risk and reward offered – from names that we like, including Spain's Santander.

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

We added some French government bonds in August, as we partially de-risked the portfolio. We will look for opportunities to add some credit risk back as markets stabilise.

Outlook

In our view, global economic growth is likely to hold up in 2019, at least at a sufficient pace to be supportive of corporate bond markets. Monetary policy works with a lag. We can see this in the labour market, where wages were high in 2007-2008 off the back of a strong global economy in 2005-2006. There are clear signs that the US labour market is now overheating, which will drive pay higher.

Recent European data have been disappointing, although economic growth is still expected at 1.6% this year and 1.5% in 2020 (down from 1.9% in 2018). A lower oil price should benefit eurozone consumers. However, European politics remain challenging, despite Italy's populist government heading off its latest challenge in December by agreeing to drop its deficit target. After a difficult year for European corporate bond markets, prices look increasingly attractive.

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

Stefan Isaacs

Fund manager

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

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

Investments

Portfolio statement

as at Holding	31.12.18 €'000	31.12.18 %	30.06.18 %
FIXED INCOME	186,790	96.67	99.00
Debt securities	186,865	96.71	99.01
'AAA' credit rated bonds	29,685	15.36	16.19
£620,958 Dukinfield FRN 2052	695	0.36	
€1,017,448 Germany (Federal Republic of) 0% 2021	1,030	0.53	
€1,444,269 Germany (Federal Republic of) 0% 2022	1,467	0.76	
€673,080 Germany (Federal Republic of) 0.25% 2027	683	0.35	
€538,464 Germany (Federal Republic of) 0.5% 2026	559	0.29	
€1,615,392 Germany (Federal Republic of) 0.5% 2028	1,662	0.86	
€2,748,420 Germany (Federal Republic of) 1% 2024	2,936	1.52	
€403,848 Germany (Federal Republic of) 1.5% 2022	433	0.23	
€3,365,401 Germany (Federal Republic of) 1.75% IL 2020	3,947	2.04	
€498,079 Germany (Federal Republic of) 2.25% 2021	535	0.28	
€323,079 Germany (Federal Republic of) 4.75% 2040	583	0.30	
€430,771 Germany (Federal Republic of) 5.5% 2031	693	0.36	

M&G European Corporate Bond Fund

Authorised Corporate Director's Report

Investments

Portfolio statement (continued)			
as at Holding	31.12.18 €'000	31.12.18 %	30.06.18 %
'AAA' credit rated bonds (continued)			
€1,289,000 Harvest CLO VIII FRN 2031	1,281	0.66	
£660,299 Hawksmoor Mortgages FRN 2053	737	0.38	
€636,000 Johnson & Johnson 0.25% 2022	637	0.33	
€2,423,000 Johnson & Johnson 0.65% 2024	2,439	1.26	
€1,272,000 Microsoft 2.125% 2021	1,344	0.70	
€223,000 Microsoft 2.625% 2033	259	0.13	
€833,000 Microsoft 3.125% 2028	993	0.51	
€636,000 Microsoft 3.5% 2035	533	0.28	
€4,711,561 Netherlands (Kingdom of) 0.75% 2027	4,895	2.53	
€213,834 Paragon Mortgages No.11 FRN 2041	201	0.11	
£181,971 THRONES FRN 2049	203	0.11	
£264,602 Trinity Square FRN 2051	295	0.15	
€636,000 Wellcome Trust 1.125% 2027	645	0.33	
'AA' credit rated bonds	22,448	11.62	10.23
€382,000 3M Company 0.95% 2023	391	0.20	
€1,071,000 Apple 0.875% 2025	1,079	0.56	
€636,000 Apple 1% 2022	657	0.34	
€1,440,000 Apple 1.625% 2026	1,504	0.78	
€318,000 Apple 2% 2027	341	0.18	
€526,595 AyT Hipotecario Mixto FRN 2041	514	0.27	
€3,365,000 Berkshire Hathaway 1.125% 2027	3,312	1.71	
€504,000 Deutsche Bahn Finance 1.5% 2032	509	0.26	
€200,000 Euroclear Investments 1.5% 2030	199	0.10	
€1,615,392 France (Govt. of) 0.25% 2026	1,592	0.82	
€1,009,620 France (Govt. of) 1.75% 2023	1,094	0.57	
€191,000 Nestlé Finance International 1.5% 2019	193	0.10	
€890,000 Nestlé Finance International 1.75% 2022	942	0.49	
€464,000 Nestlé Finance International 2.125% 2021	491	0.25	
€2,034,000 Novartis Finance 0.125% 2023	2,014	1.04	
€382,000 Novartis Finance 0.75% 2021	389	0.20	
€763,000 Novartis Finance 1.625% 2026	803	0.42	
€54,851 Paragon Mortgages No.13 FRN 2039	51	0.03	
€318,000 Procter & Gamble 2% 2022	338	0.17	
€636,000 Roche Finance Europe 0.875% 2025	651	0.34	
€2,228,000 Shell International Finance 1% 2022	2,279	1.18	
€636,000 Svenska Handelsbanken 2.625% 2022	687	0.36	
€1,481,000 Walmart 4.875% 2029	1,993	1.03	
£382,000 Warwick Finance Residential Mortgage FRN 2049	425	0.22	
'A' credit rated bonds	54,743	28.33	28.49
€1,272,000 Airbus Finance (formerly Airbus Group) 0.875% 2026	1,249	0.65	
€800,000 Allianz Finance II Var. Rate 2041 (5.75%)	886	0.46	
€600,000 Allianz Var. Rate Perp. (4.75%)	659	0.34	
€636,000 América Móvil 4.125% 2019	657	0.34	
€531,000 Anheuser-Busch InBev 2.75% 2036	533	0.28	
€1,563,000 Aon 2.875% 2026	1,673	0.87	
€1,100,000 Banco Santander Var. Rate Perp. (6.25%)	1,044	0.54	
€400,000 Banco Santander Var. Rate Perp. (6.75%)	405	0.21	
€1,310,000 Bank of America 0.75% 2023	1,299	0.67	
€556,000 Bank of America 1.375% 2021	570	0.29	
€890,000 Bank of America 2.375% 2024	948	0.49	

Portfolio statement (continued)

as at Holding	31.12.18 €'000	31.12.18 %	30.06.18 %
'A' credit rated bonds (continued)			
€300,000 Belfius Bank Var. Rate 2028 (1.625%)	283	0.15	
€278,000 BNP Paribas 1.5% 2025	275	0.14	
€1,307,000 BNP Paribas FRN 2024	1,260	0.65	
€246,000 BP Capital Markets 1.117% 2024	249	0.13	
€300,000 BPCE 1.375% 2026	293	0.15	
€382,000 CEZ 4.5% 2020	407	0.21	
€318,000 CEZ 4.875% 2025	381	0.20	
€322,000 Chubb 1.55% 2028	319	0.16	
€515,000 CK Hutchison Europe Finance 18 1.25% 2025	502	0.26	
€2,564,000 Coca-Cola 1.125% 2027	2,570	1.33	
€800,000 Crédit Agricole 1.875% 2026	804	0.42	
€763,000 Crédit Agricole 4.125% 2027	638	0.33	
€890,000 DAA Finance 1.554% 2028	891	0.46	
€650,000 EDF 4% 2025	766	0.40	
€466,000 ELM Var. Rate Perp. (2.6%)	463	0.24	
€62,719 EMAC De (2006-1) FRN 2048	62	0.03	
€600,000 ENGIE 1.375% 2020	612	0.32	
€1,485,000 ENGIE 5.95% 2111	2,490	1.29	
€890,000 Eni 3.75% 2025	1,016	0.53	
€636,000 Honeywell International 0.65% 2020	641	0.33	
€254,000 Honeywell International 1.3% 2023	262	0.14	
€382,000 HSBC Holdings 0.875% 2024	369	0.19	
€636,000 HSBC Holdings 1.5% 2022	646	0.33	
€515,000 HSBC Holdings 4.75% Perp.	464	0.24	
€1,272,000 HSBC Holdings FRN 2023	1,219	0.63	
€636,000 Hutchison Whampoa 1.375% 2021	651	0.34	
€551,000 JPMorgan Chase 0.625% 2024	541	0.28	
€509,000 JPMorgan Chase 1.375% 2021	523	0.27	
€1,434,000 JPMorgan Chase 1.5% 2026	1,447	0.75	
€872,000 JPMorgan Chase 2.875% 2028	977	0.51	
€310,000 JPMorgan Chase Var. Rate 2028 (1.638%)	310	0.16	
€400,000 KBC Groep 0.75% 2022	400	0.21	
€400,000 Klépierre 1.375% 2027	396	0.20	
£598,000 Lloyds Bank 4.875% 2027	808	0.42	
€269,084 Magellan Mortgages No.3 FRN 2058	255	0.13	
€305,507 Magellan Mortgages No.4 FRN 2059	286	0.15	
\$664,816 Mitchells & Butlers Finance FRN 2030	530	0.27	
€185,000 Prologis 3% 2022	198	0.10	
€213,000 Prologis 3.375% 2024	235	0.12	
€191,000 Prologis International Funding II 1.876% 2025	195	0.10	
€636,000 Rabobank 4% 2022	708	0.37	
€200,000 Rabobank Var. Rate Perp. (6.625%)	217	0.11	
€200,000 Réseau de Transport d'Électricité 1% 2026	196	0.10	
£970,865 RMAC 2006-Ns 4 FRN 2044	999	0.52	
€1,400,000 SAP 0.75% 2024	1,400	0.72	
€636,000 Scentre Management 1.5% 2020	647	0.33	
€300,000 SCOR 3.875% Var. Rate Perp. (3.875%)	307	0.16	
€1,460,834 Silverback Finance 3.1261% 2037	1,502	0.78	
€364,000 Statkraft 2.5% 2022	393	0.20	
€432,000 Sumitomo Mitsui Banking 2.75% 2023	471	0.24	
€544,000 Takeda Pharmaceutical 3% 2030	554	0.29	
€700,000 Thales Group 0.75% 2023	707	0.37	
€1,600,000 Total Capital International 1.375% 2025	1,654	0.86	
€1,823,000 Total Var. Rate Perp. (2.25%)	1,839	0.95	
€2,597,000 Total Var. Rate Perp. (3.369%)	2,648	1.37	

M&G European Corporate Bond Fund

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Investments

Portfolio statement (continued)			
as at Holding	31.12.18 €'000	31.12.18 %	30.06.18 %
'A' credit rated bonds (continued)			
€1,030,000 UBS Group Funding (Switzerland) Var. Rate 2025 (1.25%)	1,016	0.53	
€509,000 Vier Gas Transport 3.125% 2023	567	0.29	
€807,000 Wells Fargo 1% 2027	764	0.39	
€297,000 Wells Fargo 1.625% 2025	302	0.16	
€1,526,000 Wells Fargo 2.25% 2023	1,614	0.83	
€636,000 Wells Fargo 2.625% 2022	681	0.35	
'BBB' credit rated bonds			
€1,000,000 AG Insurance Var. Rate 2047 (3.5%)	979	0.51	30.34
€191,000 Allergan Funding 2.125% 2029	182	0.09	
€600,000 Alstria office REIT 1.5% 2027	541	0.28	
€532,000 América Móvil Var. Rate 2073 (6.375%)	594	0.31	
€276,000 American International Group 1.875% 2027	262	0.14	
€1,700,000 American International Group Var. Rate 2067 (4.875%)	1,454	0.75	
€125,000 Anglo American Capital 1.625% 2025	118	0.06	
€530,000 Arion Bank 0.75% 2020	530	0.27	
€556,000 Arion Bank 1% 2023	537	0.28	
€400,000 Aroundtown 1.875% 2026	381	0.20	
€1,653,000 AT&T 3.55% 2032	1,735	0.90	
€382,000 Aviva Var. Rate 2043 (6.125%)	424	0.22	
€509,000 Aviva Var. Rate 2045 (3.375%)	491	0.25	
€641,000 AXA Var. Rate 2043 (5.125%)	716	0.37	
€454,000 AXA Var. Rate 2049 (3.25%)	433	0.22	
€300,000 Banco Santander 2.125% 2028	274	0.14	
€1,300,000 Banco Santander 2.5% 2025	1,297	0.67	
€382,000 Barclays Bank 6.625% 2022	428	0.22	
£636,000 BAT International Finance 2.25% 2052	463	0.24	
€382,000 BAT International Finance 2.75% 2025	400	0.21	
€630,000 BAT International Finance 3.125% 2029	636	0.33	
£382,000 BAT International Finance 7.25% 2024	517	0.27	
€406,000 Beni Stabili 2.375% 2028	398	0.21	
€127,000 BNP Paribas 4.875% Perp.	130	0.07	
€415,000 BNP Paribas Var. Rate 2026 (2.875%)	428	0.22	
€300,000 BPCE Var. Rate 2027 (2.75%)	312	0.16	
€827,000 Channel Link Enterprises Finance 1.761% IL 2050	828	0.43	
€1,697,000 Citigroup 1.5% 2028	1,631	0.84	
€1,145,000 Citigroup 1.75% 2025	1,167	0.60	
€1,100,000 Coentreprise de Transport d'Electricite 1.5% 2028	1,072	0.55	
€300,000 Commerzbank 1.875% 2028	287	0.15	
€177,000 Commerzbank 4% 2026	183	0.10	
£477,000 Credit Suisse Group Funding 3% 2022	543	0.28	
€509,000 Credit Suisse Var. Rate 2025 (5.75%)	544	0.28	
€318,000 Deutsche Telekom International Finance 0.25% 2021	319	0.17	
€1,259,000 Deutsche Telekom International Finance 5.375% 2021	1,424	0.74	
€636,000 Deutsche Telekom International Finance 8.75% 2030	721	0.37	
€196,000 ELM 3.375% 2047	191	0.10	
€280,000 ELM Var. Rate Perp. (4.5%)	287	0.15	
€251,000 Fastighets AB Balder 1.875% 2026	235	0.12	

Portfolio statement (continued)

as at Holding	31.12.18 €'000	31.12.18 %	30.06.18 %
'BBB' credit rated bonds (continued)			
€636,000 FCE Bank 1.134% 2022	614	0.32	
€208,000 FCE Bank 1.615% 2023	199	0.10	
€482,000 Ford Motor Credit 1.355% 2025	437	0.23	
€2,071,000 General Electric Capital 1.25% 2023	1,976	1.02	
€318,000 General Electric Capital 2.125% 2037	247	0.13	
€334,000 Global Switch Holdings 2.25% 2027	320	0.17	
€976,000 Goldman Sachs Group 1.25% 2025	944	0.49	
€382,000 Goldman Sachs Group 1.375% 2022	388	0.20	
€727,000 Goldman Sachs Group 1.625% 2026	704	0.36	
€1,850,000 Goldman Sachs Group FRN 2023	1,763	0.91	
€375,000 Holcim Finance (Luxembourg) 1.75% 2029	339	0.18	
€227,000 Imperial Brands Finance 1.375% 2025	217	0.11	
€636,000 ING Bank Var. Rate 2026 (3.625%)	671	0.35	
€500,000 ING Groep Var. Rate 2030 (2%)	481	0.25	
€763,000 Intesa Sanpaolo 1.125% 2022	750	0.39	
€636,000 Intesa Sanpaolo 2% 2021	645	0.33	
€800,000 Intesa Sanpaolo Var. Rate Perp. (4.75%)	754	0.39	
€763,000 Johnson Controls 1.375% 2025	755	0.39	
€127,000 Kraft Heinz Foods 2% 2023	131	0.07	
€763,000 Kraft Heinz Foods 2.25% 2028	747	0.39	
£136,000 LafargeHolcim Sterling Finance (Netherlands) 3% 2032	135	0.07	
€252,000 Liberty Mutual Group 2.75% 2026	259	0.13	
€1,272,000 Lloyds Banking Group FRN 2024	1,207	0.63	
€400,000 McDonald's 2% 2023	422	0.22	
€318,000 Merlin Properties 1.875% 2026	303	0.16	
£254,000 Mitchells & Butlers Finance FRN 2033	235	0.12	
€525,000 Morgan Stanley 1% 2022	528	0.27	
€1,161,000 Morgan Stanley 1.375% 2026	1,126	0.58	
€954,000 Morgan Stanley 1.75% 2025	967	0.50	
€606,000 NET4GAS S.R.O. 2.5% 2021	633	0.33	
€890,000 Nielsen Norman Group Var. Rate Perp. (4.5%)	886	0.46	
€789,000 Orange Var. Rate Perp. (5%)	841	0.44	
€1,202,000 Origin Energy Finance 2.5% 2020	1,241	0.64	
€481,000 Royal Bank of Scotland Var. Rate 2025 (2%)	471	0.24	
€119,000 Smiths Group 2% 2027	117	0.06	
€256,000 Tele2 1.125% 2024	254	0.13	
€127,000 Thermo Fisher Scientific 1.45% 2027	124	0.06	
€187,000 Thermo Fisher Scientific 2.875% 2037	190	0.10	
€318,000 Time Warner Cable 7.3% 2038	298	0.15	
€2,587,000 UBS Var. Rate 2026 (4.75%)	2,737	1.42	
€621,000 Unicredit Var. Rate Perp. (5.375%)	521	0.27	
€400,000 Uniqa Insurance Var. Rate 2043 (6.875%)	450	0.23	
€200,000 Urenco Finance 2.5% 2021	208	0.11	
€1,445,000 Verizon Communications 0.875% 2025	1,419	0.73	
€827,000 Verizon Communications 2.625% 2031	855	0.44	
€636,000 Verizon Communications 2.875% 2038	638	0.33	
€431,000 Vodafone Group 1.125% 2025	418	0.22	
€600,000 Vodafone Group 2.2% 2026	620	0.32	
€381,000 Vodafone Group 3.75% 2024	326	0.17	
€410,000 Vodafone Group Var. Rate 2078 (4.2%)	373	0.19	
€636,000 Volkswagen Financial Services 0.75% 2021	631	0.33	
€127,000 Volkswagen International Finance 1.625% 2030	110	0.06	

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Portfolio statement (continued)			
as at Holding	31.12.18 €'000	31.12.18 %	30.06.18 %
'BBB' credit rated bonds (continued)			
€509,000 Volkswagen Leasing 2.625% 2024	528	0.27	
€200,000 Vonovia Finance 1.5% 2028	188	0.10	
€302,000 WPC Eurobond 2.125% 2027	289	0.15	
€890,000 WPC Eurobond 2.25% 2024	897	0.46	
'BB' credit rated bonds			
	10,585	5.48	6.78
£76,000 Bank of Scotland Var. Rate Perp. (7.281%)	95	0.05	
€254,000 Barclays Var. Rate 2028 (2%)	235	0.12	
€231,000 Bayer Var. Rate 2075 (2.375%)	219	0.11	
€748,000 Bayer Var. Rate 2075 (3%)	744	0.39	
€600,000 CaixaBank Var. Rate Perp. (5.25%)	508	0.26	
€400,000 EDF Var. Rate Perp. (4.125%)	407	0.21	
€636,000 Intesa Sanpaolo 2.855% 2025	616	0.32	
€778,000 Intesa Sanpaolo 3.928% 2026	777	0.40	
€254,000 Intesa Sanpaolo Var. Rate Perp. (7.75%)	266	0.14	
€1,272,000 KBC Groep Var. Rate Perp. (5.625%)	1,266	0.65	
€318,000 Lloyds Banking Group Var. Rate Perp. (6.375%)	313	0.16	
€102,000 National Westminster Bank Var. Rate Perp. (6.625%)	98	0.05	
€1,150,000 Société Générale Var. Rate Perp. (9.375%)	1,211	0.63	
€445,000 Solvay Finance Var. Rate Perp. (5.425%)	475	0.25	
€159,000 Telecom Italia 7.75% 2033	198	0.10	
€200,000 Telefónica (Europe) 4.2% Var. Rate Perp. (4.2%)	204	0.11	
€600,000 Telefónica (Europe) Var. Rate 2099 (3%)	556	0.29	
€382,000 Teva Pharmaceutical Finance 1.125% 2024	320	0.16	
€636,000 UBS Group Funding (Switzerland) Var. Rate Perp. (5.75%)	672	0.35	
€127,000 Unicredit 6.95% 2022	142	0.07	
£636,000 Virgin Media Secured Finance 6.25% 2029	711	0.37	
€618,000 Wind Tre FRN 2024	552	0.29	
'B' credit rated bonds			
	0	0.00	0.30
Bonds with no credit rating			
	10,785	5.58	6.68
€1,338,000 Arbour CLO IV DAC FRN 2030	1,338	0.69	
€663,000 ASML 1.625% 2027	672	0.35	
€200,000 Assicurazioni Generali Var. Rate 2042 (7.75%)	233	0.12	
€347,000 Assicurazioni Generali Var. Rate 2047 (5.5%)	361	0.19	
€400,000 Assicurazioni Generali Var. Rate Perp. (8.5%)	406	0.21	
€456,000 Avoca CLO XIII DAC FRN 2030	455	0.24	
€636,000 Barings 2017-I FRN 2030	631	0.33	
€300,000 Bureau Veritas 1.125% 2023	298	0.15	
€417,000 DP World 2.375% 2026	410	0.21	
€172,000 Eurofins Scientific 2.125% 2024	163	0.08	
€156,000 EWE 5.25% 2021	176	0.09	
€700,000 Groupe Bruxelles Lambert 1.375% 2024	697	0.36	
€500,000 Iliad 1.875% 2025	458	0.24	
€500,000 Lagardère 1.625% 2024	478	0.25	
€350,000 Lehman Brothers Holdings Var. Rate 2040 (0%) ^[a]	0	0.00	
€835,000 Oak Hill FRN 2030	835	0.43	
€400,000 SEB 1.5% 2024	396	0.20	
€411,000 SELP Finance 1.25% 2023	405	0.21	

Portfolio statement (continued)

as at Holding	31.12.18 €'000	31.12.18 %	30.06.18 %
Bonds with no credit rating (continued)			
€209,000 SELP Finance 1.5% 2025	199	0.10	
€200,000 Suez 5.5% 2024	251	0.13	
€200,000 Suez Var. Rate Perp. (2.875%)	192	0.10	
€1,272,000 Telefónica (Germany) 2.375% 2021	1,325	0.69	
€400,000 Vilmorin & Cie 2.375% 2021	406	0.21	
Debt derivatives			
	(75)	(0.04)	(0.01)
Credit default swaps			
	95	0.05	0.07
€(1,272,000) Glencore Finance Europe Dec 2022	166	0.09	
€(1,272,000) Heathrow Funding Dec 2022	(7)	(0.01)	
€12,718,000 Markit iTraxx Europe Series 27 5 Year Jun 2022	(193)	(0.10)	
€(5,214,000) Markit iTraxx Europe Series 27 10 Year Jun 2027	(46)	(0.02)	
€(4,000,000) Markit iTraxx Europe Series 29 5 Year Jun 2023	36	0.02	
€(7,631,000) Markit iTraxx Europe Snr Fin Series 28 5 Year Dec 2022	30	0.01	
€2,862,000 Markit iTraxx Europe Sub Fin Series 28 5 Year Dec 2022	109	0.06	
Interest rate futures			
	(170)	(0.09)	(0.08)
(31) 10 Year US Treasury Note Mar 2019	(67)	(0.04)	
49 Euro Bobl Mar 2019	13	0.01	
(13) Euro Bono Mar 2019	(16)	(0.01)	
23 Euro Bund Mar 2019	16	0.01	
(34) Euro Buxl Mar 2019	(97)	(0.05)	
(25) UK Long Gilt Bond Mar 2019	(19)	(0.01)	
CURRENCY			
	(65)	(0.03)	0.01
Forward currency contracts			
	(65)	(0.03)	0.01
£260,852 Bought for €290,317 (expires 10.01.19)	0	0.00	
£(6,634,212) Sold for €7,326,925 (expires 10.01.19)	(68)	(0.03)	
\$186,810 Bought for €163,977 (expires 10.01.19)	(1)	0.00	
\$(4,241,161) Sold for €3,705,543 (expires 10.01.19)	4	0.00	
Portfolio of investments	186,725	96.64	99.01
CASH EQUIVALENTS			
	1,387	0.72	0.00
'AAA' rated money market funds ^[b]			
	1,387	0.72	0.00
1,412,614 Northern Trust Global Fund - Euro	1,387	0.72	
SHARE CLASS HEDGING			
	(488)	(0.26)	(0.03)
Forward currency contracts for share class hedging			
	(488)	(0.26)	(0.03)
£56,744,709 Bought for €63,753,587 (expires 10.01.19)	(497)	(0.26)	
£(1,061,413) Sold for €1,192,600 (expires 10.01.19)	9	0.00	
Total portfolio	187,624	97.10	98.98
Net other assets / (liabilities)	5,604	2.90	1.02
Net assets attributable to shareholders	193,228	100.00	100.00

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

^[a] Defaulted bond.

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

Portfolio transactions

for the six months to 31 December	2018 €'000	2017 €'000
Portfolio transactions		
Total purchases	73,385	252,756
Total sales	1,559,968	253,512

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

M&G European Corporate Bond Fund

Financial highlights

Fund performance

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

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

We show performance for these two share classes because:

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

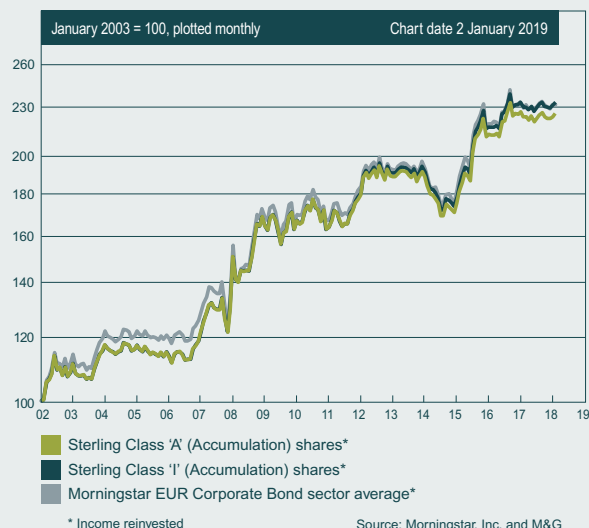
The fund is available for investment in different share classes, each with varying levels of charges and minimum investments; please refer to the Prospectus for M&G Investment Funds (3), which is available free of charge either from our website at www.mandg.co.uk/prospectuses or by calling M&G Customer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

Fund level performance

Fund net asset value			
as at	31.12.18 €'000	30.06.18 €'000	30.06.17 €'000
Fund net asset value (NAV)	193,228	1,697,355	1,947,876

Performance since launch

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



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

M&G European Corporate Bond Fund

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Fund performance

To give an indication of the performance of the fund, the following table shows the compound rate of return, over the period to 9 November 2018 for non-sterling share classes and 2 January 2019 for sterling share classes. Calculated on a price to price basis with income reinvested.

Long-term performance by share class				
	Six months 02.07.18 % ^[a]	Three years 04.01.16 % p.a.	Five years 02.01.14 % p.a.	Since launch % p.a.
Euro ^[b]				
Class 'A'	-0.1	+1.7	+2.4	+3.7 ^[c]
Class 'C'	+0.1	+2.2	+3.0	+4.4 ^[c]
Sterling ^[d]				
Class 'A'	+1.5	+8.4	+3.9	+5.2 ^[e]
Class 'I'	+1.8	+8.9	+4.3	+5.4 ^[e]
Class 'I-H'	+0.3	n/a	n/a	+0.1 ^[f]
Class 'R'	+1.7	+8.7	+4.1	+5.2 ^[e]
Class 'X'	+1.5	+8.3	+3.7	+5.1 ^[c]
Swiss franc ^[b]				
Class 'A-H'	-0.3	+1.2	+1.9	+2.4 ^[g]
Class 'C-H'	-0.1	+1.7	+2.4	+2.9 ^[g]
US dollar ^[b]				
Class 'A-H'	+0.9	+3.8	n/a	+3.0 ^[h]
Class 'C-H'	+1.1	+4.3	n/a	+3.5 ^[h]

^[a] Absolute basis.

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

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

^[d] Price to price with income reinvested.

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

^[f] 23 February 2018, the launch date of the share class. Not annualised.

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

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

Operating charges and portfolio transaction costs

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

Operating charges

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

- **Investment management:** Charge paid to M&G for investment management of the fund (also known as Annual Management Charge).
- **Administration:** Charge paid to M&G for administration services in addition to investment management – any surplus from this charge will be retained by M&G.

- **Share class hedging:** Charge paid to M&G for currency hedging services to minimise exchange rate risk for the share class.
- **Oversight and other independent services:** Charges paid to providers independent of M&G for services which include depositary, custody and audit.
- **Ongoing charges from underlying funds:** Ongoing charges on holdings in underlying funds that are not rebated.

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

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

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

Portfolio transaction costs

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

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

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

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

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

Portfolio transaction costs				
as at	31.12.18	30.06.18	30.06.17	Average ^[a]
Indirect portfolio transaction costs	%	%	%	%
Average portfolio dealing spread	0.57	0.45	0.49	0.50

^[a] Average of first three columns.

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Specific share class performance

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

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

Euro Class 'A' Income share performance

The share class was launched on 12 July 2013.

Change in NAV per share	Six months to 31.12.18 Euro ¢	Year to 30.06.18 Euro ¢	Year to 30.06.17 Euro ¢
Opening NAV	1,620.39	1,648.51	1,641.34
Return before operating charges and after direct portfolio transaction costs	8.52	26.26	65.53
Operating charges	(6.87)	(19.18)	(19.30)
Return after operating charges	1.65	7.08	46.23
Distributions	(12.42)	(35.20)	(39.06)
Return to shareholder as a result of share class closure	(1,609.62)	n/a	n/a
Closing NAV	0.00	1,620.39	1,648.51
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.01	0.02	0.04
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.01	0.02	0.04
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges	1.16	1.16	1.16
Return after operating charges	+0.10	+0.43	+2.82
Distribution yield	2.19	2.07	2.15
Effect on yield of charges offset against capital	1.15	1.15	1.15
Other information			
Closing NAV (€'000)	0	63,150	61,925
Closing NAV percentage of total fund NAV (%)	0.00	3.72	3.18
Number of shares	0	3,897,206	3,756,411
Highest share price (Euro ¢)	1,631.47	1,684.94	1,695.33
Lowest share price (Euro ¢)	1,608.20	1,627.01	1,641.38

Euro Class 'A' Accumulation share performance

The share class was launched on 13 January 2003.

Change in NAV per share	Six months to 31.12.18 Euro ¢	Year to 30.06.18 Euro ¢	Year to 30.06.17 Euro ¢
Opening NAV	1,786.22	1,778.94	1,730.02
Return before operating charges and after direct portfolio transaction costs	9.37	28.17	69.41
Operating charges	(7.59)	(20.89)	(20.49)
Return after operating charges	1.78	7.28	48.92
Distributions	(6.19)	(17.58)	(21.17)
Retained distributions	6.19	17.58	21.17
Return to shareholder as a result of share class closure	(1,788.00)	n/a	n/a
Closing NAV	0.00	1,786.22	1,778.94
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.01	0.02	0.04
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.01	0.02	0.04
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges	1.16	1.16	1.16
Return after operating charges	+0.10	+0.41	+2.83
Distribution yield	1.04	0.92	1.00
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€'000)	0	892,537	1,043,611
Closing NAV percentage of total fund NAV (%)	0.00	52.58	53.57
Number of shares	0	49,968,002	58,664,612
Highest share price (Euro ¢)	1,798.42	1,828.12	1,797.72
Lowest share price (Euro ¢)	1,781.87	1,777.35	1,739.45

Euro Class 'C' Income share performance

The share class was launched on 8 August 2014.

Change in NAV per share	Six months to 31.12.18 Euro ¢	Year to 30.06.18 Euro ¢	Year to 30.06.17 Euro ¢
Opening NAV	1,823.20	1,845.62	1,828.33
Return before operating charges and after direct portfolio transaction costs	9.58	29.32	73.16
Operating charges	(4.40)	(12.24)	(12.26)
Return after operating charges	5.18	17.08	60.90
Distributions	(13.98)	(39.50)	(43.61)
Return to shareholder as a result of share class closure	(1,814.40)	n/a	n/a
Closing NAV	0.00	1,823.20	1,845.62
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.01	0.02	0.04
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.01	0.02	0.04
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges	0.66	0.66	0.66
Return after operating charges	+0.28	+0.93	+3.33
Distribution yield	2.19	2.07	2.14
Effect on yield of charges offset against capital	0.65	0.65	0.65
Other information			
Closing NAV (€'000)	0	12,432	7,320
Closing NAV percentage of total fund NAV (%)	0.00	0.73	0.38
Number of shares	0	681,861	396,648
Highest share price (Euro ¢)	1,836.74	1,889.75	1,890.29
Lowest share price (Euro ¢)	1,812.52	1,830.22	1,832.87

M&G European Corporate Bond Fund

Financial highlights

Specific share class performance

Euro Class 'C' Accumulation share performance

The share class was launched on 13 January 2003.

	Six months to 31.12.18	Year to 30.06.18	Year to 30.06.17
Change in NAV per share	Euro ¢	Euro ¢	Euro ¢
Opening NAV	1,987.87	1,969.95	1,906.43
Return before operating charges and after direct portfolio transaction costs	10.42	31.12	76.40
Operating charges	(4.81)	(13.20)	(12.88)
Return after operating charges	5.61	17.92	63.52
Distributions	(10.53)	(29.50)	(33.16)
Retained distributions	10.53	29.50	33.16
Return to shareholder as a result of share class closure	(1,993.48)	n/a	n/a
Closing NAV	0.00	1,987.87	1,969.95
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.01	0.03	0.04
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.01	0.03	0.04
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges	0.66	0.66	0.66
Return after operating charges	+0.28	+0.91	+3.33
Distribution yield	1.54	1.42	1.49
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€'000)	0	543,856	663,444
Closing NAV percentage of total fund NAV (%)	0.00	32.04	34.05
Number of shares	0	27,358,743	33,678,325
Highest share price (Euro ¢)	2,002.60	2,027.99	1,990.47
Lowest share price (Euro ¢)	1,986.34	1,968.46	1,916.77

Sterling Class 'A' Income share performance

The share class was launched on 13 January 2003.

	Six months to 31.12.18	Year to 30.06.18	Year to 30.06.17
Change in NAV per share	UK p	UK p	UK p
Opening NAV	77.44	78.14	73.16
Return before operating charges and after direct portfolio transaction costs	0.45	1.90	7.71
Operating charges	(0.46)	(0.92)	(0.90)
Return after operating charges	(0.01)	0.98	6.81
Distributions	(0.79)	(1.68)	(1.83)
Closing NAV	76.64	77.44	78.14
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges	1.17	1.16	1.16
Return after operating charges	-0.01	+1.25	+9.31
Distribution yield	1.84	2.07	2.14
Effect on yield of charges offset against capital	1.15	1.15	1.15
Other information			
Closing NAV (€'000)	628	662	731
Closing NAV percentage of total fund NAV (%)	0.33	0.04	0.04
Number of shares	734,385	757,368	821,998
Highest share price (UK p)	79.62	83.89	81.19
Lowest share price (UK p)	75.48	76.59	74.16

Sterling Class 'A' Accumulation share performance

The share class was launched on 13 January 2003.

	Six months to 31.12.18	Year to 30.06.18	Year to 30.06.17
Change in NAV per share	UK p	UK p	UK p
Opening NAV	111.60	110.24	100.94
Return before operating charges and after direct portfolio transaction costs	0.67	2.67	10.68
Operating charges	(0.67)	(1.31)	(1.24)
Return after operating charges	0.00	1.36	9.44
Distributions	(0.49)	(1.09)	(1.30)
Retained distributions	0.49	1.09	1.16
Closing NAV	111.60	111.60	110.24
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges	1.17	1.16	1.16
Return after operating charges	0.00	+1.23	+9.35
Distribution yield	0.68	0.92	1.00
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€'000)	53,250	51,650	51,566
Closing NAV percentage of total fund NAV (%)	27.56	3.04	2.65
Number of shares	42,796,461	41,001,496	41,102,044
Highest share price (UK p)	114.76	118.35	112.64
Lowest share price (UK p)	109.35	109.79	102.94

M&G European Corporate Bond Fund

Financial highlights

Specific share class performance

Sterling Class 'I' Income share performance

The share class was launched on 3 August 2012.

	Six months to 31.12.18 UK p	Year to 30.06.18 UK p	Year to 30.06.17 UK p
Change in NAV per share			
Opening NAV	1,223.86	1,228.81	1,144.69
Return before operating charges and after direct portfolio transaction costs	7.21	29.74	120.77
Operating charges	(4.15)	(8.26)	(8.01)
Return after operating charges	3.06	21.48	112.76
Distributions	(12.42)	(26.43)	(28.64)
Closing NAV	1,214.50	1,223.86	1,228.81
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.02	0.03
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.02	0.03
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges	0.67	0.66	0.66
Return after operating charges	+0.25	+1.75	+9.85
Distribution yield	1.84	2.07	2.14
Effect on yield of charges offset against capital	0.65	0.65	0.65
Other information			
Closing NAV (€'000)	3,335	3,411	16,496
Closing NAV percentage of total fund NAV (%)	1.73	0.20	0.85
Number of shares	246,258	246,954	1,179,640
Highest share price (UK p)	1,259.54	1,320.32	1,272.18
Lowest share price (UK p)	1,195.31	1,209.20	1,163.17

Sterling Class 'I' Accumulation share performance

The share class was launched on 3 August 2012.

	Six months to 31.12.18 UK p	Year to 30.06.18 UK p	Year to 30.06.17 UK p
Change in NAV per share			
Opening NAV	1,378.24	1,354.69	1,234.89
Return before operating charges and after direct portfolio transaction costs	8.05	32.70	130.84
Operating charges	(4.65)	(9.15)	(8.68)
Return after operating charges	3.40	23.55	122.16
Distributions	(9.50)	(20.39)	(22.51)
Retained distributions	9.50	20.39	20.15
Closing NAV	1,381.64	1,378.24	1,354.69
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.02	0.03
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.02	0.03
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges	0.66	0.66	0.66
Return after operating charges	+0.25	+1.74	+9.89
Distribution yield	1.18	1.42	1.49
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€'000)	34,589	26,325	16,011
Closing NAV percentage of total fund NAV (%)	17.90	1.55	0.82
Number of shares	2,245,233	1,692,136	1,038,578
Highest share price (UK p)	1,418.40	1,455.52	1,379.48
Lowest share price (UK p)	1,352.99	1,354.42	1,261.56

Sterling Class 'I-H' Income share performance

The share class was launched on 23 February 2018.

	Six months to 31.12.18 UK p	Year to 30.06.18 UK p	Year to 30.06.17 UK p
Change in NAV per share			
Opening NAV	98.67	100.00	n/a
Return before operating charges and after direct portfolio transaction costs	0.03	(0.05)	n/a
Operating charges	(0.35)	(0.24)	n/a
Return after operating charges	(0.32)	(0.29)	n/a
Distributions	(1.00)	(1.04)	n/a
Closing NAV	97.35	98.67	n/a
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.00	n/a
Dilution adjustments ^[a]	0.00	0.00	n/a
Total direct portfolio transaction costs	0.00	0.00	n/a
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	n/a
Operating charges	0.69	0.68	n/a
Return after operating charges	-0.32	-0.29	n/a
Distribution yield	1.83	1.42	n/a
Effect on yield of charges offset against capital	0.67	0.67	n/a
Other information			
Closing NAV (€'000)	61,667	59,907	n/a
Closing NAV percentage of total fund NAV (%)	31.91	3.53	n/a
Number of shares	56,809,270	53,785,024	n/a
Highest share price (UK p)	99.55	100.37	n/a
Lowest share price (UK p)	97.84	98.99	n/a

Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012.

	Six months to 31.12.18 UK p	Year to 30.06.18 UK p	Year to 30.06.17 UK p
Change in NAV per share			
Opening NAV	121.79	122.58	114.48
Return before operating charges and after direct portfolio transaction costs	0.72	2.97	12.05
Operating charges	(0.57)	(1.13)	(1.10)
Return after operating charges	0.15	1.84	10.95
Distributions	(1.24)	(2.63)	(2.85)
Closing NAV	120.70	121.79	122.58
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges	0.92	0.91	0.91
Return after operating charges	+0.12	+1.50	+9.56
Distribution yield	1.84	2.07	2.14
Effect on yield of charges offset against capital	0.90	0.90	0.90
Other information			
Closing NAV (€'000)	122	134	44
Closing NAV percentage of total fund NAV (%)	0.06	0.01	0.00
Number of shares	90,530	97,201	31,201
Highest share price (UK p)	125.28	131.66	127.14
Lowest share price (UK p)	118.83	120.39	116.19

M&G European Corporate Bond Fund

Financial highlights

Specific share class performance

Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012.

	Six months to 31.12.18 UK p	Year to 30.06.18 UK p	Year to 30.06.17 UK p
Change in NAV per share			
Opening NAV	136.22	134.23	122.64
Return before operating charges and after direct portfolio transaction costs	0.79	3.23	12.98
Operating charges	(0.63)	(1.24)	(1.19)
Return after operating charges	0.16	1.99	11.79
Distributions	(0.77)	(1.68)	(1.90)
Retained distributions	0.77	1.68	1.70
Closing NAV	136.38	136.22	134.23
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges	0.91	0.91	0.91
Return after operating charges	+0.12	+1.48	+9.61
Distribution yield	0.93	1.17	1.24
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€'000)	372	486	72
Closing NAV percentage of total fund NAV (%)	0.18	0.03	0.00
Number of shares	244,589	316,345	47,000
Highest share price (UK p)	140.14	144.16	136.92
Lowest share price (UK p)	133.60	133.94	125.17

Sterling Class 'X' Income share performance

The share class was launched on 13 January 2003.

	Six months to 31.12.18 UK p	Year to 30.06.18 UK p	Year to 30.06.17 UK p
Change in NAV per share			
Opening NAV	77.23	77.94	73.05
Return before operating charges and after direct portfolio transaction costs	0.46	1.88	7.70
Operating charges	(0.46)	(0.92)	(0.99)
Return after operating charges	(0.00)	0.96	6.71
Distributions	(0.78)	(1.67)	(1.82)
Closing NAV	76.45	77.23	77.94
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges	1.17	1.16	1.28*
Return after operating charges	0.00	+1.23	+9.19
Distribution yield	1.84	2.07	2.14
Effect on yield of charges offset against capital	1.15	1.15	1.15
Other information			
Closing NAV (€'000)	725	755	1,121
Closing NAV percentage of total fund NAV (%)	0.38	0.04	0.06
Number of shares	850,892	865,777	1,263,973
Highest share price (UK p)	79.42	83.67	81.02
Lowest share price (UK p)	75.29	76.39	73.98

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

M&G European Corporate Bond Fund

Financial highlights

Specific share class performance

Sterling Class 'X' Accumulation share performance

The share class was launched on 13 January 2003.

	Six months to 31.12.18 UK p	Year to 30.06.18 UK p	Year to 30.06.17 UK p
Change in NAV per share			
Opening NAV	109.14	107.80	98.80
Return before operating charges and after direct portfolio transaction costs	0.62	2.62	10.45
Operating charges	(0.63)	(1.28)	(1.33)
Return after operating charges	(0.01)	1.34	9.12
Distributions	(0.48)	(1.07)	(1.15)
Retained distributions	0.48	1.07	1.03
Closing NAV	109.13	109.14	107.80
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges	1.14	1.16	1.27*
Return after operating charges	-0.01	+1.24	+9.23
Distribution yield	0.68	0.92	0.77
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€'000)	38,540	33,765	68,340
Closing NAV percentage of total fund NAV (%)	19.95	1.99	3.50
Number of shares	31,674,382	27,409,825	55,704,735
Highest share price (UK p)	112.23	115.74	110.19
Lowest share price (UK p)	106.93	107.36	100.66

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

Swiss franc Class 'A-H' Accumulation share performance

The share class was launched on 28 September 2012.

	Six months to 31.12.18 Swiss ¢	Year to 30.06.18 Swiss ¢	Year to 30.06.17 Swiss ¢
Change in NAV per share			
Opening NAV	1,160.47	1,160.41	1,134.46
Return before operating charges and after direct portfolio transaction costs	4.20	13.89	39.49
Operating charges	(5.00)	(13.83)	(13.54)
Return after operating charges	(0.80)	0.06	25.95
Distributions	(3.93)	(11.34)	(13.56)
Retained distributions	3.93	11.34	13.56
Return to shareholder as a result of share class closure	(1,159.67)	n/a	n/a
Closing NAV	0.00	1,160.47	1,160.41
Direct portfolio transaction costs	Swiss ¢	Swiss ¢	Swiss ¢
Costs before dilution adjustments	0.00	0.02	0.03
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.02	0.03
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges	1.18	1.18	1.18
Return after operating charges	-0.07	+0.01	+2.29
Distribution yield	1.02	0.90	0.98
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€'000)	0	2,660	3,495
Closing NAV percentage of total fund NAV (%)	0.00	0.16	0.18
Number of shares	0	265,102	329,288
Highest share price (Swiss ¢)	1,167.78	1,191.02	1,172.82
Lowest share price (Swiss ¢)	1,155.86	1,159.15	1,138.83

Swiss franc Class 'C-H' Accumulation share performance

The share class was launched on 28 September 2012.

	Six months to 31.12.18 Swiss ¢	Year to 30.06.18 Swiss ¢	Year to 30.06.17 Swiss ¢
Change in NAV per share			
Opening NAV	1,194.27	1,189.05	1,156.44
Return before operating charges and after direct portfolio transaction costs	4.37	13.45	40.64
Operating charges	(2.97)	(8.23)	(8.03)
Return after operating charges	1.40	5.22	32.61
Distributions	(6.22)	(17.73)	(19.81)
Retained distributions	6.22	17.73	19.81
Return to shareholder as a result of share class closure	(1,195.67)	n/a	n/a
Closing NAV	0.00	1,194.27	1,189.05
Direct portfolio transaction costs	Swiss ¢	Swiss ¢	Swiss ¢
Costs before dilution adjustments	0.00	0.02	0.03
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.02	0.03
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges	0.68	0.68	0.68
Return after operating charges	+0.12	+0.44	+2.82
Distribution yield	1.52	1.40	1.48
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€'000)	0	681	9,187
Closing NAV percentage of total fund NAV (%)	0.00	0.04	0.47
Number of shares	0	65,930	844,811
Highest share price (Swiss ¢)	1,202.51	1,222.94	1,201.59
Lowest share price (Swiss ¢)	1,191.56	1,188.00	1,162.30

M&G European Corporate Bond Fund

Financial highlights

Specific share class performance

US dollar Class 'A-H' Income share performance

The share class was launched on 8 August 2014.

	Six months to 31.12.18 US ¢	Year to 30.06.18 US ¢	Year to 30.06.17 US ¢
Change in NAV per share			
Opening NAV	1,039.23	1,032.42	1,010.48
Return before operating charges and after direct portfolio transaction costs	16.20	41.47	58.37
Operating charges	(4.49)	(12.15)	(12.15)
Return after operating charges	11.71	29.32	46.22
Distributions	(8.05)	(22.51)	(24.28)
Return to shareholder as a result of share class closure	(1,042.89)	n/a	n/a
Closing NAV	0.00	1,039.23	1,032.42
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.00	0.01	0.02
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.01	0.02
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges	1.18	1.18	1.18
Return after operating charges	+1.13	+2.84	+4.57
Distribution yield	2.16	2.08	2.18
Effect on yield of charges offset against capital	1.17	1.17	1.17
Other information			
Closing NAV (€'000)	0	342	112
Closing NAV percentage of total fund NAV (%)	0.00	0.02	0.01
Number of shares	0	38,258	12,385
Highest share price (US ¢)	1,049.89	1,063.30	1,048.51
Lowest share price (US ¢)	1,039.57	1,031.91	1,016.09

US dollar Class 'A-H' Accumulation share performance

The share class was launched on 8 August 2014.

	Six months to 31.12.18 US ¢	Year to 30.06.18 US ¢	Year to 30.06.17 US ¢
Change in NAV per share			
Opening NAV	1,121.58	1,090.91	1,042.98
Return before operating charges and after direct portfolio transaction costs	17.65	43.83	60.58
Operating charges	(4.87)	(13.16)	(12.65)
Return after operating charges	12.78	30.67	47.93
Distributions	(3.88)	(10.78)	(12.64)
Retained distributions	3.88	10.78	12.64
Return to shareholder as a result of share class closure	(1,134.36)	n/a	n/a
Closing NAV	0.00	1,121.58	1,090.91
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.00	0.01	0.02
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.01	0.02
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges	1.18	1.18	1.18
Return after operating charges	+1.14	+2.81	+4.60
Distribution yield	1.00	0.90	1.00
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€'000)	0	3,004	3,604
Closing NAV percentage of total fund NAV (%)	0.00	0.18	0.19
Number of shares	0	311,733	376,804
Highest share price (US ¢)	1,133.22	1,130.35	1,101.55
Lowest share price (US ¢)	1,121.94	1,090.37	1,048.77

US dollar Class 'C-H' Income share performance

The share class was launched on 8 August 2014.

	Six months to 31.12.18 US ¢	Year to 30.06.18 US ¢	Year to 30.06.17 US ¢
Change in NAV per share			
Opening NAV	1,049.50	1,037.17	1,010.01
Return before operating charges and after direct portfolio transaction costs	16.36	42.09	58.53
Operating charges	(2.61)	(7.15)	(7.02)
Return after operating charges	13.75	34.94	51.51
Distributions	(8.10)	(22.61)	(24.35)
Return to shareholder as a result of share class closure	(1,055.15)	n/a	n/a
Closing NAV	0.00	1,049.50	1,037.17
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.00	0.01	0.02
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.01	0.02
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges	0.68	0.68	0.68
Return after operating charges	+1.31	+3.37	+5.10
Distribution yield	2.16	2.08	2.19
Effect on yield of charges offset against capital	0.67	0.67	0.67
Other information			
Closing NAV (€'000)	0	110	111
Closing NAV percentage of total fund NAV (%)	0.00	0.01	0.01
Number of shares	0	12,179	12,179
Highest share price (US ¢)	1,060.88	1,070.73	1,053.21
Lowest share price (US ¢)	1,049.89	1,036.81	1,015.73

M&G European Corporate Bond Fund

Financial highlights

Specific share class performance

US dollar Class 'C-H' Accumulation share performance

The share class was launched on 8 August 2014.

	Six months to 31.12.18 US ¢	Year to 30.06.18 US ¢	Year to 30.06.17 US ¢
Change in NAV per share			
Opening NAV	1,144.54	1,107.10	1,053.97
Return before operating charges and after direct portfolio transaction costs	18.31	45.15	60.45
Operating charges	(2.87)	(7.71)	(7.32)
Return after operating charges	15.44	37.44	53.13
Distributions	(6.09)	(16.77)	(18.32)
Retained distributions	6.09	16.77	18.32
Return to shareholder as a result of share class closure	(1,159.98)	n/a	n/a
Closing NAV	0.00	1,144.54	1,107.10
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.00	0.02	0.02
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.02	0.02
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges	0.68	0.68	0.68
Return after operating charges	+1.35	+3.38	+5.04
Distribution yield	1.50	1.40	1.51
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€'000)	0	1,488	686
Closing NAV percentage of total fund NAV (%)	0.00	0.09	0.04
Number of shares	0	151,383	70,714
Highest share price (US ¢)	1,157.74	1,152.71	1,118.06
Lowest share price (US ¢)	1,144.96	1,106.92	1,059.90

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

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

M&G European Corporate Bond Fund

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Financial statements

Statement of total return

for the six months to 31 December	2018		2017	
	€'000	€'000	€'000	€'000
Income				
Net capital gains / (losses)		(6,753)		20,938
Revenue	13,079		21,716	
Expenses	(6,115)		(9,673)	
Net revenue / (expense) before taxation	6,964		12,043	
Taxation	14		6	
Net revenue / (expense) after taxation		6,978		12,049
Total return before distributions		225		32,987
Distributions		(7,498)		(12,333)
Change in net assets attributable to shareholders from investment activities		(7,273)		20,654

Statement of change in net assets attributable to shareholders

for the six months to 31 December	2018		2017	
	€'000	€'000	€'000	€'000
Opening net assets attributable to shareholders		1,697,355		1,947,876
Amounts received on issue of shares	40,172		103,109	
Amounts paid on cancellation of shares	(259,825)		(104,572)	
Transferred to M&G (Lux) European Corporate Bond Fund	(1,283,631)		0	
		(1,503,284)		(1,463)
Dilution adjustments		490		224
Change in net assets attributable to shareholders from investment activities (see above)		(7,273)		20,654
Retained distributions on Accumulation shares		5,940		11,406
Closing net assets attributable to shareholders		193,228		1,978,697

The opening net assets attributable to shareholders for 2018 differs to the closing position in 2017 by the change in net assets attributable to shareholders for the second half of the comparative financial year.

Balance sheet

as at	31 December 2018	30 June 2018
	€'000	€'000
Assets		
Fixed assets		
Investments	187,248	1,684,194
Current assets		
Debtors	2,075	20,582
Cash and bank balances	8,696	11,636
Cash equivalents	1,387	0
Total assets	199,406	1,716,412
Liabilities		
Investment liabilities	(1,011)	(4,188)
Creditors		
Bank overdrafts	(346)	0
Overdrawn positions at futures clearing houses and collateral manager	(181)	0
Distribution payable	(336)	(759)
Other creditors	(4,304)	(14,110)
Total liabilities	(6,178)	(19,057)
Net assets attributable to shareholders	193,228	1,697,355

Notes to the financial statements

Accounting policies

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

Distribution policy

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

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

M&G European Corporate Bond Fund

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M&G European High Yield Bond Fund

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Investment objective

The fund aims to provide income and capital growth.

Investment policy

At least 70% of the fund is invested in higher yielding debt instruments denominated in any European currency and will normally be managed to give investors exposure to European currencies. The fund's exposure to higher yielding debt instruments may be gained through the use of derivatives. Derivatives may also be used for efficient portfolio management. The fund may also invest in collective investment schemes, government and public securities and other transferable securities, cash, near cash, other money market instruments, warrants and other derivative instruments which may be denominated in any major global currency. Any non-European currency exposures within the fund may be managed by currency hedges in European currencies. More than 70% of the fund will be in euro or hedged back to euro.

Investment approach

The fund manager concentrates on bottom-up analysis of individual bond issues while remaining aware of macroeconomic developments. Emphasis is placed upon investigating the ability of a company or government to meet its interest payments, especially during unfavourable economic conditions. Credit risk is constantly monitored and typically spread across a variety of countries and industrial sectors.

Risk profile

The fund invests mainly in higher yielding fixed income securities denominated in any European currency. It is primarily subject to the price volatility of the European bond market as well as the performance of individual issuers. It is also influenced by developments in the broader global bond market. In addition, the fund is subject to fluctuations in currency exchange rates.

The fund's focus on higher yielding debt securities implies that it may experience greater volatility than a fund that invests primarily in investment grade debt securities as higher risk assets could potentially experience a degree of illiquidity in times of market distress.

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

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

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



The above number:

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

Investment review

As at 2 January 2019, for the six months ended 31 December 2018

Performance against objective

Between 2 July 2018 (the start of the review period) and 2 January 2019, the M&G European High Yield Bond Fund delivered a small positive total return (the combination of income and growth of capital) for its sterling class shares. On the other hand, the fund's US dollar and euro class shares delivered a negative return. Please note that the Swiss franc and US dollar Class 'C-H' share classes were closed on 3 August 2018.*

In this reporting period, the fund's performance against its objective of providing income** and capital growth was mixed. Over three and five years the fund has met its objective.

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

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

Investment performance

The six months under review were a challenging period for high yield bond markets. (High yield bonds are loans paying fixed interest issued by companies with a low credit rating. Credit ratings are independent assessments of a borrower's ability to repay loans. Bonds from low-rated companies are considered riskier than those issued by companies with a high credit rating. They therefore pay a higher rate of interest than their higher rated counterparts, to compensate investors for the greater possibility that the issuer might be unable to meet its obligations, or in other words, default.)

After delivering steady returns throughout much of 2016 and 2017, high yield markets faced a more difficult environment in 2018. A variety of factors have weighed on sentiment during the year, including concerns over the negative impact of rising US interest rates, escalating trade war tensions between the US and China, and political turmoil in Europe and several emerging markets.

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Investment review

Investment performance (continued)

US high yield markets have generally proved more resilient than elsewhere, thanks in part to the relative strength of the US economy. While the sharp fall in oil prices since early October weighed on US energy names in the second half of the review period, this was partly offset by continued robust performance in other sectors, such as healthcare and real estate. In contrast, high yield bonds in Europe and emerging markets have endured a more challenging backdrop, with ongoing political uncertainty and slowing economic momentum weighing on returns.

Fund performance over the review period was mixed across the different share classes. While the sterling share classes produced a small positive return, the euro and US dollar share classes posted negative returns. The sterling share classes were ahead of the Morningstar Europe High Yield Bond sector. Please note that the Swiss franc and US dollar Class 'C-H' share classes closed on 3 August 2018.

The fund's defensive sector positioning and modest exposure to the periphery of the eurozone proved helpful overall, although this was partly offset by a bias towards the financial sector, which generally underperformed.

Investment activities

There were no significant changes in fund positioning during the period under review and we maintained our preference for defensive, non-cyclical companies offering resilient cashflows, such as packaging companies and cable businesses. Notable holdings in this space include telecom operators Wind Tre and Unity Media and packaging companies Crown European Holdings and Ardagh Packaging Finance.

While not accounting for a significant part of the European high yield market, we nevertheless maintain minimal exposure to the energy and commodity sectors. Even after the recent sell-off, we think these sectors do not generally provide sufficient compensation for the risks at this stage of the economic cycle.

In regional allocation terms, we maintain a preference for Northern Europe while keeping only a modest exposure to the periphery of the eurozone. We also maintain an allocation of approximately 18% to US high yield, which is around twice that of a comparable index.

Over the six months under review, the overall average credit risk of the fund was broadly unchanged. We maintain a slight preference for more highly rated BB bonds, while also keeping a small exposure to investment grade BBB bonds.

We continue to see attractive opportunities in the primary high yield market and participated in a broad range of new deals over the period, including issues from financial services company Intertrust and construction business James Hardie. In terms of sales, we closed or reduced our positions in several names where we were beginning to see less value relative to fundamentals, such as Balkan telecom provider United Group and debt management firm Garfunkelux.

Fund duration (a measure of a bond fund's sensitivity to movements in interest rates) was slightly reduced over the six months to around 3.5 years as at the end of December compared to 3.7 years at the end of June. With the possibility of a further rise in US interest rates and a pick-up in global inflation, we believe a cautious stance is warranted.

Outlook

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

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

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

James Tomlins

Fund manager

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

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

M&G European High Yield Bond Fund

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Investments

Portfolio statement			
as at Holding	31.12.18 €'000	31.12.18 %	30.06.18 %
EQUITIES	385	0.33	0.53
Mining	0	0.00	0.00
5,628,959 New World Resources [a]	0	0.00	
Travel & leisure	385	0.33	0.53
96,305 Codere	385	0.33	
FIXED INCOME	101,823	86.76	93.77
Debt securities	100,897	85.97	92.73
'AAA' credit rated bonds	10,524	8.97	11.75
€1,200,000 Germany (Federal Republic of) 0% 2022	1,219	1.04	
€9,306,000 Germany (Federal Republic of) 0% 2026	9,305	7.93	
'A' credit rated bonds	3,420	2.91	2.56
€1,200,000 Banco Bilbao Vizcaya Argentaria Var. Rate Perp. (7%)	1,195	1.02	
€400,000 Banco Santander Var. Rate Perp. (6.25%)	380	0.32	
€1,100,000 Société Générale Var. Rate Perp. (6.75%)	1,111	0.95	
€720,000 Total Var. Rate Perp. (3.369%)	734	0.62	
'BBB' credit rated bonds	5,155	4.39	4.60
£416,000 AA Bond Company 4.875% 2043	442	0.38	
€1,600,000 American International Group Var. Rate 2067 (4.875%)	1,368	1.17	
€1,200,000 Banco de Sabadell Var. Rate Perp. (6.5%)	1,108	0.94	
£555,000 GKN Holdings 3.375% 2032	579	0.49	
€750,000 MPT Operating Partnership 3.325% 2025	747	0.64	
€689,000 Unicredit Var. Rate Perp. (5.375%)	578	0.49	
€350,000 Unicredit Var. Rate Perp. (6.75%)	333	0.28	
'BB' credit rated bonds	48,463	41.29	42.34
€1,100,000 Ardagh Packaging Finance 2.75% 2024	1,076	0.92	
€229,000 Arena Luxembourg Finance 2.875% 2024	226	0.19	
£926,000 Arrow Global Finance 5.125% 2024	921	0.79	
€900,000 Arrow Global Finance FRN 2025	819	0.70	
€723,000 Axalta Coating Systems 3.75% 2025	694	0.59	
€404,000 Axalta Coating Systems 4.25% 2024	400	0.34	
€350,000 Bank of Ireland Var. Rate Perp. (7.375%)	365	0.31	
€1,400,000 Bank of Ireland Var. Rate 2024 (4.25%)	1,403	1.20	
€400,000 Bankia Var. Rate Perp. (6.375%)	377	0.32	
€324,000 Belden 3.375% 2027	294	0.25	
€600,000 CaixaBank Var. Rate Perp. (5.25%)	508	0.43	
€1,000,000 CaixaBank Var. Rate Perp. (6.75%)	1,008	0.86	
€800,000 Casino Guichard Perrachon 3.248% 2024	727	0.62	
€901,000 Cemex 2.75% 2024	839	0.72	
€346,000 Ceva Logistics Finance 5.25% 2025	342	0.29	
€600,000 Chemours 4% 2026	566	0.48	
€193,000 Colfax 3.25% 2025	178	0.15	
\$225,000 Credit Suisse Group Var. Rate Perp. (7.125%)	194	0.17	
\$900,000 Credit Suisse Group Var. Rate Perp. (7.5%)	799	0.68	
€3,600,000 Crown European Holdings 3.375% 2025	3,614	3.08	
€400,000 Digi Communications (formerly Cable Communications Systems) 5% 2023	416	0.35	

Portfolio statement (continued)

as at Holding	31.12.18 €'000	31.12.18 %	30.06.18 %
'BB' credit rated bonds (continued)			
£260,000 Drax Finco 4.25% 2022	284	0.24	
\$301,000 Drax Finco 6.625% 2025	259	0.22	
€471,000 Dufry Finance 4.5% 2023	481	0.41	
€258,000 Equinix 2.875% 2024	257	0.22	
€750,000 Gestamp Funding Luxembourg 3.5% 2023	733	0.62	
€2,000,000 Hanesbrands Finance Luxembourg 3.5% 2024	2,013	1.72	
€900,000 HT1 Funding Var. Rate Perp. (6.352%)	758	0.65	
€478,000 IHO Verwaltungs 2.75% Pik 2021	473	0.40	
€203,000 Intertrust Group 3.375% 2025	200	0.17	
€366,000 Interxion Holding 4.75% 2025	375	0.32	
€150,000 Intesa Sanpaolo 3.928% 2026	150	0.13	
€125,000 Intesa Sanpaolo 6.625% 2023	142	0.12	
€1,350,000 Intesa Sanpaolo Var. Rate Perp. (7%)	1,365	1.16	
€213,000 Intesa Sanpaolo Var. Rate Perp. (7.75%)	223	0.19	
€890,000 Intrum 3.125% 2024	785	0.67	
€372,000 James Hardie 3.625% 2026	362	0.31	
€800,000 KBC Groep Var. Rate Perp. (5.625%)	796	0.68	
€593,000 Levi Strauss & Co. 3.375% 2027	589	0.50	
€400,000 Lloyds Banking Group Var. Rate Perp. (6.375%)	394	0.34	
£220,000 Nationwide Building Society Var. Rate Perp. (6.875%)	247	0.21	
€225,000 Netflix 4.625% 2029	220	0.19	
€680,000 Nomad Foods 3.25% 2024	668	0.57	
€750,000 Novalis 3% 2022	754	0.64	
€2,220,000 OI European Group 3.125% 2024	2,187	1.86	
€500,000 Orano (formerly New Areva Holdings) 4.875% 2024	494	0.42	
£400,000 Petrobras Global Finance 6.625% 2034	446	0.38	
€929,000 Progroup FRN 2024	917	0.78	
€865,000 QuintilesIMS 3.25% 2025	848	0.72	
€268,000 SASU Newco SAB 20 SAS (formerly Louvre Bidco SAS) 4.25% 2024	252	0.21	
€362,000 Silgan Holdings 3.25% 2025	361	0.31	
€600,000 Smurfit Kappa Acquisitions 2.375% 2024	603	0.51	
€850,000 Smurfit Kappa Acquisitions 2.75% 2025	857	0.73	
€1,850,000 SPCM 2.875% 2023	1,851	1.58	
€990,000 TA Manufacturing 3.625% 2023	998	0.85	
€1,530,000 Telenet Finance VI 4.875% 2027	1,629	1.39	
€365,000 Teva Pharmaceutical Finance 4.5% 2025	369	0.31	
€169,000 Unitymedia Hessen 3.5% 2027	174	0.15	
€1,450,000 Unitymedia Hessen 4% 2025	1,493	1.27	
€450,000 Unitymedia Hessen 4.625% 2026	476	0.41	
€721,000 Wind Tre 3.125% 2025	638	0.54	
€2,814,000 Wind Tre FRN 2024	2,515	2.14	
€3,086,000 Ziggo 3.75% 2025	3,061	2.61	
'B' credit rated bonds	28,505	24.29	27.24
€850,000 Adient Global Holdings 3.5% 2024	681	0.58	
€359,000 Adler Pelzer 4.125% 2024	329	0.28	
€1,000,000 Altice France (formerly SFR Group) 5.625% 2024	1,005	0.86	
€950,000 ARD Finance 6.625% 2023	904	0.77	
£860,000 Ardagh Packaging Finance 4.75% 2027	866	0.74	
£328,000 Barclays Var. Rate Perp. (5.875%)	331	0.28	
€318,000 Blitz F18-674 6% 2026	300	0.26	
€419,000 Burger King France 6% 2024	434	0.37	

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Portfolio statement (continued)				
as at Holding	31.12.18 €'000	31.12.18 %	30.06.18 %	
'B' credit rated bonds (continued)				
£902,000 Cabot Financial Luxembourg 7.5% 2023	913	0.78		
€740,000 Catalent Pharma Solutions 4.75% 2024	740	0.63		
€161,000 CMA CGM 5.25% 2025	134	0.11		
€500,000 CMF 9% 2022	388	0.33		
€118,000 Diamond (BC) 5.625% 2025	100	0.09		
€1,270,000 DKT Finance 7% 2023	1,339	1.14		
€620,000 eircom Finance 4.25% 2022	628	0.54		
€848,000 Gamenet Group FRN 2023	813	0.69		
€300,000 Garfunkelux Holdco 3 FRN 2023	248	0.21		
€1,500,000 Garfunkelux Holdco 8.5% 2022	1,403	1.20		
€226,000 Grupo Antolin 3.25% 2024	196	0.17		
€500,000 Grupo Antolin 3.375% 2026	396	0.34		
€600,000 HEMA Bondco I FRN 2022	508	0.43		
€1,525,000 Iceland Bondco 4.625% 2025	1,440	1.23		
€300,000 Lecta 6.5% 2023	276	0.24		
€289,000 LHMC Finco 6.25% 2023	293	0.25		
€927,000 LSF10 Wolverine Investments 5% 2024	871	0.74		
€1,415,000 Matterhorn Telecom 3.875% 2022	1,377	1.17		
€1,000,000 Matterhorn Telecom 4% 2027	907	0.77		
€848,000 Netflix 3.625% 2027	820	0.70		
€500,000 Paprec Holding FRN 2025	421	0.36		
€943,000 Picard Groupe FRN 2023	880	0.75		
€435,000 Premier Foods Finance 6.25% 2023	471	0.40		
€325,000 Premier Foods Finance FRN 2022	357	0.30		
€460,000 PSPC Escrow 6% 2023	471	0.40		
€663,000 Refinitiv US Holdings 6.875% 2026	610	0.52		
€448,000 Schmolz+Bickenbach 5.625% 2022	424	0.36		
€626,000 Scientific Games International 5.5% 2026	536	0.46		
€1,230,000 Selecta Group 5.875% 2024	1,155	0.98		
€676,000 Starfruit 6.5% 2026	622	0.53		
€219,000 Tele Columbus 3.875% 2025	198	0.17		
\$358,000 Tesla 5.3% 2025	269	0.23		
€393,000 Unitymedia Kabel 3.75% 2027	403	0.34		
€1,495,000 Valeant Pharmaceuticals 4.5% 2023	1,410	1.20		
€422,000 Vallourec 6.375% 2023	311	0.26		
€384,000 Vallourec 6.625% 2022	293	0.25		
€150,000 Veritas 7.5% 2023	143	0.12		
\$721,000 VTR Finance 6.875% 2024	629	0.54		
€250,000 Ziggo Secured Finance 7.125% 2025	262	0.22		
'CCC' credit rated bonds 2,346 2.00 1.97				
€337,000 NewCo 8% 2022	336	0.29		
€200,000 Swissport Financing SARL 9.75% 2022	210	0.18		
€295,000 Unilabs Subholding 5.75% 2025	266	0.23		
€600,000 Verisure Holdings 5.75% 2023	577	0.49		
SEK9,780,000 Verisure Holdings FRN 2023	957	0.81		
Bonds with no credit rating 2,484 2.12 2.27				
£209,000 Ardonagh Midco 3 (formerly KIRS Midco 3) 8.375% 2023	196	0.17		
€182,000 Assicurazioni Generali Var. Rate 2047 (5.5%)	189	0.16		
€500,000 Assicurazioni Generali Var. Rate Perp. (8.5%)	507	0.43		
£760,000 Care UK Health FRN 2019	841	0.72		
€641,964 Hellas Telecom III 8.5% 2013 ^[b]	0	0.00		
€600,000 Lehman Brothers Holdings Var. Rate 2040 (0%) ^[b]	0	0.00		

Portfolio statement (continued)

as at Holding	31.12.18 €'000	31.12.18 %	30.06.18 %
Bonds with no credit rating (continued)			
£500,000 Ocado Group 4% 2024	537	0.46	
€222,000 Stora Enso 2.5% 2028	214	0.18	
Debt derivatives 926 0.79 1.04			
Credit default swaps 926 0.79 1.04			
€(14,503,902) Markit iTraxx Europe Xover Series 30 V1 5 Year Dec 2023	867	0.74	
€(986,660) Markit iTraxx Europe Xover Series 30 V2 5 Year Dec 2023	59	0.05	
CURRENCY (101) (0.09) 0.17			
Forward currency contracts (101) (0.09) 0.17			
£179,741 Bought for €199,215 (expires 10.01.19)	1	0.00	
\$13,130 Bought for €11,493 (expires 10.01.19)	0	0.00	
£(9,541,502) Sold for €10,538,764 (expires 10.01.19)	(98)	0.00	
SEK(9,784,008) Sold for €947,386 (expires 10.01.19)	(7)	(0.01)	
\$(2,610,770) Sold for €2,281,212 (expires 10.01.19)	3	(0.08)	
Portfolio of investments	102,107	87.00	94.47
CASH EQUIVALENTS 11,445 9.75 0.00			
'AAA' rated money market funds ^[c] 11,445 9.75 0.00			
11,658,512 Northern Trust Global Fund - Euro	11,445	9.75	
SHARE CLASS HEDGING (3) 0.00 0.00			
Forward currency contracts for share class hedging (3) 0.00 0.00			
\$593,874 Bought for €520,474 (expires 29.01.19)	(3)	0.00	
\$(37,056) Sold for €32,312 (expires 29.01.19)	0	0.00	
Total portfolio	113,549	96.75	94.47
Net other assets / (liabilities)	3,811	3.25	5.53
Net assets attributable to shareholders	117,360	100.00	100.00

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

^[a] Suspended.

^[b] Defaulted bond.

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

Portfolio transactions

for the six months to 31 December	2018 €'000	2017 €'000
Portfolio transactions		
Total purchases	17,413	18,899
Total sales	19,665	19,488

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

M&G European High Yield Bond Fund

Financial highlights

Fund performance

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

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

We show performance for these two share classes because:

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

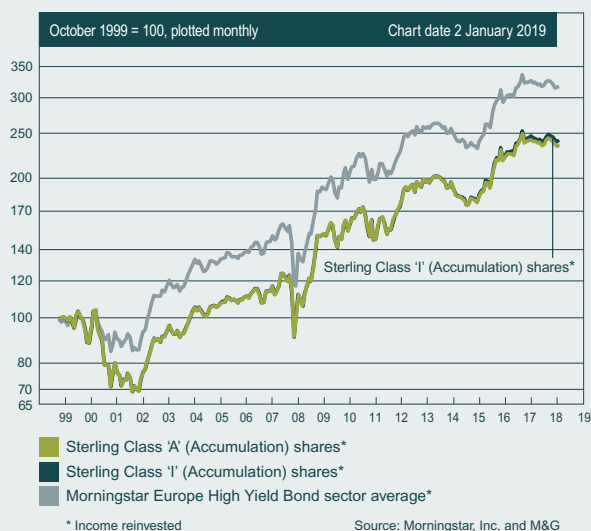
The fund is available for investment in different share classes, each with varying levels of charges and minimum investments; please refer to the Prospectus for M&G Investment Funds (3), which is available free of charge either from our website at www.mandg.co.uk/prospectuses or by calling M&G Customer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

Fund level performance

Fund net asset value			
as at	31.12.18 €'000	30.06.18 €'000	30.06.17 €'000
Fund net asset value (NAV)	117,360	114,385	123,245

Performance since launch

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



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

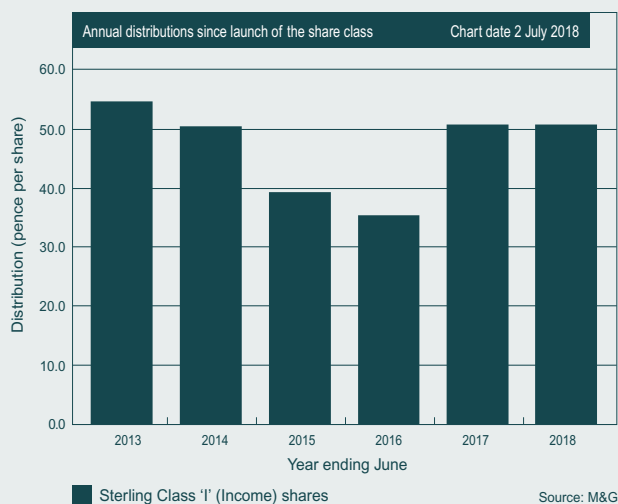
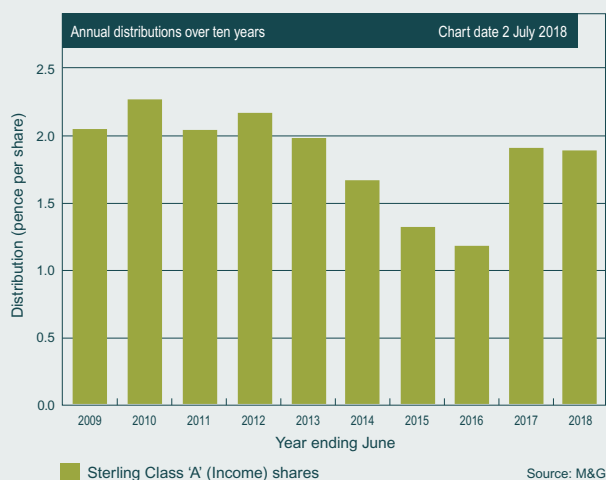
M&G European High Yield Bond Fund

Financial highlights

Fund performance

Distribution charts

The charts below show the annual distribution of Sterling Class 'A' (Income) shares over the past 10 years and Sterling Class 'I' (Income) shares since launch.



To give an indication of the performance of the fund, the following table shows the compound rate of return, over the period to 2 January 2019. The Swiss franc and US dollar Class 'C-H' share classes closed on 3 August 2018. Calculated on a price to price basis with income reinvested.

Long-term performance by share class

	Six months 02.07.18 % ^[a]	Three years 04.01.16 %p.a.	Five years 02.01.14 %p.a.	Since launch %p.a.
Euro^[b]				
Class 'A'	-1.7	+1.9	+2.4	+6.8 ^[c]
Class 'B'	-1.9	+1.4	+1.9	+2.8 ^[d]
Class 'C'	-1.4	+2.5	+2.9	+6.6 ^[c]
Sterling^[e]				
Class 'A'	+0.4	+8.8	+3.7	-12.3 ^[f]
Class 'I'	+0.6	+9.3	+4.1	+7.0 ^[g]
Class 'R'	+0.5	+9.0	+3.9	+6.8 ^[g]
Class 'X'	+0.4	+8.8	+3.7	+4.5 ^[h]
Swiss franc^[b]				
Class 'A-H'	+1.4	+3.0	n/a	+3.0 ^[i]
Class 'C-H'	+1.4	+3.5	n/a	+3.5 ^[i]
US dollar^[b]				
Class 'A-H'	-0.2	+4.0	n/a	+3.4 ^[j]
Class 'C-H'	+1.7	+6.0	n/a	+4.7 ^[j]

^[a] Absolute basis.

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

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

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

^[e] Price to price with income reinvested.

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

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

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

^[i] 25 September 2015, the launch date of the share class.

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

M&G European High Yield Bond Fund

Financial highlights

Fund performance

Operating charges and portfolio transaction costs

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

Operating charges

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

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

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

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

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

Portfolio transaction costs

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

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

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

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

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

Portfolio transaction costs

as at	31.12.18	30.06.18	30.06.17	Average ^[a]
Indirect portfolio transaction costs	%	%	%	%
Average portfolio dealing spread	0.98	0.79	0.68	0.82

^[a] Average of first three columns.

M&G European High Yield Bond Fund

Financial highlights

Specific share class performance

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

Euro Class 'A' Income share performance

The share class was launched on 12 July 2013.

	Six months to 31.12.18 Euro ¢	Year to 30.06.18 Euro ¢	Year to 30.06.17 Euro ¢
Change in NAV per share			
Opening NAV	2,382.04	2,488.21	2,398.89
Return before operating charges and after direct portfolio transaction costs	(23.79)	31.22	240.87
Operating charges	(17.56)	(35.45)	(35.54)
Return after operating charges	(41.35)	(4.23)	205.33
Distributions	(24.52)	(101.94)	(116.01)
Closing NAV	2,316.17	2,382.04	2,488.21
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges	1.44	1.43	1.43
Return after operating charges	-1.74	-0.17	+8.56
Distribution yield	4.08	4.18	4.14
Effect on yield of charges offset against capital	1.40	1.40	1.40
Other information			
Closing NAV (€'000)	2,698	2,867	3,410
Closing NAV percentage of total fund NAV (%)	2.30	2.51	2.77
Number of shares	116,489	120,339	137,030
Highest share price (Euro ¢)	2,442.82	2,534.27	2,545.26
Lowest share price (Euro ¢)	2,312.11	2,407.20	2,408.99

Euro Class 'A' Accumulation share performance

The share class was launched on 29 November 2002.

	Six months to 31.12.18 Euro ¢	Year to 30.06.18 Euro ¢	Year to 30.06.17 Euro ¢
Change in NAV per share			
Opening NAV	2,954.79	2,961.42	2,725.59
Return before operating charges and after direct portfolio transaction costs	(30.66)	36.17	276.81
Operating charges	(21.88)	(42.80)	(40.98)
Return after operating charges	(52.54)	(6.63)	235.83
Distributions	(20.18)	(81.15)	(93.75)
Retained distributions	20.18	81.15	93.75
Closing NAV	2,902.25	2,954.79	2,961.42
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges	1.44	1.43	1.43
Return after operating charges	-1.78	-0.22	+8.65
Distribution yield	2.67	2.76	2.74
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€'000)	41,529	45,205	58,025
Closing NAV percentage of total fund NAV (%)	35.39	39.52	47.08
Number of shares	1,430,910	1,529,896	1,959,377
Highest share price (Euro ¢)	3,030.08	3,046.46	2,996.33
Lowest share price (Euro ¢)	2,897.17	2,946.71	2,736.87

Euro Class 'B' Income share performance

The share class was launched on 11 September 2015.

	Six months to 31.12.18 Euro ¢	Year to 30.06.18 Euro ¢	Year to 30.06.17 Euro ¢
Change in NAV per share			
Opening NAV	942.01	988.88	958.25
Return before operating charges and after direct portfolio transaction costs	(9.35)	12.49	96.03
Operating charges	(9.34)	(18.94)	(19.17)
Return after operating charges	(18.69)	(6.45)	76.86
Distributions	(9.69)	(40.42)	(46.23)
Closing NAV	913.63	942.01	988.88
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges	1.94	1.93	1.93
Return after operating charges	-1.98	-0.65	+8.02
Distribution yield	4.08	4.18	4.14
Effect on yield of charges offset against capital	1.90	1.90	1.90
Other information			
Closing NAV (€'000)	743	772	415
Closing NAV percentage of total fund NAV (%)	0.63	0.67	0.34
Number of shares	81,339	81,948	42,000
Highest share price (Euro ¢)	964.90	1,005.44	1,011.76
Lowest share price (Euro ¢)	912.29	951.97	962.24

M&G European High Yield Bond Fund

Financial highlights

Specific share class performance

Euro Class 'B' Accumulation share performance

The share class was launched on 26 July 2013.

	Six months to 31.12.18 Euro ¢	Year to 30.06.18 Euro ¢	Year to 30.06.17 Euro ¢
Change in NAV per share			
Opening NAV	1,186.09	1,194.70	1,105.07
Return before operating charges and after direct portfolio transaction costs	(12.23)	14.65	112.04
Operating charges	(11.80)	(23.26)	(22.41)
Return after operating charges	(24.03)	(8.61)	89.63
Distributions	(6.63)	(26.62)	(32.10)
Retained distributions	6.63	26.62	32.10
Closing NAV	1,162.06	1,186.09	1,194.70
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges	1.94	1.93	1.93
Return after operating charges	-2.03	-0.72	+8.11
Distribution yield	2.17	2.26	2.24
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€'000)	2,003	2,476	2,210
Closing NAV percentage of total fund NAV (%)	1.71	2.16	1.79
Number of shares	172,349	208,775	184,957
Highest share price (Euro ¢)	1,214.87	1,226.80	1,208.95
Lowest share price (Euro ¢)	1,160.34	1,185.54	1,109.60

Euro Class 'C' Income share performance

The share class was launched on 8 August 2014.

	Six months to 31.12.18 Euro ¢	Year to 30.06.18 Euro ¢	Year to 30.06.17 Euro ¢
Change in NAV per share			
Opening NAV	2,393.41	2,487.33	2,386.06
Return before operating charges and after direct portfolio transaction costs	45.37	31.18	239.59
Operating charges	(12.22)	(23.00)	(22.67)
Return after operating charges	33.15	8.18	216.92
Distributions	0.00	(102.10)	(115.65)
Return to shareholder as a result of share class closure	(2,426.56)	n/a	n/a
Closing NAV	0.00	2,393.41	2,487.33
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges	0.94	0.92	0.92
Return after operating charges	+1.39	+0.33	+9.09
Distribution yield	n/a	4.19	4.14
Effect on yield of charges offset against capital	0.90	0.90	0.90
Other information			
Closing NAV (€'000)	0	26	27
Closing NAV percentage of total fund NAV (%)	0.00	0.02	0.02
Number of shares	0	1,097	1,097
Highest share price (Euro ¢)	2,429.24	2,538.13	2,544.15
Lowest share price (Euro ¢)	2,392.01	2,418.64	2,396.17

Euro Class 'C' Accumulation share performance

The share class was launched on 29 November 2002.

	Six months to 31.12.18 Euro ¢	Year to 30.06.18 Euro ¢	Year to 30.06.17 Euro ¢
Change in NAV per share			
Opening NAV	2,854.57	2,846.75	2,606.98
Return before operating charges and after direct portfolio transaction costs	(29.82)	34.63	265.22
Operating charges	(13.82)	(26.81)	(25.45)
Return after operating charges	(43.64)	7.82	239.77
Distributions	(23.04)	(92.65)	(103.70)
Retained distributions	23.04	92.65	103.70
Closing NAV	2,810.93	2,854.57	2,846.75
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges	0.94	0.93	0.93
Return after operating charges	-1.53	+0.27	+9.20
Distribution yield	3.17	3.27	3.24
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€'000)	5,585	9,121	17,966
Closing NAV percentage of total fund NAV (%)	4.76	7.97	14.58
Number of shares	198,686	319,519	631,107
Highest share price (Euro ¢)	2,930.80	2,935.99	2,879.91
Lowest share price (Euro ¢)	2,805.24	2,833.02	2,617.81

M&G European High Yield Bond Fund

Financial highlights

Specific share class performance

Sterling Class 'A' Income share performance

The share class was launched on 1 October 2002.

	Six months to 31.12.18 UK p	Year to 30.06.18 UK p	Year to 30.06.17 UK p
Change in NAV per share			
Opening NAV	44.69	46.30	41.99
Return before operating charges and after direct portfolio transaction costs	0.09	0.97	7.09
Operating charges	(0.33)	(0.67)	(0.65)
Return after operating charges	(0.24)	0.30	6.44
Distributions	(0.46)	(1.91)	(2.13)
Closing NAV	43.99	44.69	46.30
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges	1.44	1.43	1.43
Return after operating charges	-0.54	+0.65	+15.34
Distribution yield	4.08	4.18	4.14
Effect on yield of charges offset against capital	1.40	1.40	1.40
Other information			
Closing NAV (€'000)	1,268	1,459	2,081
Closing NAV percentage of total fund NAV (%)	1.08	1.29	1.69
Number of shares	2,585,049	2,891,648	3,948,334
Highest share price (UK p)	46.88	49.64	47.55
Lowest share price (UK p)	43.99	44.75	42.72

Sterling Class 'A' Accumulation share performance

The share class was launched on 1 October 2002.

	Six months to 31.12.18 UK p	Year to 30.06.18 UK p	Year to 30.06.17 UK p
Change in NAV per share			
Opening NAV	118.38	117.69	102.19
Return before operating charges and after direct portfolio transaction costs	0.21	2.41	17.48
Operating charges	(0.88)	(1.72)	(1.60)
Return after operating charges	(0.67)	0.69	15.88
Distributions	(0.81)	(3.24)	(3.68)
Retained distributions	0.81	3.24	3.30
Closing NAV	117.71	118.38	117.69
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges	1.44	1.43	1.43
Return after operating charges	-0.57	+0.59	+15.54
Distribution yield	2.67	2.76	2.74
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€'000)	778	934	810
Closing NAV percentage of total fund NAV (%)	0.66	0.82	0.66
Number of shares	592,512	698,803	604,660
Highest share price (UK p)	124.17	126.16	119.53
Lowest share price (UK p)	117.71	117.24	103.96

Sterling Class 'I' Income share performance

The share class was launched on 3 August 2012.

	Six months to 31.12.18 UK p	Year to 30.06.18 UK p	Year to 30.06.17 UK p
Change in NAV per share			
Opening NAV	1,198.51	1,235.47	1,114.56
Return before operating charges and after direct portfolio transaction costs	2.43	25.59	188.76
Operating charges	(5.81)	(11.55)	(11.17)
Return after operating charges	(3.38)	14.04	177.59
Distributions	(24.81)	(51.00)	(56.68)
Closing NAV	1,170.32	1,198.51	1,235.47
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges	0.94	0.93	0.93
Return after operating charges	-0.28	+1.14	+15.93
Distribution yield	4.08	4.18	4.15
Effect on yield of charges offset against capital	0.90	0.90	0.90
Other information			
Closing NAV (€'000)	8,690	8,166	6,832
Closing NAV percentage of total fund NAV (%)	7.40	7.14	5.54
Number of shares	665,974	603,623	485,908
Highest share price (UK p)	1,258.23	1,325.63	1,268.69
Lowest share price (UK p)	1,182.75	1,199.55	1,134.03

Sterling Class 'I' Accumulation share performance

The share class was launched on 3 August 2012.

	Six months to 31.12.18 UK p	Year to 30.06.18 UK p	Year to 30.06.17 UK p
Change in NAV per share			
Opening NAV	1,533.81	1,517.21	1,311.52
Return before operating charges and after direct portfolio transaction costs	2.70	31.04	224.64
Operating charges	(7.50)	(14.44)	(13.36)
Return after operating charges	(4.80)	16.60	211.28
Distributions	(24.85)	(49.63)	(54.60)
Retained distributions	24.85	49.63	49.01
Closing NAV	1,529.01	1,533.81	1,517.21
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges	0.94	0.93	0.93
Return after operating charges	-0.31	+1.09	+16.11
Distribution yield	3.17	3.27	3.24
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€'000)	40,963	30,248	16,017
Closing NAV percentage of total fund NAV (%)	34.90	26.44	13.00
Number of shares	2,402,693	1,747,069	927,635
Highest share price (UK p)	1,610.19	1,627.84	1,540.93
Lowest share price (UK p)	1,529.01	1,513.23	1,334.16

M&G European High Yield Bond Fund

Financial highlights

Specific share class performance

Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012.

	Six months to 31.12.18 UK p	Year to 30.06.18 UK p	Year to 30.06.17 UK p
Change in NAV per share			
Opening NAV	119.26	123.26	111.47
Return before operating charges and after direct portfolio transaction costs	0.25	2.53	18.87
Operating charges	(0.73)	(1.45)	(1.42)
Return after operating charges	(0.48)	1.08	17.45
Distributions	(1.23)	(5.08)	(5.66)
Closing NAV	117.55	119.26	123.26
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges	1.19	1.18	1.18
Return after operating charges	-0.40	+0.88	+15.65
Distribution yield	4.08	4.18	4.14
Effect on yield of charges offset against capital	1.15	1.15	1.15
Other information			
Closing NAV (€'000)	927	913	64
Closing NAV percentage of total fund NAV (%)	0.79	0.80	0.05
Number of shares	707,197	678,197	45,874
Highest share price (UK p)	125.16	132.19	126.57
Lowest share price (UK p)	117.55	119.39	113.41

Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012.

	Six months to 31.12.18 UK p	Year to 30.06.18 UK p	Year to 30.06.17 UK p
Change in NAV per share			
Opening NAV	151.77	150.48	130.36
Return before operating charges and after direct portfolio transaction costs	0.26	3.11	22.31
Operating charges	(0.93)	(1.82)	(1.66)
Return after operating charges	(0.67)	1.29	20.65
Distributions	(1.13)	(4.54)	(5.09)
Retained distributions	1.13	4.54	4.56
Closing NAV	151.10	151.77	150.48
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges	1.19	1.18	1.18
Return after operating charges	-0.44	+0.86	+15.84
Distribution yield	2.92	3.02	2.99
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€'000)	731	730	17
Closing NAV percentage of total fund NAV (%)	0.62	0.64	0.01
Number of shares	433,749	425,903	10,000
Highest share price (UK p)	159.25	161.40	152.84
Lowest share price (UK p)	151.09	150.07	132.61

Sterling Class 'X' Income share performance

The share class was launched on 15 October 1999.

	Six months to 31.12.18 UK p	Year to 30.06.18 UK p	Year to 30.06.17 UK p
Change in NAV per share			
Opening NAV	44.62	46.23	41.91
Return before operating charges and after direct portfolio transaction costs	0.09	0.95	7.10
Operating charges	(0.33)	(0.66)	(0.65)
Return after operating charges	(0.24)	0.29	6.45
Distributions	(0.46)	(1.90)	(2.13)
Closing NAV	43.92	44.62	46.23
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges	1.44	1.43	1.43
Return after operating charges	-0.54	+0.63	+15.39
Distribution yield	4.08	4.18	4.14
Effect on yield of charges offset against capital	1.40	1.40	1.40
Other information			
Closing NAV (€'000)	9,043	9,609	12,836
Closing NAV percentage of total fund NAV (%)	7.71	8.41	10.42
Number of shares	18,465,829	19,079,448	24,399,934
Highest share price (UK p)	46.80	49.55	47.47
Lowest share price (UK p)	43.92	44.68	42.64

Sterling Class 'X' Accumulation share performance

The share class was launched on 15 October 1999.

	Six months to 31.12.18 UK p	Year to 30.06.18 UK p	Year to 30.06.17 UK p
Change in NAV per share			
Opening NAV	118.31	117.62	102.13
Return before operating charges and after direct portfolio transaction costs	0.22	2.40	17.47
Operating charges	(0.88)	(1.71)	(1.60)
Return after operating charges	(0.66)	0.69	15.87
Distributions	(1.61)	(3.24)	(3.68)
Retained distributions	1.61	3.24	3.30
Closing NAV	117.65	118.31	117.62
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges	1.44	1.43	1.43
Return after operating charges	-0.56	+0.59	+15.54
Distribution yield	2.67	2.76	2.74
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€'000)	1,919	1,234	1,897
Closing NAV percentage of total fund NAV (%)	1.64	1.08	1.54
Number of shares	1,463,178	923,814	1,417,421
Highest share price (UK p)	124.10	126.09	119.46
Lowest share price (UK p)	117.65	117.18	103.89

M&G European High Yield Bond Fund

Financial highlights

Specific share class performance

Swiss franc Class 'A-H' Accumulation share performance

The share class was launched on 25 September 2015.

	Six months to 31.12.18 Swiss ¢	Year to 30.06.18 Swiss ¢	Year to 30.06.17 Swiss ¢
Change in NAV per share			
Opening NAV	1,073.76	1,080.21	999.51
Return before operating charges and after direct portfolio transaction costs	(246.30)	9.31	95.92
Operating charges	(8.24)	(15.76)	(15.22)
Return after operating charges	(254.54)	(6.45)	80.70
Distributions	0.00	(29.55)	(34.02)
Retained distributions	0.00	29.55	34.02
Return to shareholder as a result of share class closure	(819.22)	n/a	n/a
Closing NAV	0.00	1,073.76	1,080.21

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

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges	1.46	1.44	1.45
Return after operating charges	-23.71	-0.60	+8.07
Distribution yield	n/a	2.74	2.73
Effect on yield of charges offset against capital	0.00	0.00	0.00

Other information

Closing NAV (€'000)	0	28	30
Closing NAV percentage of total fund NAV (%)	0.00	0.02	0.02
Number of shares	0	3,002	3,002
Highest share price (Swiss ¢)	1,089.19	1,110.17	1,093.06
Lowest share price (Swiss ¢)	1,073.01	1,073.26	1,003.25

Swiss franc Class 'C-H' Accumulation share performance

The share class was launched on 25 September 2015.

	Six months to 31.12.18 Swiss ¢	Year to 30.06.18 Swiss ¢	Year to 30.06.17 Swiss ¢
Change in NAV per share			
Opening NAV	1,088.60	1,089.45	1,003.29
Return before operating charges and after direct portfolio transaction costs	(252.19)	9.59	96.18
Operating charges	(5.61)	(10.44)	(10.02)
Return after operating charges	(257.80)	(0.85)	86.16
Distributions	0.00	(35.38)	(39.55)
Retained distributions	0.00	35.38	39.55
Return to shareholder as a result of share class closure	(830.80)	n/a	n/a
Closing NAV	0.00	1,088.60	1,089.45

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

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges	0.95	0.95	0.95
Return after operating charges	-23.68	-0.08	+8.59
Distribution yield	n/a	3.25	3.24
Effect on yield of charges offset against capital	0.00	0.00	0.00

Other information

Closing NAV (€'000)	0	28	30
Closing NAV percentage of total fund NAV (%)	0.00	0.02	0.02
Number of shares	0	3,003	3,003
Highest share price (Swiss ¢)	1,104.57	1,121.45	1,102.27
Lowest share price (Swiss ¢)	1,087.89	1,083.93	1,007.13

US dollar Class 'A-H' Income share performance

The share class was launched on 8 August 2014.

	Six months to 31.12.18 US ¢	Year to 30.06.18 US ¢	Year to 30.06.17 US ¢
Change in NAV per share			
Opening NAV	985.50	1,005.09	953.43
Return before operating charges and after direct portfolio transaction costs	5.35	36.98	112.90
Operating charges	(7.41)	(14.66)	(14.68)
Return after operating charges	(2.06)	22.32	98.22
Distributions	(10.45)	(41.91)	(46.56)
Closing NAV	972.99	985.50	1,005.09

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

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges	1.46	1.45	1.45
Return after operating charges	-0.21	+2.22	+10.30
Distribution yield	4.13	4.19	4.23
Effect on yield of charges offset against capital	1.42	1.42	1.42

Other information

Closing NAV (€'000)	163	279	302
Closing NAV percentage of total fund NAV (%)	0.14	0.24	0.25
Number of shares	19,232	32,932	34,290
Highest share price (US ¢)	1,017.25	1,030.79	1,027.40
Lowest share price (US ¢)	968.89	995.82	957.50

M&G European High Yield Bond Fund

Financial highlights

Specific share class performance

US dollar Class 'A-H' Accumulation share performance

The share class was launched on 8 August 2014.

	Six months to 31.12.18 US ¢	Year to 30.06.18 US ¢	Year to 30.06.17 US ¢
Change in NAV per share			
Opening NAV	1,160.46	1,136.10	1,028.25
Return before operating charges and after direct portfolio transaction costs	5.77	41.17	123.44
Operating charges	(8.79)	(16.81)	(15.59)
Return after operating charges	(3.02)	24.36	107.85
Distributions	(8.03)	(31.48)	(35.47)
Retained distributions	8.03	31.48	35.47
Closing NAV	1,157.44	1,160.46	1,136.10
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges	1.46	1.45	1.45
Return after operating charges	-0.26	+2.14	+10.49
Distribution yield	2.69	2.75	2.78
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€'000)	320	253	238
Closing NAV percentage of total fund NAV (%)	0.27	0.22	0.19
Number of shares	31,692	25,418	23,918
Highest share price (US ¢)	1,198.07	1,181.85	1,148.41
Lowest share price (US ¢)	1,152.56	1,130.77	1,032.54

US dollar Class 'C-H' Income share performance

The share class was launched on 8 August 2014.

	Six months to 31.12.18 US ¢	Year to 30.06.18 US ¢	Year to 30.06.17 US ¢
Change in NAV per share			
Opening NAV	993.43	1,008.42	951.57
Return before operating charges and after direct portfolio transaction costs	(235.30)	36.84	112.98
Operating charges	(5.14)	(9.59)	(9.40)
Return after operating charges	(240.44)	27.25	103.58
Distributions	0.00	(42.24)	(46.73)
Return to shareholder as a result of share class closure	(752.99)	n/a	n/a
Closing NAV	0.00	993.43	1,008.42
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges	0.95	0.94	0.94
Return after operating charges	-24.20	+2.70	+10.89
Distribution yield	n/a	4.20	4.23
Effect on yield of charges offset against capital	0.92	0.92	0.92
Other information			
Closing NAV (€'000)	0	17	18
Closing NAV percentage of total fund NAV (%)	0.00	0.01	0.01
Number of shares	0	2,000	2,000
Highest share price (US ¢)	1,010.74	1,036.64	1,030.71
Lowest share price (US ¢)	993.00	1,003.83	955.66

M&G European High Yield Bond Fund

Financial highlights

Specific share class performance

US dollar Class 'C-H' Accumulation share performance

The share class was launched on 8 August 2014.

	Six months to 31.12.18	Year to 30.06.18	Year to 30.06.17
Change in NAV per share	US ¢	US ¢	US ¢
Opening NAV	1,183.06	1,151.89	1,037.82
Return before operating charges and after direct portfolio transaction costs	(280.27)	42.30	124.58
Operating charges	(6.15)	(11.13)	(10.51)
Return after operating charges	(286.42)	31.17	114.07
Distributions	0.00	(37.99)	(41.43)
Retained distributions	0.00	37.99	41.43
Return to shareholder as a result of share class closure	(896.64)	n/a	n/a
Closing NAV	0.00	1,183.06	1,151.89
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges	0.96	0.94	0.95
Return after operating charges	-24.21	+2.71	+10.99
Distribution yield	n/a	3.27	3.28
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€'000)	0	20	20
Closing NAV percentage of total fund NAV (%)	0.00	0.02	0.02
Number of shares	0	2,000	2,000
Highest share price (US ¢)	1,203.63	1,201.66	1,164.31
Lowest share price (US ¢)	1,182.51	1,146.68	1,042.18

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

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

M&G European High Yield Bond Fund

Financial statements and notes

Financial statements

Statement of total return

for the six months to 31 December	2018		2017	
	€'000	€'000	€'000	€'000
Income				
Net capital gains / (losses)		(3,896)		259
Revenue	2,369		2,451	
Expenses	(720)		(782)	
Net revenue / (expense) before taxation	1,649		1,669	
Taxation	1		0	
Net revenue / (expense) after taxation		1,650		1,669
Total return before distributions		(2,246)		1,928
Distributions		(1,268)		(1,813)
Change in net assets attributable to shareholders from investment activities		(3,514)		115

Statement of change in net assets attributable to shareholders

for the six months to 31 December	2018		2017	
	€'000	€'000	€'000	€'000
Opening net assets attributable to shareholders		114,385		123,245
Amounts received on issue of shares	21,815		26,029	
Amounts paid on cancellation of shares	(16,407)		(31,243)	
		5,408		(5,214)
Dilution adjustments		96		83
Change in net assets attributable to shareholders from investment activities (see above)		(3,514)		115
Retained distributions on Accumulation shares		984		1,296
Unclaimed distributions		1		0
Closing net assets attributable to shareholders		117,360		119,525

The opening net assets attributable to shareholders for 2018 differs to the closing position in 2017 by the change in net assets attributable to shareholders for the second half of the comparative financial year.

Balance sheet

as at	31 December 2018	30 June 2018
	€'000	€'000
Assets		
Fixed assets		
Investments	102,212	108,071
Current assets		
Debtors	1,160	1,035
Cash and bank balances	3,268	6,797
Cash equivalents	11,445	0
Total assets	118,085	115,903
Liabilities		
Investment liabilities	(108)	(14)
Creditors		
Distribution payable	(93)	(266)
Other creditors	(524)	(1,238)
Total liabilities	(725)	(1,518)
Net assets attributable to shareholders	117,360	114,385

Notes to the financial statements

Accounting policies

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

Distribution policy

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

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

M&G European High Yield Bond Fund

Financial statements and notes

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M&G Fund of Investment Trust Shares

Authorised Corporate Director's Report

Investment objective

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

Investment policy

At least 80% of the fund is invested in the shares of investment trust companies. While these stocks are listed in the UK, such assets will be used to give exposure to a wide range of international markets. These investment trust companies may also hold a broad range of investment asset classes including equities, real estate and debt.

The fund may also invest in other transferable securities directly or via collective investment schemes, and may hold cash for liquidity purposes. Collective investment schemes may include funds managed by M&G. Derivatives may be used for efficient portfolio management and hedging purposes.

Investment approach

The fund manager selects investment vehicles from which long-term growth (over five years or more) can be obtained by assessing their investment philosophy, style, objective and the ability of each manager to deliver on them; and the discount at which its shares are trading.

Risk profile

The fund invests in the shares of investment trust companies and is exposed to a wide spread of investments in the UK and overseas stockmarkets. The fund is, therefore, subject to the price volatility of the global stockmarkets and the performance of individual investment trust companies. The fund is also subject to fluctuations in currency exchange rates. Diversification across markets, industries and asset classes is therefore key in managing liquidity risk and reducing market risk. The fund's risks are measured and managed as an integral part of the investment process.

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



1	2	3	4	5	6	7
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The above number:

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

Investment review

As at 2 January 2019, for the six months ended 31 December 2018

Performance against objective

Between 2 July 2018 (the start of the review period) and 2 January 2019, the fund's Sterling Class 'A' and 'X' shares each produced a total return (the combination of income and growth of capital) of -10.7%. Meanwhile, the FTSE All-Share Equity Investment Instruments Index, which is an index of comparable investment trusts, returned -4.9%.

A proportion of the fund's underperformance was due to technical factors, for example, the effect of swing pricing. This method uses a dilution adjustment within the share price, which is aimed at protecting existing shareholders from a dilution in the fund price which can occur when large deals are placed to buy or sell shares. The method has the effect of moving the single price up or down from the mid-price – known as 'swinging'. Over the review period, the price 'swung' lower, thus affecting the fund's performance.

Over five years, the fund has not met its objective, which is to outperform, net of the ongoing charges figure, the FTSE All-Share Equity Investment Instruments Index.*

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

Investment performance

The six months under review was a volatile period for most major stockmarkets, due to concerns about rising US interest rates and expectations of further moves towards the normalisation of monetary policy. Persistent unease about international trade wars and the looming Brexit deadline in March 2019 also dampened investor sentiment.

Global stockmarkets saw significant volatility during October 2018 due to a sharper-than-expected increase in borrowing costs driven by the US bond market. Emerging markets, Asia and Japan were particularly weak at this time. Investors worried that the US may raise interest rates more quickly in 2019 in response to inflationary pressures resulting from a strong US economy. At the same time, some disappointing earnings guidance and concerns that tightening by the US Federal Reserve (Fed) may dampen the US economy weighed further on investors' mood. Despite a modest rebound for most stockmarkets in November, December saw further volatility as global political and economic uncertainty again troubled investors. In this environment, all major markets saw marked declines over the six months.

Smaller companies, which are generally perceived as higher risk, were largely out of favour with investors over the period under review. This was particularly the case in the challenging final months of the year, when investors struggled to find 'safe havens'. The fund has meaningful exposure to smaller companies, and a number of investment trusts invested in smaller companies featured prominently among detractors. Specific examples included JPMorgan European Smaller Companies Investment Trust, River and Mercantile UK Micro Cap Investment and Baillie Gifford Shin Nippon, which is invested in smaller Japanese firms. Despite recent weakness, smaller companies can perform well during periods of greater optimism and we believe they play a useful role in a diversified portfolio.

M&G Fund of Investment Trust Shares

Authorised Corporate Director's Report

Investment review

Investment performance (continued)

The fund's performance was also hurt by a position in CATCo Reinsurance Opportunities Fund, which is one of the fund's 'specialist' holdings. Meanwhile, global infrastructure firm BBGI, also in the 'specialist' portion of the fund, performed well. So did Syncona (formerly BACIT Investment Trust), which is focused on life science investments and is situated in the fund's 'flexible investment' section.

Turning to geographic markets, the issue of Brexit has weighed on sentiment towards UK company shares. Initial progress in the Brexit talks in late 2017 was followed by months of disagreement and stalemate, both within the government and between the UK and the EU negotiators. A vote on a draft Brexit agreement by Parliament was defeated and the next step forward is not yet clear. Notwithstanding considerable Brexit-related uncertainty, the domestic economy has been holding up relatively well. Unemployment is at record lows, wage growth is improving and inflation remains contained for now. Woodford Patient Capital Trust was neutral in a challenging market, while Artemis Alpha Trust and Aberforth Split Level Income Trust held back returns.

In contrast, the US was one of the best-performing markets over the six-month period. Against a backdrop of solid economic growth, falling unemployment and higher inflation, the Fed raised interest rates twice during the period under review and a total of four times during 2018. However, future increases are likely to come at a slower pace. While the US economy remains healthy, forecasts for economic growth in 2019 have been revised down slightly. In this environment, Baillie Gifford US Growth Trust was neutral over the six months, while North Atlantic Smaller Companies Investment Trust came under pressure.

Meanwhile, the eurozone economy is expanding – although growth has been softer of late – while unemployment levels continue to improve and businesses are supported by low interest rates. The European Central Bank (ECB) announced in the summer that it would halve its bond purchases in September and halt them altogether in December. Meanwhile, a row over Italy's controversial budget for 2019 weighed on investor sentiment before a revised version was finally approved by the European Commission, the European Union's (EU) executive arm. Apart from our holding in the JPMorgan European Smaller Companies Investment Trust, mentioned above, the fund's exposure to European assets detracted only modestly against a challenging backdrop.

Elsewhere, the Japanese economy was hurt by a spate of natural disasters over the summer. Rising trade tension between the US and China has also been a prominent theme and trade-related uncertainty weighed on investor sentiment over the six months. A holding in Baillie Gifford Japan Trust cost some performance.

In other areas, emerging and Asian markets came under pressure due to concerns of a potential trade war as a result of international trade tensions and subsequent measures by the US and China. The prospect of higher interest rates in the US also caused unease as investors worried that the US would be seen as a more attractive place to invest capital. Furthermore, the stronger US dollar put pressure on

those economies relying on overseas borrowing. In this environment, the fund's holdings in these markets generally performed well, with Utilico Emerging Markets and Edinburgh Dragon Trust adding value, although Weiss Korea Opportunity Fund held back returns.

Meanwhile, in the fund's private equity assets section, Pantheon International added modest value. Elsewhere, Ediston Property investment Company REIT was also beneficial for returns.

Investment activities

We sold a position in Personal Assets Trust, the only complete sale over the six months. This move was part of a consolidation process of similar holdings with 'defensive' characteristics. Such positions tend to hold up relatively well regardless of economic cycles, compared to their more growth-oriented counterparts.

In other sales, we reduced a number of holdings following a period of strong performance. For example, we scaled back the position in Monks Investment Trust and Syncona, although we still have meaningful allocations to the holdings. We also took advantage of solid recent performance to take some profits on Polar Capital Technology, JPMorgan American Investment Trust, Miton Global Opportunities and TR Property Investment Trust.

In other transactions, the only significant purchase involved topping up the position in PRS REIT. PRS is building a portfolio of newly constructed, professionally managed housing in locations outside London. In our opinion, PRS is likely to perform differently from geographic stockmarkets in different market conditions and represents useful diversification in the portfolio.

There were no new entrants to the portfolio over the period.

Outlook

The global economy continues to expand but the pace of growth appears to be easing. The US economy is still healthy, although growth in corporate profits is likely to slow going forward.

The threat of a trade war, primarily between the US and China, remains real, as talks between the two sides have so far failed to result in meaningful progress. Worries about the subsequent impact on the US, Chinese and global economies will continue to trouble investors. Market observers will also be keeping a close eye on prospects for further interest rate rises in the US and any potential dampening effect on the domestic economy. Meanwhile, the looming March 2019 deadline for the UK to leave the EU and the lack of clarity about the next steps are unlikely to be far from investors' minds. Nevertheless, after the recent weakness in global stockmarkets, valuations have become more attractive.

Richard O'Connor
Fund manager

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

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

M&G Fund of Investment Trust Shares

Authorised Corporate Director's Report

Investments

Portfolio statement

as at Holding	31.12.18 £'000	31.12.18 %	30.06.18 %
FLEXIBLE INVESTMENT	3,552	9.56	10.09
303,000 Miton Global Opportunities Investment Trust	785	2.11	
50,000 RIT Capital Partners	952	2.56	
325,000 Ruffer Investment Company Red. Pref. shares	673	1.81	
427,000 Syncona	1,142	3.08	
GLOBAL	6,268	16.88	16.85
110,000 Alliance Trust	754	2.03	
31,000 Caledonia Investments	876	2.36	
38,000 Hansa Trust	365	0.98	
156,000 Monks Investment Trust	1,134	3.06	
466,000 Scottish Mortgage Investment Trust	2,155	5.80	
101,300 Witan Investment Trust	984	2.65	
UK ALL COMPANIES	2,252	6.06	6.25
190,000 Artemis Alpha Trust	490	1.32	
46,785 Keystone Investment Trust	695	1.87	
409,910 Mercantile Investment Trust	710	1.91	
435,000 Woodford Patient Capital Trust	357	0.96	
UK EQUITY INCOME	1,484	4.00	3.80
113,400 Finsbury Growth & Income Trust	852	2.30	
251,710 Value & Income Trust	632	1.70	
UK SMALLER COMPANIES	1,053	2.84	3.30
500,000 Aberforth Split Level Income Trust	372	1.00	
300,000 Odyssean Investment Trust	285	0.77	
257,624 River & Mercantile UK Micro Cap Investment (formerly River & Mercantile UK Micro Cap Fund)	396	1.07	
EUROPE	1,829	4.92	4.77
535,000 Fidelity European Values	1,107	2.98	
300,000 JPMorgan European Income Investment Trust	417	1.12	
39,000 The European Investment Trust	305	0.82	
EUROPEAN SMALLER COMPANIES	880	2.37	2.68
269,867 JPMorgan European Smaller Companies Investment Trust	880	2.37	
NORTH AMERICA	1,979	5.33	5.75
70,484 Baillie Gifford US Growth Trust	75	0.20	
400,000 Gabelli Value Plus+ Trust	456	1.23	
265,000 JPMorgan American Investment Trust	1,056	2.84	
460,000 Middlefield Canadian Income Trust	392	1.06	
NORTH AMERICAN SMALLER COMPANIES	821	2.21	2.17
31,109 North Atlantic Smaller Companies Investment Trust	821	2.21	
GLOBAL EMERGING MARKETS	1,617	4.35	3.97
51,617 Aberdeen Emerging Market Investment Company	266	0.71	
100,000 Templeton Emerging Markets Investment Trust	676	1.82	
333,600 Utilico Emerging Markets	675	1.82	
ASIA PACIFIC - EXCLUDING JAPAN	2,663	7.17	6.79
377,000 Aberdeen Asian Income Fund	733	1.97	
287,000 Edinburgh Dragon Trust	1,033	2.78	
104,802 Schroder Asian Total Return Investment Company	346	0.93	
382,500 Weiss Korea Opportunity Fund ^[a]	551	1.49	

Portfolio statement (continued)

as at Holding	31.12.18 £'000	31.12.18 %	30.06.18 %
JAPAN	856	2.30	2.53
127,000 Baillie Gifford Japan Trust	856	2.30	
JAPANESE SMALLER COMPANIES	1,455	3.92	4.27
484,465 Baillie Gifford Shin Nippon	789	2.13	
200,000 JPMorgan Japan Smaller Companies Investment Trust	666	1.79	
PRIVATE EQUITY	1,981	5.34	4.96
260,000 BMO Private Equity Trust (formerly F&C Private Equity Trust)	819	2.21	
59,000 Pantheon International	1,162	3.13	
PROPERTY	2,075	5.58	5.62
PROPERTY SECURITIES	1,149	3.09	3.31
325,000 TR Property Investment Trust	1,149	3.09	
PROPERTY DIRECT - UK	926	2.49	2.31
525,000 Ediston Property Investment Company REIT	543	1.46	
408,090 PRS REIT	383	1.03	
SPECIALIST	4,303	11.59	11.22
653,546 BBGI	1,013	2.73	
100,000 Biotech Growth Trust	624	1.68	
136,000 BlackRock World Mining Trust	464	1.25	
500,000 CATCo Reinsurance Opportunities Fund	157	0.42	
232,500 Ecofin Global Utilities and Infrastructure Trust	294	0.79	
394,086 Greencoat UK Wind	495	1.34	
114,000 Polar Capital Technology Trust	1,256	3.38	
UNQUOTED / UNLISTED	0	0.00	0.00
75,000 Bioscience Investment Trust	0	0.00	
2,000,000 M&G Equity Investment Trust (capital shares)	0	0.00	
1,305,397 M&G Equity Investment Trust (income shares)	0	0.00	
26,744 Thompson Clive Investment Trust	0	0.00	
EQUITY DERIVATIVES	(120)	(0.32)	(0.10)
Equity futures	(120)	(0.32)	(0.10)
22 E-Mini S&P 500 Mar 2019	(120)	(0.32)	
Portfolio of investments	34,948	94.10	94.92
CASH EQUIVALENTS	2,055	5.53	4.02
'AAA' rated money market funds ^[b]	2,055	5.53	4.02
2,054,680 Northern Trust Global Fund - Sterling	2,055	5.53	
Total portfolio	37,003	99.63	98.94
Net other assets / (liabilities)	137	0.37	1.06
Net assets attributable to shareholders	37,140	100.00	100.00

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

^[a] AIM quoted.

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

M&G Fund of Investment Trust Shares

Authorised Corporate Director's Report

Investments

Top portfolio transactions	
for the six months to 31 December 2018	
Purchases	£'000
CATCo Reinsurance Opportunities Fund	122
Keystone Investment Trust	120
PRS REIT	40
BBGI	21
Syncona	12
Total purchases	315
Largest sales	£'000
Personal Assets Trust	280
Syncona	262
Baillie Gifford US Growth Trust	142
Monks Investment Trust	119
JPMorgan American Investment Trust	110
Polar Capital Technology Trust	69
River & Mercantile UK Micro Cap Investment (formerly River & Mercantile UK Micro Cap Fund)	66
Edinburgh Dragon Trust	29
CATCo Reinsurance Opportunities Fund	28
TR Property Investment Trust	25
Other sales	39
Total sales	1,169

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

M&G Fund of Investment Trust Shares

Financial highlights

Fund performance

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

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

Fund level performance

Fund net asset value

as at	31.12.18 £'000	30.06.18 £'000	30.06.17 £'000
Fund net asset value (NAV)	37,140	41,962	38,515

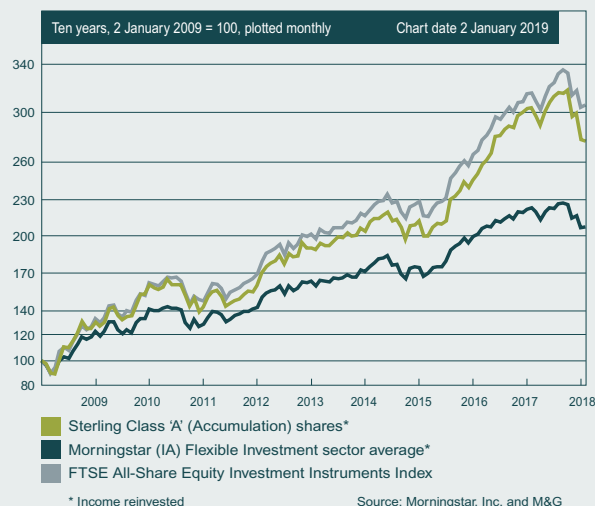
Performance since launch

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



Ten-year performance

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



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

Long-term performance by share class

	Six months 02.07.18 % ^[a]	Three years 04.01.16 %p.a.	Five years 02.01.14 %p.a.	Since launch %p.a.
Sterling^[b]				
Class 'A'	-10.7	+9.8	+7.7	+9.7 ^[c]
Class 'X'	-10.7	+9.6	+7.4	+8.6 ^[d]

^[a] Absolute basis.

^[b] Price to price with income reinvested.

^[c] 10 May 1968, the end of the initial offer period of the predecessor unit trust.

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

M&G Fund of Investment Trust Shares

Financial highlights

Fund performance

Operating charges and portfolio transaction costs

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

Operating charges

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

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

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

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

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

Portfolio transaction costs

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

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

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

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

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

Portfolio transaction costs

	Six months to 31.12.18	Year to 30.06.18	Year to 30.06.17	Average ^[a]
Direct portfolio transaction costs ^[b]	%	%	%	%
Broker commission	0.00	0.00	0.01	0.00
Taxes	0.01	0.01	0.00	0.01
Costs before dilution adjustments	0.01	0.01	0.01	0.01
Dilution adjustments ^[c]	(0.01)	(0.01)	(0.01)	(0.01)
Total direct portfolio transaction costs	0.00	0.00	0.00	0.00
as at	31.12.18	30.06.18	30.06.17	Average ^[a]
Indirect portfolio transaction costs	%	%	%	%
Average portfolio dealing spread	0.91	0.84	0.79	0.85

^[a] Average of first three columns.

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

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

M&G Fund of Investment Trust Shares

Financial highlights

Specific share class performance

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

Historic yields for the current period are calculated as at 11 January 2019.

Sterling Class 'A' Income share performance

The share class was launched on 10 May 1968.

	Six months to 31.12.18 UK p	Year to 30.06.18 UK p	Year to 30.06.17 UK p
Change in NAV per share			
Opening NAV	2,459.94	2,248.17	1,748.21
Return before operating charges and after direct portfolio transaction costs	(224.86)	278.78*	558.37
Operating charges	(14.68)	(28.42)*	(24.51)
Return after operating charges	(239.54)	250.36	533.86
Distributions	(17.80)	(38.59)	(33.90)
Closing NAV	2,202.60	2,459.94	2,248.17
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.10	0.26	0.11
Dilution adjustments ^[a]	(0.10)	(0.14)	(0.11)
Total direct portfolio transaction costs	0.00	0.12	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges	1.19	1.19	1.19
Return after operating charges	-9.74	+11.14	+30.54
Historic yield	1.72	1.57	1.49
Effect on yield of charges offset against capital	1.15	1.15	1.15
Other information			
Closing NAV (£'000)	14,279	16,272	15,182
Closing NAV percentage of total fund NAV (%)	38.45	38.78	39.42
Number of shares	648,281	661,481	675,331
Highest share price (UK p)	2,556.86	2,536.65	2,331.17
Lowest share price (UK p)	2,197.01	2,271.75	1,759.74

* Restated.

Sterling Class 'A' Accumulation share performance

The share class was launched on 10 May 1968.

	Six months to 31.12.18 UK p	Year to 30.06.18 UK p	Year to 30.06.17 UK p
Change in NAV per share			
Opening NAV	5,822.37	5,238.14	4,009.95
Return before operating charges and after direct portfolio transaction costs	(531.98)	650.69*	1,284.56
Operating charges	(34.73)	(66.46)*	(56.37)
Return after operating charges	(566.71)	584.23	1,228.19
Distributions	(9.49)	(26.44)	(23.70)
Retained distributions	9.49	26.44	23.70
Closing NAV	5,255.66	5,822.37	5,238.14
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.23	0.62	0.25
Dilution adjustments ^[a]	(0.23)	(0.33)	(0.25)
Total direct portfolio transaction costs	0.00	0.29	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges	1.19	1.20	1.19
Return after operating charges	-9.73	+11.15	+30.63
Historic yield	0.50	0.45	0.45
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (£'000)	21,598	24,031	21,664
Closing NAV percentage of total fund NAV (%)	58.15	57.27	56.25
Number of shares	410,955	412,730	413,580
Highest share price (UK p)	6,052.05	5,951.11	5,385.36
Lowest share price (UK p)	5,200.28	5,292.95	4,035.94

* Restated.

M&G Fund of Investment Trust Shares

Financial highlights

Specific share class performance

Sterling Class 'X' Income share performance

The share class was launched on 1 October 2002.

	Six months to 31.12.18 UK p	Year to 30.06.18 UK p	Year to 30.06.17 UK p
Change in NAV per share			
Opening NAV	2,466.22	2,253.91	1,756.77
Return before operating charges and after direct portfolio transaction costs	(225.41)	279.48*	560.24
Operating charges	(14.73)	(28.48)*	(29.10)
Return after operating charges	(240.14)	251.00	531.14
Distributions	(17.85)	(38.69)	(34.00)
Closing NAV	2,208.23	2,466.22	2,253.91
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.10	0.26	0.11
Dilution adjustments ^[a]	(0.10)	(0.14)	(0.11)
Total direct portfolio transaction costs	0.00	0.12	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges	1.19	1.19	1.42**
Return after operating charges	-9.74	+11.14	+30.23
Historic yield	1.72	1.57	1.49
Effect on yield of charges offset against capital	1.15	1.15	1.15
Other information			
Closing NAV (£'000)	876	1,016	1,028
Closing NAV percentage of total fund NAV (%)	2.36	2.42	2.67
Number of shares	39,665	41,205	45,605
Highest share price (UK p)	2,563.39	2,543.12	2,337.13
Lowest share price (UK p)	2,202.62	2,277.55	1,768.13

* Restated.

** As the annual management charge was discounted during the period, 1.19% is a more reliable estimate of the operating charges for the period to 30.06.17.

Sterling Class 'X' Accumulation share performance

The share class was launched on 1 October 2002.

	Six months to 31.12.18 UK p	Year to 30.06.18 UK p	Year to 30.06.17 UK p
Change in NAV per share			
Opening NAV	5,459.92	4,912.03	3,768.90
Return before operating charges and after direct portfolio transaction costs	(498.78)	610.16*	1,205.87
Operating charges	(32.65)	(62.27)*	(62.74)
Return after operating charges	(531.43)	547.89	1,143.13
Distributions	(8.90)	(24.80)	(12.67)
Retained distributions	8.90	24.80	12.67
Closing NAV	4,928.49	5,459.92	4,912.03
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.22	0.58	0.23
Dilution adjustments ^[a]	(0.22)	(0.31)	(0.23)
Total direct portfolio transaction costs	0.00	0.27	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges	1.19	1.19	1.42**
Return after operating charges	-9.73	+11.15	+30.33
Historic yield	0.50	0.45	0.25
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (£'000)	387	643	641
Closing NAV percentage of total fund NAV (%)	1.04	1.53	1.66
Number of shares	7,841	11,778	13,043
Highest share price (UK p)	5,675.30	5,580.65	5,050.08
Lowest share price (UK p)	4,876.56	4,963.43	3,793.01

* Restated.

** As the annual management charge was discounted during the period, 1.19% is a more reliable estimate of the operating charges for the period to 30.06.17.

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

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

M&G Fund of Investment Trust Shares

Financial statements and notes

Financial statements

Statement of total return

for the six months to 31 December	2018		2017	
	£'000	£'000	£'000	£'000
Income				
Net capital gains / (losses)		(4,134)		2,974
Revenue	349		314	
Expenses	(246)		(237)	
Net revenue / (expense) before taxation	103		77	
Taxation	0		0	
Net revenue / (expense) after taxation		103		77
Total return before distributions		(4,031)		3,051
Distributions		(164)		(157)
Change in net assets attributable to shareholders from investment activities		(4,195)		2,894

Statement of change in net assets attributable to shareholders

for the six months to 31 December	2018		2017	
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		41,962		38,515
Amounts received on issue of shares	515		92	
Amounts paid on cancellation of shares	(1,190)		(36)	
		(675)		56
Dilution adjustments		8		1
Change in net assets attributable to shareholders from investment activities (see above)		(4,195)		2,894
Retained distributions on Accumulation shares		40		36
Closing net assets attributable to shareholders		37,140		41,502

The opening net assets attributable to shareholders for 2018 differs to the closing position in 2017 by the change in net assets attributable to shareholders for the second half of the comparative financial year.

Balance sheet

as at	31 December 2018	30 June 2018
	£'000	£'000
Assets		
Fixed assets		
Investments	35,068	39,870
Current assets		
Debtors	46	126
Cash and bank balances	262	520
Cash equivalents	2,055	1,686
Total assets	37,431	42,202
Liabilities		
Investment liabilities	(120)	(40)
Creditors		
Overdrawn positions at futures clearing houses and collateral manager	0	(22)
Distribution payable	(122)	(153)
Other creditors	(49)	(25)
Total liabilities	(291)	(240)
Net assets attributable to shareholders	37,140	41,962

Notes to the financial statements

Accounting policies

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

Distribution policy

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

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

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

M&G Fund of Investment Trust Shares

Financial statements and notes

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M&G Global Government Bond Fund

Authorised Corporate Director's Report

Investment objective

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

Investment policy

The portfolio will mainly consist of investment grade government debt securities, including government guaranteed debt securities, and will be invested on a global basis. The fund's exposure to investment grade government debt may be gained through the use of derivatives. The fund may also invest in other government and public securities, collective investment schemes, other transferable securities, other debt instruments, cash and near cash, deposits, warrants, money market instruments and other derivative instruments. The fund may use derivatives for Efficient Portfolio Management purposes.

Investment approach

The M&G Global Government Bond Fund invests mainly in investment grade government bonds on a global basis. Its investment approach is driven primarily by the fund manager's views on macroeconomic factors such as economic growth, interest rates and inflation. This assessment determines the individual government bonds from different countries in which the manager believes the fund should invest in order to achieve its objective. It also influences the portfolio's mix of interest rate risk and currency exposure. These factors, along with the manager's selection of government bond holdings, drive the fund's long-term performance. With the active management of the fund's currency exposures being one of these drivers, its returns will include a higher degree of currency risk than domestic fixed income funds.

Risk profile

The fund invests mainly in investment grade government bonds, including government-guaranteed debt securities, on a global basis. It is, therefore, subject to the price volatility of the global bond market and the performance of individual issuers. It is also subject to fluctuations in currency exchange rates.

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

Up to 30% of the fund's assets may be invested in non-investment grade government debt securities, which are higher risk assets that could potentially experience a degree of illiquidity in times of market distress.

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

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



The above number:

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

Investment review

As at 2 January 2019, for the six months ended 31 December 2018

Performance against objective

Between 2 July 2018 (the start of the review period) and 2 January 2019, the M&G Global Government Bond Fund recorded positive total returns (the combination of income and growth of capital) across its different share classes, with the exception of its Swiss franc share classes. Over the six months, a variety of global investment themes remained in focus in government bond markets, including expected (and confirmed) rises in interest rates. However, most segments of the mainstream government bond markets registered modestly positive returns and emerging market government bonds delivered marginal gains. For the fund's Swiss franc share classes, the decrease in value of the US dollar (a currency in which the fund held a sizeable exposure) against the Swiss franc was a main factor that detracted from returns.

The fund's objective is to maximise total returns, and while it had mixed results due to the Swiss franc share class during the period under review, it met its objective over three and five years and since launch.*

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

Investment performance

A number of key themes continued to influence sentiment in global financial markets during the six months to 31 December 2018. These included actual and anticipated interest rate rises in the important US economy, as well as heightened trade tensions between the US and China. The latter factor became an increasing concern as the period progressed, and began to contribute to some lower forecasts of global economic growth.

Despite this backdrop, the US economy continued to perform well in many key areas, including a robust labour market. As widely expected among investors, the Federal Reserve confirmed two further interest rate increases of 0.25 percentage points each. The moves added to the gradual steps taken by the US central bank in recent years to raise rates amid a strengthening economy with firmer inflation.

M&G Global Government Bond Fund

Authorised Corporate Director's Report

Investment review

Investment performance (continued)

Elsewhere, attention focused on the prospect that the European Central Bank (ECB) would soon scale back its significant economic stimulus policies, which were in operation during recent years. Known as quantitative easing (QE), these policies include the ECB's own purchases of government and corporate bonds in the region, with the main aims of encouraging lending and keeping interest rates low. (Bonds are loans in the form of a security, usually issued by a government – government bonds – or company – corporate bonds – which normally pay a fixed rate of interest over a given time period, at the end of which the initial amount borrowed is repaid.) In December, the ECB confirmed that it would be ceasing its QE programme, although the central bank did not change interest rates during the review period.

In the UK, the annual inflation rate, as measured by the Consumer Prices Index (CPI), stayed above the 2% target set by the Bank of England (BoE). To counter rising consumer prices, central banks often raise interest rates. However, the BoE's Monetary Policy Committee also had to continue assessing Brexit-related uncertainty in the UK outlook. Amid this environment, the central bank left interest rates unchanged, a stance that also seemed driven by signs of weaker economic growth data in the UK as 2018 drew to a close.

Actual or potential rises in interest rates typically dampen economic growth expectations – as well as the performance of bond markets. Given the size and relevance of the US market in a global context, the effects of US interest rate moves can be felt internationally. In addition, the theme of trade protectionism remained a focal point as President Trump's administration imposed new tariffs on an expanded range of imported goods from China. This prompted retaliatory moves by the government in Beijing. Such anti-free trade measures are generally viewed as harmful for the export revenues of governments and corporations. Later in the review period, these factors contributed to reduced forecasts for global economic growth by financial institutions such as the International Monetary Fund.

Against this backdrop, mainstream government bond markets, which are generally perceived as being lower risk assets in times of economic uncertainty, found support from investors towards the end of the period. This helped most segments of government bond markets in countries such as the US, Germany and the UK to deliver small positive returns. In emerging markets, government bonds also registered slightly positive returns. This outcome was recorded despite emerging market bonds experiencing some notable declines in the opening months of the period amid rising US interest rates and the US – China trade dispute.

The fund remained globally diversified in government bonds across developing and emerging markets. Through this positioning, the fund generated modestly positive returns, with the exception of its Swiss franc share classes. For the fund's sterling and euro share classes, some further upside to performance was provided by factors such as the US dollar's increase in value versus sterling and the euro, respectively. This stemmed from the fund's exposure to the US dollar, which was maintained at much higher levels than its allocations to sterling and the euro. For the fund's Swiss franc share class, however, the US dollar's decline in value against the Swiss currency was the main factor that detracted from returns.

Investment activities

The key drivers of the fund's long-term returns continue to include the active management of its allocations to individual countries, as well as its currency positioning. Our largest country position remained the US and we took steps to increase this exposure. In our view, the backdrop of rising interest rates by the Fed, which caused some marked price declines among US government bonds earlier in 2018, left the valuations of these assets looking more attractive.

We also maintained allocations to a number of other industrialised nations. These included Japan, where the fund's position remained broadly stable, as well as the German government bond market. In the latter, while we had reduced the fund's allocation prior to the review period, we added back exposure towards the end of 2018. At the end of the period, Japan and Germany ranked as the fund's second and third largest country exposures, respectively.

In addition to the fund's holdings in major industrialised nations, we continued to favour exposures to government bonds in emerging markets on a selective basis. In our view, appealing long-term value could still be found in this area of the market, despite concerns about higher US interest rates, international trade tensions, and the prospect of slower global economic growth.

In this environment, our preference was to reduce positions in emerging markets earlier in the review period, although we subsequently reinvested money into these assets. Our transactions included selling South African government bonds as we believed the country faced weaker economic prospects. Elsewhere, our investment assessment improved towards government bonds in Turkey, given factors such as the significant decline of the Turkish market amid renewed economic challenges in the country. We added US-dollar denominated government bonds in Turkey, which were later switched into euro-denominated government securities that we felt were attractively priced. In the final month of the period, we added to the fund's emerging markets exposure via purchases that included government bonds in the smaller markets of Israel, Senegal and Albania.

M&G Global Government Bond Fund

Authorised Corporate Director's Report

Investment review

Outlook

In addition to our chosen country allocations, the fund's flexible investment approach allows us to position the portfolio so that its performance should be less sensitive to the prospect of rising interest rates – a strategy known as holding short duration. Duration measures the sensitivity of a bond's price to a change in interest rates; it is an estimate of the number of years it takes an investor to recover the price of a bond if interest rates change. Generally, the longer the duration, the more sensitive the bond's price is to changes in interest rates. During the review period, we kept a short duration positioning in the fund against the backdrop of actual, or expected, increases in interest rates. However, we adjusted this stance towards the end of the period to be less pronounced, given factors such as the slower economic growth outlook. In our opinion, this prospect should lead to more moderate expectations regarding the extent of upward moves in interest rates.

Among other investment themes, we maintained a globally diversified portfolio of government bonds, not only from large developed nations such as the US, Japan, and the UK, but also from select emerging economies. Despite some recent periods of marked underperformance from emerging market bonds, we believe long-term value can still be found in this area when comparing their valuations to government bonds in developed countries. Relevantly, emerging market bonds offer higher yields relative to developed markets for taking on a higher degree of risk. (Bond yields refer to the interest received from a fixed interest security, which is usually expressed annually as a percentage based on the investment's cost, its current market value or its face value.) We also believe that sentiment towards emerging market bonds should be supported by improvements made to their creditworthiness – a measure of a borrower's ability and willingness to repay its debt.

At the same time, the relevant risks need to be monitored closely, including the increase in anti-free trade policies, as well as signals that China's economy was decelerating at the start of 2019.

Overall, we continue to determine the fund's investment strategy by seeking the most attractive value in the global government bond markets amid the prevailing economic conditions, while avoiding those countries where we believe the outlook is less favourable.

Claudia Calich

Fund manager

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

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

M&G Global Government Bond Fund

Authorised Corporate Director's Report

Investments

Portfolio statement

as at Holding	31.12.18 \$'000	31.12.18 %	30.06.18 %
FIXED INCOME	110,859	97.86	95.41
Debt securities	110,859	97.86	95.41
'AAA' credit rated bonds	13,564	11.97	7.89
AUD850,000 Australia (Commonwealth of) 3% 2047	620	0.55	
€6,900,000 Germany (Federal Republic of) 0.25% 2028	7,903	6.98	
NOK12,500,000 Norway (Kingdom of) 2% 2023	1,477	1.30	
SGD2,400,000 Singapore (Govt. of) 3.25% 2020	1,802	1.59	
SEK14,000,000 Sweden (Kingdom of) 3.5% 2022	1,762	1.55	
'AA' credit rated bonds	38,865	34.31	24.48
ILS3,500,000 Israel (State of) 1.25% 2022	933	0.82	
ILS4,000,000 Israel (State of) 2.25% 2019	1,074	0.95	
\$1,350,000 Israel (State of) 4.5% 2043	1,396	1.23	
NZD2,000,000 New Zealand (Govt. of) 2.5% IL 2035	1,588	1.40	
\$556,000 Qatar (State of) 5.103% 2048	583	0.52	
\$1,000,000 Qatar (State of) 6.4% 2040	1,249	1.10	
£3,000,000 Treasury 2% 2020	3,904	3.45	
\$5,500,000 US Treasury 0.625% IL 2024	5,858	5.17	
\$7,500,000 US Treasury 1.375% 2020	7,375	6.51	
\$4,500,000 US Treasury 1.625% 2022	4,359	3.85	
\$10,200,000 US Treasury 3.125% 2028	10,546	9.31	
'A' credit rated bonds	21,384	18.88	23.80
\$545,000 Bermuda (Govt. of) 4.75% 2029	554	0.49	
CLP700,000,000 Chile (Republic of) 5.5% 2020	1,036	0.91	
¥1,400,000,000 Japan (Govt. of) 0.2% 2019	12,763	11.27	
MYR5,000,000 Malaysia (Govt. of) 3.882% 2022	1,218	1.08	
MXN35,000,000 Mexico (United Mexican States) 6.5% 2022	1,672	1.48	
PEN4,800,000 Peru (Republic of) 8.2% 2026	1,668	1.47	
PLN3,700,000 Poland (Republic of) 3.25% 2025	1,032	0.91	
INR100,000,000 Rural Electrification 9.04% 2019	1,441	1.27	
'BBB' credit rated bonds	21,213	18.73	22.34
COP2,762,000,000 Bogota Distrito Capital 9.75% 2028	922	0.81	
HUF250,000,000 Hungary (Republic of) 7.5% 2020	1,006	0.89	
€1,000,000 Indonesia (Republic of) 3.75% 2028	1,240	1.09	
IDR20,000,000,000 Indonesia (Republic of) 8.25% 2036	1,372	1.21	
€1,000,000 Italy (Republic of) 2.2% 2027	1,118	0.99	
KZT160,000,000 Kazakhstan (Republic of) 0% 2019	405	0.36	
€1,000,000 Kazakhstan (Republic of) 2.375% 2028	1,132	1.00	
£792,000 Mexico (United Mexican States) 5.625% 2114	958	0.85	
\$600,000 MFB Hungarian Development Bank 6.25% 2020	624	0.55	
\$1,300,000 Morocco (Kingdom of) 5.5% 2042	1,326	1.17	
\$329,000 Panama (Republic of) 4.5% 2050	314	0.28	
\$525,000 Petroleos Mexicano 2.46% 2025	483	0.43	
PHP50,000,000 Philippines (Republic of) 6.25% 2036	924	0.82	
\$500,000 Philippines (Republic of) 9.5% 2030	737	0.65	
\$1,200,000 Portugal (Republic of) 5.125% 2024	1,257	1.11	
€827,000 Romania (Republic of) 2.875% 2029	918	0.81	
€1,000,000 Romania (Republic of) 3.875% 2035	1,112	0.98	
RON3,500,000 Romania (Republic of) 5.8% 2027	924	0.82	
RUB115,000,000 Russia (Federation of) 8.15% 2027	1,615	1.42	
THB50,000,000 Thailand (Kingdom of) 1.25% IL 2028	1,505	1.33	
UYU24,609,000 Uruguay (Republic of) 8.5% 2028	663	0.58	
UYU21,509,000 Uruguay (Republic of) 9.875% 2022	658	0.58	

Portfolio statement (continued)

as at Holding	31.12.18 \$'000	31.12.18 %	30.06.18 %
'BB' credit rated bonds	7,036	6.21	8.30
\$500,000 Bahamas (Commonwealth of) 6% 2028	504	0.44	
BRL8,500,000 Brazil (Federal Republic of) 10% 2025	2,287	2.02	
DOP13,350,000 Dominican Republic 8.9% 2023	258	0.23	
\$34,000,000 Dominican Republic 10.4% 2019	682	0.60	
\$200,000 Guatemala (Republic of) 4.5% 2026	188	0.17	
\$700,000 Guatemala (Republic of) 5.75% 2022	724	0.64	
\$800,000 Honduras (Republic of) 7.5% 2024	838	0.74	
€850,000 Macedonia (Govt. of) 5.625% 2023	1,085	0.96	
\$571,000 Oman (Salutante of) 6.75% 2048	470	0.41	
'B' credit rated bonds	6,025	5.32	5.65
€1,002,000 Albania (Republic of) 3.5% 2025	1,139	1.01	
€550,441 Argentina (Republic of) 7.82% 2033	529	0.47	
ARS11,250,000 Argentina (Republic of) FRN 2020	322	0.28	
\$500,000 Cameroon (Republic of) 9.5% 2025	507	0.45	
EGP13,125,000 Egypt (Arab Republic of) 0% 2019 (16 Apr)	693	0.61	
EGP12,000,000 Egypt (Arab Republic of) 0% 2019 (18 Jun)	614	0.54	
€748,000 Senegal (Republic of) 4.75% 2028	786	0.69	
€850,000 Turkey (Republic of) 5.2% 2026	969	0.86	
TRY3,200,000 Turkey (Republic of) 11% 2027	466	0.41	
Bonds with no credit rating	2,772	2.44	2.95
\$1,000,000 Armenia (Republic of) 6% 2020	1,008	0.89	
€800,000 Cote d'Ivoire 5.125% 2025	877	0.77	
\$1,300,000 Debt and Asset Trading 1% 2025	887	0.78	
CURRENCY	16	0.01	0.02
Forward currency contracts	16	0.01	0.02
ARS1,050,000 Bought for \$24,735 (expires 09.01.19)	3	0.00	
CZK32,956,800 Bought for \$1,454,194 (expires 10.01.19)	13	0.01	
Portfolio of investments	110,875	97.87	95.43
CASH EQUIVALENTS	663	0.59	3.07
'AAA' rated money market funds ^[a]	663	0.59	3.07
663,000 Northern Trust Global Fund - US dollar	663	0.59	
Total portfolio	111,538	98.46	98.50
Net other assets / (liabilities)	1,743	1.54	1.50
Net assets attributable to shareholders	113,281	100.00	100.00

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

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

Portfolio transactions

for the six months to 31 December	2018	2017
Portfolio transactions	\$'000	\$'000
Total purchases	65,719	21,001
Total sales	36,834	8,597

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

M&G Global Government Bond Fund

Financial highlights

Fund performance

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

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

We show performance for these two share classes because:

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

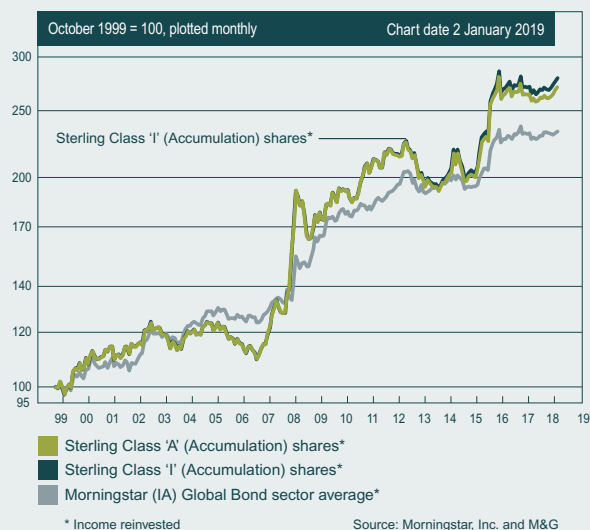
The fund is available for investment in different share classes, each with varying levels of charges and minimum investments; please refer to the Prospectus for M&G Investment Funds (3), which is available free of charge either from our website at www.mandg.co.uk/prospectuses or by calling M&G Customer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

Fund level performance

Fund net asset value			
as at	31.12.18 \$'000	30.06.18 \$'000	30.06.17 \$'000
Fund net asset value (NAV)	113,281	87,020	76,013

Performance since launch

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



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

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

Long-term performance by share class

	Six months 02.07.18 % [a]	Three years 04.01.16 % p.a.	Five years 02.01.14 % p.a.	Since launch % p.a.
Euro [b]				
Class 'A'	+2.1	+2.4	n/a	+4.7 [c]
Class 'C'	+2.4	+3.0	n/a	+5.3 [c]
Sterling [d]				
Class 'A'	+4.2	+9.4	+6.9	+5.3 [e]
Class 'I'	+4.5	+9.9	+7.3	+3.6 [f]
Class 'R'	+4.3	+9.6	+7.1	+3.4 [f]
Swiss franc [b]				
Class 'A'	-0.6	+3.6	n/a	+3.1 [c]
Class 'C'	-0.2	+4.2	n/a	+3.6 [c]
US dollar [b]				
Class 'A'	+0.2	+4.0	n/a	+1.2 [c]
Class 'C'	+0.5	+4.6	n/a	+1.8 [c]

[a] Absolute basis.

[b] Price to price with gross income reinvested.

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

[d] Price to price with income reinvested.

[e] 4 October 1999, the end of the initial offer period of the predecessor unit trust.

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

M&G Global Government Bond Fund

Financial highlights

Fund performance

Operating charges and portfolio transaction costs

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

Operating charges

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

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

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

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

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

Portfolio transaction costs

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

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

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

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

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

Portfolio transaction costs

	Six months to 31.12.18	Year to 30.06.18	Year to 30.06.17	Average ^[a]
Direct portfolio transaction costs ^[b]	%	%	%	%
Taxes	0.07	0.00	0.00	0.02
Costs before dilution adjustments	0.07	0.00	0.00	0.02
Dilution adjustments ^[c]	0.00	0.00	0.00	0.00
Total direct portfolio transaction costs	0.07	0.00	0.00	0.02
as at	31.12.18	30.06.18	30.06.17	Average ^[a]
Indirect portfolio transaction costs	%	%	%	%
Average portfolio dealing spread	0.30	0.35	0.37	0.34

^[a] Average of first three columns.

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

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

M&G Global Government Bond Fund

Financial highlights

Specific share class performance

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

Euro Class 'A' Income share performance

The share class was launched on 22 August 2014.

	Six months to 31.12.18 Euro ¢	Year to 30.06.18 Euro ¢	Year to 30.06.17 Euro ¢
Change in NAV per share			
Opening NAV	1,095.80	1,169.78	1,226.01
Return before operating charges and after direct portfolio transaction costs	23.88	(19.41)	(0.38)
Operating charges	(6.32)	(13.78)	(15.07)
Return after operating charges	17.56	(33.19)	(15.45)
Distributions	(19.37)	(40.79)	(40.78)
Closing NAV	1,093.99	1,095.80	1,169.78

Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.37	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.37	0.00	0.00

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.07	0.00	0.00
Operating charges	1.13*	1.21	1.22
Return after operating charges	+1.60	-2.84	-1.26
Distribution yield	3.63	3.86	3.65
Effect on yield of charges offset against capital	1.00	1.15	1.15

Other information

Closing NAV (\$'000)	7,069	5,985	3,426
Closing NAV percentage of total fund NAV (%)	6.24	6.88	4.51
Number of shares	564,306	469,187	256,797
Highest share price (Euro ¢)	1,119.30	1,175.37	1,260.56
Lowest share price (Euro ¢)	1,081.26	1,110.72	1,195.42

* As the annual management charge has been discounted during the period, 1.04% is a more reliable estimate of the operating charges for the period to 31.12.18.

Euro Class 'A' Accumulation share performance

The share class was launched on 22 August 2014.

	Six months to 31.12.18 Euro ¢	Year to 30.06.18 Euro ¢	Year to 30.06.17 Euro ¢
Change in NAV per share			
Opening NAV	1,197.45	1,233.05	1,248.80
Return before operating charges and after direct portfolio transaction costs	26.02	(21.01)	(0.38)
Operating charges	(6.89)	(14.59)	(15.37)
Return after operating charges	19.13	(35.60)	(15.75)
Distributions	(14.72)	(29.31)	(27.44)
Retained distributions	14.72	29.31	27.44
Closing NAV	1,216.58	1,197.45	1,233.05

Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.40	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.40	0.00	0.00

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.07	0.00	0.00
Operating charges	1.13*	1.21	1.22
Return after operating charges	+1.60	-2.89	-1.26
Distribution yield	2.64	2.70	2.51
Effect on yield of charges offset against capital	0.00	0.00	0.00

Other information

Closing NAV (\$'000)	13,182	9,645	5,521
Closing NAV percentage of total fund NAV (%)	11.64	11.08	7.26
Number of shares	946,257	691,939	392,596
Highest share price (Euro ¢)	1,223.10	1,238.75	1,298.59
Lowest share price (Euro ¢)	1,181.54	1,190.42	1,232.20

* As the annual management charge has been discounted during the period, 1.04% is a more reliable estimate of the operating charges for the period to 31.12.18.

Euro Class 'C' Income share performance

The share class was launched on 22 August 2014.

	Six months to 31.12.18 Euro ¢	Year to 30.06.18 Euro ¢	Year to 30.06.17 Euro ¢
Change in NAV per share			
Opening NAV	1,106.25	1,175.01	1,225.30
Return before operating charges and after direct portfolio transaction costs	24.65	(18.67)	(0.30)
Operating charges	(3.51)	(8.13)	(8.51)
Return after operating charges	21.14	(26.80)	(8.81)
Distributions	(20.29)	(41.96)	(41.48)
Closing NAV	1,107.10	1,106.25	1,175.01

Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.37	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.37	0.00	0.00

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.07	0.00	0.00
Operating charges	0.60*	0.71	0.69
Return after operating charges	+1.91	-2.28	-0.72
Distribution yield	3.64	3.85	3.68
Effect on yield of charges offset against capital	0.50	0.65	0.65

Other information

Closing NAV (\$'000)	6	6	7
Closing NAV percentage of total fund NAV (%)	0.01	0.01	0.01
Number of shares	500	500	500
Highest share price (Euro ¢)	1,132.31	1,180.72	1,261.95
Lowest share price (Euro ¢)	1,093.14	1,119.41	1,201.15

* As the annual management charge has been discounted during the period, 0.54% is a more reliable estimate of the operating charges for the period to 31.12.18.

M&G Global Government Bond Fund

Financial highlights

Specific share class performance

Euro Class 'C' Accumulation share performance

The share class was launched on 22 August 2014.

	Six months to 31.12.18	Year to 30.06.18	Year to 30.06.17
Change in NAV per share	Euro ¢	Euro ¢	Euro ¢
Opening NAV	1,222.89	1,252.06	1,261.31
Return before operating charges and after direct portfolio transaction costs	27.34	(20.55)	(0.29)
Operating charges	(3.88)	(8.62)	(8.96)
Return after operating charges	23.46	(29.17)	(9.25)
Distributions	(18.90)	(36.78)	(34.68)
Retained distributions	18.90	36.78	34.68
Closing NAV	1,246.35	1,222.89	1,252.06
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.41	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.41	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.07	0.00	0.00
Operating charges	0.62*	0.70	0.70
Return after operating charges	+1.92	-2.33	-0.73
Distribution yield	3.13	3.20	3.02
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	7	7	7
Closing NAV percentage of total fund NAV (%)	0.01	0.01	0.01
Number of shares	500	500	500
Highest share price (Euro ¢)	1,251.86	1,258.23	1,317.31
Lowest share price (Euro ¢)	1,208.59	1,213.39	1,247.26

* As the annual management charge has been discounted during the period, 0.54% is a more reliable estimate of the operating charges for the period to 31.12.18.

Sterling Class 'A' Income share performance

The share class was launched on 4 October 1999.

	Six months to 31.12.18	Year to 30.06.18	Year to 30.06.17
Change in NAV per share	UK p	UK p	UK p
Opening NAV	92.57	98.02	96.60
Return before operating charges and after direct portfolio transaction costs	3.18	(0.83)	6.04
Operating charges	(0.54)	(1.17)	(1.22)
Return after operating charges	2.64	(2.00)	4.82
Distributions	(1.66)	(3.45)	(3.40)
Closing NAV	93.55	92.57	98.02
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.03	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.03	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.07	0.00	0.00
Operating charges	1.13*	1.21	1.21
Return after operating charges	+2.85	-2.04	+4.99
Distribution yield	3.63	3.86	3.65
Effect on yield of charges offset against capital	1.00	1.15	1.15
Other information			
Closing NAV (\$'000)	2,520	2,669	3,813
Closing NAV percentage of total fund NAV (%)	2.22	3.07	5.02
Number of shares	2,109,286	2,193,963	2,997,769
Highest share price (UK p)	96.02	101.37	107.13
Lowest share price (UK p)	91.25	92.03	96.72

* As the annual management charge has been discounted during the period, 1.04% is a more reliable estimate of the operating charges for the period to 31.12.18.

Sterling Class 'A' Accumulation share performance

The share class was launched on 4 October 1999.

	Six months to 31.12.18	Year to 30.06.18	Year to 30.06.17
Change in NAV per share	UK p	UK p	UK p
Opening NAV	130.10	132.84	126.77
Return before operating charges and after direct portfolio transaction costs	4.47	(1.15)	7.96
Operating charges	(0.76)	(1.59)	(1.62)
Return after operating charges	3.71	(2.74)	6.34
Distributions	(1.62)	(3.19)	(2.95)
Retained distributions	1.62	3.19	2.68
Closing NAV	133.81	130.10	132.84
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.04	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.04	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.07	0.00	0.00
Operating charges	1.14*	1.21	1.21
Return after operating charges	+2.85	-2.06	+5.00
Distribution yield	2.64	2.70	2.51
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	9,772	7,931	9,228
Closing NAV percentage of total fund NAV (%)	8.63	9.11	12.14
Number of shares	5,719,448	4,639,906	5,352,374
Highest share price (UK p)	134.94	137.39	140.69
Lowest share price (UK p)	128.23	126.85	127.07

* As the annual management charge has been discounted during the period, 1.04% is a more reliable estimate of the operating charges for the period to 31.12.18.

M&G Global Government Bond Fund

Financial highlights

Specific share class performance

Sterling Class 'I' Income share performance

The share class was launched on 3 August 2012.

	Six months to 31.12.18 UK p	Year to 30.06.18 UK p	Year to 30.06.17 UK p
Change in NAV per share			
Opening NAV	1,080.60	1,138.41	1,116.35
Return before operating charges and after direct portfolio transaction costs	37.18	(9.74)	69.83
Operating charges	(3.53)	(7.92)	(8.36)
Return after operating charges	33.65	(17.66)	61.47
Distributions	(19.36)	(40.15)	(39.41)
Closing NAV	1,094.89	1,080.60	1,138.41
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.36	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.36	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.07	0.00	0.00
Operating charges	0.63*	0.71	0.72
Return after operating charges	+3.11	-1.55	+5.51
Distribution yield	3.63	3.85	3.66
Effect on yield of charges offset against capital	0.50	0.65	0.65
Other information			
Closing NAV (\$'000)	26,396	21,313	17,908
Closing NAV percentage of total fund NAV (%)	23.29	24.49	23.56
Number of shares	1,888,198	1,501,062	1,212,092
Highest share price (UK p)	1,123.67	1,178.24	1,239.86
Lowest share price (UK p)	1,066.72	1,073.24	1,120.21

* As the annual management charge has been discounted during the period, 0.54% is a more reliable estimate of the operating charges for the period to 31.12.18.

Sterling Class 'I' Accumulation share performance

The share class was launched on 3 August 2012.

	Six months to 31.12.18 UK p	Year to 30.06.18 UK p	Year to 30.06.17 UK p
Change in NAV per share			
Opening NAV	1,199.22	1,218.46	1,157.67
Return before operating charges and after direct portfolio transaction costs	41.23	(10.64)	72.55
Operating charges	(3.87)	(8.60)	(8.71)
Return after operating charges	37.36	(19.24)	63.84
Distributions	(17.98)	(35.40)	(33.10)
Retained distributions	17.98	35.40	30.05
Closing NAV	1,236.58	1,199.22	1,218.46
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.40	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.40	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.07	0.00	0.00
Operating charges	0.63*	0.71	0.71
Return after operating charges	+3.12	-1.58	+5.51
Distribution yield	3.13	3.20	3.00
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	50,634	36,857	35,205
Closing NAV percentage of total fund NAV (%)	44.69	42.35	46.31
Number of shares	3,207,032	2,339,042	2,226,239
Highest share price (UK p)	1,247.02	1,261.12	1,286.17
Lowest share price (UK p)	1,183.83	1,168.21	1,162.28

* As the annual management charge has been discounted during the period, 0.54% is a more reliable estimate of the operating charges for the period to 31.12.18.

Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012.

	Six months to 31.12.18 UK p	Year to 30.06.18 UK p	Year to 30.06.17 UK p
Change in NAV per share			
Opening NAV	107.52	113.55	111.63
Return before operating charges and after direct portfolio transaction costs	3.69	(0.97)	6.97
Operating charges	(0.49)	(1.06)	(1.12)
Return after operating charges	3.20	(2.03)	5.85
Distributions	(1.92)	(4.00)	(3.93)
Closing NAV	108.80	107.52	113.55
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.04	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.04	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.07	0.00	0.00
Operating charges	0.88*	0.96	0.96
Return after operating charges	+2.98	-1.79	+5.24
Distribution yield	3.63	3.86	3.66
Effect on yield of charges offset against capital	0.75	0.90	0.90
Other information			
Closing NAV (\$'000)	358	345	136
Closing NAV percentage of total fund NAV (%)	0.32	0.39	0.18
Number of shares	257,914	244,420	91,923
Highest share price (UK p)	111.66	117.48	123.89
Lowest share price (UK p)	106.06	106.84	111.89

* As the annual management charge has been discounted during the period, 0.79% is a more reliable estimate of the operating charges for the period to 31.12.18.

M&G Global Government Bond Fund

Financial highlights

Specific share class performance

Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012.

	Six months to 31.12.18 UK p	Year to 30.06.18 UK p	Year to 30.06.17 UK p
Change in NAV per share			
Opening NAV	118.72	120.91	115.13
Return before operating charges and after direct portfolio transaction costs	4.07	(1.03)	7.22
Operating charges	(0.54)	(1.16)	(1.17)
Return after operating charges	3.53	(2.19)	6.05
Distributions	(1.63)	(3.20)	(2.99)
Retained distributions	1.63	3.20	2.72
Closing NAV	122.25	118.72	120.91
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.04	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.04	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.07	0.00	0.00
Operating charges	0.88*	0.96	0.96
Return after operating charges	+2.97	-1.81	+5.25
Distribution yield	2.89	2.95	2.76
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	1,109	499	102
Closing NAV percentage of total fund NAV (%)	0.98	0.57	0.13
Number of shares	710,767	319,986	65,122
Highest share price (UK p)	123.27	125.09	127.83
Lowest share price (UK p)	117.09	115.69	115.49

* As the annual management charge has been discounted during the period, 0.79% is a more reliable estimate of the operating charges for the period to 31.12.18.

Swiss franc Class 'A' Accumulation share performance

The share class was launched on 22 August 2014.

	Six months to 31.12.18 Swiss ¢	Year to 30.06.18 Swiss ¢	Year to 30.06.17 Swiss ¢
Change in NAV per share			
Opening NAV	1,148.24	1,116.80	1,124.23
Return before operating charges and after direct portfolio transaction costs	(5.49)	45.50	5.64
Operating charges	(6.39)	(14.06)	(13.07)
Return after operating charges	(11.88)	31.44	(7.43)
Distributions	(13.75)	(28.98)	(25.61)
Retained distributions	13.75	28.98	25.61
Closing NAV	1,136.36	1,148.24	1,116.80
Direct portfolio transaction costs	Swiss ¢	Swiss ¢	Swiss ¢
Costs before dilution adjustments	0.38	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.38	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.07	0.00	0.00
Operating charges	1.11*	1.20	1.16
Return after operating charges	-1.03	+2.82	-0.66
Distribution yield	2.64	2.75	2.57
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	460	217	6
Closing NAV percentage of total fund NAV (%)	0.41	0.25	0.01
Number of shares	39,800	18,800	500
Highest share price (Swiss ¢)	1,171.39	1,195.76	1,151.12
Lowest share price (Swiss ¢)	1,102.66	1,115.74	1,102.10

* As the annual management charge has been discounted during the period, 1.04% is a more reliable estimate of the operating charges for the period to 31.12.18.

Swiss franc Class 'C' Accumulation share performance

The share class was launched on 22 August 2014.

	Six months to 31.12.18 Swiss ¢	Year to 30.06.18 Swiss ¢	Year to 30.06.17 Swiss ¢
Change in NAV per share			
Opening NAV	1,170.87	1,132.69	1,134.62
Return before operating charges and after direct portfolio transaction costs	(4.34)	46.10	5.61
Operating charges	(3.45)	(7.92)	(7.54)
Return after operating charges	(7.79)	38.18	(1.93)
Distributions	(18.26)	(35.90)	(31.57)
Retained distributions	18.26	35.90	31.57
Closing NAV	1,163.08	1,170.87	1,132.69
Direct portfolio transaction costs	Swiss ¢	Swiss ¢	Swiss ¢
Costs before dilution adjustments	0.39	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.39	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.07	0.00	0.00
Operating charges	0.61*	0.67	0.66
Return after operating charges	-0.67	+3.37	-0.17
Distribution yield	3.13	3.27	3.06
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	6	6	6
Closing NAV percentage of total fund NAV (%)	0.01	0.01	0.01
Number of shares	500	500	500
Highest share price (Swiss ¢)	1,194.81	1,215.94	1,166.80
Lowest share price (Swiss ¢)	1,126.33	1,131.71	1,114.64

* As the annual management charge has been discounted during the period, 0.54% is a more reliable estimate of the operating charges for the period to 31.12.18.

M&G Global Government Bond Fund

Financial highlights

Specific share class performance

US dollar Class 'A' Income share performance

The share class was launched on 22 August 2014.

	Six months to 31.12.18 US ¢	Year to 30.06.18 US ¢	Year to 30.06.17 US ¢
Change in NAV per share			
Opening NAV	961.21	1,005.29	1,029.66
Return before operating charges and after direct portfolio transaction costs	4.94	4.57	21.55
Operating charges	(5.47)	(12.36)	(12.18)
Return after operating charges	(0.53)	(7.79)	9.37
Distributions	(16.71)	(36.29)	(33.74)
Closing NAV	943.97	961.21	1,005.29
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.32	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.32	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.07	0.00	0.00
Operating charges	1.13*	1.21	1.22
Return after operating charges	-0.06	-0.77	+0.91
Distribution yield	3.63	3.86	3.65
Effect on yield of charges offset against capital	1.00	1.15	1.15
Other information			
Closing NAV (\$'000)	233	207	166
Closing NAV percentage of total fund NAV (%)	0.21	0.24	0.22
Number of shares	24,631	21,536	16,558
Highest share price (US ¢)	975.08	1,051.51	1,060.36
Lowest share price (US ¢)	945.00	981.87	959.92

* As the annual management charge has been discounted during the period, 1.04% is a more reliable estimate of the operating charges for the period to 31.12.18.

US dollar Class 'A' Accumulation share performance

The share class was launched on 22 August 2014.

	Six months to 31.12.18 US ¢	Year to 30.06.18 US ¢	Year to 30.06.17 US ¢
Change in NAV per share			
Opening NAV	1,050.84	1,059.91	1,049.32
Return before operating charges and after direct portfolio transaction costs	5.43	4.10	23.24
Operating charges	(6.00)	(13.17)	(12.65)
Return after operating charges	(0.57)	(9.07)	10.59
Distributions	(12.71)	(26.08)	(22.80)
Retained distributions	12.71	26.08	22.80
Closing NAV	1,050.27	1,050.84	1,059.91
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.35	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.35	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.07	0.00	0.00
Operating charges	1.13*	1.21	1.21
Return after operating charges	-0.05	-0.86	+1.01
Distribution yield	2.64	2.70	2.52
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	1,500	1,304	177
Closing NAV percentage of total fund NAV (%)	1.32	1.50	0.23
Number of shares	142,795	124,082	16,714
Highest share price (US ¢)	1,066.01	1,127.49	1,080.56
Lowest share price (US ¢)	1,033.13	1,052.81	991.45

* As the annual management charge has been discounted during the period, 1.04% is a more reliable estimate of the operating charges for the period to 31.12.18.

US dollar Class 'C' Income share performance

The share class was launched on 22 August 2014.

	Six months to 31.12.18 US ¢	Year to 30.06.18 US ¢	Year to 30.06.17 US ¢
Change in NAV per share			
Opening NAV	970.38	1,009.77	1,029.02
Return before operating charges and after direct portfolio transaction costs	5.56	5.32	22.78
Operating charges	(3.10)	(6.82)	(6.86)
Return after operating charges	2.46	(1.50)	15.92
Distributions	(17.57)	(37.89)	(35.17)
Closing NAV	955.27	970.38	1,009.77
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.32	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.32	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.07	0.00	0.00
Operating charges	0.63*	0.66	0.68
Return after operating charges	+0.25	-0.15	+1.55
Distribution yield	3.62	3.89	3.69
Effect on yield of charges offset against capital	0.50	0.65	0.65
Other information			
Closing NAV (\$'000)	5	5	5
Closing NAV percentage of total fund NAV (%)	0.00	0.01	0.01
Number of shares	500	500	500
Highest share price (US ¢)	984.92	1,059.42	1,060.83
Lowest share price (US ¢)	956.04	991.95	961.81

* As the annual management charge has been discounted during the period, 0.54% is a more reliable estimate of the operating charges for the period to 31.12.18.

M&G Global Government Bond Fund

Financial highlights

Specific share class performance

US dollar Class 'C' Accumulation share performance

The share class was launched on 22 August 2014.

	Six months to 31.12.18 US ¢	Year to 30.06.18 US ¢	Year to 30.06.17 US ¢
Change in NAV per share			
Opening NAV	1,073.94	1,077.79	1,060.08
Return before operating charges and after direct portfolio transaction costs	5.62	4.11	24.55
Operating charges	(3.47)	(7.96)	(6.84)
Return after operating charges	2.15	(3.85)	17.71
Distributions	(15.65)	(32.14)	(29.87)
Retained distributions	15.65	32.14	29.87
Closing NAV	1,076.09	1,073.94	1,077.79
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.36	0.00	0.00
Dilution adjustments ^[a]	0.00	0.00	0.00
Total direct portfolio transaction costs	0.36	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.07	0.00	0.00
Operating charges	0.64*	0.71	0.69
Return after operating charges	+0.20	-0.36	+1.67
Distribution yield	3.13	3.20	3.07
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	24	24	300
Closing NAV percentage of total fund NAV (%)	0.02	0.03	0.39
Number of shares	2,216	2,216	27,800
Highest share price (US ¢)	1,089.96	1,149.77	1,092.93
Lowest share price (US ¢)	1,057.65	1,072.19	1,004.75

* As the annual management charge has been discounted during the period, 0.54% is a more reliable estimate of the operating charges for the period to 31.12.18.

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

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

M&G Global Government Bond Fund

Financial statements and notes

Financial statements

Statement of total return

for the six months to 31 December	2018		2017	
	\$'000	\$'000	\$'000	\$'000
Income				
Net capital gains / (losses)		(1,068)		1,815
Revenue	1,700		1,536	
Expenses	(378)		(366)	
Net revenue / (expense) before taxation	1,322		1,170	
Taxation	(15)		(16)	
Net revenue / (expense) after taxation		1,307		1,154
Total return before distributions		239		2,969
Distributions		(1,382)		(1,227)
Change in net assets attributable to shareholders from investment activities		(1,143)		1,742

Statement of change in net assets attributable to shareholders

for the six months to 31 December	2018		2017	
	\$'000	\$'000	\$'000	\$'000
Opening net assets attributable to shareholders		87,020		76,013
Amounts received on issue of shares	37,912		19,915	
Amounts paid on cancellation of shares	(11,616)		(10,412)	
		26,296		9,503
Dilution adjustments		55		37
Change in net assets attributable to shareholders from investment activities (see above)		(1,143)		1,742
Retained distributions on Accumulation shares		1,053		819
Closing net assets attributable to shareholders		113,281		88,114

The opening net assets attributable to shareholders for 2018 differs to the closing position in 2017 by the change in net assets attributable to shareholders for the second half of the comparative financial year.

Balance sheet

as at	31 December 2018	30 June 2018
	\$'000	\$'000
Assets		
Fixed assets		
Investments	110,875	83,046
Current assets		
Debtors	1,962	1,665
Cash and bank balances	1,132	277
Cash equivalents	663	2,668
Total assets	114,632	87,656
Liabilities		
Creditors		
Distribution payable	(647)	(597)
Other creditors	(704)	(39)
Total liabilities	(1,351)	(636)
Net assets attributable to shareholders	113,281	87,020

Notes to the financial statements

Accounting policies

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

Distribution policy

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

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

M&G Global Government Bond Fund

Financial statements and notes

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M&G Recovery Fund

Authorised Corporate Director's Report

Investment objective and policy

The fund predominantly invests in a diversified range of securities issued by companies which are out of favour, in difficulty or whose future prospects are not fully recognised by the market. The sole aim of the fund is capital growth. There is no particular income yield target.

Investment approach

The M&G Recovery Fund invests in companies that are out of favour with the stockmarket where a good management team is making concerted efforts to turn the business around. The fund manager takes a long-term view with a typical holding period of five years or more and aims to provide a diversified portfolio of up to 100 stocks. Developing a constructive dialogue with company management is a fundamental part of the investment process and the fund manager will not invest in a company unless he has met the management team first.

Risk profile

The fund invests in the shares of UK-listed companies and is, therefore, subject to the price volatility of the UK stockmarket and the performance of individual companies. The fund's focus is on companies that are out of favour with the market, and these stocks could potentially experience a degree of illiquidity in times of market distress. However, the fund is mainly invested in the shares of large and medium-sized companies, which are normally traded with relative ease. The fund also invests in the shares of smaller and AIM-listed companies, which can be more unpredictable and difficult to buy and sell. Diversification across industries and market capitalisation is therefore key in managing liquidity risk and reducing market risk. The fund's risks are measured and managed as an integral part of the investment process.

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



The above number:

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

Investment review

As at 2 January 2019, for the six months ended 31 December 2018

Performance against objective

The M&G Recovery Fund aims to deliver capital growth by investing at least 80% of the portfolio in the shares of UK-listed companies that, at the time of investment, are out of favour with the stockmarket, and where the fund manager believes a good management team is making concerted efforts to turn the business around. The fund missed this objective, as it produced a negative total return (the combination of income and growth of capital) across all share classes between 2 July 2018 (the start of the review period) and 2 January 2019.*

The fund's returns in all share classes were behind that of a comparative index, the FTSE All-Share Index. Over the same period, returns for the index were -9.8% and -11.5% in sterling and euro terms, respectively.

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

Investment performance

The fund delivered negative returns over the six-month review period and underperformed its comparative index, the FTSE All-Share Index. This was due to the adverse market conditions and the fund's differentiated positioning relative to the market. In addition, the fund's portfolio consists of companies that are mostly on the mend and therefore perceived to be high risk, even if they are very attractively valued. Consequently, the past six months has been disappointing in performance terms for most market participants, but the fund has been particularly vulnerable. Nevertheless, there were some encouraging developments, especially within the fund's holdings in biotechnology companies, even if, ultimately, these were not recognised by the market in the short term.

The six months under review was a volatile period for UK equities, or company shares, as sentiment was undermined by a toxic combination of central banks raising interest rates, led by the US Federal Reserve, the withdrawal of the stimulus packages that have supported markets over the past decade, the impact of President Trump's trade war on China and concerns about the US economy, just as the effect of the tax boost is beginning to wane. US protectionism also affected the other big exporting economies of Europe, Japan and Asia. Another market driver was a strengthening US dollar, which undermined emerging economies with large dollar debts. In addition, slowing global demand resulted in a sharp fall in the price of raw materials, which left Brent crude at slightly over USD50 per barrel by the year end, a decline of 41% from its USD86 high in early October.

In the UK, Brexit increasingly monopolised the headlines, with the odds shortening on a bad outcome and the possibility of a general election. Although the European Union (EU) approved Theresa May's withdrawal agreement, the prime minister postponed the Common's vote on the deal until mid-January, as it quickly became apparent that she would not secure a majority, despite surviving a leadership challenge. The main sticking point seemed to be the lack of a time limit given to the backstop arrangement if an agreement cannot be reached in time on the Irish border issue. (On January 15, Parliament voted against the deal by a large majority.)

M&G Recovery Fund

Authorised Corporate Director's Report

Investment review

Investment performance (continued)

Sterling had a choppy ride over the period, after rising above USD1.40 at the start of the year for the first time following its Brexit-related devaluation. Since April, however, the currency has come under pressure due to increasing concerns about Brexit and some weaker economic data in the UK as the consumer and the corporate sector have delayed spending decisions until after March 2019. Sterling weakness also partly reflected a resurgent US dollar. The currency trend helped support the larger, internationally exposed companies in the UK stockmarket as it boosted their overseas earnings when they were translated into sterling. Medium-sized and smaller companies underperformed, as they tend to have more domestic exposure, and investors fretted about the impact of Brexit on the UK economy.

At a sector level, with few places to hide, investors sought out the more defensive areas of the market, such as consumer staples companies, pharmaceutical manufacturers, fixed line telecoms firms and the water utilities. In addition, media companies were supported by bid activity.

Amongst the fund's top contributors to performance over the six-month period were gold miner St Barbara and Ei Group (formerly Enterprise Inns), which benefited from investors' risk aversion, and additionally in the case of the latter, from the announcement that it intended to sell some of its property portfolio. FTSE 100 banking group HSBC Holdings was supported by its overseas focus, while a position in telecoms firm BT Group attracted some bargain hunting after a weak first half to 2018. Elsewhere, shares in MC Mining, which produces high-quality coking and thermal coal, rose strongly after it was granted some mining rights for a South African project after a five-year wait; and holdings in industrial thread manufacturer Coats Group, along with Indian electricity generator OPG Power Ventures, were supported by decent results. In the media sector, the fund's sixth-largest holding, Entertainment One, continued to add value. The company is delivering on growth expectations for its franchises, Peppa Pig and MGC, and is seeing increasing success in its television content division. In addition, sector allocation made a modest contribution, principally through avoiding tobacco stocks in the portfolio, which sold off sharply in 2018.

Conversely, the majority of the underperformance was down to a below-market exposure to larger companies and stock selection. In particular in the latter case, in the biotech sector, GW Pharmaceuticals and Oxford Biomedica experienced profit-taking, while Hutchison China Meditech and Mesoblast were affected by what the market perceived to be disappointing drug trial data, although we felt this was substantially overdone. Nevertheless, it has been encouraging to see the progress these companies have been making in developing their drug pipelines and moving towards commercialisation.

Elsewhere, some of the fund's resource company holdings (First Quantum Minerals, Bacanora Lithium, Tullow Oil and Nostrum Oil & Gas) were affected by weakening demand for raw materials and the fall in the oil price.

Investment activities

During the review period, we established three new positions on the fund: construction firm Kier Group, oil services supplier Petrofac, and corporate broking firm plus wealth manager WH Ireland.

Kier is a smaller company, which undertakes infrastructure projects for the government, NHS and local authorities. Kier came to the portfolio after we underwrote part of a rights issue by the company to earn some extra income for the fund. For the first time in a decade in the UK market, Kier's rights issue failed as the share price collapsed below the rights issue price for technical reasons rather than fundamentals. As the fund was left holding the stock, we decided to increase the position by participating in the placing by other underwriting institutions that did not want to be investors in Kier. This was a good opportunity for the fund to invest in a company with a reinforced balance sheet at an attractive valuation in an area of the market where rivals have struggled to compete.

Petrofac is a medium-sized company specialising in large oil projects, mainly in the Middle East and Asia. It made a strategic error by increasing its downstream production and refining activities, which came under pressure from the falling oil price, leaving the company with excessive levels of debt in a complex business. Petrofac is in the process of withdrawing from these areas and expects this to leave it in a cash-positive position. Another issue for the company is that it has been under investigation by the Serious Fraud Office (SFO), which resulted in the chief executive being arrested in May 2017, causing the shares to fall sharply. Petrofac could afford to pay a fine if it was felt that was appropriate; however, the SFO have produced no evidence of wrong-doing (it is not obliged to), and while the company has cooperated with the investigation, it has struggled to understand what it is meant to have done. Petrofac has a sensible board and a good track record. We have carried out a thorough due-diligence check on the business and have met the chairman (ex finance director of Anglo American) and chief executive, Ayman Asfari, who is also the founder, and agree with the many businesses in the industry that show their confidence in him by continuing to fill the firm's order book.

Listed on the AIM (the Alternative Investment Market), WH Ireland is another company where the shares have been under pressure due to issues with the regulator. We believe that the two parts to WH Ireland's business, corporate broking and wealth management, which has a private client book worth approximately £1 billion and includes eight regional offices in the UK and the Isle of Man, together with a large cash balance for its size, are worth more than its market capitalisation (the number of WH Ireland shares in issue multiplied by the share price).

We also participated in a number of refinancings of existing holdings during the six months, the most significant of which were Mercantile Ports & Logistics, Mothercare and African low-cost carrier fastjet. In the case of the former, the refinancing resulted in the fund establishing a substantial holding in the Indian port developer and operator, which is building a new port in Mumbai where the state-run dockside facilities have become clogged up. We believe the company's valuation is appreciably below its true worth and expect it to ramp-up its freight-handling sales. In a very good sign for the future of the business, a local firm has taken a 22% stake in the company as it also recognises the potential.

We made three complete sales over the period to provide funds for better opportunities. These included two stage 1 (unloved) companies, Dixons Carphone and African Petroleum, which had been long-term holdings, but had not made satisfactory progress with improving their operational performance, leading to a loss of conviction in their investment case. Dixons Carphone was originally acquired as Carphone Warehouse and performed well initially, enabling us to exit most of the position profitably previously; but the share price has been

M&G Recovery Fund

Authorised Corporate Director's Report

Investment review

Investment activities (continued)

lacklustre recently. The other complete sale was UDG Healthcare, a provider of medical equipment and healthcare services to the pharmaceutical sector. The shares had enjoyed a significant run-up and the company had reached stage 3 (recovering well) of our recovery process.

Elsewhere, we realised some profits in other stage 3 holdings such as biotechnology firm GW Pharmaceuticals, emergency repairs business HomeServe, media group Entertainment One, cruise line operator Carnival and industrial thread manufacturer Coats. The proceeds were recycled into some of our more recently acquired stage 1 holdings, including outsourcer Capita, African gold miner Hummingbird Resources and Micro Focus International. The technology firm was introduced in the first half of 2018 after the share price halved following a profit warning. We also took the opportunity to increase another stage 1 company, BT, which has been held in the portfolio for some time. The telecoms group's shares had fallen 20% over the first six months of 2018 and looked friendless and overly cheap.

Outlook

Although there are signs of caution appearing in the UK stockmarket, reflected in a tapering off in merger and acquisition activity, and there is talk of a fourth-quarter contraction by the economy, as manufacturing surveys have turned downward amidst softening business sentiment, the latest corporate earnings and dividend announcements have been broadly supportive. However, until greater clarity appears over the many possible Brexit outcomes, the domestic market is unlikely to make much progress. There is also the short-term negative impact of a weakening oil price on the energy sector, acting as a headwind for the market. In the medium-to-longer term, though, cheaper fuel costs are akin to a tax cut for manufacturers and consumers. Meanwhile, UK interest rates remain ultra-low and labour market dynamics should provide an important support to consumer confidence, as recent data from the retail, housing and auto sectors have not been encouraging.

The UK is home to some fantastic companies operating within a strong corporate governance and legal framework. We continue to believe in taking a contrarian view on the fund, ignoring the short-term noise and exploiting mispriced risk to invest in some great opportunities.

Tom Dobell
Fund manager

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

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

Investments

Portfolio statement

as at Holding	31.12.18 £'000	31.12.18 %	30.06.18 %
EQUITIES	2,161,991	100.09	100.19
Oil & gas producers	287,625	13.31	13.70
39,910,000 BP	198,971	9.21	
16,592,508 Great Eastern Energy GDR	11,615	0.54	
8,970,675 Nostrum Oil & Gas	9,347	0.43	
87,688,530 Providence Resources ^[a]	10,172	0.47	
32,170,000 Tullow Oil	57,520	2.66	
Oil equipment, services & distribution	17,206	0.79	0.43
12,600,000 Lamprell	7,610	0.35	
2,005,000 Petrofac	9,596	0.44	
Industrial metals & mining	57,212	2.65	3.46
103,636,364 Bluejay Mining ^[a]	13,628	0.63	
7,063,300 First Quantum Minerals	43,584	2.02	
Mining	172,536	7.99	7.29
13,456,784 Bacanora Lithium ^[a]	3,230	0.15	
11,197,353 Hummingbird Resources ^[a]	2,363	0.11	
17,855,335 Kenmare Resources	33,032	1.53	
40,788 Kenmare Resources wts. 2019	0	0.00	
23,346,347 MC Mining ^[a]	12,140	0.56	
50,128,263 Petra Diamonds	18,798	0.87	
1,365,000 Rio Tinto	51,385	2.38	
17,340,000 St Barbara	44,188	2.05	
28,247,500 Sylvania Platinum ^[a]	4,520	0.21	
77,751,220 White Energy Company	2,880	0.13	
Construction & materials	108,684	5.03	4.21
13,165,000 Balfour Beatty	32,676	1.51	
2,691,000 CRH	55,462	2.57	
5,048,239 Kier Group	20,546	0.95	
Aerospace & defence	53,616	2.48	2.46
19,800,000 Cobham	19,460	0.90	
2,670,000 Meggitt	12,522	0.58	
4,350,000 QinetiQ Group	12,515	0.58	
1,100,000 Rolls-Royce Holdings	9,119	0.42	
General industrials	54,650	2.53	2.99
45,000,000 Coats Group	36,720	1.70	
1,315,000 Smiths Group	17,930	0.83	
Electronic & electrical equipment	7,050	0.33	0.41
5,000,000 Xaar	7,050	0.33	
Industrial engineering	41,302	1.91	1.77
27,500,000 Renold	7,700	0.36	
36,400,000 Severfield	25,116	1.16	
146,309,150 TP Group ^[a]	8,486	0.39	
Industrial transportation	42,922	1.99	1.67
5,812,903 Avation	14,823	0.69	
346,934,550 Mercantile Ports ^[a]	8,326	0.38	
13,846,267 Stobart Group	19,773	0.92	
Support services	124,232	5.75	6.41
27,250,000 Capita	30,316	1.40	
3,831,192 Essentra	13,141	0.61	
1,680,000 Grafton Group	10,819	0.50	
3,000,000 HomeServe	25,890	1.20	
21,298,236 IWG	44,066	2.04	
Food producers	38,081	1.76	1.57
7,287,630 REA Holdings	17,199	0.80	
2,380,000 Tate & Lyle	15,789	0.73	
46,304,408 Zambief Products ^[a]	5,093	0.23	

M&G Recovery Fund

Authorised Corporate Director's Report

Investments

Portfolio statement (continued)				
as at Holding	31.12.18 £'000	31.12.18 %	30.06.18 %	
Household goods & home construction	11,520	0.53	0.29	
8,240,000 McCarthy & Stone	11,520	0.53		
Healthcare equipment & services	0	0.00	0.28	
Pharmaceuticals & biotechnology	272,480	12.61	13.57	
5,356,802 Eco Animal Health ^[a]	21,427	0.99		
1,252,900 GW Pharmaceuticals ADR	93,546	4.33		
2,340,838 Hutchison China Meditech ADR	42,424	1.96		
54,497,775 Mesoblast	34,795	1.61		
1,038,939 Mesoblast ADR	3,173	0.15		
11,156,679 Oxford Biomedica	77,115	3.57		
General retailers	35,391	1.64	2.27	
1,200,000 Dignity	8,250	0.38		
53,038,237 Mothercare	8,327	0.39		
18,265,757 Saga	18,814	0.87		
Media	82,306	3.81	3.95	
13,489,394 Entertainment One	47,267	2.19		
11,850,000 ITV	14,777	0.68		
2,175,000 Pearson	20,262	0.94		
Travel & leisure	176,198	8.16	8.97	
341,502 Carnival	12,772	0.59		
5,625,000 Dalata Hotel Group	23,963	1.11		
3,142,000 easyJet	35,049	1.62		
33,300,000 Ei Group	60,872	2.82		
745,331,981 fastjet	10,062	0.47		
9,321,340 fastjet wts. 2021	0	0.00		
9,000,000 National Express	33,480	1.55		
Fixed line telecommunications	42,705	1.98	1.30	
18,000,000 BT Group	42,705	1.98		
Mobile telecommunications	616	0.03	0.04	
27,359,073 Avanti Communications ^[a]	616	0.03		
Electricity	10,552	0.49	0.31	
34,149,791 KSK Power Ventur ^[b]	0	0.00		
49,079,566 OPG Power Ventures ^[a]	10,552	0.49		
Banks	340,812	15.78	14.38	
29,700,000 HSBC Holdings	191,595	8.87		
132,480,000 Lloyds Banking Group	68,346	3.17		
17,700,000 Royal Bank of Scotland Group	38,037	1.76		
7,030,000 Standard Chartered	42,834	1.98		
Life insurance	87,647	4.06	5.16	
9,350,000 Aviva	35,072	1.62		
3,750,000 Prudential ^[c]	52,575	2.44		
Financial services	29,512	1.37	1.19	
17,657,142 IP Group	18,893	0.87		
2,550,000 TP Icap	7,678	0.36		
4,525,079 WH Ireland ^[a]	2,941	0.14		
Equity investment instruments	3,510	0.16	0.15	
410,580 Gresham House Strategic ^[a]	3,510	0.16		
Software & computer services	61,320	2.84	1.78	
6,615,674 Actual Experience ^[a]	13,231	0.61		
11,302,515 Blancco Technology ^[a]	11,868	0.55		
120,629,158 eServGlobal ^[a]	5,790	0.27		
2,010,000 Micro Focus International	27,718	1.28		
2,916,666 Watchstone ^[a]	2,713	0.13		

Portfolio statement (continued)

as at Holding	31.12.18 £'000	31.12.18 %	30.06.18 %
Technology hardware & equipment	2,306	0.11	0.18
7,951,272 Frontier Smart Technologies	2,306	0.11	
Unquoted / unlisted ^[d]	0	0.00	0.00
38,761,085 African Minerals	0	0.00	
39,868,814 Alizyme	0	0.00	
3,094,020 Izodia	0	0.00	
Portfolio of investments	2,161,991	100.09	100.19
CASH EQUIVALENTS	480	0.02	0.00
'AAA' rated money market funds ^[e]	480	0.02	0.00
480,000 Northern Trust Global Fund - Sterling	480	0.02	
Total portfolio	2,162,471	100.11	100.19
Net other assets / (liabilities)	(2,308)	(0.11)	(0.19)
Net assets attributable to shareholders	2,160,163	100.00	100.00

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

^[a] AIM quoted.

^[b] Suspended.

^[c] Related party to the fund.

^[d] Unlisted.

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

Top ten portfolio transactions

for the six months to 31 December 2018

Largest purchases	£'000
Kier Group	19,707
Petrofac	12,733
Micro Focus International	11,412
Capita	8,084
fastjet	7,744
Mothercare	6,296
Mercantile Ports ^[a]	5,726
WH Ireland ^[a]	4,527
eServGlobal	3,477
BT Group	2,977
Other purchases	4,451
Total purchases	87,134
Largest sales	£'000
Carnival	30,558
BP	29,979
Entertainment One	22,937
HomeServe	21,770
Dixons Carphone	17,282
Aviva	16,223
Ei Group	16,100
Coats Group	13,604
Prudential ^[b]	13,207
Smiths Group	12,617
Other sales	81,591
Total sales	275,868

^[a] AIM quoted.

^[b] Related party to the fund.

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

M&G Recovery Fund

Financial highlights

Fund performance

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

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

We show performance for these two share classes because:

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

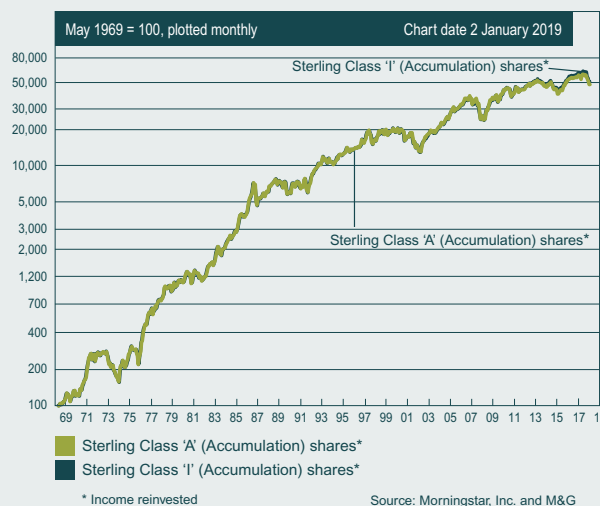
The fund is available for investment in different share classes, each with varying levels of charges and minimum investments; please refer to the Prospectus for M&G Investment Funds (3), which is available free of charge either from our website at www.mandg.co.uk/prospectuses or by calling M&G Customer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

Fund level performance

Fund net asset value			
as at	31.12.18 £'000	30.06.18 £'000	30.06.17 £'000
Fund net asset value (NAV)	2,160,163	2,809,729	3,085,097

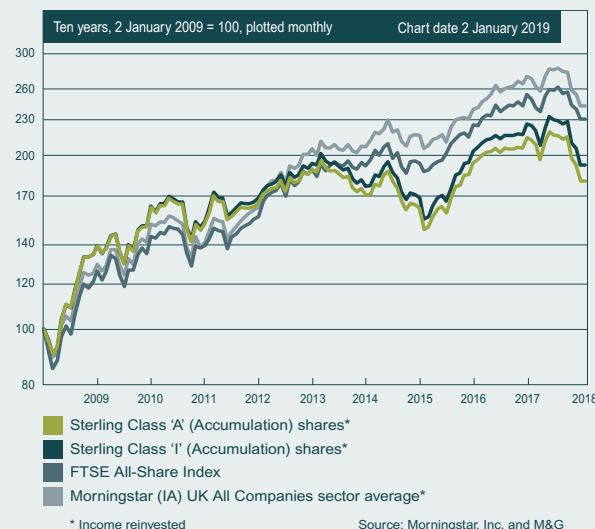
Performance since launch

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



Ten-year performance

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



The fund's Sterling Class 'I' (Accumulation) shares were launched on 15 January 2010. Performance data shown prior to this date is that of the fund's Sterling Class 'A' (Accumulation) shares.

M&G Recovery Fund

Financial highlights

Fund performance

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

Long-term performance by share class				
	Six months 02.07.18 % ^[a]	Three years 04.01.16 % p.a.	Five years 02.01.14 % p.a.	Since launch % p.a.
Euro ^[b]				
Class 'A'	-18.2	-2.5	-2.6	+5.1 ^[c]
Class 'C'	-17.9	-1.7	-1.9	+5.9 ^[c]
Sterling ^[d]				
Class 'A'	-16.5	+4.3	-0.9	+13.3 ^[e]
Class 'C'	-15.8	+5.9	+0.6	+7.9 ^[f]
Class 'I'	-16.2	+5.1	-0.2	+3.4 ^[g]
Class 'R'	-16.3	+4.8	-0.4	+2.4 ^[h]
Class 'X'	-16.5	+4.3	-0.9	+7.7 ^[i]

^[a] Absolute basis.

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

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

^[d] Price to price with income reinvested.

^[e] 23 May 1969, the end of the initial offer period of the predecessor unit trust.

^[f] 1 July 2004, the launch date of the share class.

^[g] 15 January 2010, the launch date of the share class.

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

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

Operating charges and portfolio transaction costs

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

Operating charges

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

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

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

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

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

M&G Recovery Fund

Financial highlights

Fund performance

Operating charges and portfolio transaction costs

Portfolio transaction costs

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

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

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

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

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

Portfolio transaction costs				
	Six months to 31.12.18	Year to 30.06.18	Year to 30.06.17	Average ^[a]
Direct portfolio transaction costs ^[b]	%	%	%	%
Broker commission	0.01	0.01	0.03	0.01
Taxes	0.01	0.02	0.02	0.02
Costs before dilution adjustments	0.02	0.03	0.05	0.03
Dilution adjustments ^[c]	(0.02)	(0.02)	(0.04)	(0.03)
Total direct portfolio transaction costs	0.00	0.01	0.01	0.00
as at	31.12.18	30.06.18	30.06.17	Average ^[a]
Indirect portfolio transaction costs	%	%	%	%
Average portfolio dealing spread	1.05	0.59	0.69	0.78

^[a] Average of first three columns.

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

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

Specific share class performance

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

Historic yields for the current period are calculated as at 11 January 2019.

Euro Class 'A' Accumulation share performance

The share class was launched on 29 November 2002.

	Six months to 31.12.18 Euro €	Year to 30.06.18 Euro €	Year to 30.06.17 Euro €
Change in NAV per share			
Opening NAV	2,751.81	2,588.06	2,161.61
Return before operating charges and after direct portfolio transaction costs	(472.24)	207.49	467.57
Operating charges	(21.65)	(43.74)	(41.12)
Return after operating charges	(493.89)	163.75	426.45
Distributions	(10.24)	(19.50)	(9.77)
Retained distributions	10.24	19.50	9.77
Closing NAV	2,257.92	2,751.81	2,588.06
Direct portfolio transaction costs	Euro €	Euro €	Euro €
Costs before dilution adjustments	0.31	0.84	1.21
Dilution adjustments ^[a]	(0.24)	(0.61)	(1.06)
Total direct portfolio transaction costs	0.07	0.23	0.15
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.01	0.01
Operating charges	1.66	1.66	1.66
Return after operating charges	-17.95	+6.33	+19.73
Historic yield	0.98	0.71	0.37
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (£'000)	6,559	8,815	10,739
Closing NAV percentage of total fund NAV (%)	0.30	0.31	0.35
Number of shares	323,883	361,578	472,232
Highest share price (Euro €)	2,780.15	2,889.21	2,716.96
Lowest share price (Euro €)	2,226.86	2,419.72	2,076.74

M&G Recovery Fund

Financial highlights

Specific share class performance

Euro Class 'C' Accumulation share performance

The share class was launched on 29 November 2002.

	Six months to 31.12.18 Euro ¢	Year to 30.06.18 Euro ¢	Year to 30.06.17 Euro ¢
Change in NAV per share			
Opening NAV	3,098.39	2,892.31	2,397.69
Return before operating charges and after direct portfolio transaction costs	(533.04)	233.02	519.83
Operating charges	(13.38)	(26.94)	(25.21)
Return after operating charges	(546.42)	206.08	494.62
Distributions	(22.23)	(44.04)	(31.40)
Retained distributions	22.23	44.04	31.40
Closing NAV	2,551.97	3,098.39	2,892.31
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.34	0.94	1.35
Dilution adjustments ^[a]	(0.28)	(0.68)	(1.18)
Total direct portfolio transaction costs	0.06	0.26	0.17
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.01	0.01
Operating charges	0.91	0.91	0.91
Return after operating charges	-17.64	+7.12	+20.63
Historic yield	1.80	1.42	1.07
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (£'000)	5,548	11,892	14,157
Closing NAV percentage of total fund NAV (%)	0.26	0.42	0.46
Number of shares	242,425	433,231	557,008
Highest share price (Euro ¢)	3,131.01	3,250.49	3,033.18
Lowest share price (Euro ¢)	2,516.52	2,707.52	2,303.84

Sterling Class 'A' Income share performance

The share class was launched on 27 June 1977.

	Six months to 31.12.18 UK p	Year to 30.06.18 UK p	Year to 30.06.17 UK p
Change in NAV per share			
Opening NAV	146.31	139.67	111.85
Return before operating charges and after direct portfolio transaction costs	(23.63)	12.42	32.75
Operating charges	(1.16)	(2.37)	(2.20)
Return after operating charges	(24.79)	10.05	30.55
Distributions	(1.67)	(3.41)	(2.73)
Closing NAV	119.85	146.31	139.67
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.02	0.05	0.06
Dilution adjustments ^[a]	(0.01)	(0.03)	(0.06)
Total direct portfolio transaction costs	0.01	0.02	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.01	0.01
Operating charges	1.66	1.66	1.66
Return after operating charges	-16.94	+7.20	+27.31
Historic yield	2.82	2.34	1.93
Effect on yield of charges offset against capital	1.65	1.65	1.65
Other information			
Closing NAV (£'000)	371,228	467,858	529,572
Closing NAV percentage of total fund NAV (%)	17.19	16.65	17.17
Number of shares	309,739,837	319,778,985	379,165,975
Highest share price (UK p)	147.56	154.04	144.26
Lowest share price (UK p)	120.41	132.92	110.93

Sterling Class 'A' Accumulation share performance

The share class was launched on 23 May 1969.

	Six months to 31.12.18 UK p	Year to 30.06.18 UK p	Year to 30.06.17 UK p
Change in NAV per share			
Opening NAV	346.76	323.47	254.06
Return before operating charges and after direct portfolio transaction costs	(55.99)	28.80	74.38
Operating charges	(2.74)	(5.51)	(4.97)
Return after operating charges	(58.73)	23.29	69.41
Distributions	(1.31)	(2.46)	(1.22)
Retained distributions	1.31	2.46	1.22
Closing NAV	288.03	346.76	323.47
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.04	0.11	0.15
Dilution adjustments ^[a]	(0.03)	(0.08)	(0.13)
Total direct portfolio transaction costs	0.01	0.03	0.02
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.01	0.01
Operating charges	1.66	1.66	1.66
Return after operating charges	-16.94	+7.20	+27.32
Historic yield	0.97	0.71	0.37
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (£'000)	505,481	634,597	769,199
Closing NAV percentage of total fund NAV (%)	23.40	22.59	24.93
Number of shares	175,494,153	183,009,631	237,792,926
Highest share price (UK p)	349.75	360.34	330.04
Lowest share price (UK p)	285.39	310.94	251.92

Sterling Class 'C' Income share performance

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

The share class was launched on 1 July 2004.

	Six months to 31.12.18 UK p	Year to 30.06.18 UK p	Year to 30.06.17 UK p
Change in NAV per share			
Opening NAV	151.14	142.12	112.10
Return before operating charges and after direct portfolio transaction costs	(24.54)	12.75	32.99
Operating charges	(0.11)	(0.23)	(0.21)
Return after operating charges	(24.65)	12.52	32.78
Distributions	(1.73)	(3.50)	(2.76)
Closing NAV	124.76	151.14	142.12
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.02	0.05	0.07
Dilution adjustments ^[a]	(0.01)	(0.03)	(0.06)
Total direct portfolio transaction costs	0.01	0.02	0.01
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.01	0.01
Operating charges	0.16	0.16	0.16
Return after operating charges	-16.31	+8.81	+29.24
Historic yield	2.80	2.32	1.91
Effect on yield of charges offset against capital	0.15	0.15	0.15
Other information			
Closing NAV (£'000)	68,433	93,253	105,916
Closing NAV percentage of total fund NAV (%)	3.17	3.32	3.43
Number of shares	54,850,298	61,700,616	74,523,640
Highest share price (UK p)	152.51	158.86	146.56
Lowest share price (UK p)	125.30	136.82	111.22

M&G Recovery Fund

Financial highlights

Specific share class performance

Sterling Class 'C' Accumulation share performance

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

The share class was launched on 1 July 2004.

	Six months to 31.12.18 UK p	Year to 30.06.18 UK p	Year to 30.06.17 UK p
Change in NAV per share			
Opening NAV	424.80	390.40	302.06
Return before operating charges and after direct portfolio transaction costs	(68.93)	35.04	88.91
Operating charges	(0.32)	(0.64)	(0.57)
Return after operating charges	(69.25)	34.40	88.34
Distributions	(4.58)	(9.06)	(6.92)
Retained distributions	4.58	9.06	6.92
Closing NAV	355.55	424.80	390.40
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.05	0.13	0.18
Dilution adjustments ^[a]	(0.04)	(0.09)	(0.15)
Total direct portfolio transaction costs	0.01	0.04	0.03
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.01	0.01
Operating charges	0.16	0.16	0.16
Return after operating charges	-16.30	+8.81	+29.25
Historic yield	2.58	2.14	1.75
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (£'000)	350,892	482,882	546,007
Closing NAV percentage of total fund NAV (%)	16.24	17.19	17.70
Number of shares	98,689,294	113,673,926	139,858,895
Highest share price (UK p)	428.66	440.73	397.70
Lowest share price (UK p)	352.19	379.57	299.58

Sterling Class 'I' Income share performance

The share class was launched on 15 January 2010.

	Six months to 31.12.18 UK p	Year to 30.06.18 UK p	Year to 30.06.17 UK p
Change in NAV per share			
Opening NAV	148.43	140.63	111.77
Return before operating charges and after direct portfolio transaction costs	(24.03)	12.56	32.81
Operating charges	(0.64)	(1.31)	(1.21)
Return after operating charges	(24.67)	11.25	31.60
Distributions	(1.70)	(3.45)	(2.74)
Closing NAV	122.06	148.43	140.63
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.02	0.05	0.06
Dilution adjustments ^[a]	(0.01)	(0.03)	(0.06)
Total direct portfolio transaction costs	0.01	0.02	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.01	0.01
Operating charges	0.91	0.91	0.91
Return after operating charges	-16.62	+8.00	+28.27
Historic yield	2.81	2.33	1.92
Effect on yield of charges offset against capital	0.90	0.90	0.90
Other information			
Closing NAV (£'000)	139,220	173,323	175,603
Closing NAV percentage of total fund NAV (%)	6.45	6.17	5.69
Number of shares	114,058,404	116,769,431	124,865,425
Highest share price (UK p)	149.74	156.15	145.14
Lowest share price (UK p)	122.61	134.61	110.87

Sterling Class 'I' Accumulation share performance

The share class was launched on 15 January 2010.

	Six months to 31.12.18 UK p	Year to 30.06.18 UK p	Year to 30.06.17 UK p
Change in NAV per share			
Opening NAV	368.26	340.98	265.81
Return before operating charges and after direct portfolio transaction costs	(59.60)	30.48	78.06
Operating charges	(1.60)	(3.20)	(2.89)
Return after operating charges	(61.20)	27.28	75.17
Distributions	(2.67)	(5.24)	(3.68)
Retained distributions	2.67	5.24	3.68
Closing NAV	307.06	368.26	340.98
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.04	0.11	0.15
Dilution adjustments ^[a]	(0.03)	(0.08)	(0.14)
Total direct portfolio transaction costs	0.01	0.03	0.01
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.01	0.01
Operating charges	0.91	0.91	0.91
Return after operating charges	-16.62	+8.00	+28.28
Historic yield	1.77	1.43	1.06
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (£'000)	474,014	643,242	672,526
Closing NAV percentage of total fund NAV (%)	21.94	22.89	21.80
Number of shares	154,369,634	174,669,140	197,234,721
Highest share price (UK p)	371.53	382.38	347.63
Lowest share price (UK p)	304.20	329.64	263.60

Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012.

	Six months to 31.12.18 UK p	Year to 30.06.18 UK p	Year to 30.06.17 UK p
Change in NAV per share			
Opening NAV	127.02	120.65	96.13
Return before operating charges and after direct portfolio transaction costs	(20.55)	10.78	28.20
Operating charges	(0.70)	(1.45)	(1.33)
Return after operating charges	(21.25)	9.33	26.87
Distributions	(1.45)	(2.96)	(2.35)
Closing NAV	104.32	127.02	120.65
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.01	0.04	0.06
Dilution adjustments ^[a]	(0.01)	(0.03)	(0.05)
Total direct portfolio transaction costs	0.00	0.01	0.01
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.01	0.01
Operating charges	1.16	1.16	1.16
Return after operating charges	-16.73	+7.73	+27.95
Historic yield	2.81	2.33	1.92
Effect on yield of charges offset against capital	1.15	1.15	1.15
Other information			
Closing NAV (£'000)	10,003	12,469	2,130
Closing NAV percentage of total fund NAV (%)	0.46	0.44	0.07
Number of shares	9,588,668	9,816,918	1,765,807
Highest share price (UK p)	128.13	133.66	124.54
Lowest share price (UK p)	104.79	115.26	95.35

M&G Recovery Fund

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Specific share class performance

Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012.

	Six months to 31.12.18 UK p	Year to 30.06.18 UK p	Year to 30.06.17 UK p
Change in NAV per share			
Opening NAV	140.22	130.16	101.72
Return before operating charges and after direct portfolio transaction costs	(22.68)	11.64	29.85
Operating charges	(0.77)	(1.58)	(1.41)
Return after operating charges	(23.45)	10.06	28.44
Distributions	(0.85)	(1.66)	(1.10)
Retained distributions	0.85	1.66	1.10
Closing NAV	116.77	140.22	130.16
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.02	0.04	0.06
Dilution adjustments ^[a]	(0.01)	(0.03)	(0.05)
Total direct portfolio transaction costs	0.01	0.01	0.01
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.01	0.01
Operating charges	1.16	1.16	1.16
Return after operating charges	-16.72	+7.73	+27.96
Historic yield	1.51	1.19	0.83
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (£'000)	63,584	72,805	1,032
Closing NAV percentage of total fund NAV (%)	2.94	2.59	0.03
Number of shares	54,451,442	51,920,764	792,930
Highest share price (UK p)	141.46	145.64	132.73
Lowest share price (UK p)	115.69	125.59	100.87

Sterling Class 'X' Accumulation share performance

The share class was launched on 1 October 2002.

	Six months to 31.12.18 UK p	Year to 30.06.18 UK p	Year to 30.06.17 UK p
Change in NAV per share			
Opening NAV	343.12	320.08	251.40
Return before operating charges and after direct portfolio transaction costs	(55.40)	28.49	73.65
Operating charges	(2.71)	(5.45)	(4.97)
Return after operating charges	(58.11)	23.04	68.68
Distributions	(1.29)	(2.43)	(1.21)
Retained distributions	1.29	2.43	1.21
Closing NAV	285.01	343.12	320.08
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.04	0.10	0.15
Dilution adjustments ^[a]	(0.03)	(0.08)	(0.13)
Total direct portfolio transaction costs	0.01	0.02	0.02
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.01	0.01
Operating charges	1.66	1.66	1.66
Return after operating charges	-16.94	+7.20	+27.32
Historic yield	0.97	0.71	0.37
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (£'000)	106,894	134,551	167,738
Closing NAV percentage of total fund NAV (%)	4.95	4.79	5.44
Number of shares	37,504,910	39,213,889	52,404,180
Highest share price (UK p)	346.08	356.56	326.59
Lowest share price (UK p)	282.40	307.68	249.28

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

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

Sterling Class 'X' Income share performance

The share class was launched on 1 October 2002.

	Six months to 31.12.18 UK p	Year to 30.06.18 UK p	Year to 30.06.17 UK p
Change in NAV per share			
Opening NAV	147.26	140.58	112.58
Return before operating charges and after direct portfolio transaction costs	(23.79)	12.50	32.97
Operating charges	(1.16)	(2.38)	(2.22)
Return after operating charges	(24.95)	10.12	30.75
Distributions	(1.68)	(3.44)	(2.75)
Closing NAV	120.63	147.26	140.58
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.02	0.05	0.07
Dilution adjustments ^[a]	(0.01)	(0.03)	(0.06)
Total direct portfolio transaction costs	0.01	0.02	0.01
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.01	0.01
Operating charges	1.66	1.66	1.66
Return after operating charges	-16.94	+7.20	+27.31
Historic yield	2.82	2.34	1.93
Effect on yield of charges offset against capital	1.65	1.65	1.65
Other information			
Closing NAV (£'000)	58,307	74,042	90,478
Closing NAV percentage of total fund NAV (%)	2.70	2.64	2.93
Number of shares	48,334,458	50,279,512	64,361,188
Highest share price (UK p)	148.53	155.05	145.20
Lowest share price (UK p)	121.20	133.79	111.65

M&G Recovery Fund

Financial statements and notes

Financial statements

Statement of total return				
for the six months to 31 December	2018		2017	
	£'000	£'000	£'000	£'000
Income				
Net capital gains / (losses)		(464,244)		163,253
Revenue	32,163		32,537	
Expenses	(14,516)		(16,842)	
Net revenue / (expense) before taxation	17,647		15,695	
Taxation	(71)		(91)	
Net revenue / (expense) after taxation		17,576		15,604
Total return before distributions		(446,668)		178,857
Distributions		(22,107)		(20,982)
Change in net assets attributable to shareholders from investment activities		(468,775)		157,875

Statement of change in net assets attributable to shareholders				
for the six months to 31 December	2018		2017	
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		2,809,729		3,085,097
Amounts received on issue of shares	23,518		77,901	
Amounts paid on cancellation of shares	(217,060)		(367,140)	
		(193,542)		(289,239)
Dilution adjustments		759		1,120
Change in net assets attributable to shareholders from investment activities (see above)		(468,775)		157,875
Retained distributions on Accumulation shares		11,966		10,937
Unclaimed distributions		26		29
Closing net assets attributable to shareholders		2,160,163		2,965,819

The opening net assets attributable to shareholders for 2018 differs to the closing position in 2017 by the change in net assets attributable to shareholders for the second half of the comparative financial year.

Balance sheet			
as at	31 December 2018	30 June 2018	
	£'000	£'000	
Assets			
Fixed assets			
Investments	2,161,991	2,815,068	
Current assets			
Debtors	7,044	9,122	
Cash and bank balances	2,726	2,840	
Cash equivalents	480	0	
Total assets	2,172,241	2,827,030	
Liabilities			
Creditors			
Bank overdrafts	(21)	0	
Distribution payable	(9,028)	(10,809)	
Other creditors	(3,029)	(6,492)	
Total liabilities	(12,078)	(17,301)	
Net assets attributable to shareholders	2,160,163	2,809,729	

Notes to the financial statements

Accounting policies

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

Distribution policy

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

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

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

M&G Recovery Fund

Financial statements and notes

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M&G Smaller Companies Fund

Authorised Corporate Director's Report

Investment objective

The fund aims to deliver a higher total return (the combination of capital growth and income) than the Numis Smaller Companies Index (excluding Investment Companies), net of the ongoing charge figure, over any five year period.

Investment policy

At least 80% of the fund is invested in UK smaller companies. These are UK listed companies which, at the initial time of purchase, are:

- in the bottom 10% (by market capitalisation) of the FTSE All-Share index, or
- in the Numis Smaller Companies Index (excluding Investment Companies), or
- listed on the Alternative Investment Market.

The fund may also invest in collective investment schemes and other transferable securities. Cash and near cash may be held for ancillary purposes and derivatives, including warrants, may be used for efficient portfolio management and hedging purposes.

Investment approach

The fund manager takes a bottom-up approach to stockpicking and aims to construct a well-diversified portfolio. A long-term perspective is adopted with particular focus placed on 'growth drivers', competitive advantage, change, quality of management and valuation.

When a company held by the fund grows such that it no longer has the characteristics of a smaller company, the fund manager will reduce the holding in a manner and timescale best suited to meeting the fund's objective.

Risk profile

The fund invests in the shares of smaller UK-listed companies and is, therefore, subject to the price volatility of the UK stockmarket and the performance of individual companies. The fund's focus is on smaller companies and it can also invest in the shares of AIM-listed companies. Shares in both types of company can be more unpredictable and difficult to buy and sell compared to those of larger companies. Diversification is therefore key in managing liquidity risk and reducing market risk. The fund's risks are measured and managed as an integral part of the investment process.

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



The above number:

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

Investment review

As at 2 January 2019, for the six months ended 31 December 2018

Performance against objective

Between 2 July 2018 (the start of the review period) and 2 January 2019, the M&G Smaller Companies Fund delivered a negative total return (the combination of income and growth of capital) across all of its share classes*. The fund finished the period behind a comparative index, the Numis Smaller Companies Index (excluding Investment Companies), which returned -13.7%.

The fund met its investment objective of delivering a higher total return than the Numis Smaller Companies Index (excluding Investment Companies) over any five year period for the Class 'C' shares, but not for all other share classes. The index returned 4.2% in the five years to 2 January 2019.

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

Investment performance

Like other major markets, the UK stockmarket was volatile in the six months under review due to concerns about rising US interest rates and expectations of further moves towards the normalisation of monetary policy. Persistent unease about international trade wars, slower global economic growth and the looming Brexit deadline of March 2019 also dampened investor sentiment. In particular, global stockmarkets saw significant volatility during October 2018 due to a sharper-than-expected increase in borrowing costs, driven by the US fixed income (bond) market. Bonds are loans in the form of a security, usually issued by a government or company, which normally pay a fixed rate of interest over a given time period, at the end of which the initial amount borrowed is repaid. Investors worried that the US may raise interest rates more quickly in 2019 in response to inflationary pressures stemming from a strong US economy. Some disappointing earnings guidance and concerns that tightening by the US Federal Reserve may dampen the US economy also weighed on investors' appetite for risk.

M&G Smaller Companies Fund

Authorised Corporate Director's Report

Investment review

Investment performance (continued)

In the UK, the Bank of England raised the base interest rate by a quarter of a percentage point to 0.75% in August 2018, despite only moderate inflationary pressure and weak economic data at the start of the year. Economic growth subsequently picked up a little, but more recent data suggests Brexit-related uncertainty and weaker global growth is weighing on activity.

The first half of 2018 saw modest declines for small and medium-sized companies, but the pronounced weakness later in the year held back returns for 2018 as a whole, with the stock prices of companies of all sizes declining sharply. For the period under review, small caps were slightly ahead of the wider market. Medium-sized companies were the weakest size grouping over the six months and the largest UK companies held up the best, having seen the smallest decline.

Within the smaller company universe, non-life insurers and telecommunications stocks were among the strongest performers over the period. Certain defensive stocks, such as utilities and beverages, also performed well. Defensive stocks tend to hold up relatively well regardless of economic cycles, compared to their more growth-oriented counterparts. In contrast, oil & gas and construction & materials were among the weakest sectors, while technology and healthcare also lagged the broader market.

Against this background, the M&G Smaller Companies Fund finished the six-month period behind the Numis Smaller Companies ex IT Index. Performance was held back by stock selection and, to a lesser extent, asset allocation. Performance was hurt by a below-index weighting in mining and a lack of presence in telecommunications, while an above-index allocation to construction also cost some performance. In contrast, value was added by a below-index position in oil and gas, as well as an above-index exposure to general industrials.

At the stock selection level, stocks in the basic materials, consumer goods and consumer services sectors, particularly travel & leisure, cost some performance. However, performance was supported by stocks in the industrial and technology sectors.

Contributors to performance included a number of stocks that rallied following previous weakness. For example, EMIS, a healthcare software developer, had a difficult start to the year due to some service-level issues with the NHS, its main customer. These have now been contained and the stock staged a recovery.

Specialist motor insurer Sabre Insurance Group added value over the six months. Sabre provides specialist insurance for niche markets, such as the young and old-age groups and those driving older cars. The company has a defensive business model and performed well during the market sell-off towards the end of the year.

Alpha FX, a corporate foreign exchange specialist, produced some strong trading results, driven in particular by investments beyond its traditional small- and medium-sized enterprise customer base into new service lines.

Other holdings held up relatively well. For example, infrastructure provider Hill & Smith recovered from a summer slowdown as a number of delayed road improvement projects eventually commenced. Fund

management consultancy Alpha Financial Markets and Kin and Carta, a digital marketing company, also outperformed. Alpha Financial Markets has traded ahead of expectations, while Kin and Carta has disposed of some non-core units, leaving it solely focused on digital marketing. The company has largely recovered from a challenging year in 2017.

The main individual detractors included branded clothing retailer Superdry, office services provider Restore, specialty chemicals manufacturer Synthomer, and Spire Healthcare Group, a private hospital operator. Superdry issued a disappointing trading update, citing unseasonal weather and general weakness in the retail industry. Restore was caught up in the pronounced weakness in the AIM market towards the end of the year, rather than being affected by any stock-specific news. Investors shunned Synthomer due to concerns about global growth, while Spire Healthcare issued a disappointing trading update.

Investment activities

New positions during the period included Elementis, a specialist chemicals business, building products firm Marshalls, and advanced biopharmaceuticals firm PureTech Health. Elementis supplies high-value additives to the personal care, coatings and energy markets, as well as chemicals that make products more durable in a range of industrial applications. Shares in Elementis were weak in connection with a badly handled takeover approach and we bought the stock at an attractive price. The company eventually completed the takeover of Amsterdam-based Mondo Minerals in October. Marshalls is focused on the UK market and manufactures paving stones for the residential and infrastructure / commercial markets. PureTech Health is focused on developing innovative medicines that may have a better risk-benefit profile than existing treatment options. The company has a broad product pipeline and, in our opinion, has considerable potential should some of its projects prove successful.

Other new entrants to the portfolio included Essentra, a global supplier of industrial products manufactured from plastic and fibre, Staffline, a UK blue collar temporary recruitment business, and 4Imprint, a US firm supplying branded goods to corporate customers. Shares in Essentra had declined as investors lost confidence in its multi-year turnaround strategy, even though we feel it is progressing in the right direction. This weakness provided a good opportunity for us to initiate a holding at attractive valuations. Similarly, Staffline's shares declined because of concerns about Brexit and we started a holding at a good price. The company has a new management team, which is expected to drive strong operational performance and carry out merger and acquisition activity. 4imprint has a high-growth business model and looks attractively valued given its growth prospects.

We sold some positions on valuation grounds following good performance. Such disposals included veterinary products manufacturer Dechra Pharmaceuticals and Victrex, a hi-tech plastics manufacturer. Trading software firm Fidessa left the portfolio in connection with its takeover by Irish rival Ion, while we sold computer game developer Codemasters following a disappointing launch of the firm's Onrush driving game, as we had lost confidence in the investment case. Finally, against a backdrop of market weakness and heightened uncertainty, we closed holdings in a number of companies that we felt had less robust balance sheets, namely self-storage provider Safestore, European waste management firm Renewi and Spire Healthcare.

M&G Smaller Companies Fund

Authorised Corporate Director's Report

Investment review

Outlook

Despite considerable Brexit-related uncertainty, the UK economy has held up relatively well. Unemployment is at record lows, wage growth is improving and inflation remains contained for now. However, the longer term momentum appears to be weak, held back by global trade tensions and a lack of clarity over the nature of the UK's departure from the European Union and the eventual economic framework of the relationship between the two. Aside from domestic events, market observers will be watching developments relating to US-Chinese trade relations and the health of the global economy, which is likely to affect the UK.

Regardless of the potential for further volatility in the near term, the UK stockmarket has trailed behind major markets over the past two and a half years and, in our opinion, UK company share valuations are more attractive now than they have been for some time. Nevertheless, we feel there is a heightened degree of risk regarding corporate earnings, given the ongoing trade issues and the possibility of a 'no-deal' Brexit. We remain broadly optimistic about prospects for smaller companies, but we are taking a relatively cautious approach in the early stages of the year and waiting to see how events evolve.

Garfield Kiff

Fund manager

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

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

Investments

Portfolio statement

as at Holding	31.12.18 £'000	31.12.18 %	30.06.18 %
EQUITIES	355,049	96.61	96.00
Oil & gas producers	5,304	1.44	1.85
3,522,202 Cairn Energy	5,304	1.44	
Chemicals	13,651	3.71	4.80
3,025,000 Elementis	5,493	1.49	
2,282,706 Synthomer	8,158	2.22	
Construction & materials	29,619	8.06	7.70
3,385,076 Forterra	7,583	2.06	
600,101 Kier Group	2,442	0.66	
1,292,963 Marshalls	6,025	1.64	
2,185,040 Polypipe	7,189	1.96	
2,720,545 Tyman	6,380	1.74	
Aerospace & defence	11,088	3.02	1.90
2,358,188 Senior	4,403	1.20	
513,445 Ultra Electronics Holdings	6,685	1.82	

Portfolio statement (continued)

as at Holding	31.12.18 £'000	31.12.18 %	30.06.18 %
General industrials	15,442	4.20	2.81
10,600,000 Coats Group	8,650	2.35	
1,330,488 Vesuvius	6,792	1.85	
Electronic & electrical equipment	4,976	1.35	1.05
2,597,041 TT electronics	4,976	1.35	
Industrial engineering	19,504	5.31	4.08
960,625 Hill & Smith Holdings	11,489	3.13	
685,000 Vitec Group	8,015	2.18	
Industrial transportation	8,853	2.41	2.02
520,753 James Fisher & Sons	8,853	2.41	
Support services	48,690	13.25	11.64
3,697,971 Alpha Financial Markets ^[a]	8,135	2.21	
4,155,211 Boku ^[a]	2,784	0.76	
3,327,523 Equiniti	7,221	1.97	
1,925,000 Essentra	6,603	1.80	
8,358,639 Kin & Carta (formerly St. Ives)	8,024	2.18	
1,825,423 Restore ^[a]	5,860	1.59	
729,045 Sanne	4,192	1.14	
482,058 Staffline ^[a]	5,871	1.60	
Beverages	6,874	1.87	1.30
3,146,091 Stock Spirits Group	6,874	1.87	
Food producers	6,271	1.71	1.33
3,497,796 Greencore	6,271	1.71	
Household goods & home construction	13,836	3.76	5.79
1,850,387 Countryside Properties	5,633	1.53	
681,296 Galliford Try	4,231	1.15	
812,035 Redrow	3,972	1.08	
Leisure goods	0	0.00	0.79
Personal goods	4,356	1.19	1.53
945,727 Superdry	4,356	1.19	
Healthcare equipment & services	14,545	3.96	4.74
822,577 Consort Medical	7,576	2.06	
5,797,585 Medica Group	6,969	1.90	
Pharmaceuticals & biotechnology	0	0.00	1.51
General retailers	3,435	0.93	2.03
1,646,807 Pets at Home	1,922	0.52	
4,322,666 Vertu Motors ^[a]	1,513	0.41	
Media	27,126	7.38	5.25
382,121 4imprint Group	7,012	1.91	
1,630,995 Ascential	6,119	1.66	
2,738,842 Tarsus Group	7,258	1.98	
3,849,554 Wilmington	6,737	1.83	
Travel & leisure	6,177	1.68	1.31
1,835,578 On the Beach Group	6,177	1.68	
Non-life insurance	11,142	3.03	3.48
348,440 Lancashire Holdings	2,117	0.58	
3,294,020 Sabre Insurance Group	9,025	2.45	
Real estate investment & services	7,646	2.08	1.65
2,396,759 Helical	7,646	2.08	
Real estate investment trusts	17,844	4.86	5.82
6,252,166 Hansteen Holdings	5,724	1.56	
3,781,627 LondonMetric Property	6,580	1.79	
700,000 Workspace Group	5,540	1.51	

M&G Smaller Companies Fund

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Investments

Portfolio statement (continued)			
as at Holding	31.12.18 £'000	31.12.18 %	30.06.18 %
Financial services	44,290	12.05	9.80
1,561,877 Alpha FX ^[a]	8,590	2.34	
748,810 Amigo Holdings	2,101	0.57	
3,364,860 Arrow Global Group	5,942	1.62	
2,105,500 Brewin Dolphin Holdings	6,818	1.85	
2,538,704 Charter Court Financial Services	6,321	1.72	
1,942,485 OneSavings Bank	6,760	1.84	
1,800,000 PureTech Health	3,033	0.82	
199,868 Rathbone Brothers	4,725	1.29	
Software & computer services	34,380	9.36	11.82
1,055,744 EMIS Group ^[a]	9,523	2.59	
690,725 FDM Group	5,153	1.40	
1,179,102 GB Group ^[a]	4,999	1.36	
1,701,161 SDL	7,927	2.16	
1,168,545 Softcat	6,778	1.85	
Portfolio of investments	355,049	96.61	96.00
CASH EQUIVALENTS	16,286	4.43	4.05
'AAA' rated money market funds ^[b]	16,286	4.43	4.05
16,285,858 Northern Trust Global Fund - Sterling	16,286	4.43	
Total portfolio	371,335	101.04	100.05
Net other assets / (liabilities)	(3,817)	(1.04)	(0.05)
Net assets attributable to shareholders	367,518	100.00	100.00

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

^[a] AIM quoted.

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

Top ten portfolio transactions

for the six months to 31 December 2018

	£'000
Largest purchases	
Essentra	8,007
4imprint Group	7,597
Elementis	7,268
Marshalls	5,806
Amigo Holdings	5,621
Staffline ^[a]	5,550
Senior	5,549
TT electronics	5,443
Hill & Smith Holdings	3,923
PureTech Health	3,200
Other purchases	32,891
Total purchases	90,855
Largest sales	
Victrex	7,792
Fidessa Group	7,170
Dechra Pharmaceuticals	7,111
Safestore	6,448
Lancashire Holdings	5,791
Renewi	4,909
Kier Group	3,897
Spire Healthcare	3,595
Galliford Try	3,589
Softcat	3,495
Other sales	39,508
Total sales	93,305

^[a] AIM quoted.

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

M&G Smaller Companies Fund

Financial highlights

Fund performance

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

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

We show performance for these two share classes because:

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

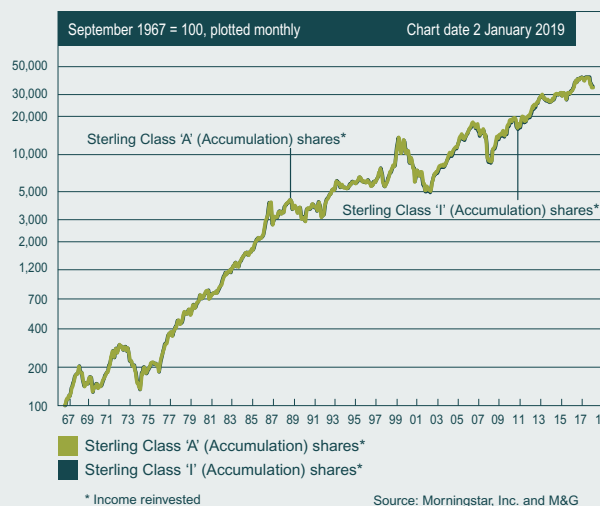
The fund is available for investment in different share classes, each with varying levels of charges and minimum investments; please refer to the Prospectus for M&G Investment Funds (3), which is available free of charge either from our website at www.mandg.co.uk/prospectuses or by calling M&G Customer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

Fund level performance

Fund net asset value			
as at	31.12.18 £'000	30.06.18 £'000	30.06.17 £'000
Fund net asset value (NAV)	367,518	449,970	432,033

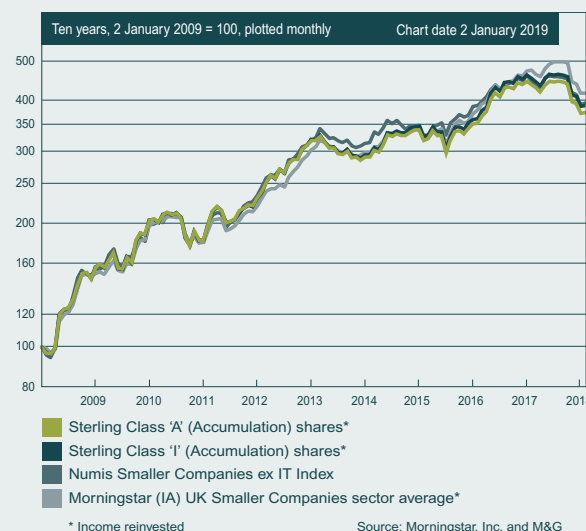
Performance since launch

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



Ten-year performance

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



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

M&G Smaller Companies Fund

Financial highlights

Fund performance

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

Long-term performance by share class				
	Six months 02.07.18 % ^[a]	Three years 04.01.16 % p.a.	Five years 02.01.14 % p.a.	Since launch % p.a.
Sterling^[b]				
Class 'A'	-15.5	+3.5	+3.1	+12.0 ^[c]
Class 'C'	-14.9	+5.1	+4.6	+9.6 ^[d]
Class 'I'	-15.2	+4.3	+3.8	+10.6 ^[e]
Class 'R'	-15.3	+4.0	+3.6	+10.3 ^[e]
Class 'X'	-15.5	+3.5	+3.1	+12.3 ^[f]

^[a] Absolute basis.

^[b] Price to price with income reinvested.

^[c] 27 September 1967, the end of the initial offer period of the predecessor unit trust.

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

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

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

Operating charges and portfolio transaction costs

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

Operating charges

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

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

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

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

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

Portfolio transaction costs

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

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

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

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

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

Portfolio transaction costs				
	Six months to 31.12.18 %	Year to 30.06.18 %	Year to 30.06.17 %	Average ^[a] %
Direct portfolio transaction costs^[b]				
Broker commission	0.04	0.03	0.04	0.04
Taxes	0.18	0.11	0.11	0.13
Costs before dilution adjustments	0.22	0.14	0.15	0.17
Dilution adjustments ^[c]	(0.01)	0.00	(0.01)	(0.01)
Total direct portfolio transaction costs	0.21	0.14	0.14	0.16
as at				
Indirect portfolio transaction costs	31.12.18 %	30.06.18 %	30.06.17 %	Average^[a] %
Average portfolio dealing spread	1.01	0.67	0.50	0.73

^[a] Average of first three columns.

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

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

M&G Smaller Companies Fund

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Specific share class performance

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

Historic yields for the current period are calculated as at 11 January 2019.

Sterling Class 'A' Income share performance

The share class was launched on 27 September 1967.

	Six months to 31.12.18 UK p	Year to 30.06.18 UK p	Year to 30.06.17 UK p
Change in NAV per share			
Opening NAV	369.03	348.07	256.37
Return before operating charges and after direct portfolio transaction costs	(56.88)	35.78	105.09
Operating charges	(2.96)	(6.10)	(5.14)
Return after operating charges	(59.84)	29.68	99.95
Distributions	(4.48)	(8.72)	(8.25)
Closing NAV	304.71	369.03	348.07
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.38	0.49	0.45
Dilution adjustments ^[a]	(0.01)	(0.02)	(0.02)
Total direct portfolio transaction costs	0.37	0.47	0.43
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.21	0.14	0.14
Operating charges	1.66	1.66	1.66
Return after operating charges	-16.22	+8.53	+38.99
Historic yield	2.98	2.37	2.36
Effect on yield of charges offset against capital	1.65	1.65	1.65
Other information			
Closing NAV (£'000)	98,945	122,473	130,658
Closing NAV percentage of total fund NAV (%)	26.92	27.22	30.24
Number of shares	32,472,105	33,187,811	37,537,892
Highest share price (UK p)	375.26	385.20	362.84
Lowest share price (UK p)	304.69	346.37	247.53

Sterling Class 'A' Accumulation share performance

The share class was launched on 27 September 1967.

	Six months to 31.12.18 UK p	Year to 30.06.18 UK p	Year to 30.06.17 UK p
Change in NAV per share			
Opening NAV	949.64	875.06	628.59
Return before operating charges and after direct portfolio transaction costs	(146.38)	89.97	259.15
Operating charges	(7.61)	(15.39)	(12.68)
Return after operating charges	(153.99)	74.58	246.47
Distributions	(4.18)	(6.76)	(7.74)
Retained distributions	4.18	6.76	7.74
Closing NAV	795.65	949.64	875.06
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.99	1.24	1.11
Dilution adjustments ^[a]	(0.02)	(0.04)	(0.06)
Total direct portfolio transaction costs	0.97	1.20	1.05
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.21	0.14	0.14
Operating charges	1.66	1.66	1.66
Return after operating charges	-16.22	+8.52	+39.21
Historic yield	1.11	0.71	0.88
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (£'000)	30,920	38,151	40,706
Closing NAV percentage of total fund NAV (%)	8.41	8.48	9.42
Number of shares	3,886,197	4,017,459	4,651,811
Highest share price (UK p)	965.67	977.55	900.46
Lowest share price (UK p)	784.06	870.78	606.86

Sterling Class 'C' Income share performance

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

The share class was launched on 3 January 2006.

	Six months to 31.12.18 UK p	Year to 30.06.18 UK p	Year to 30.06.17 UK p
Change in NAV per share			
Opening NAV	388.41	360.88	261.79
Return before operating charges and after direct portfolio transaction costs	(60.19)	37.27	108.09
Operating charges	(0.31)	(0.62)	(0.51)
Return after operating charges	(60.50)	36.65	107.58
Distributions	(4.73)	(9.12)	(8.49)
Closing NAV	323.18	388.41	360.88
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.41	0.51	0.46
Dilution adjustments ^[a]	(0.01)	(0.02)	(0.02)
Total direct portfolio transaction costs	0.40	0.49	0.44
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.21	0.14	0.14
Operating charges	0.16	0.16	0.16
Return after operating charges	-15.58	+10.16	+41.09
Historic yield	2.95	2.36	2.34
Effect on yield of charges offset against capital	0.15	0.15	0.15
Other information			
Closing NAV (£'000)	154,506	187,664	178,146
Closing NAV percentage of total fund NAV (%)	42.05	41.71	41.23
Number of shares	47,808,259	48,316,209	49,364,337
Highest share price (UK p)	396.31	405.12	375.74
Lowest share price (UK p)	323.08	359.18	252.86

M&G Smaller Companies Fund

Financial highlights

Specific share class performance

Sterling Class 'I' Income share performance

The share class was launched on 3 August 2012.

	Six months to 31.12.18 UK p	Year to 30.06.18 UK p	Year to 30.06.17 UK p
Change in NAV per share			
Opening NAV	2,031.62	1,901.88	1,390.20
Return before operating charges and after direct portfolio transaction costs	(313.98)	195.98	571.97
Operating charges	(8.96)	(18.37)	(15.37)
Return after operating charges	(322.94)	177.61	556.60
Distributions	(24.72)	(47.87)	(44.92)
Closing NAV	1,683.96	2,031.62	1,901.88
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	2.12	2.70	2.45
Dilution adjustments ^[a]	(0.05)	(0.09)	(0.13)
Total direct portfolio transaction costs	2.07	2.61	2.32
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.21	0.14	0.14
Operating charges	0.91	0.91	0.91
Return after operating charges	-15.90	+9.34	+40.04
Historic yield	2.96	2.13	2.35
Effect on yield of charges offset against capital	0.90	0.90	0.90
Other information			
Closing NAV (£'000)	46,837	57,307	50,774
Closing NAV percentage of total fund NAV (%)	12.74	12.73	11.75
Number of shares	2,781,342	2,820,730	2,669,660
Highest share price (UK p)	2,069.45	2,119.86	1,981.38
Lowest share price (UK p)	1,683.65	1,892.74	1,342.51

Sterling Class 'I' Accumulation share performance

The share class was launched on 3 August 2012.

	Six months to 31.12.18 UK p	Year to 30.06.18 UK p	Year to 30.06.17 UK p
Change in NAV per share			
Opening NAV	2,260.31	2,067.30	1,473.92
Return before operating charges and after direct portfolio transaction costs	(349.32)	213.08	609.77
Operating charges	(9.97)	(20.07)	(16.39)
Return after operating charges	(359.29)	193.01	593.38
Distributions	(17.94)	(32.55)	(31.73)
Retained distributions	17.94	32.55	31.73
Closing NAV	1,901.02	2,260.31	2,067.30
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	2.36	2.95	2.61
Dilution adjustments ^[a]	(0.05)	(0.10)	(0.14)
Total direct portfolio transaction costs	2.31	2.85	2.47
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.21	0.14	0.14
Operating charges	0.91	0.91	0.91
Return after operating charges	-15.90	+9.34	+40.26
Historic yield	1.92	1.44	1.53
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (£'000)	20,945	26,197	21,077
Closing NAV percentage of total fund NAV (%)	5.70	5.82	4.88
Number of shares	1,101,803	1,158,983	1,019,549
Highest share price (UK p)	2,302.40	2,325.89	2,126.07
Lowest share price (UK p)	1,873.18	2,057.36	1,423.15

Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012.

	Six months to 31.12.18 UK p	Year to 30.06.18 UK p	Year to 30.06.17 UK p
Change in NAV per share			
Opening NAV	202.12	189.69	139.01
Return before operating charges and after direct portfolio transaction costs	(31.21)	19.55	57.13
Operating charges	(1.13)	(2.35)	(1.96)
Return after operating charges	(32.34)	17.20	55.17
Distributions	(2.46)	(4.77)	(4.49)
Closing NAV	167.32	202.12	189.69
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.21	0.27	0.25
Dilution adjustments ^[a]	0.00	(0.01)	(0.01)
Total direct portfolio transaction costs	0.21	0.26	0.24
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.21	0.14	0.14
Operating charges	1.16	1.16	1.16
Return after operating charges	-16.00	+9.07	+39.69
Historic yield	2.97	2.37	2.35
Effect on yield of charges offset against capital	1.15	1.15	1.15
Other information			
Closing NAV (£'000)	2,165	2,427	538
Closing NAV percentage of total fund NAV (%)	0.59	0.54	0.13
Number of shares	1,293,912	1,200,768	283,787
Highest share price (UK p)	205.77	210.93	197.66
Lowest share price (UK p)	167.29	188.77	134.23

M&G Smaller Companies Fund

Financial highlights

Specific share class performance

Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012.

	Six months to 31.12.18 UK p	Year to 30.06.18 UK p	Year to 30.06.17 UK p
Change in NAV per share			
Opening NAV	222.63	204.13	145.90
Return before operating charges and after direct portfolio transaction costs	(34.37)	21.05	60.26
Operating charges	(1.25)	(2.55)	(2.03)
Return after operating charges	(35.62)	18.50	58.23
Distributions	(1.50)	(2.69)	(2.69)
Retained distributions	1.50	2.69	2.69
Closing NAV	187.01	222.63	204.13
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.23	0.29	0.25
Dilution adjustments ^[a]	(0.01)	(0.01)	(0.01)
Total direct portfolio transaction costs	0.22	0.28	0.24
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.21	0.14	0.14
Operating charges	1.16	1.16	1.16
Return after operating charges	-16.00	+9.06	+39.91
Historic yield	1.67	1.21	1.31
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (£'000)	6,790	7,569	74
Closing NAV percentage of total fund NAV (%)	1.85	1.68	0.02
Number of shares	3,630,759	3,399,718	36,061
Highest share price (UK p)	226.65	229.12	209.97
Lowest share price (UK p)	184.27	203.14	140.87

Sterling Class 'X' Income share performance

The share class was launched on 1 October 2002.

	Six months to 31.12.18 UK p	Year to 30.06.18 UK p	Year to 30.06.17 UK p
Change in NAV per share			
Opening NAV	368.86	347.91	256.25
Return before operating charges and after direct portfolio transaction costs	(56.85)	35.75	105.04
Operating charges	(2.96)	(6.09)	(5.13)
Return after operating charges	(59.81)	29.66	99.91
Distributions	(4.48)	(8.71)	(8.25)
Closing NAV	304.57	368.86	347.91
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.38	0.49	0.45
Dilution adjustments ^[a]	(0.01)	(0.02)	(0.02)
Total direct portfolio transaction costs	0.37	0.47	0.43
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.21	0.14	0.14
Operating charges	1.66	1.66	1.66
Return after operating charges	-16.21	+8.53	+38.99
Historic yield	2.97	2.37	2.36
Effect on yield of charges offset against capital	1.65	1.65	1.65
Other information			
Closing NAV (£'000)	3,942	5,094	6,711
Closing NAV percentage of total fund NAV (%)	1.07	1.13	1.55
Number of shares	1,294,217	1,381,035	1,928,862
Highest share price (UK p)	375.09	385.02	362.67
Lowest share price (UK p)	304.54	346.21	247.41

Sterling Class 'X' Accumulation share performance

The share class was launched on 1 October 2002.

	Six months to 31.12.18 UK p	Year to 30.06.18 UK p	Year to 30.06.17 UK p
Change in NAV per share			
Opening NAV	938.41	864.71	621.15
Return before operating charges and after direct portfolio transaction costs	(144.65)	88.91	256.08
Operating charges	(7.52)	(15.21)	(12.52)
Return after operating charges	(152.17)	73.70	243.56
Distributions	(4.13)	(6.68)	(7.65)
Retained distributions	4.13	6.68	7.65
Closing NAV	786.24	938.41	864.71
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.98	1.23	1.09
Dilution adjustments ^[a]	(0.02)	(0.04)	(0.06)
Total direct portfolio transaction costs	0.96	1.19	1.03
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.21	0.14	0.14
Operating charges	1.66	1.66	1.66
Return after operating charges	-16.22	+8.52	+39.21
Historic yield	1.11	0.71	0.88
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (£'000)	2,468	3,088	3,349
Closing NAV percentage of total fund NAV (%)	0.67	0.69	0.78
Number of shares	313,920	329,122	387,234
Highest share price (UK p)	954.25	965.99	889.81
Lowest share price (UK p)	774.79	860.49	599.68

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

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

M&G Smaller Companies Fund

Financial statements and notes

Financial statements

Statement of total return

for the six months to 31 December	2018		2017	
	£'000	£'000	£'000	£'000
Income				
Net capital gains / (losses)		(74,485)		37,912
Revenue	5,595		4,581	
Expenses	(1,895)		(2,048)	
Net revenue / (expense) before taxation	3,700		2,533	
Taxation	0		0	
Net revenue / (expense) after taxation		3,700		2,533
Total return before distributions		(70,785)		40,445
Distributions		(4,972)		(3,916)
Change in net assets attributable to shareholders from investment activities		(75,757)		36,529

Statement of change in net assets attributable to shareholders

for the six months to 31 December	2018		2017	
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		449,970		432,033
Amounts received on issue of shares	3,153		14,586	
Amounts paid on cancellation of shares	(10,312)		(20,510)	
		(7,159)		(5,924)
Dilution adjustments		33		24
Change in net assets attributable to shareholders from investment activities (see above)		(75,757)		36,529
Retained distributions on Accumulation shares		428		218
Unclaimed distributions		3		3
Closing net assets attributable to shareholders		367,518		462,883

The opening net assets attributable to shareholders for 2018 differs to the closing position in 2017 by the change in net assets attributable to shareholders for the second half of the comparative financial year.

Balance sheet

as at	31 December 2018	30 June 2018
	£'000	£'000
Assets		
Fixed assets		
Investments	355,049	431,980
Current assets		
Debtors	568	1,901
Cash and bank balances	300	4,149
Cash equivalents	16,286	18,204
Total assets	372,203	456,234
Liabilities		
Creditors		
Distribution payable	(4,496)	(5,251)
Other creditors	(189)	(1,013)
Total liabilities	(4,685)	(6,264)
Net assets attributable to shareholders	367,518	449,970

Notes to the financial statements

Accounting policies

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

Distribution policy

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

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

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

M&G Investment Funds (3)

Other regulatory disclosures

Swiss investor information

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

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

Glossary

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

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

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

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

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

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

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

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

Bunds: Fixed income securities issued by the German government.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Glossary

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

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

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

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

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

Equities: Shares of ownership in a company.

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

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

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

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

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

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

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

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

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

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

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

Gilts: Fixed income securities issued by the UK government.

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

Hedging: A method of reducing unnecessary or unintended risk.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Glossary

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Glossary

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

Security: Financial term for a paper asset – usually a share in a company or a fixed income security also known as a bond.

Share class: Each M&G fund has different share classes, such as A, R and I. Each has a different level of charges and minimum investment. Details on charges and minimum investments can be found in the Key Investor Information Documents.

Share class hedging: Activities undertaken in respect of hedged shares to mitigate the impact on performance of exchange rate movements between the fund's currency exposure and the investor's chosen currency.

Short position: A way for a fund manager to express his or her view that the market might fall in value.

Short selling: This often refers to the practice whereby an investor sells an asset they do not own. The investor borrows the asset from someone who does own it and pays a fee. The investor must eventually return the borrowed asset by buying it in the open market. If the asset has fallen in price, the investor buys it for less than they sold it for, thus making a profit. The contrary may also occur.

Short-dated corporate bonds: Fixed income securities issued by companies and repaid over relatively short periods.

Short-dated government bonds: Fixed income securities issued by governments and repaid over relatively short periods.

Sovereign debt: Debt of a government. Also referred to as government bonds.

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

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

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

Treasuries: Fixed income securities issued by the US government.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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