

M&G Investment Funds (3)

**Interim Long Report and unaudited Financial Statements
for the six months ended 31 December 2020**

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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 2020.

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

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

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

As at 31 December 2020 none of the funds held shares of the other funds within this OEIC.

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

Fund managers

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

M&G Corporate Bond Fund

Richard Woolnough & Ben Lord

M&G Dividend Fund

Michael Stiasny

M&G Emerging Markets Bond Fund

Claudia Calich

M&G European Corporate Bond Fund

Stefan Isaacs

M&G Global Government Bond Fund

Claudia Calich

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

M&G Recovery Fund

Tom Dobell

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

M&G Smaller Companies Fund

Garfield Kiff

ACD

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

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

Directors of the ACD

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

Authorised Corporate Director's Report

Investment manager

M&G Investment Management Limited,
10 Fenchurch Avenue, London EC3M 5AG, UK
Telephone: +44 (0)20 7626 4588
(Authorised and regulated by the Financial Conduct Authority)

Registrar

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

Depository

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

Independent auditor

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

Annual value assessment

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

Important information

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

On 16 October 2020 the benchmark was changed for M&G Global Government Bond Fund.

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

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

Investors will benefit from a reduction in the annual charge starting from 15 February 2021. The reduction in annual charge varies across the M&G funds and the detail was communicated in the shareholder letter dated 15 January 2021.

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

Global financial markets have been reacting to the outbreak. All markets have incurred increased volatility and uncertainty since the onset of the pandemic.

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

The COVID-19 pandemic is an unprecedented event and the eventual impact on the global economy and markets will largely depend on the scale and duration of the outbreak. The ACD will continue to monitor this situation.

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,
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.

Swiss paying agent and representative:

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

Authorised Corporate Director's Report

Authorised Corporate Director's Responsibilities

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

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

Directors' statement

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

M&G Securities Limited
11 February 2021

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

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

The interim financial statements have been prepared on the same basis as the audited financial statements for the year ended 30 June 2020. 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 and amended in June 2017.

Authorised Corporate Director's Report

Investment objective

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

Investment policy

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

Other investments may include:

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

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

Investment approach

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

duration and credit exposure in the portfolio to weight them appropriately.

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

Benchmark

Benchmark: IA Sterling Corporate Bond Sector.

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

The fund is actively managed.

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

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

Risk profile

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

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

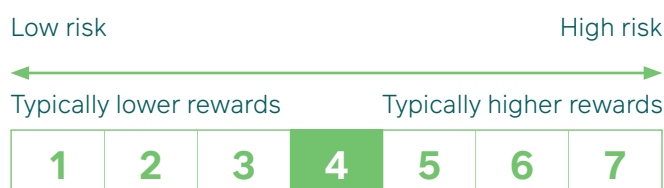
The fund's exposure to debt securities may be gained through the use of derivatives. In association with the use of derivatives, including those instruments not

Authorised Corporate Director's Report

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

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

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



The above number:

- is based on the rate at which the value of the fund has moved up and down in the past and is based on historical data so may not be a reliable indicator of the future risk profile of the fund.
- is not guaranteed and may change over time and the lowest risk number does not mean risk free.
- has changed during this period. From 1 July 2020 to 16 July 2020 the risk number was 3.

Investment review

As at 4 January 2021, for the six months ended 31 December 2020

Performance against objective

Between 1 July 2020 (the start of the review period) and 4 January 2021, the M&G Corporate Bond Fund delivered a positive total return (the combination of income and growth of capital) across both its sterling and euro share classes.

Fund performance was either in line with or behind the average return from the fund's benchmark, the IA Sterling Corporate Bond Sector, which was 5.5% in sterling and 4.5% in euro terms.

Over five years, the fund generated a positive total return across all its share classes, but lagged the benchmark, where the average return was 5.8% pa in sterling. Therefore the fund did not meet the objective of providing a higher total return, net of the ongoing charge figure, than the average return of the IA Sterling Corporate Bond Sector, over any five-year period.

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

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

Performance review

Investor sentiment about the direction of a global economy, which had been deeply affected by worldwide pandemic-related constraints on activity, was much improved during the period under review. The running theme of central banks cutting interest rates, while also purchasing debt issued by companies in order to support the market, provided additional confidence to buyers and sellers of assets such as corporate bonds. Fiscal policy support from governments, including helping to pay wages and salaries of those most affected by lockdowns and social restrictions, was also a boost over the summer months. Overall, there was a sharp recovery in risky assets in the months that followed these moves by central banks and governments.

By the summer, lockdowns were gradually eased across Asia and Europe, although the Americas' experience of the pandemic seemed to worsen. A noisy build-up to the US presidential election combined with a second peak in the coronavirus infection rate to weaken investor appetite by the end of September, however.

There were two important drivers of investor sentiment during autumn and to the end of the period under review: news of COVID-19 vaccines being rolled out from December onwards, and the US presidential election reaching closure as Joe Biden defeated Donald Trump with room to spare. In general, risky assets responded to these key drivers with price gains.

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Only safe-haven assets such as precious metals and government bonds issued by the UK and Germany experienced price declines. Overall, it was a positive period for corporate bonds – especially those issued by US companies. European and UK corporate bonds fared well as these markets received a boost from central banks buying their bonds (which increased their prices).

The biggest contribution to the fund's performance came from its holdings in corporate bonds issued by technology companies like Microsoft. Companies operating in sectors that can typically weather uncertain economic conditions, such as tobacco group, BAT (British American Tobacco), were also supportive of performance in the period.

Holdings of corporate bonds issued by shopping centres, and airports such as Gatwick and Heathrow, weighed against performance in the latter half of the period under review. Travel and shopping activities were severely hit by the lockdown from the end of March onwards.

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. The fund has a shorter duration position compared to the iBoxx Sterling Corporate Index, a corporate bond index comprising liquid bonds developed by financial information provider Markit, and so suffered losses as the price of major government bonds rose (and yields fell). We saw a small reversal of this trend in August's market moves, as investors chose to buy riskier bonds than so-called safe haven government bonds.

During the period under review, portfolio duration stayed around its maximum short of 6.7 years, around -1.5 years underweight the iBoxx Sterling Corporate Index. In our view, interest rates have little room to move lower in the year ahead.

Investment activities

We were increasingly active in trades during the summer, taking advantage of what we considered to be some attractive prices for bonds issued in the

aftermath of March's sharp correction, then consolidating through relative value trades and the secondary market. Notable trades included adding Oxford University (its sterling bond), and euro-denominated bonds issued by Exxon, Yorkshire Building Society, and Johnson & Johnson as we targeted what we viewed as some attractive prices. By the end of the period, we had removed some risk outright by selling some Heathrow bonds, which may come under pressure from further travel restrictions in 2021. We also sold some high-quality sterling bonds issued by Apple, Vodafone, and Microsoft.

While we continue to favour the investment opportunity provided by holding good quality corporate bonds, we are aware that valuations are rising all the time. In this regard, we have continued to trim credit risk and sold sectors facing tough challenges in the months ahead. By contrast, we are running greater risk in higher quality covered bonds – debt securities created from public sector loans or mortgage loans that are backed by a separate group of assets.

Outlook

As we look ahead to 2021, the world is going through a recession where we may see a sharp fall in output, followed, we hope, by a strong recovery towards previous levels. The question is how strong this economic bounce could be, and what this may mean for interest rates and corporate bonds in the future. In our view, the risk-reward for taking interest rate risk is skewed: there is limited upside on profiting from further falls in interest rates if they remain at super-low/near-zero levels. This has been demonstrated in the real world of bond investing this year.

Authorised Corporate Director's Report

In this regard, we believe there is a need to escape interest rates that are close to zero for micro and macro policy reasons. This will require central banks to work closely with governments. In such a scenario, fiscal and monetary policy will need to remain loose for some while, potentially aided by central banks printing money to provide the fuel to escape the near-zero interest rates. This type of policy generally leads to higher growth and inflation. This bodes well for the economy and for credit generally, but points to a rise in longer term bond yields.

Richard Woolnough & Ben Lord

Co-fund managers

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

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

Investments

Portfolio statement

Holding	as at 31.12.20 £'000	as at 31.12.20 %	as at 30.06.20 %
Fixed Income	2,974,887	94.08	95.02
Debt securities	2,971,569	93.97	95.11
'AAA' credit rated bonds	551,451	17.44	6.77
£5,000,000 Bank of Scotland 4.875% 20/12/2024	5,899	0.19	
£10,000,000 Barclays Bank 4.25% 12/01/2022	10,424	0.33	
£4,846,000 Barclays Bank FRN 0.5296% 15/05/2023	4,878	0.15	
£3,840,000 Broadgate Financing 4.821% 05/07/2033	5,186	0.16	
£162,991 Broadgate Financing 4.949% 05/04/2029	189	0.01	
£10,000,000 Canadian Imperial Bank of Commerce FRN 0.4761% 10/01/2022	10,023	0.32	
£13,187,000 Canadian Imperial Bank of Commerce FRN 0.5308% 28/10/2022	13,260	0.42	
£1,683,602 Charter Mortgage Funding 2018-1 FRN 0.5106% 12/06/2055	1,679	0.05	
£4,600,000 Cie de Financement Foncier 5.5% 26/01/2027	5,963	0.19	
£2,913,112 CMF 2020-1 FRN 0.6532% 16/01/2057	2,908	0.09	
£5,000,000 Coventry Building Society FRN 0.5716% 15/01/2025	5,047	0.16	
£10,000,000 CPPIB Capital 1.125% 14/12/2029	10,435	0.33	
€12,000,000 DNB Boligkreditt 0.01% 08/10/2027	11,042	0.35	
£4,766,000 Economic Master Issuer 2020-1 FRN 0.5217% 25/06/2072	4,780	0.15	
£10,364,000 European Bank for Reconstruction & Development FRN 1.0489% 20/11/2025	10,767	0.34	
£20,000,000 European Investment Bank 3.75% 07/12/2027	24,797	0.78	
£20,000,000 European Investment Bank 5.5% 15/04/2025	24,593	0.78	
£7,500,000 European Investment Bank FRN 0.3319% 10/01/2022	7,514	0.24	
£5,000,000 European Investment Bank FRN 0.3879% 12/03/2026	5,030	0.16	
£10,417,000 European Investment Bank FRN 1.0479% 08/09/2025	10,805	0.34	
£1,178,734 Friary No. 4 FRN 0.46% 21/01/2050	1,180	0.04	
£3,642,693 Friary No. 6 FRN 0.7745% 21/11/2067	3,672	0.12	
£803,281 Hawksmoor Mortgage Funding 2019-1 FRN 1.1044% 25/05/2053	805	0.03	
€6,000,000 Johnson & Johnson 0.65% 20/05/2024	5,564	0.18	
US\$500,000 Johnson & Johnson 3.55% 01/03/2036	446	0.01	
£25,000,000 KFW 0.875% 15/03/2022	25,273	0.80	
£1,000,000 KFW 5.5% 18/06/2025	1,239	0.04	
£10,000,000 Kreditanstalt fuer Wiederaufbau 1% 15/12/2022	10,203	0.32	

Investments

Portfolio statement (continued)

Holding	as at 31.12.20 £'000	as at 31.12.20 %	as at 30.06.20 %
Fixed Income (continued)			
Debt securities (continued)			
'AAA' credit rated bonds (continued)			
£40,000,000 Kreditanstalt fuer Wiederaufbau 1.375% 15/12/2025	42,502	1.34	
£8,550,000 Lanark Master Issuer FRN 0.6244% 22/12/2069	8,582	0.27	
£4,700,000 Lanark Master Issuer FRN 0.8244% 22/12/2069	4,727	0.15	
£12,273,000 Leeds Building Society FRN 0.5916% 15/01/2025	12,396	0.39	
£35,000,000 Lloyds Bank 5.125% 07/03/2025	41,999	1.33	
£5,000,000 Lloyds Bank 6% 08/02/2029	7,147	0.23	
£2,808,461 London Wall Mortgage Capital FRN 0.7678% 15/05/2050	2,795	0.09	
£4,100,000 National Australia Bank FRN 0.5504% 04/02/2025	4,130	0.13	
£4,973,000 National Westminster Bank FRN 0.6477% 22/03/2023	5,017	0.16	
£7,500,000 Nationwide Building Society FRN 0.6019% 10/01/2025	7,583	0.24	
£11,000,000 Nationwide Building Society FRN 0.8019% 10/01/2024	11,176	0.35	
£6,634,390 Offa No. 1 FRN 1.2884% 14/06/2050	6,644	0.21	
£2,772,000 Orbita Funding 2020-1 FRN 0.6331% 17/03/2027	2,769	0.09	
£4,605,000 PCL Funding IV FRN 1.1038% 15/09/2024	4,603	0.15	
£1,500,000 Permanent Master Issuer FRN 0.6366% 15/07/2058	1,506	0.05	
£6,406,962 Residential Mortgage Securities 32 FRN 1.3043% 20/06/2070	6,462	0.20	
£3,113,138 Residential Mortgage Securities No. 30 FRN 0.837% 20/03/2050	3,112	0.10	
£35,500,000 Royal Bank of Canada FRN 0.5217% 30/01/2025	35,713	1.13	
£18,000,000 Royal Bank of Canada FRN 0.6276% 03/10/2024	18,190	0.57	
£30,000,000 Santander FRN 0.5998% 12/02/2027	30,277	0.96	
£12,000,000 Santander FRN 0.6498% 12/11/2024	12,147	0.38	
£10,000,000 Santander FRN 0.7798% 12/02/2024	10,148	0.32	
£4,000,000 Silverstone Master Issuer FRN 0.5263% 21/01/2070	4,011	0.13	
£475,000 Silverstone Master Issuer FRN 0.5813% 21/01/2070	477	0.01	
£2,736,000 Skipton Building Society FRN 0.7292% 22/02/2024	2,770	0.09	
£985,377 Together Asset Backed Securitisation No. 1 FRN 1.0406% 12/03/2049	986	0.03	
£5,000,000 Toronto-Dominion Bank FRN 0.5177% 24/06/2022	5,022	0.16	
£7,611,000 Wellcome Trust 2.517% 07/02/2118	12,173	0.38	

Investments

Portfolio statement (continued)

Holding	as at 31.12.20 £'000	as at 31.12.20 %	as at 30.06.20 %
Fixed Income (continued)			
Debt securities (continued)			
'AAA' credit rated bonds (continued)			
£3,000,000 Wellcome Trust Finance 4.75% 28/05/2021	3,053	0.10	
€5,000,000 Yorkshire Building Society 0.01% 13/10/2027	4,563	0.14	
£15,000,000 Yorkshire Building Society FRN 0.6292% 21/11/2024	15,170	0.48	
'AA' credit rated bonds	474,816	15.02	10.34
US\$5,000,000 Apple 4.65% 23/02/2046	5,145	0.16	
£815,000 Broadgate Financing 4.999% 05/10/2031	960	0.03	
£7,500,000 Deutsche Bahn Finance 1.375% 07/07/2025	7,845	0.25	
£5,000,000 Deutsche Bahn Finance 3.125% 24/07/2026	5,757	0.18	
€5,000,000 Exxon Mobil 0.142% 26/06/2024	4,538	0.14	
US\$10,000,000 Exxon Mobil 4.227% 19/03/2040	9,085	0.29	
US\$6,485,000 Exxon Mobil 4.327% 19/03/2050	6,189	0.20	
£4,101,000 Federal National Mortgage Association 5.375% 07/12/2028	5,553	0.18	
£7,800,000 Grosvenor UK Finance 6.5% 29/09/2026	9,857	0.31	
£960,000 Investor 5.5% 05/05/2037	1,509	0.05	
£10,000,000 Land Securities Capital Markets 1.974% 08/02/2024	10,298	0.33	
£11,326,000 Land Securities Capital Markets 2.375% 29/03/2027	12,104	0.38	
£7,877,000 Land Securities Capital Markets 2.399% 08/02/2029	8,533	0.27	
£553,000 Land Securities Capital Markets Var. Rate 5.391% 31/03/2027	643	0.02	
£18,660,000 MassMutual Global Funding II 1.375% 15/12/2026	19,644	0.62	
£6,807,000 Mercantile Investment Trust 6.125% 25/02/2030	9,299	0.29	
£2,000,000 Metropolitan Life Global Funding I 1.625% 21/09/2029	2,147	0.07	
US\$5,000,000 Microsoft 2.675% 01/06/2060	3,917	0.12	
US\$10,000,000 Microsoft 3.95% 08/08/2056	9,996	0.32	
£4,840,000 New York Life Global Funding 1.25% 17/12/2026	5,061	0.16	
US\$10,000,000 Shell International Finance 2.75% 06/04/2030	8,053	0.26	
US\$5,000,000 Shell International Finance 3.25% 06/04/2050	4,133	0.13	
£12,500,000 SNCF Réseau 4.83% 25/03/2060	24,652	0.78	
£10,000,000 SNCF Réseau 5% 11/03/2052	18,710	0.59	
£10,000,000 SNCF Réseau 5.25% 07/12/2028	13,494	0.43	
£6,000,000 SNCF Réseau 5.25% 31/01/2035	9,232	0.29	

Investments

Portfolio statement (continued)

Holding	as at 31.12.20 £'000	as at 31.12.20 %	as at 30.06.20 %
Fixed Income (continued)			
Debt securities (continued)			
'AA' credit rated bonds (continued)			
£30,000,000 UK Treasury 0.125% 31/01/2023	30,116	0.95	
£35,000,000 UK Treasury 0.5% 22/07/2022	35,350	1.12	
£25,000,000 UK Treasury 1.5% 22/01/2021	25,013	0.79	
£50,000,000 UK Treasury 3.25% 22/01/2044	76,921	2.43	
£25,000,000 UK Treasury 3.75% 07/09/2021	25,646	0.81	
£25,000,000 UK Treasury 4.25% 07/12/2040	41,857	1.32	
£15,000,000 University of Oxford 2.544% 08/12/2117	23,559	0.75	
'A' credit rated bonds	235,029	7.43	18.78
£4,000,000 Anglian Water Services Financing 2.75% 26/10/2029	4,588	0.15	
£3,250,000 Assura Financing 3% 19/07/2028	3,742	0.12	
£391,200 Autolink Concessionaires 8.39% 15/06/2022	416	0.01	
£13,500,000 Bank of America 2.3% 25/07/2025	14,586	0.46	
£6,472,000 BMW International Investment 0.75% 08/03/2024	6,544	0.21	
US\$10,000,000 BP Capital Markets America 3.633% 06/04/2030	8,474	0.27	
£4,362,000 Brown-Forman 2.6% 07/07/2028	4,907	0.16	
US\$3,474,000 Cloverie Var. Rate 5.625% 24/06/2046	2,975	0.09	
£15,000,000 Comcast 5.5% 23/11/2029	20,886	0.66	
£280,106 Coventry & Rugby Hospital IL 3.246% 30/06/2040	725	0.02	
£4,000,000 Grand Union 4.625% 04/12/2043	5,879	0.19	
£1,578,159 Greater Gabbard OFTO 4.137% 29/11/2032	1,892	0.06	
£2,192,000 Housing Finance 5% 30/09/2027	2,651	0.08	
£2,916,268 Housing Finance 8.625% 13/11/2023	3,505	0.11	
£2,530,930 Integrated Accommodation Services 6.48% 31/03/2029	3,122	0.10	
£3,386,000 London & Quadrant Housing Trust 2.625% 05/05/2026	3,675	0.12	
£2,000,000 London & Quadrant Housing Trust 2.625% 28/02/2028	2,211	0.07	
£695,000 London & Quadrant Housing Trust 3.125% 28/02/2053	917	0.03	
£4,000,000 London Merchant Securities 6.5% 16/03/2026	5,011	0.16	
£7,477,000 Moat Homes Finance 5% 23/09/2041	11,594	0.37	
£3,750,000 Northern Powergrid Yorkshire 4.375% 05/07/2032	4,987	0.16	
£6,116,000 Notting Hill Genesis 3.25% 12/10/2048	7,665	0.24	

Investments

Portfolio statement (continued)

Holding	as at 31.12.20 £'000	as at 31.12.20 %	as at 30.06.20 %
Fixed Income (continued)			
Debt securities (continued)			
'A' credit rated bonds (continued)			
£5,000,000 Orbit Capital 3.375% 14/06/2048	6,650	0.21	
£4,984,000 Orbit Capital 3.5% 24/03/2045	6,613	0.21	
€8,970,000 Philip Morris International 1.875% 06/11/2037	8,859	0.28	
£5,000,000 Places for People 3.625% 22/11/2028	5,851	0.19	
£9,000,000 Places for People 5.875% 23/05/2031	12,726	0.40	
£310,722 Road Management Services IL 3.642% 31/03/2028	657	0.02	
£2,000,000 SLM Student Loan Trust FRN 0.5849% 15/12/2039	1,859	0.06	
£5,000,000 Societe Nationale SNCF 5.375% 18/03/2027	6,387	0.20	
£2,731,000 Southern Housing 3.5% 19/10/2047	3,618	0.11	
£1,000,000 T.H.F.C Funding No. 3 5.2% 11/10/2043	1,630	0.05	
£414,674 THFC Social Housing Finance 8.75% 18/12/2021	442	0.01	
£10,000,000 Total Capital International 1.405% 03/09/2031	10,585	0.33	
£11,060,000 Toyota Motor Credit 0.75% 19/11/2026	11,177	0.35	
£5,400,000 Trafford Centre Finance FRN 0.7731% 28/07/2038	4,488	0.14	
£1,000,000 UNITE (USAF) II 3.374% 30/06/2023	1,049	0.03	
£6,000,000 Wales & West Utilities Finance 4.625% 13/12/2023	6,725	0.21	
£8,000,000 Wales & West Utilities Finance 5% 07/03/2028	10,261	0.32	
£4,500,000 Wales & West Utilities Finance 5.75% 29/03/2030	6,366	0.20	
US\$1,000,000 Willow No. 2 Var. Rate 4.25% 01/10/2045	796	0.03	
£1,250,000 Yorkshire Building Society 3.5% 21/04/2026	1,417	0.05	
£5,420,000 Zurich Finance Var. Rate 6.625% Perpetual	5,921	0.19	
'BBB' credit rated bonds	1,570,445	49.66	49.88
£5,000,000 3i 5.75% 03/12/2032	7,007	0.22	
€1,500,000 Altria 2.2% 15/06/2027	1,470	0.05	
€3,000,000 Altria 3.125% 15/06/2031	3,208	0.10	
US\$1,212,000 Altria 3.4% 06/05/2030	983	0.03	
US\$5,000,000 Altria 3.875% 16/09/2046	3,846	0.12	
US\$3,476,000 Altria 5.375% 31/01/2044	3,239	0.10	
US\$5,000,000 Altria 5.8% 14/02/2039	4,769	0.15	
US\$7,500,000 Altria 5.95% 14/02/2049	7,669	0.24	

Investments

Portfolio statement (continued)

Holding	as at 31.12.20 £'000	as at 31.12.20 %	as at 30.06.20 %
Fixed Income (continued)			
Debt securities (continued)			
'BBB' credit rated bonds (continued)			
US\$2,300,000 Altria 6.2% 14/02/2059	2,382	0.08	
£10,000,000 América Móvil 4.375% 07/08/2041	14,094	0.45	
£4,000,000 América Móvil 4.948% 22/07/2033	5,574	0.18	
£3,500,000 Anglian Water Services Financing 4.5% 22/02/2026	4,014	0.13	
US\$3,000,000 Anglo American Capital 2.625% 10/09/2030	2,282	0.07	
£8,000,000 Anglo American Capital 3.375% 11/03/2029	8,978	0.28	
US\$1,220,000 Anglo American Capital 3.95% 10/09/2050	999	0.03	
US\$1,000,000 Anglo American Capital 5.625% 01/04/2030	930	0.03	
£5,186,000 Anheuser-Busch InBev 2.25% 24/05/2029	5,729	0.18	
US\$750,000 Anheuser-Busch InBev Worldwide 4.9% 01/02/2046	712	0.02	
US\$9,889,000 Anheuser-Busch InBev Worldwide 5.45% 23/01/2039	9,784	0.31	
US\$13,518,000 Anheuser-Busch InBev Worldwide 5.55% 23/01/2049	14,008	0.44	
US\$15,000,000 Anheuser-Busch InBev Worldwide 5.8% 23/01/2059	16,740	0.53	
£3,889,000 Annington Funding 3.184% 12/07/2029	4,401	0.14	
£3,703,000 Annington Funding 3.685% 12/07/2034	4,542	0.14	
£2,812,000 Annington Funding 3.935% 12/07/2047	3,766	0.12	
£5,752,000 APT Pipelines 3.125% 18/07/2031	6,644	0.21	
£5,000,000 Aroundtown 3% 16/10/2029	5,542	0.18	
€1,822,000 Assicurazioni Generali Var. Rate 5.5% 27/10/2047	2,014	0.06	
£5,412,000 Aviva Var. Rate 4% 03/06/2055	6,253	0.20	
£9,950,000 Aviva Var. Rate 4.375% 12/09/2049	11,534	0.37	
£18,000,000 Aviva Var. Rate 6.125% 14/11/2036	22,205	0.70	
£6,000,000 Aviva Var. Rate 6.875% 20/05/2058	9,603	0.30	
£6,500,000 AXA Var. Rate 5.453% Perpetual	7,560	0.24	
£15,000,000 AXA Var. Rate 5.625% 16/01/2054	19,960	0.63	
£14,630,000 AXA Var. Rate 6.6862% Perpetual	17,995	0.57	
£15,000,000 Bank of America 5.5% 22/11/2021	15,667	0.50	
US\$6,000,000 BAT Capital 4.39% 15/08/2037	4,918	0.16	
£44,076,000 BAT International Finance 2.25% 09/09/2052	36,686	1.16	
£13,500,000 BAT International Finance 4% 23/11/2055	15,579	0.49	

Investments

Portfolio statement (continued)

Holding	as at 31.12.20 £'000	as at 31.12.20 %	as at 30.06.20 %
Fixed Income (continued)			
Debt securities (continued)			
'BBB' credit rated bonds (continued)			
£15,000,000 BAT International Finance 5.75% 05/07/2040	20,815	0.66	
US\$10,000,000 Bayer US Finance II 4.375% 15/12/2028	8,580	0.27	
US\$5,000,000 Bayer US Finance II 4.625% 25/06/2038	4,454	0.14	
US\$4,000,000 Bayer US Finance II 4.7% 15/07/2064	3,526	0.11	
US\$7,500,000 Bayer US Finance II 4.875% 25/06/2048	7,118	0.23	
£8,000,000 BNP Paribas 1.875% 14/12/2027	8,480	0.27	
£4,926,000 BNP Paribas 3.375% 23/01/2026	5,544	0.18	
US\$7,500,000 BNP Paribas 4.625% 13/03/2027	6,398	0.20	
US\$1,000,000 Boeing 3.625% 01/02/2031	798	0.03	
US\$5,000,000 Boeing 5.805% 01/05/2050	4,924	0.16	
£5,114,000 BP Capital Markets Var. Rate 4.25% Perpetual	5,491	0.17	
£9,000,000 BPCE 5.25% 16/04/2029	11,585	0.37	
£8,000,000 British Telecommunications 3.125% 21/11/2031	9,219	0.29	
US\$15,209,000 British Telecommunications 9.625% 15/12/2030	18,415	0.58	
£5,000,000 BUPA Finance 1.75% 14/06/2027	5,196	0.16	
£2,000,000 BUPA Finance 4.125% 14/06/2035	2,316	0.07	
£3,000,000 BUPA Finance 5% 08/12/2026	3,520	0.11	
£13,455,000 Cadent Finance 2.125% 22/09/2028	14,509	0.46	
£1,666,000 Channel Link Enterprises Finance 3.848% 30/06/2050	2,023	0.06	
£10,000,000 Channel Link Enterprises Finance Var. Rate 3.043% 30/06/2050	10,298	0.33	
£2,500,000 Cie de Saint-Gobain 4.625% 09/10/2029	3,215	0.10	
US\$2,000,000 Cigna 4.8% 15/08/2038	1,898	0.06	
£6,159,000 Citigroup 4.5% 03/03/2031	7,835	0.25	
£7,000,000 CK Hutchison Group Telecom Finance 2% 17/10/2027	7,341	0.23	
£10,000,000 CK Hutchison Group Telecom Finance 2.625% 17/10/2034	11,119	0.35	
£9,233,000 Cooperatieve Rabobank 4.625% 23/05/2029	11,424	0.36	
£3,785,000 CPUK Finance 3.69% 28/08/2028	4,176	0.13	
£6,000,000 CPUK Finance 7.239% 28/02/2024	6,964	0.22	
£2,000,000 Credit Suisse Var. Rate 2.125% 12/09/2025	2,094	0.07	
£2,703,000 CRH Finance 4.125% 02/12/2029	3,381	0.11	

Investments

Portfolio statement (continued)

Holding	as at 31.12.20 £'000	as at 31.12.20 %	as at 30.06.20 %
Fixed Income (continued)			
Debt securities (continued)			
'BBB' credit rated bonds (continued)			
£4,817,269 Delamare Finance 5.5457% 19/02/2029	5,526	0.18	
£8,920,000 Delamare Finance 6.067% 19/02/2029	11,195	0.35	
£582,000 Deutsche Telekom 3.125% 06/02/2034	708	0.02	
US\$11,000,000 Deutsche Telekom International Finance 8.75% 15/06/2030	12,722	0.40	
US\$3,750,000 Dow Chemical 5.55% 30/11/2048	3,917	0.12	
£5,000,000 DP World 4.25% 25/09/2030	5,652	0.18	
US\$7,207,000 DuPont de Nemours 5.319% 15/11/2038	7,133	0.23	
US\$6,687,000 DuPont de Nemours 5.419% 15/11/2048	7,003	0.22	
£3,607,000 Eastern Power Networks 2.125% 25/11/2033	4,039	0.13	
US\$8,000,000 Électricité de France 4.5% 04/12/2069	6,669	0.21	
US\$4,000,000 Électricité de France 6% 22/01/2114	4,217	0.13	
£9,900,000 Électricité de France 6% 23/01/2114	18,630	0.59	
£3,000,000 Électricité de France 6.125% 02/06/2034	4,641	0.15	
£5,000,000 Electricity North West 8.875% 25/03/2026	7,067	0.22	
£8,000,000 Enel 5.75% 22/06/2037	12,510	0.40	
US\$2,500,000 Enel Finance International 3.5% 06/04/2028	2,082	0.07	
£2,500,000 Enel Finance International 5.625% 14/08/2024	2,958	0.09	
US\$500,000 Energy Transfer Operating 4.9% 15/03/2035	403	0.01	
US\$1,000,000 Energy Transfer Operating 6.125% 15/12/2045	858	0.03	
US\$3,572,000 Energy Transfer Operating 6.5% 01/02/2042	3,180	0.10	
€15,583,000 Engie 5.95% 16/03/2111	28,822	0.91	
US\$5,000,000 Eni 4.75% 12/09/2028	4,425	0.14	
£132,000 ENW Capital Finance 6.125% 21/07/2021	136	0.00	
£2,000,000 Eversholt Funding 3.529% 07/08/2042	2,369	0.08	
£5,500,000 Gatwick Funding 2.625% 07/10/2046	5,416	0.17	
£9,626,000 Gatwick Funding 2.875% 05/07/2049	9,873	0.31	
£17,500,000 Gatwick Funding 3.125% 28/09/2039	18,898	0.60	
£10,000,000 Gatwick Funding 3.25% 26/02/2048	10,932	0.35	
£1,355,000 Gatwick Funding 4.625% 27/03/2034	1,691	0.05	
£10,000,000 Gatwick Funding 6.125% 02/03/2026	12,047	0.38	

Investments

Portfolio statement (continued)

Holding	as at 31.12.20 £'000	as at 31.12.20 %	as at 30.06.20 %
Fixed Income (continued)			
Debt securities (continued)			
'BBB' credit rated bonds (continued)			
£552,901 General Electric 6.44% 15/11/2022	588	0.02	
US\$2,500,000 General Motors 5.15% 01/04/2038	2,169	0.07	
US\$3,000,000 General Motors 6.6% 01/04/2036	2,973	0.09	
£3,781,000 Grainger 3% 03/07/2030	4,120	0.13	
£2,110,680 Greene King Finance 4.0643% 15/03/2035	2,270	0.07	
£2,121,380 Greene King Finance 5.318% 15/09/2031	2,419	0.08	
£12,000,000 Hammerson 6% 23/02/2026	12,775	0.40	
£10,000,000 Hammerson 7.25% 21/04/2028	11,146	0.35	
£1,093,000 Heathrow Funding 2.75% 13/10/2029	1,171	0.04	
£2,500,000 Heathrow Funding 5.225% 15/02/2023	2,718	0.09	
£23,781,000 Heathrow Funding 6.75% 03/12/2026	30,577	0.97	
£8,000,000 Heathrow Funding 7.075% 04/08/2028	10,891	0.34	
£3,577,815 Highbury Finance 7.017% 20/03/2023	3,936	0.12	
£3,500,000 Iberdrola Finanzas 7.375% 29/01/2024	4,227	0.13	
US\$772,000 Imperial Brands Finance 3.5% 26/07/2026	624	0.02	
£25,250,000 Imperial Brands Finance 4.875% 07/06/2032	31,272	0.99	
£14,250,000 Imperial Brands Finance 5.5% 28/09/2026	17,411	0.55	
£11,500,000 Imperial Brands Finance 8.125% 15/03/2024	14,017	0.44	
£3,566,000 Informa 3.125% 05/07/2026	3,792	0.12	
£8,000,000 InterContinental Hotels 2.125% 24/08/2026	8,144	0.26	
£1,631,000 InterContinental Hotels 3.375% 08/10/2028	1,793	0.06	
£5,000,000 Intesa Sanpaolo 2.5% 15/01/2030	5,325	0.17	
£915,000 Italy (Republic of) 5.25% 07/12/2034	1,285	0.04	
US\$2,500,000 Kinder Morgan 5.05% 15/02/2046	2,222	0.07	
US\$6,000,000 Kinder Morgan Energy Partners 6.95% 15/01/2038	6,007	0.19	
£12,500,000 KPN 5% 18/11/2026	14,284	0.45	
£12,000,000 KPN 5.75% 17/09/2029	14,676	0.46	
£4,638,000 LafargeHolcim Sterling Finance 3% 12/05/2032	5,395	0.17	
£2,333,000 Leeds Building Society Var. Rate 3.75% 25/04/2029	2,527	0.08	
£17,500,000 Legal & General Var. Rate 5.125% 14/11/2048	20,874	0.66	

Investments

Portfolio statement (continued)

Holding	as at 31.12.20 £'000	as at 31.12.20 %	as at 30.06.20 %
Fixed Income (continued)			
Debt securities (continued)			
'BBB' credit rated bonds (continued)			
£10,000,000 Legal & General Var. Rate 5.375% 27/10/2045	11,726	0.37	
£20,000,000 Legal & General Var. Rate 5.5% 27/06/2064	26,511	0.84	
£5,000,000 Lloyds Bank 7.625% 22/04/2025	6,323	0.20	
£350,000 Lloyds Bank 11.75% Perpetual	705	0.02	
£3,518,000 Lloyds Banking Var. Rate 2.707% 03/12/2035	3,681	0.12	
£1,562,000 Logisor Financing 2.75% 15/01/2030	1,702	0.05	
£1,750,000 Longstone Finance 4.896% 19/04/2031	2,112	0.07	
US\$1,243,000 LYB International Finance III 3.375% 01/10/2040	962	0.03	
US\$2,500,000 LYB International Finance III 3.625% 01/04/2051	1,993	0.06	
US\$1,488,000 LYB International Finance III 3.8% 01/10/2060	1,163	0.04	
US\$1,250,000 McDonald's 6.3% 15/10/2037	1,377	0.04	
US\$2,000,000 McDonald's 6.3% 01/03/2038	2,212	0.07	
£19,000,000 Mexico (United Mexican States) 5.625% 19/03/2114	21,672	0.69	
£2,845,040 Mitchells & Butlers Finance 5.574% 15/12/2030	3,207	0.10	
£2,908,110 Mitchells & Butlers Finance FRN 0.6426% 15/12/2033	2,484	0.08	
£1,000,000 Mondelēz International 3.875% 06/03/2045	1,285	0.04	
£1,750,000 Mondelēz International 4.5% 03/12/2035	2,303	0.07	
£3,000,000 Morgan Stanley 2.625% 09/03/2027	3,332	0.11	
US\$500,000 Nationwide Building Society 4% 14/09/2026	409	0.01	
US\$10,000,000 Nationwide Building Society Var. Rate 4.125% 18/10/2032	7,991	0.25	
£7,500,000 Natwest Var. Rate 2.875% 19/09/2026	8,141	0.26	
£1,548,000 Natwest Var. Rate 3.125% 28/03/2027	1,697	0.05	
US\$5,000,000 Natwest Var. Rate 4.892% 18/05/2029	4,390	0.14	
£2,246,000 Next 3% 26/08/2025	2,427	0.08	
£12,500,000 Next 3.625% 18/05/2028	13,717	0.43	
£10,500,000 Next 4.375% 02/10/2026	11,969	0.38	
£5,000,000 NIE Finance 6.375% 02/06/2026	6,514	0.21	
£2,000,000 Northern Powergrid 7.25% 15/12/2022	2,261	0.07	
£7,000,000 Northumbrian Water 6.875% 06/02/2023	7,914	0.25	
£10,000,000 Orange 8.125% 20/11/2028	15,444	0.49	

Investments

Portfolio statement (continued)

Holding	as at 31.12.20 £'000	as at 31.12.20 %	as at 30.06.20 %
Fixed Income (continued)			
Debt securities (continued)			
'BBB' credit rated bonds (continued)			
£2,500,000 Pearson Funding 3.75% 04/06/2030	2,872	0.09	
US\$4,884,000 Reynolds American 5.7% 15/08/2035	4,538	0.14	
US\$1,000,000 Reynolds American 6.15% 15/09/2043	949	0.03	
£13,459 Road Management Consolidated 9.18% 10/06/2021	14	0.00	
£4,000,000 Scottish Hydro Electric Transmission 2.25% 27/09/2035	4,525	0.14	
US\$1,000,000 Security Capital 7.7% 15/06/2028	951	0.03	
£1,000,000 Severn Trent IL 1.3% 11/07/2022	1,254	0.04	
£5,000,000 Severn Trent Utilities Finance 2.75% 05/12/2031	5,896	0.19	
£10,000,000 Severn Trent Utilities Finance 3.625% 16/01/2026	11,494	0.36	
£6,195,000 Severn Trent Utilities Finance 6.25% 07/06/2029	8,873	0.28	
£2,888,000 Society of Lloyd's Var. Rate 4.875% 07/02/2047	3,392	0.11	
£6,176,000 South Eastern Power Networks 5.5% 05/06/2026	7,711	0.24	
£8,100,000 South Eastern Power Networks 6.375% 12/11/2031	12,510	0.40	
£4,750,000 South West Water Finance 5.875% 16/07/2040	7,714	0.24	
£5,000,000 Southern Gas Networks 4.875% 05/10/2023	5,593	0.18	
£6,738,000 Southern Water Services Finance 2.375% 28/05/2028	7,174	0.23	
£6,224,000 Southern Water Services Finance 3% 28/05/2037	7,034	0.22	
£5,000,000 Southern Water Services Finance 5% 31/03/2021	5,050	0.16	
£5,445,000 SP Transmission 2% 13/11/2031	5,968	0.19	
£6,000,000 SSE 8.375% 20/11/2028	9,305	0.29	
£2,000,000 Student Finance 2.6663% 30/09/2024	2,012	0.06	
£1,409,398 Summit Finance Law 6.484% 31/03/2028	1,635	0.05	
£6,500,000 Telefónica Emisiones 5.289% 09/12/2022	7,114	0.23	
US\$6,000,000 Telefónica Emisiones 7.045% 20/06/2036	6,536	0.21	
£209,620 Telereal Securitisation 6.1645% 10/12/2031	264	0.01	
£19,163,170 Tesco Property Finance 3 5.744% 13/04/2040	26,236	0.83	
£5,339,989 Tesco Property Finance 4 5.8006% 13/10/2040	7,371	0.23	
£9,786,652 Tesco Property Finance 5 5.6611% 13/10/2041	13,437	0.43	
£5,000,000 Thames Water Utilities Finance 1.875% 24/01/2024	5,191	0.16	
£2,000,000 Thames Water Utilities Finance 2.375% 22/04/2040	2,186	0.07	

Investments

Portfolio statement (continued)

Holding	as at 31.12.20 £'000	as at 31.12.20 %	as at 30.06.20 %
Fixed Income (continued)			
Debt securities (continued)			
'BBB' credit rated bonds (continued)			
£5,000,000 Thames Water Utilities Finance 2.625% 24/01/2032	5,590	0.18	
£3,727,000 Thames Water Utilities Finance 3.375% 21/07/2021	6,339	0.20	
£5,000,000 Thames Water Utilities Finance 3.5% 25/02/2028	5,777	0.18	
£2,500,000 Thames Water Utilities Finance 4% 19/06/2025	2,864	0.09	
£10,000,000 Thames Water Utilities Finance 4.375% 03/07/2034	13,386	0.42	
£3,590,000 Thames Water Utilities Finance 5.125% 28/09/2037	5,341	0.17	
£12,500,000 Thames Water Utilities Finance 6.75% 16/11/2028	17,630	0.56	
£5,000,000 Verizon Communications 1.875% 19/09/2030	5,357	0.17	
US\$1,500,000 Vodafone 4.875% 19/06/2049	1,460	0.05	
US\$5,000,000 Vodafone 5.125% 19/06/2059	5,033	0.16	
£6,000,000 Volkswagen Financial Services 1.875% 03/12/2024	6,218	0.20	
£2,000,000 Volkswagen Financial Services 4.25% 09/10/2025	2,302	0.07	
£1,100,000 Volkswagen International Finance 3.375% 16/11/2026	1,238	0.04	
£21,500,000 Volkswagen International Finance 4.125% 17/11/2031	26,866	0.85	
£6,000,000 Walgreens Boots Alliance 3.6% 20/11/2025	6,574	0.21	
£20,000,000 Wells Fargo 2% 28/07/2025	21,110	0.67	
£7,728,000 Wells Fargo 2.125% 24/09/2031	8,362	0.26	
£5,500,000 Wells Fargo 4.875% 29/11/2035	7,482	0.24	
£20,000,000 Wells Fargo Bank 5.25% 01/08/2023	22,270	0.70	
£5,000,000 Welltower 4.5% 01/12/2034	6,438	0.20	
£5,000,000 Welltower 4.8% 20/11/2028	6,174	0.20	
£4,138,000 Whitbread 3.375% 16/10/2025	4,366	0.14	
£962,000 Wm Morrison Supermarkets 2.5% 01/10/2031	1,062	0.03	
£2,628,000 WPP Finance 2.875% 14/09/2046	2,738	0.09	
£9,994,000 WPP Finance 3.75% 19/05/2032	11,755	0.37	
£1,288,000 Yorkshire Building Society Var. Rate 3% 18/04/2025	1,371	0.04	
£3,426,000 Yorkshire Power Finance 7.25% 04/08/2028	4,910	0.16	
£7,600,000 Yorkshire Water Finance 1.75% 26/11/2026	7,962	0.25	
£6,000,000 Yorkshire Water Finance 6.5876% 21/02/2023	6,758	0.21	

Investments

Portfolio statement (continued)

Holding	as at 31.12.20 £'000	as at 31.12.20 %	as at 30.06.20 %
Fixed Income (continued)			
Debt securities (continued)			
'BB' credit rated bonds	127,796	4.04	3.20
£3,500,000 Assicurazioni Generali Var. Rate 6.269% Perpetual	3,935	0.12	
£2,050,000 Daily Mail & General Trust 6.375% 21/06/2027	2,421	0.08	
US\$2,500,000 Ford Motor 4.75% 15/01/2043	1,857	0.06	
US\$5,000,000 Ford Motor Credit 4.389% 08/01/2026	3,866	0.12	
£7,000,000 Ford Motor Credit 4.535% 06/03/2025	7,417	0.23	
£8,000,000 H.J. Heinz Finance 6.25% 18/02/2030	10,143	0.32	
US\$3,000,000 HCA 5.5% 15/06/2047	2,930	0.09	
£2,500,000 John Lewis 4.25% 18/12/2034	2,543	0.08	
£11,000,000 Kraft Heinz Foods 4.125% 01/07/2027	12,251	0.39	
US\$5,000,000 Kraft Heinz Foods 4.375% 01/06/2046	3,948	0.13	
US\$4,000,000 Kraft Heinz Foods 4.625% 01/10/2039	3,258	0.10	
US\$3,524,000 Kraft Heinz Foods 4.875% 01/10/2049	2,995	0.10	
£3,000,000 Lloyds Banking Var. Rate 7.625% Perpetual	3,292	0.10	
£3,367,000 Lloyds Banking Var. Rate 7.875% Perpetual	4,158	0.13	
£839,094 Marston's Issuer Var. Rate 1.3658% 15/10/2027	727	0.02	
£2,000,000 Marston's Issuer Var. Rate 5.1774% 15/07/2032	1,774	0.06	
£362,317 Mitchells & Butlers Finance 5.965% 15/12/2023	374	0.01	
£1,117,802 Mitchells & Butlers Finance 6.013% 15/12/2028	1,186	0.04	
£921,000 Nationwide Building Society Var. Rate 5.875% Perpetual	988	0.03	
US\$3,300,000 Natwest 6% 19/12/2023	2,751	0.09	
US\$2,244,000 Natwest Var. Rate 3.754% 01/11/2029	1,751	0.06	
£2,931,000 Natwest Var. Rate 3.622% 14/08/2030	3,150	0.10	
£9,300,000 Peel South East 10% 30/04/2026	9,310	0.29	
£10,000,000 SSE Var. Rate 3.74% Perpetual	10,561	0.33	
£10,000,000 Telecom Italia 5.875% 19/05/2023	10,937	0.35	
£3,543,000 Thames Water Utilities Finance 2.875% 03/05/2027	3,715	0.12	
£4,000,000 Thames Water Utilities Finance Var. Rate 5.75% 13/09/2030	4,254	0.13	
£5,000,000 Time Warner Cable 5.25% 15/07/2042	7,035	0.22	
US\$994,000 Time Warner Cable 5.5% 01/09/2041	937	0.03	
£2,500,000 Time Warner Cable 5.75% 02/06/2031	3,332	0.11	

Investments

Portfolio statement (continued)

Holding	as at 31.12.20 £'000	as at 31.12.20 %	as at 30.06.20 %
Fixed Income (continued)			
Debt securities (continued)			
'B' credit rated bonds	8,245	0.26	0.00
£4,000,000 INTU Finance 3.875% 17/03/2023	2,326	0.07	
£4,808,000 INTU Finance 4.25% 17/09/2030	2,764	0.09	
£5,500,000 INTU Finance 4.625% 17/03/2028	3,155	0.10	
'CCC' credit rated bonds	3,191	0.10	0.00
£7,000,000 INTU Metrocentre Finance 4.125% 06/12/2023	3,191	0.10	
'D' credit rated bonds	96	0.00	0.00
£189,993 INTU Debenture 5.562% 31/12/2027	96	0.00	
Bonds with no credit rating	500	0.02	6.14
£500,180 INTU Metrocentre 1% 23/12/2023	500	0.02	
£250,000 Washington Mutual Bank 5.5% 10/06/2059 ^a	0	0.00	
Debt derivatives	3,318	0.11	(0.09)
Credit default swaps	0	0.00	0.01
Interest rate futures	3,318	0.11	(0.10)
(1,497) 10 Year US Treasury Ultra Mar 2021	1,141	0.04	
(100) Euro-Buxl Mar 2021	(28)	0.00	
(100) UK Long Gilt Bond Mar 2021	(29)	0.00	
(614) US Long Treasury Bond Mar 2021	1,217	0.04	
(301) US Ultra Treasury Bond Mar 2021	1,017	0.03	
Currency	11,985	0.38	(0.19)
Forward currency contracts	11,985	0.38	(0.19)
€449,078 Bought for £402,805 (expires 13.01.21)	1	0.00	
€(32,387,116) Sold for £29,339,533 (expires 13.01.21)	210	0.01	
€(20,877,361) Sold for £18,942,096 (expires 10.03.21)	148	0.00	
€(26,734,172) Sold for £24,045,488 (expires 10.02.21)	(10)	0.00	
US\$19,521,924 Bought for £14,669,758 (expires 13.01.21)	(367)	(0.01)	
US\$(184,651,997) Sold for £141,929,707 (expires 13.01.21)	6,644	0.21	
US\$(165,891,357) Sold for £125,488,696 (expires 10.02.21)	3,970	0.13	
US\$(114,175,253) Sold for £85,012,518 (expires 10.03.21)	1,389	0.04	
Portfolio of investments	2,986,872	94.46	94.83

Investments

Portfolio statement (continued)

Holding	as at 31.12.20 £'000	as at 31.12.20 %	as at 30.06.20 %
Cash Equivalents	150,980	4.77	3.22
'AAA' rated money market funds ^b	150,980	4.77	3.22
150,980,137 Northern Trust Global Fund - Sterling	150,980	4.77	
Total portfolio	3,137,852	99.23	98.05
Net other assets / (liabilities)	24,331	0.77	1.95
Net assets attributable to shareholders	3,162,183	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.

Investments

Portfolio transactions

for the six months to 31 December	2020 £'000	2019 £'000
Total purchases	687,452	378,829
Total sales	749,989	616,107

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

Financial highlights

Fund performance

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

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

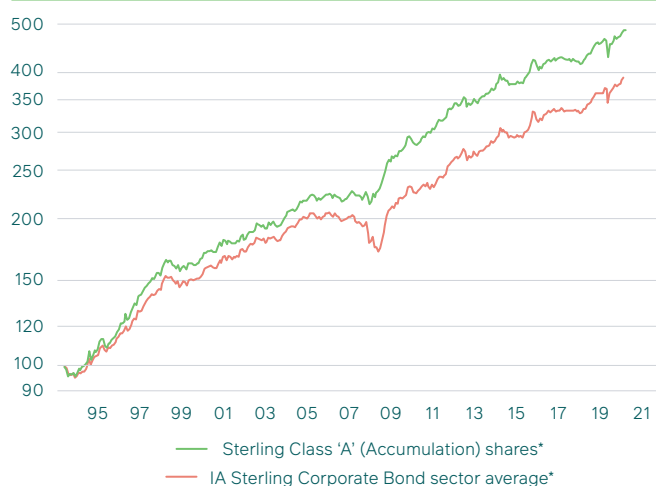
Fund level performance

Fund net asset value as at	31.12.20 £'000	30.06.20 £'000	30.06.19 £'000
Fund net asset value (NAV)	3,162,183	3,129,444	3,505,536

Performance since launch

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

April 1994 = 100, plotted monthly
Chart date 4 January 2021



Source: Morningstar, Inc. and M&G

*Income reinvested

Long-term performance by share class

To give an indication of the performance of the fund the following table shows the compound rate of return per annum, over the period to 15 December 2020 for the non-sterling share classes and 4 January 2021 for sterling share classes. Calculated on a price to price basis with income reinvested.

Share class	From 01.07.20 % ^a	From 02.01.18 % pa	From 04.01.16 % pa	Since launch % pa
Euro^b				
Class 'A'	+3.8	+3.3	+0.6	+4.1 ^c
Class 'C'	+4.1	+4.1	+1.3	+4.6 ^c
Sterling^d				
Class 'A'	+5.2	+4.4	+5.1	+6.1 ^e
Class 'I'	+5.4	+5.0	+5.6	+6.6 ^f
Class 'PP'	+5.5	n/a	n/a	+7.8 ^g
Class 'R'	+5.3	+4.7	+5.3	+4.9 ^h
Class 'X'	+5.1	+4.4	+5.1	+6.0 ⁱ

a Absolute basis.

b Price to price with gross income reinvested.

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

d Price to price with income reinvested.

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

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

g 8 April 2019, the launch date of the share class.

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

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

Financial highlights

Operating charges and portfolio transaction costs

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

Operating charges

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

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

- **Ongoing charges from underlying funds:** Ongoing charges on holdings in underlying funds that are not rebated. From 1 August 2019 charges from underlying funds (excluding Investment Trust Companies and Real Estate Investment Trusts) will be rebated.

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

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

Portfolio transaction costs

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

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

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

Financial highlights

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 Indirect portfolio transaction costs	31.12.20 %	30.06.20 %	30.06.19 %	Average ^a %
Average portfolio dealing spread	0.81	1.06	0.80	0.89

a Average of first three columns.

Specific share class performance

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

Euro Class 'A' Accumulation share performance

The share class was launched on 29 November 2002.

The share class closed on 15 December 2020.

Change in NAV per share	Six months to 31.12.20 Euro €	Year to 30.06.20 Euro €	Year to 30.06.19 Euro €
Opening NAV	1,968.86	1,921.75	1,847.42
Return before operating charges	107.08	74.38	100.77
Operating charges	(12.50)	(27.27)	(26.44)
Return after operating charges	94.58	47.11	74.33
Distributions	(7.02)	(38.83)	(42.26)
Retained distributions	7.02	38.83	42.46
Return to shareholder as a result of share class closure	(2,063.44)	n/a	n/a
Closing NAV	0.00	1,968.86	1,921.75
Direct transaction costs	Euro €	Euro €	Euro €
Costs before dilution adjustments	0.01	0.04	0.02
Dilution adjustments ^a	0.00	0.00	0.00
Total direct transaction costs	0.01	0.04	0.02
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.00	0.00
Operating charges ^c	1.34	1.35	1.41
Return after charges	+4.80	+2.45	+4.02
Distribution yield	0.00	1.80	2.14
Other information			
Closing NAV (£'000)	0	7,441	9,331
Closing NAV (%)	0.00	0.24	0.27
Number of shares	0	413,721	541,193
Highest share price (Euro €)	2,091.58	2,178.23	1,976.54
Lowest share price (Euro €)	1,973.24	1,697.48	1,793.34

Financial highlights

Euro Class 'C' Accumulation share performance

The share class was launched on 29 November 2002.

The share class closed on 15 December 2020.

Change in NAV per share	Six months to 31.12.20 Euro ¢	Year to 30.06.20 Euro ¢	Year to 30.06.19 Euro ¢
Opening NAV	2,139.31	2,072.44	1,977.46
Return before operating charges	115.35	79.95	108.24
Operating charges	(5.98)	(13.08)	(13.26)
Return after operating charges	109.37	66.87	94.98
Distributions	(11.65)	(58.36)	(60.46)
Retained distributions	11.65	58.36	60.46
Return to shareholder as a result of share class closure	(2,248.68)	n/a	n/a
Closing NAV	0.00	2,139.31	2,072.44
Direct transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.01	0.04	0.02
Dilution adjustments ^a	0.00	0.00	0.00
Total direct transaction costs	0.01	0.04	0.02
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.00	0.00
Operating charges ^c	0.59	0.60	0.66
Return after charges	+5.11	+3.23	+4.80
Distribution yield	0.00	2.55	2.89
Other information			
Closing NAV (£'000)	0	1,152	1,482
Closing NAV (%)	0.00	0.04	0.04
Number of shares	0	58,938	79,693
Highest share price (Euro ¢)	2,279.06	2,360.36	2,129.24
Lowest share price (Euro ¢)	2,147.28	1,840.55	1,926.74

Sterling Class 'A' Income share performance

The share class was launched on 15 April 1994.

Change in NAV per share	Six months to 31.12.20 UK p	Year to 30.06.20 UK p	Year to 30.06.19 UK p
Opening NAV	40.90	40.43	39.70
Return before operating charges	2.17	2.27	2.64
Operating charges	(0.23)	(0.45)	(0.46)
Return after operating charges	1.94	1.82	2.18
Distributions	(0.56)	(1.35)	(1.45)
Closing NAV	42.28	40.90	40.43
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments ^a	0.00	0.00	0.00
Total direct transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.00	0.00
Operating charges ^c	1.09	1.10	1.16
Return after charges	+4.74	+4.50	+5.49
Distribution yield	2.56	3.14	3.53
Other information			
Closing NAV (£'000)	142,887	142,625	158,362
Closing NAV (%)	4.52	4.56	4.52
Number of shares	337,981,471	348,704,444	391,692,816
Highest share price (UK p)	42.57	41.99	40.84
Lowest share price (UK p)	40.82	36.53	38.61

Financial highlights

Sterling Class 'A' Accumulation share performance

The share class was launched on 15 April 1994.

Change in NAV per share	Six months to 31.12.20 UK p	Year to 30.06.20 UK p	Year to 30.06.19 UK p
Opening NAV	76.39	73.04	69.17
Return before operating charges	4.06	4.18	4.68
Operating charges	(0.43)	(0.83)	(0.81)
Return after operating charges	3.63	3.35	3.87
Distributions	(0.63)	(1.64)	(1.76)
Retained distributions	0.63	1.64	1.76
Closing NAV	80.02	76.39	73.04
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments ^a	0.00	0.00	0.00
Total direct transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.00	0.00
Operating charges ^c	1.09	1.10	1.16
Return after charges	+4.75	+4.59	+5.59
Distribution yield	1.47	2.05	2.39
Other information			
Closing NAV (£'000)	266,981	273,644	309,130
Closing NAV (%)	8.44	8.74	8.82
Number of shares	333,632,121	358,218,656	423,211,540
Highest share price (UK p)	80.04	77.15	73.11
Lowest share price (UK p)	76.24	67.11	68.16

Sterling Class 'I' Income share performance

The share class was launched on 2 July 2007.

Change in NAV per share	Six months to 31.12.20 UK p	Year to 30.06.20 UK p	Year to 30.06.19 UK p
Opening NAV	41.75	41.06	40.12
Return before operating charges	2.21	2.32	2.68
Operating charges	(0.13)	(0.25)	(0.27)
Return after operating charges	2.08	2.07	2.41
Distributions	(0.57)	(1.38)	(1.47)
Closing NAV	43.26	41.75	41.06
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments ^a	0.00	0.00	0.00
Total direct transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.00	0.00
Operating charges ^c	0.59	0.60	0.66
Return after charges	+4.98	+5.04	+6.01
Distribution yield	2.56	3.13	3.53
Other information			
Closing NAV (£'000)	1,632,892	1,579,582	2,054,827
Closing NAV (%)	51.64	50.47	58.62
Number of shares	3,774,267,768	3,783,337,526	5,004,202,980
Highest share price (UK p)	43.55	42.77	41.48
Lowest share price (UK p)	41.67	37.23	39.12

Financial highlights

Sterling Class 'I' Accumulation share performance

The share class was launched on 2 July 2007.

Change in NAV per share	Six months to 31.12.20 UK p	Year to 30.06.20 UK p	Year to 30.06.19 UK p
Opening NAV	80.77	76.84	72.40
Return before operating charges	4.30	4.40	4.93
Operating charges	(0.25)	(0.47)	(0.49)
Return after operating charges	4.05	3.93	4.44
Distributions	(0.87)	(2.13)	(2.21)
Retained distributions	0.87	2.13	2.21
Closing NAV	84.82	80.77	76.84
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments ^a	0.00	0.00	0.00
Total direct transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.00	0.00
Operating charges ^c	0.59	0.60	0.66
Return after charges	+5.01	+5.11	+6.13
Distribution yield	1.97	2.55	2.89
Other information			
Closing NAV (£'000)	503,382	510,336	554,172
Closing NAV (%)	15.92	16.31	15.81
Number of shares	593,458,618	631,854,911	721,174,779
Highest share price (UK p)	84.82	81.40	76.91
Lowest share price (UK p)	80.61	70.86	71.50

Sterling Class 'PP' Income share performance

The share class was launched on 5 August 2019.

Change in NAV per share	Six months to 31.12.20 UK p	Year to 30.06.20 UK p	Year to 30.06.19 UK p
Opening NAV	99.56	100.00	n/a
Return before operating charges	5.28	3.22	n/a
Operating charges	(0.22)	(0.41)	n/a
Return after operating charges	5.06	2.81	n/a
Distributions	(1.37)	(3.25)	n/a
Closing NAV	103.25	99.56	n/a
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.00	n/a
Dilution adjustments ^a	0.00	0.00	n/a
Total direct transaction costs	0.00	0.00	n/a
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.00	n/a
Operating charges	0.44	0.44	n/a
Return after charges	+5.08	+2.81	n/a
Distribution yield	2.56	3.13	n/a
Other information			
Closing NAV (£'000)	210,240	212,426	n/a
Closing NAV (%)	6.65	6.79	n/a
Number of shares	203,630,995	213,365,789	n/a
Highest share price (UK p)	103.93	101.93	n/a
Lowest share price (UK p)	99.37	88.75	n/a

Financial highlights

Sterling Class 'PP' Accumulation share performance

The share class was launched on 8 April 2019.

Change in NAV per share	Six months to 31.12.20 UK p	Year to 30.06.20 UK p	Year to 30.06.19 UK p
Opening NAV	108.24	102.82	100.00
Return before operating charges	5.76	5.90	2.94
Operating charges	(0.24)	(0.48)	(0.12)
Return after operating charges	5.52	5.42	2.82
Distributions	(1.25)	(3.01)	(0.81)
Retained distributions	1.25	3.01	0.81
Closing NAV	113.76	108.24	102.82
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments ^a	0.00	0.00	0.00
Total direct transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.00	0.00
Operating charges ^c	0.44	0.45	0.51
Return after charges	+5.10	+5.27	+2.82
Distribution yield	2.12	2.70	3.04
Other information			
Closing NAV (£'000)	3,638	3,570	493
Closing NAV (%)	0.12	0.11	0.01
Number of shares	3,197,948	3,298,600	479,751
Highest share price (UK p)	113.76	109.02	102.90
Lowest share price (UK p)	108.03	94.92	100.00

Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012.

Change in NAV per share	Six months to 31.12.20 UK p	Year to 30.06.20 UK p	Year to 30.06.19 UK p
Opening NAV	110.46	108.91	106.69
Return before operating charges	5.86	6.13	7.09
Operating charges	(0.48)	(0.94)	(0.97)
Return after operating charges	5.38	5.19	6.12
Distributions	(1.52)	(3.64)	(3.90)
Closing NAV	114.32	110.46	108.91
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments ^a	0.00	0.00	0.00
Total direct transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.00	0.00
Operating charges ^c	0.84	0.85	0.91
Return after charges	+4.87	+4.77	+5.74
Distribution yield	2.56	3.13	3.53
Other information			
Closing NAV (£'000)	11,157	10,580	9,810
Closing NAV (%)	0.35	0.34	0.28
Number of shares	9,759,083	9,577,914	9,007,249
Highest share price (UK p)	115.09	113.29	110.01
Lowest share price (UK p)	110.25	98.58	103.89

Financial highlights

Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012.

Change in NAV per share	Six months to 31.12.20 UK p	Year to 30.06.20 UK p	Year to 30.06.19 UK p
Opening NAV	142.04	135.48	127.97
Return before operating charges	7.57	7.75	8.69
Operating charges	(0.62)	(1.19)	(1.18)
Return after operating charges	6.95	6.56	7.51
Distributions	(1.35)	(3.40)	(3.58)
Retained distributions	1.35	3.40	3.58
Closing NAV	148.99	142.04	135.48
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments ^a	0.00	0.00	0.00
Total direct transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.00	0.00
Operating charges ^c	0.84	0.85	0.91
Return after charges	+4.89	+4.84	+5.87
Distribution yield	1.72	2.30	2.64
Other information			
Closing NAV (£'000)	20,766	18,982	18,304
Closing NAV (%)	0.66	0.61	0.52
Number of shares	13,938,499	13,363,338	13,510,595
Highest share price (UK p)	149.00	143.31	135.59
Lowest share price (UK p)	141.77	124.70	126.24

Sterling Class 'X' Income share performance

The share class was launched on 15 April 1994.

Change in NAV per share	Six months to 31.12.20 UK p	Year to 30.06.20 UK p	Year to 30.06.19 UK p
Opening NAV	40.86	40.39	39.67
Return before operating charges	2.17	2.27	2.63
Operating charges	(0.23)	(0.45)	(0.46)
Return after operating charges	1.94	1.82	2.17
Distributions	(0.56)	(1.35)	(1.45)
Closing NAV	42.24	40.86	40.39
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments ^a	0.00	0.00	0.00
Total direct transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.00	0.00
Operating charges ^c	1.09	1.10	1.16
Return after charges	+4.75	+4.51	+5.47
Distribution yield	2.56	3.14	3.53
Other information			
Closing NAV (£'000)	354,584	353,157	372,605
Closing NAV (%)	11.21	11.28	10.63
Number of shares	839,496,812	864,228,323	922,450,949
Highest share price (UK p)	42.53	41.95	40.80
Lowest share price (UK p)	40.78	36.49	38.57

Financial highlights

Sterling Class 'X' Accumulation share performance

The share class was launched on 15 April 1994.

Change in NAV per share	Six months to 31.12.20 UK p	Year to 30.06.20 UK p	Year to 30.06.19 UK p
Opening NAV	74.14	70.89	67.13
Return before operating charges	3.95	4.05	4.55
Operating charges	(0.42)	(0.80)	(0.79)
Return after operating charges	3.53	3.25	3.76
Distributions	(0.61)	(1.60)	(1.71)
Retained distributions	0.61	1.60	1.71
Closing NAV	77.67	74.14	70.89
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments ^a	0.00	0.00	0.00
Total direct transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.00	0.00
Operating charges ^c	1.09	1.10	1.16
Return after charges	+4.76	+4.58	+5.60
Distribution yield	1.47	2.05	2.39
Other information			
Closing NAV (£'000)	15,656	15,949	17,020
Closing NAV (%)	0.50	0.51	0.48
Number of shares	20,157,303	21,511,791	24,007,590
Highest share price (UK p)	77.69	74.88	70.96
Lowest share price (UK p)	74.00	65.14	66.15

^a In respect of direct portfolio transaction costs.

^b As a percentage of average net asset value.

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

Financial statements and notes

Financial statements

Statement of total return

for the six months to 31 December	2020		2019	
	£'000	£'000	£'000	£'000
Income				
Net capital gains / (losses)		120,027		67,204
Revenue	43,192		59,308	
Expenses	(11,522)		(13,106)	
Net revenue / (expense) before taxation	31,670		46,202	
Taxation	102		186	
Net revenue / (expense) after taxation		31,772		46,388
Total return before distributions		151,799		113,592
Distributions		(39,321)		(54,902)
Change in net assets attributable to shareholders from investment activities		112,478		58,690

Statement of change in net assets attributable to shareholders

for the six months to 31 December	2020		2019	
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		3,129,444		3,505,536
Amounts received on issue of shares	72,327		120,632	
Amounts paid on cancellation of shares	(160,608)		(282,952)	
		(88,281)		(162,320)
Dilution adjustments		730		1,211
Change in net assets attributable to shareholders from investment activities (see above)		112,478		58,690
Retained distributions on Accumulation shares		7,791		11,499
Unclaimed distributions		21		15
Closing net assets attributable to shareholders		3,162,183		3,414,631

The opening net assets attributable to shareholders for 2020 differs to the closing position in 2019 by the change in net assets attributable to shareholders for the second half of the comparative financial year.

Financial statements and notes

Financial statements

Balance sheet

as at	31 December 2020 £'000	30 June 2020 £'000
Assets		
Fixed assets		
Investments	2,987,306	2,979,923
Current assets		
Debtors	35,396	71,043
Cash and bank balances	6,669	34,038
Cash equivalents	150,980	100,592
Total assets	3,180,351	3,185,596
Liabilities		
Investment liabilities	(434)	(12,206)
Creditors		
Overdrawn positions at futures clearing houses and collateral manager	0	(285)
Distribution payable	(15,532)	(18,235)
Other creditors	(2,202)	(25,426)
Total liabilities	(18,168)	(56,152)
Net assets attributable to shareholders	3,162,183	3,129,444

Financial statements and notes

Notes to the financial statements

Accounting policies

The financial statements have been prepared in accordance with the 'Accounting policies' set out on page 5.

Distribution policy

In determining the amount available for distribution to Income shares, the annual charge, 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.

Authorised Corporate Director's Report

Investment objective

The fund has three aims:

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

Investment policy

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

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

Derivatives may be used for efficient portfolio management and hedging.

Investment approach

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

Benchmark

Benchmark: FTSE All-Share Index.

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

The fund is actively managed.

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

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

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.

Authorised Corporate Director's Report

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

Low risk High risk

← →
Typically lower rewards Typically higher rewards

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 changed during this period. From 1 July 2020 to 30 September 2020 the risk number was 5.

Investment review

As at 4 January 2021, for the six months ended 31 December 2020

Performance against objective

The fund did not achieve the objective of growing its income distribution over the six-month review period. The fund distributed income of 0.70p per Sterling Class 'A' (Income) share, a decrease of 15.2% over the 0.825p payment made in the same period last year. The inflation rate in November 2020 was 0.9%, as measured by the Retail Prices Index (RPI), while on the Consumer Prices Index (CPI) measure it was 0.3%.

However, as at 4 January 2021, the 4.60% yield on the fund's Sterling Class 'A' (Income) shares was 37.3% above the benchmark FTSE All-Share Index yield of 3.35%, meeting the fund's objective to exceed the index yield.

Over five years, the fund has lagged the benchmark FTSE All-Share Index in total return terms (the combination of capital growth and income), thereby missing its objective. Over this period, the index returned 5.9% pa.

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

Performance review

The fund experienced a solid first half to its new financial year, which put it well ahead of the FTSE All-Share Index total return of 10.9% and in the process recouped some of the performance deficit of the previous financial year.

The pandemic continued to be a dominant influence on markets; however, whilst it weighed on returns in the previous financial year, in the current six-month period under review the combination of the authorities' response in the form of monetary and fiscal support measures, including a £350 billion spending package, along with the vaccine rollout, led to a rebound as investors looked forward to an economic recovery and better times ahead.

The road to recovery was not a straight path, however, with the market enduring setbacks, particularly in October when it fell into negative territory for the period. Risk appetite evaporated in the wake of a resurgent virus and renewed government restrictions threatening to derail the economic recovery, along with concerns about whether the UK would secure a trade deal with the EU. However, the final two months of 2020 produced the domestic market's strongest performance of the year as it staged a recovery from oversold levels. The catalyst for the rebound was positive news on vaccines in November, followed by regulatory approval in the UK for two of them in December. In addition, the presidential election result along with a US\$2.3 trillion fiscal stimulus package in the US provided further support. In the UK, sentiment received a boost from the finalising of the EU trade deal on Christmas Eve, although this was dampened subsequently by the emergence of two highly infectious coronavirus strains and the bulk of the UK being put under further restrictions.

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Confronted with the pandemic, many companies announced the omission, cancellation or suspension of dividend payments, which undermined the domestic market. However, in the later stages of 2020, some companies resumed payouts as they began to adjust to the new environment. In particular, two big sources of market dividends are the banks and oil companies. The Prudential Regulation Authority (PRA) stopped banks paying dividends in March and it was not until December that it signalled payouts could recommence. In addition, a collapse in demand pushed the oil price into negative territory in April and subsequently resulted in Shell cutting its dividend by two-thirds and BP by half. However, the outlook improved towards the end of the year, with Brent crude recovering over 165% from its March lows to around US\$50 as commodities generally rallied amidst a robust recovery in China which has avoided a second lockdown.

Sterling was also a key influence on the UK market and ended the six months with a 10% gain against the dollar at US\$1.37, having been as low as US\$1.15 in late March. The currency tended to reflect progress in the trade negotiations – weakening when the outcome looked uncertain and vice versa. The potential for a stronger pound to impact the overseas revenues of the dominant multinationals in the FTSE 100 Index meant that larger companies underperformed the more domestically orientated medium-sized and smaller companies as a stronger currency bore down on their import costs.

Reflecting the market recovery from the March lows, more economically sensitive areas generally outperformed, such as mining, chemicals, industrials, retailers and travel & leisure, while more defensive sectors lagged, such as consumer staples, pharmaceuticals, mobile telecoms and water utilities, along with energy companies.

Against this background, the main source of added value within the fund came from stock selection, particularly in its overseas holdings, which represent around 8% of the portfolio and despite the strength of sterling, along with the fund's positioning in large and smaller companies. Prominent among the overseas holdings were Methanex, a Canadian methanol

producer that benefited from stronger energy prices, and Finnish winter tyre manufacturer Nokian Renkaat, which has a strong position in a niche market.

Notably within larger UK companies, Entain (formerly GVC), owner of Ladbrokes Coral bookmakers, benefited from an increase in its online business in 2020 and a takeover approach by Las Vegas casino owner Caesars Entertainment for bookmaker William Hill, which served to highlight the attractions of strategic assets in the gaming sector. Mining company shares proved to be particularly resilient in 2020, and the fund's Rio Tinto holding added further value. The Anglo-American miner is considered to be the best of breed, with low production costs, and its shares rose off the back of a rapidly increasing iron ore price, given improving expectations for a strong recovery in China's demand for commodities, and more recently President-elect Joe Biden's infrastructure spending ambitions. Meanwhile, auto insurers Admiral and Hastings (a medium-sized company) benefited from the lockdown as the number of accident claims eased, while the latter was also taken private for a healthy premium by an overseas consortium.

Within UK smaller companies, the standout performance was by newspaper group Reach (formerly Trinity Mirror) which, aside from its iconic national brands, owns a large number of regional newspapers and benefited from its digital footprint as customers eschewed the printed format in the lockdowns.

The fund surrendered some performance, however, through its natural defensive bias at a sector level as above-average market positions in high yielding tobacco firms, pharmaceutical manufacturers and water utilities detracted value, along with a below-average market position in miners.

Investment activities

The focus of fund activity during the six months under review was concentrated on mitigating the impact of dividend cuts in 2020 and increasing the exposure to companies with higher dividend yields as far as possible, without damaging the portfolio's total return credentials.

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

Elsewhere, we exited auto parts and bicycle retailer Halfords, which had performed well for the fund and there was only a rump holding left, along with auto insurer Hastings post the cash bid, recycling the proceeds into another auto insurer, Direct Line, which has reinstated its dividend policy and paid the one missed earlier in the year.

There were a number of complete sales following outperformance and a decline in yield, including meat packaging business Hilton Food, private equity firm 3i, Swiss drugmaker Roche and Scandinavian financial services group Sampo. We also sold out of William Hill to fund other opportunities as the share price reflected the Caesars bid premium.

We introduced several new holdings on attractive yields during the period, including pensions consultancy firm XPS Pensions Group, student accommodation and rental residential property developer Watkins Jones, online trading platform IG Group, merchant bank Close Brothers, supermarket operator Tesco and reinsurer Conduit.

XPS Pensions operates in a growing industry servicing and supporting pension funds. Watkins Jones was added, taking advantage of a bout of weakness to increase the fund's exposure to housebuilding stocks and diversify the portfolio within the sector. The company has a strong balance sheet, several development sites awaiting funding and we anticipate that it will return to paying a dividend in due course.

IG Group benefits from heightened levels of market volatility and is supported by cashflow and a solid

dividend, underpinned by a significant increase in earnings in 2020. Close Brothers is a non-mainstream bank which has signalled that it will resume paying a dividend after it was cut for the first time in 35 years in 2020. A cautiously managed institution, historically, Close Brothers has been very successful in raising and deploying capital at the correct point in the economic cycle.

Tesco is returning 20% of capital from the sale of its operation in Thailand and paying down its pension fund deficit. The supermarket chain is a sound business, much improved from where it was five years ago. The discounters are less of a threat these days as they have no online exposure and offer fewer product lines – factors that have proved crucial in the current environment. Conduit is a start-up reinsurance company which raised more than £800 million in an IPO (initial public offering or flotation). This will enable the company to deploy capital and take advantage of significant price hardening in a difficult insurance market for the incumbents who have weathered massive losses.

Outlook

The UK lagged the other major regional markets over the second half of 2020 and ended the year as a whole down by 10% as measured by the FTSE All-Share Index in total return terms. This was partly a result of uncertainty over the country's trade deal with the EU, as well as the suspension of dividends, the UK's belated response to the pandemic and resultant impact on the economy, sterling weakness deterring foreign investors despite this year's partial recovery, along with the market's composition. In the latter case, in particular, the market was held back by a small tech sector compared to the US where it propelled Wall Street to all-time highs in 2020, and a substantial weighting in banks and energy companies which were constrained by dividend cuts and low oil prices.

The government and the Bank of England continue to provide a huge package of measures to support the economy and the market will benefit from any improvement in global economic activity. Indeed, China has recorded some strong industrial growth numbers,

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and elsewhere there are signs of a pick-up in manufacturing activity. Meanwhile, the final shape of the UK's post-Brexit trade relationship with the European Union should become known in the next few months, which will provide greater clarity. Finally, numerous vaccines are under development and the authorities have already approved treatments developed by Pfizer/BioNTech, AstraZeneca and Moderna, adding to vaccines that have been developed by China and Russia, which will help authorities rescue the global economy from its stasis.

On a more positive note, the current situation differs from previous market setbacks as the sharp economic deterioration has been caused by governments shutting down their economies, and not more typically by rising interest rates, corporate failure, a geopolitical event or an oil price rise shock. Indeed, although the latter has risen off historic lows, it is hovering around US\$50 per barrel which should provide a boost to most of the global economy. When policymakers start switching their economies back on again, the bounce-back could be fairly swift, albeit to a lower rate of growth than before. In some countries, such as China and South Korea, this is already starting to occur. The worry remains of a continued rise in mutations of the virus and further lockdowns. One thing is for certain, the wave of capital raisings is likely to continue as companies seek to repair their balance sheets and ultimately return to paying dividends.

The UK market's underperformance has left it looking cheap in a global context, trading at levels not seen since 1975. This could start to attract takeover activity by foreign companies once some of the shorter term uncertainties have been surmounted. There are small signs that this might be picking up already with, for example, the £630m deal by US private equity firm Lone Star to buy retirement homebuilder McCarthy & Stone, Caesars Entertainment's £2.9bn bid for William Hill, the £7.2bn takeover of insurer RSA by an overseas consortium, and a £3.2 billion bid for corporate jet leasing and airport services firm Signature Aviation (formerly BBA) from US private equity group Blackstone.

We would be wary of false dawns, but the rally by value stocks at the end of 2020 had a positive impact on the fund's performance towards the end of 2020, and at the time of writing the trend has continued into 2021. Value investing is an investment style that tends to focus on fundamentally undervalued companies which are often accompanied by a higher yield to compensate investors.

These have underperformed growth stocks for the past decade as investors have maintained a preference for reliable, albeit potentially lower, earnings streams in uncertain times, such as those offered by consumer staples companies like Diageo, Reckitt Benckiser and Unilever. Consequently, previous attempts by value stocks to rally, including a brief period in May 2020, have not been sustained, which has left the valuation gap between the two investment styles at extreme levels despite the latest moves.

Distribution prospects

We have witnessed a slightly better environment for dividends recently as in some cases companies have made extra payments to replace payouts cancelled earlier this year. However, we cannot become too complacent as the pandemic has not run its course and companies will continue to have to react to events. With the second wave of the virus sparking a further round of lockdowns we are alive to the potential risks to the corporate sector and shareholder returns.

Despite the uncertainty ahead, we believe the most likely outcome is that the fund experiences a longer period of exposure to companies paying lower dividends than in its last financial year. Encouragingly, the 15% decline in the fund's income growth in the first half of its financial year compares with a 39% decline in the market's average dividend growth over the same period. For the fund's 2020/2021 year on current estimates, we are looking at delivering income growth within a range of -5% to +5%, and at the current time we are expecting to come in towards the lower end of the range. We feel comfortable about maintaining the fund's premium yield in this scenario. We expect income for the UK market overall to fall in the same period, subject to events over the next six months.

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We remain convinced of the longer term opportunity presented by higher yielding equities. What will be crucial is to strike the right balance between companies with a good chance of maintaining their dividend, those whose lower share prices present valuation opportunities today, but may have cut their dividend, and those that will recover after the crisis and offer an exceptional income yield given their dividend-paying capacity. While the widespread cancellation of dividends has affected the share prices and income from many of the fund's holdings, the sell-off has created value opportunities for long-term investors.

Michael Stiasny

Fund manager

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

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

Investments

Portfolio statement

Holding		as at 31.12.20 £'000	as at 31.12.20 %	as at 30.06.20 %
Equities		1,012,784	99.77	101.87
Software & computer services		13,661	1.35	1.54^a
2,600,000	Micro Focus International	11,073	1.09	
1,000,000	Moneysupermarket.com	2,588	0.26	
Telecommunications equipment		9,529	0.94	0.80^a
1,375,000	SES FDR	9,529	0.94	
Telecommunication service providers		24,981	2.46	3.27
20,540,401	Vodafone	24,981	2.46	
Pharmaceuticals & biotechnology		95,575	9.42	12.84
245,000	AbbVie	18,897	1.86	
518,372	AstraZeneca	38,033	3.75	
2,622,584	GlaxoSmithKline	35,442	3.49	
120,000	Takeda Pharmaceutical	3,203	0.32	
Banks		49,554	4.88	4.24
358,329	Close Brothers	4,981	0.49	
5,500,000	HSBC	20,911	2.06	
64,643,113	Lloyds Banking	23,662	2.33	
Investment banking & brokerage services		76,580	7.54	6.36^a
189,166	Ashmore	818	0.08	
1,639,553	Brewin Dolphin	5,025	0.49	
1,408,227	Duke Royalty ^b	415	0.04	
715,909	IG	6,132	0.60	
1,349,342	Intermediate Capital	23,290	2.29	
1,944,257	Jupiter Fund Management	5,545	0.55	
1,500,000	St. James's Place	16,943	1.67	
5,650,000	Standard Life Aberdeen	16,001	1.58	
1,890,752	XPS Pensions	2,411	0.24	
Equity investment instruments		6,199	0.61	0.26
2,993,158	Hipgnosis Songs	3,696	0.36	
2,350,000	SDCL Energy Efficiency Income Trust	2,503	0.25	
Non-equity investment instruments		11,100	1.09	0.92
1,200,000	Honeycomb Investment Trust	11,100	1.09	

Investments

Portfolio statement (continued)

Holding		as at 31.12.20 £'000	as at 31.12.20 %	as at 30.06.20 %
Equities (continued)				
Life insurance		70,153	6.91	6.49^a
5,725,000	Aviva	18,715	1.84	
2,964,566	Chesnara	8,523	0.84	
6,500,000	Legal & General	17,336	1.71	
3,650,000	Phoenix	25,579	2.52	
Non-life insurance		56,477	5.56	6.15
480,000	Admiral	14,040	1.38	
1,500,000	Conduit	7,473	0.74	
5,205,293	Direct Line Insurance	16,631	1.64	
4,383,177	Sabre Insurance	12,120	1.19	
20,000	Zurich Insurance	6,213	0.61	
Real estate investment & services		5,523	0.54	0.61
11,505,878	Grit Real Estate Income	5,523	0.54	
Real estate investment trusts		42,272	4.17	3.45
2,319,130	Home REIT	2,505	0.25	
7,448,434	NewRiver REIT	6,197	0.61	
9,171,951	Regional REIT	7,457	0.74	
1,400,000	UNITE REIT	14,518	1.43	
1,600,000	Urban Logistics REIT ^b	2,272	0.22	
7,802,208	Warehouse REIT ^b	9,323	0.92	
Automobiles & parts		3,898	0.38	0.81
150,000	Nokian Renkaat	3,898	0.38	
Consumer services		1,379	0.14	0.53^a
100,000	Compass	1,379	0.14	
Household goods & home construction		39,472	3.89	2.18
4,140,000	Countryside Properties	19,342	1.91	
420,000	Persimmon	11,680	1.15	
4,528,074	Watkin Jones ^b	8,450	0.83	
Leisure goods		3,955	0.39	0.84
35,000	Games Workshop	3,955	0.39	
Media		50,394	4.97	3.24^a
12,900,000	ITV	13,803	1.36	

Investments

Portfolio statement (continued)

Holding		as at 31.12.20 £'000	as at 31.12.20 %	as at 30.06.20 %
Equities (continued)				
Media (continued)				
10,709,749	Reach	15,229	1.50	
982,983	STV	2,939	0.29	
2,300,000	WPP	18,423	1.82	
	Retailers	14,238	1.40	1.19
1,000,000	DFS Furniture	2,250	0.22	
1,761,606	ScS	3,611	0.36	
548,187	WH Smith	8,377	0.82	
	Travel & leisure	43,700	4.31	4.11^a
3,100,000	Entain	35,185	3.47	
492,000	Go-Ahead	4,755	0.47	
5,000,000	Marston's	3,760	0.37	
	Beverages	10,927	1.08	1.45
1,348,137	Britvic	10,927	1.08	
	Food producers	0	0.00	0.53
	Tobacco	89,575	8.82	10.26
1,820,000	British American Tobacco	49,359	4.86	
2,613,980	Imperial Brands	40,216	3.96	
	Personal care, drug & grocery stores	17,870	1.76	1.27^a
2,000,000	Tesco	4,652	0.46	
300,000	Unilever	13,218	1.30	
	Construction & materials	925	0.09	0.12
1,200,000	Kier	925	0.09	
	Electronic & electrical equipment	5,895	0.58	0.98^a
500,000	IMI	5,895	0.58	
	General industrials	25,127	2.48	2.27
6,657,995	DS Smith	25,127	2.48	
	Industrial support services	21,740	2.14	2.50
5,339,046	Essentra	16,508	1.63	
800,000	PayPoint	5,232	0.51	
	Industrial materials	4,811	0.47	0.56
175,000	UPM-Kymmene	4,811	0.47	

Investments

Portfolio statement (continued)

Holding	as at 31.12.20 £'000	as at 31.12.20 %	as at 30.06.20 %
Equities (continued)			
Industrial metals & mining	55,560	5.47	4.87^a
500,000 Central Asia Metals ^b	1,198	0.12	
985,000 Rio Tinto	54,362	5.35	
Chemicals	20,250	2.00	1.68
325,000 Methanex	11,085	1.09	
390,000 Victrex	9,165	0.91	
Non-renewable energy	73,923	7.28	8.12^a
17,700,000 BP	45,516	4.48	
9,608,444 Diversified Gas & Oil	10,896	1.07	
2,990,875 Prosafe	277	0.03	
540,000 TOTAL	17,234	1.70	
Electricity	31,476	3.10	1.85
2,341,771 Drax	8,758	0.86	
1,515,000 SSE	22,718	2.24	
Gas, water & multi-utilities	36,065	3.55	5.58
450,000 Engie	5,107	0.50	
3,000,000 National Grid	26,010	2.56	
550,000 United Utilities	4,948	0.49	
Unquoted / unlisted^c	0	0.00	0.00
377,518 Izodia	0	0.00	
Portfolio of investments	1,012,784	99.77	101.87
Cash Equivalents	1,134	0.11	0.00
'AAA' rated money market funds^d	1,134	0.11	0.00
1,134,000 Northern Trust Global Fund - Sterling	1,134	0.11	
Total portfolio	1,013,918	99.88	101.87
Net other assets / (liabilities)	1,245	0.12	(1.87)
Net assets attributable to shareholders	1,015,163	100.00	100.00

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

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

b AIM quoted.

c Suspended.

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

Investments

Top ten portfolio transactions for the six months to 31 December 2020

Largest purchases	£'000
Direct Line Insurance	9,708
SSE	7,500
Watkin Jones ^a	6,873
IG	6,649
BP	5,940
Tesco	4,760
Vodafone	4,482
GlaxoSmithKline	4,338
Close Brothers	4,206
Conduit	3,802
Other purchases	47,461
Total purchases	105,719
Largest sales	£'000
Hastings	12,515
Pennon	11,467
Entain	9,368
BT	8,948
Roche	8,800
Admiral	8,671
AstraZeneca	7,986
Nokian Renkaat	6,972
Methanex	6,740
3i	6,493
Other sales	64,987
Total sales	152,947

^a AIM quoted.

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

Financial highlights

Fund performance

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

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

Fund level performance

Fund net asset value as at	31.12.20 £'000	30.06.20 £'000	30.06.19 £'000
Fund net asset value (NAV)	1,015,163	952,130	1,134,711

Performance since launch

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

May 1964 = 100, plotted monthly
Chart date 4 January 2021



Source: Morningstar, Inc. and M&G

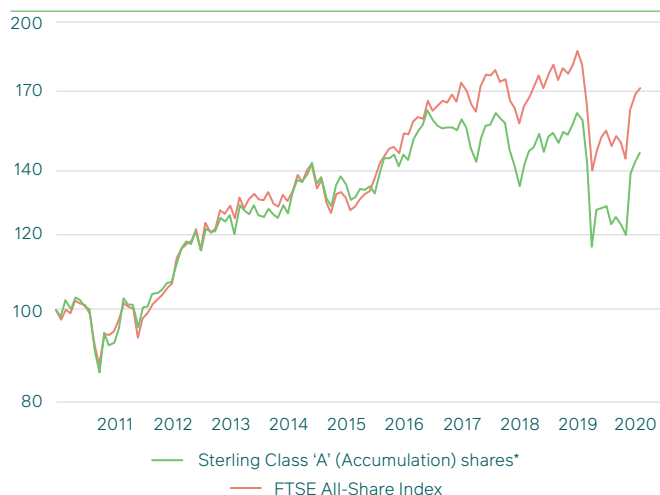
*Income reinvested

Financial highlights

Ten-year performance

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

Ten years, 4 January 2011 = 100, plotted monthly
Chart date 4 January 2021



Source: Morningstar, Inc. and M&G

*Income reinvested

Historic yield

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

Yield comparison from May 1964, plotted monthly
Chart date 4 January 2021



Source: Morningstar, Inc. and M&G

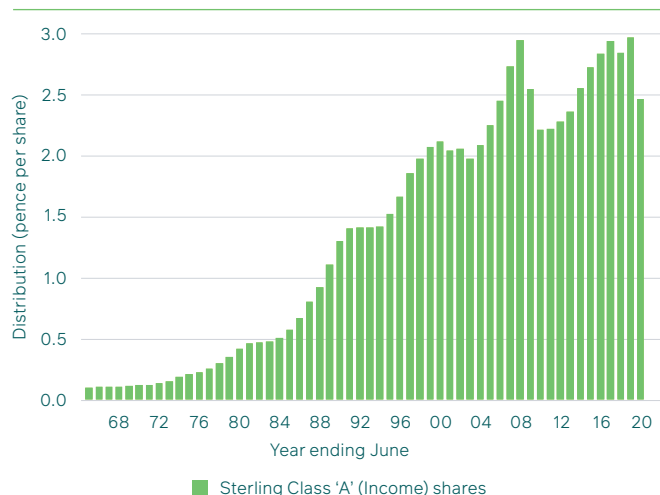
Historic yield: The historic yield reflects distributions declared over the past twelve months as a percentage of the mid-market price, as at the date shown. It does not include any preliminary charge and investors may be subject to tax on their distributions.

Financial highlights

Distribution since launch

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

Annual distributions since launch of the share class
Chart date 1 July 2020



Source: M&G

Long-term performance by share class

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

Share class	Six months 01.07.20 % ^a	Three years 02.01.18 % pa	Five years 04.01.16 % pa	Since launch % pa
Sterling^b				
Class 'A'	+16.0	-2.6	+1.9	+10.4 ^c
Class 'C'	+16.7	-1.3	+3.3	+5.3 ^d
Class 'I'	+16.3	-2.0	+2.6	+5.1 ^e
Class 'R'	+16.2	-2.3	+2.3	+4.8 ^e
Class 'X'	+16.0	-2.6	+1.9	+6.1 ^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.

Financial highlights

Operating charges and portfolio transaction costs

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

Operating charges

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

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

- **Ongoing charges from underlying funds:** Ongoing charges on holdings in underlying funds that are not rebated. From 1 August 2019 charges from underlying funds (excluding Investment Trust Companies and Real Estate Investment Trusts) will be rebated.

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

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

Portfolio transaction costs

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

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

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

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

Financial highlights

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

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

Portfolio transaction costs

Direct portfolio transaction costs ^b	Six months to 31.12.20 %	Year to 30.06.20 %	Year to 30.06.19 %	Average ^a %
Broker commission	0.02	0.02	0.04	0.03
Taxes	0.08	0.10	0.18	0.12
Costs before dilution adjustments	0.10	0.12	0.22	0.15
Dilution adjustments ^c	(0.02)	(0.05)	(0.03)	(0.03)
Total direct portfolio transaction costs	0.08	0.07	0.19	0.19
as at Indirect portfolio transaction costs	31.12.20 %	30.06.20 %	30.06.19 %	Average ^a %
Average portfolio dealing spread	0.22	0.25	0.11	0.19

a Average of first three columns.

b As a percentage of average net asset value.

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

Specific share class performance

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

Historic yields for the current year are calculated as at 15 January 2021.

Sterling Class 'A' Income share performance

The share class was launched on 6 May 1964.

Change in NAV per share	Six months to 31.12.20 UK p	Year to 30.06.20 UK p	Year to 30.06.19 UK p
Opening NAV	45.44	56.65	61.07
Return before operating charges	5.37	(8.08)	(0.47)
Operating charges	(0.27)	(0.66)	(0.98)
Return after operating charges	5.10	(8.74)	(1.45)
Distributions	(0.70)	(2.47)	(2.97)
Closing NAV	49.84	45.44	56.65
Direct transaction costs UK p	UK p	UK p	UK p
Costs before dilution adjustments	0.02	0.06	0.13
Dilution adjustments ^a	(0.01)	(0.03)	(0.02)
Total direct transaction costs	0.01	0.03	0.11
Performance and charges %	%	%	%
Direct portfolio transaction costs ^b	0.08	0.07	0.19
Operating charges ^c	1.18	1.22	1.70
Return after charges	+11.22	-15.43	-2.37
Historic yield	4.51	5.60	5.21
Other information			
Closing NAV (£'000)	217,896	204,137	264,442
Closing NAV (%)	21.46	21.44	23.30
Number of shares	437,210,623	449,275,012	466,775,318
Highest share price (UK p)	51.26	60.72	63.11
Lowest share price (UK p)	42.00	37.94	52.08

Financial highlights

Sterling Class 'A' Accumulation share performance

The share class was launched on 6 May 1964.

Change in NAV per share	Six months to 31.12.20 UK p	Year to 30.06.20 UK p	Year to 30.06.19 UK p
Opening NAV	580.23	687.64	702.83
Return before operating charges	69.53	(99.35)	(3.77)
Operating charges	(3.47)	(8.06)	(11.42)
Return after operating charges	66.06	(107.41)	(15.19)
Distributions	(6.90)	(22.20)	(23.50)
Retained distributions	6.90	22.20	23.50
Closing NAV	646.29	580.23	687.64
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.28	0.75	1.47
Dilution adjustments ^a	(0.07)	(0.35)	(0.23)
Total direct transaction costs	0.21	0.40	1.24
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.08	0.07	0.19
Operating charges ^c	1.18	1.22	1.70
Return after charges	+11.39	-15.62	-2.16
Historic yield	3.22	3.94	3.40
Other information			
Closing NAV (£'000)	57,513	52,150	67,252
Closing NAV (%)	5.67	5.48	5.93
Number of shares	8,898,978	8,987,698	9,780,117
Highest share price (UK p)	660.03	739.07	726.56
Lowest share price (UK p)	540.88	466.67	600.55

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.

Change in NAV per share	Six months to 31.12.20 UK p	Year to 30.06.20 UK p	Year to 30.06.19 UK p
Opening NAV	56.87	70.03	74.35
Return before operating charges	6.76	(10.08)	(0.53)
Operating charges	0.00	(0.01)	(0.14)
Return after operating charges	6.76	(10.09)	(0.67)
Distributions	(0.88)	(3.07)	(3.65)
Closing NAV	62.75	56.87	70.03
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.03	0.08	0.16
Dilution adjustments ^a	(0.01)	(0.04)	(0.02)
Total direct transaction costs	0.02	0.04	0.14
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.08	0.07	0.19
Operating charges ^c	0.00	0.01	0.20
Return after charges	+11.89	-14.41	-0.90
Historic yield	4.47	5.56	5.18
Other information			
Closing NAV (£'000)	587,004	551,154	658,664
Closing NAV (%)	57.82	57.89	58.04
Number of shares	935,488,101	969,200,915	940,507,184
Highest share price (UK p)	64.53	75.53	76.94
Lowest share price (UK p)	52.78	47.32	63.90

Financial highlights

Sterling Class 'I' Income share performance

The share class was launched on 3 August 2012.

Change in NAV per share	Six months to 31.12.20 UK p	Year to 30.06.20 UK p	Year to 30.06.19 UK p
Opening NAV	920.61	1,141.74	1,221.44
Return before operating charges	109.08	(163.78)	(8.93)
Operating charges	(3.16)	(7.47)	(11.06)
Return after operating charges	105.92	(171.25)	(19.99)
Distributions	(14.20)	(49.88)	(59.71)
Closing NAV	1,012.33	920.61	1,141.74
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.45	1.22	2.55
Dilution adjustments ^a	(0.10)	(0.58)	(0.41)
Total direct transaction costs	0.35	0.64	2.14
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.08	0.07	0.19
Operating charges ^c	0.68	0.70	0.95
Return after charges	+11.51	-15.00	-1.64
Historic yield	4.49	5.58	5.20
Other information			
Closing NAV (£'000)	88,923	86,111	72,423
Closing NAV (%)	8.76	9.04	6.38
Number of shares	8,784,027	9,353,766	6,343,173
Highest share price (UK p)	1,041.08	1,227.11	1,263.06
Lowest share price (UK p)	852.43	767.62	1,045.65

Sterling Class 'I' Accumulation share performance

The share class was launched on 3 August 2012.

Change in NAV per share	Six months to 31.12.20 UK p	Year to 30.06.20 UK p	Year to 30.06.19 UK p
Opening NAV	1,332.37	1,570.70	1,593.43
Return before operating charges	160.00	(227.78)	(8.19)
Operating charges	(4.59)	(10.55)	(14.54)
Return after operating charges	155.41	(238.33)	(22.73)
Distributions	(17.90)	(58.71)	(64.98)
Retained distributions	17.90	58.71	64.98
Closing NAV	1,487.78	1,332.37	1,570.70
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.65	1.71	3.35
Dilution adjustments ^a	(0.15)	(0.81)	(0.53)
Total direct transaction costs	0.50	0.90	2.82
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.08	0.07	0.19
Operating charges ^c	0.68	0.70	0.95
Return after charges	+11.66	-15.17	-1.43
Historic yield	3.68	4.54	4.11
Other information			
Closing NAV (£'000)	17,050	16,263	20,241
Closing NAV (%)	1.68	1.71	1.78
Number of shares	1,145,970	1,220,640	1,288,692
Highest share price (UK p)	1,519.38	1,693.26	1,648.33
Lowest share price (UK p)	1,244.06	1,070.09	1,366.64

Financial highlights

Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012.

Change in NAV per share	Six months to 31.12.20 UK p	Year to 30.06.20 UK p	Year to 30.06.19 UK p
Opening NAV	90.24	112.20	120.34
Return before operating charges	10.68	(16.05)	(0.90)
Operating charges	(0.42)	(1.01)	(1.37)
Return after operating charges	10.26	(17.06)	(2.27)
Distributions	(1.40)	(4.90)	(5.87)
Closing NAV	99.10	90.24	112.20
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.04	0.12	0.25
Dilution adjustments ^a	(0.01)	(0.06)	(0.04)
Total direct transaction costs	0.03	0.06	0.21
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.08	0.07	0.19
Operating charges ^c	0.93	0.95	1.20
Return after charges	+11.37	-15.20	-1.89
Historic yield	4.50	5.59	5.20
Other information			
Closing NAV (£'000)	14,885	13,073	15,838
Closing NAV (%)	1.47	1.37	1.40
Number of shares	15,019,515	14,486,440	14,115,564
Highest share price (UK p)	101.92	120.44	124.41
Lowest share price (UK p)	83.49	75.30	102.89

Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012.

Change in NAV per share	Six months to 31.12.20 UK p	Year to 30.06.20 UK p	Year to 30.06.19 UK p
Opening NAV	130.60	154.35	156.97
Return before operating charges	15.67	(22.35)	(0.82)
Operating charges	(0.62)	(1.40)	(1.80)
Return after operating charges	15.05	(23.75)	(2.62)
Distributions	(1.65)	(5.39)	(6.02)
Retained distributions	1.65	5.39	6.02
Closing NAV	145.65	130.60	154.35
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.06	0.17	0.33
Dilution adjustments ^a	(0.01)	(0.08)	(0.05)
Total direct transaction costs	0.05	0.09	0.28
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.08	0.07	0.19
Operating charges ^c	0.93	0.95	1.20
Return after charges	+11.52	-15.39	-1.67
Historic yield	3.45	4.25	3.88
Other information			
Closing NAV (£'000)	16,742	14,929	16,887
Closing NAV (%)	1.65	1.57	1.49
Number of shares	11,494,528	11,430,916	10,940,930
Highest share price (UK p)	148.74	166.16	162.34
Lowest share price (UK p)	121.84	104.96	134.46

Financial highlights

Sterling Class 'X' Income share performance

The share class was launched on 1 October 2002.

Change in NAV per share	Six months to 31.12.20 UK p	Year to 30.06.20 UK p	Year to 30.06.19 UK p
Opening NAV	45.64	56.91	61.35
Return before operating charges	5.40	(8.13)	(0.46)
Operating charges	(0.27)	(0.66)	(0.99)
Return after operating charges	5.13	(8.79)	(1.45)
Distributions	(0.70)	(2.48)	(2.99)
Closing NAV	50.07	45.64	56.91
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.02	0.06	0.13
Dilution adjustments ^a	(0.01)	(0.03)	(0.02)
Total direct transaction costs	0.01	0.03	0.11
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.08	0.07	0.19
Operating charges ^c	1.18	1.22	1.70
Return after charges	+11.24	-15.45	-2.36
Historic yield	4.51	5.60	5.21
Other information			
Closing NAV (£'000)	13,219	12,504	16,516
Closing NAV (%)	1.30	1.31	1.46
Number of shares	26,403,188	27,395,252	29,018,907
Highest share price (UK p)	51.49	61.00	63.40
Lowest share price (UK p)	42.19	38.12	52.32

Sterling Class 'X' Accumulation share performance

The share class was launched on 1 October 2002.

Change in NAV per share	Six months to 31.12.20 UK p	Year to 30.06.20 UK p	Year to 30.06.19 UK p
Opening NAV	573.98	680.23	695.26
Return before operating charges	68.78	(98.26)	(3.72)
Operating charges	(3.43)	(7.99)	(11.31)
Return after operating charges	65.35	(106.25)	(15.03)
Distributions	(6.85)	(21.96)	(23.25)
Retained distributions	6.85	21.96	23.25
Closing NAV	639.33	573.98	680.23
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.28	0.74	1.46
Dilution adjustments ^a	(0.06)	(0.35)	(0.23)
Total direct transaction costs	0.22	0.39	1.23
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.08	0.07	0.19
Operating charges ^c	1.18	1.22	1.70
Return after charges	+11.39	-15.62	-2.16
Historic yield	3.23	3.94	3.40
Other information			
Closing NAV (£'000)	1,931	1,809	2,448
Closing NAV (%)	0.19	0.19	0.22
Number of shares	302,007	315,200	359,867
Highest share price (UK p)	652.92	731.11	718.73
Lowest share price (UK p)	535.05	461.64	594.08

a In respect of direct portfolio transaction costs.

b As a percentage of average net asset value.

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

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Statement of total return

for the six months to 31 December	2020		2019	
	£'000	£'000	£'000	£'000
Income				
Net capital gains / (losses)		90,080		46,893
Revenue	22,531		28,273	
Expenses	(2,081)		(2,872)	
Net revenue / (expense) before taxation	20,450		25,401	
Taxation	(129)		(408)	
Net revenue / (expense) after taxation		20,321		24,993
Total return before distributions		110,401		71,886
Distributions		(14,577)		(16,382)
Change in net assets attributable to shareholders from investment activities		95,824		55,504

Statement of change in net assets attributable to shareholders

for the six months to 31 December	2020		2019	
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		952,130		1,134,711
Amounts received on issue of shares	24,790		84,490	
Amounts paid on cancellation of shares	(58,965)		(88,335)	
		(34,175)		(3,845)
Dilution adjustments		189		536
Change in net assets attributable to shareholders from investment activities (see above)		95,824		55,504
Retained distributions on Accumulation shares		1,031		1,165
Unclaimed distributions		164		107
Closing net assets attributable to shareholders		1,015,163		1,188,178

The opening net assets attributable to shareholders for 2020 differs to the closing position in 2019 by the change in net assets attributable to shareholders for the second half of the comparative financial year.

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Balance sheet

as at	31 December 2020 £'000	30 June 2020 £'000
Assets		
Fixed assets		
Investments	1,012,784	969,888
Current assets		
Debtors	5,508	4,056
Cash and bank balances	3,133	117
Cash equivalents	1,134	0
Total assets	1,022,559	974,061
Liabilities		
Creditors		
Bank overdrafts	0	(7)
Distribution payable	(6,468)	(17,112)
Other creditors	(928)	(4,812)
Total liabilities	(7,396)	(21,931)
Net assets attributable to shareholders	1,015,163	952,130

Financial statements and notes

Notes to the financial statements

Accounting policies

The financial statements have been prepared in accordance with the 'Accounting policies' set out on page 5.

Distribution policy

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

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

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.

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Investment objective

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

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

Investment policy

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

Other investments may include:

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

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

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

Investment approach

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

On a regional and country-specific level, factors such as monetary and fiscal policies, capital flows, and political and regulatory environments are assessed. The result of

this analysis will help inform the country, currency allocations and duration of the portfolio.

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

Benchmark

A composite index comprising:

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

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

The fund is actively managed.

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

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

Risk profile

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

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

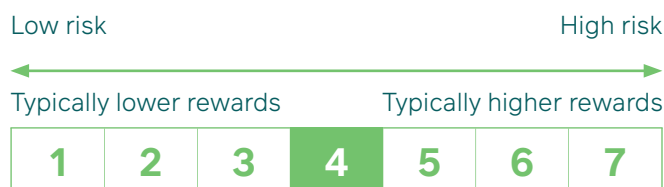
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disclosure standards are less developed and adverse market and political circumstances are more likely to occur in these markets.

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 4 January 2021, for the six months ended 31 December 2020

Performance against objective

Between 1 July 2020 (the start of the review period) and 4 January 2021, the M&G Emerging Markets Bond Fund delivered a positive total return (the combination of income and growth of capital) across all of its sterling share classes. In comparison, the fund's benchmark

recorded a return of -0.4% in the same period. The fund's benchmark is a composite index consisting of 1/3 JPM Emerging Markets Bond (EMBI) Global Diversified Index, 1/3 JPM Corporate EMBI (CEMBI) Broad Diversified Index, and 1/3 JPM GBI-EM Global Diversified Index.

Over five years, the fund generated a positive total return across all its share classes. All but one share class (the fund's sterling hedged share class), matched or beat the benchmark return of 8.9% pa. Therefore the fund did not meet the objective of providing a higher total return (the combination of capital growth and income), net of the ongoing charge figure, than that of a composite index over any five-year period.

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

Performance review

During the six months under review, emerging market bonds and other risky assets continued their recovery from the COVID-19-induced sell-off seen earlier in the year. The huge amount of uncertainty and volatility that had plagued financial markets in the first half of the year continued to ease over the summer months, despite ongoing social restrictions and national lockdowns causing immense economic damage around the world. Huge levels of government and central bank support continued to buoy investor sentiment, despite a slew of extremely poor economic data that reflected the severity of the COVID-19 crisis.

However, investors in many parts of the emerging market bond asset class did not experience the rally to the same extent as those holding developed market bonds, which were underpinned by the monetary policy responses of their large and influential central banks. Throughout much of the six-month period, higher-yielding parts of the market, such as the bonds issued by many 'frontier market' nations – those countries whose economies are less developed than those of emerging markets – lagged the returns from safer issuers, which are rated investment grade by credit rating agencies. Bond yields refer to the interest

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received from a fixed interest security, which is usually expressed annually as a percentage based on the investment's cost, its current market value or its face value. The higher the yield on a bond, the higher the risk of default -- that is, the risk that the issuer will fail to pay the interest or repay the full amount borrowed.

It wasn't until news of successful COVID-19 vaccine trials emerged at the start of November, together with some clarity over the US election result, that this difference in performance started to narrow significantly and widespread confidence in emerging market bonds returned. Despite an alarming resurgence of COVID-19 cases in the US and Europe during the period, emerging market bond valuations continued to recover.

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

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

Investment activities

The fund's overall asset allocation and currency positioning did not shift significantly during the period. We held a moderately lower allocation to local currency bonds relative to the fund's benchmark during the third quarter. However, as valuations among some investment grade bonds in the hard currency segment became less appealing, we started to increase our local currency exposure on a selective basis, using an assessment of country and currency fundamentals to identify areas of relative value in the market. For example, we increased exposure to Indian local sovereign bonds in August due to a more favourable outlook for the country's trade position and an increased likelihood that its central bank would leave interest rates unchanged in the near term. We also added exposure to the local sovereign bonds of Kazakhstan, Philippines, Thailand and Uzbekistan (an off-benchmark position) during this period. Towards the end of the fourth quarter, the fund had moved to an above-benchmark position in local currencies, a stance that rewarded fund performance.

We selectively reduced some corporate issuers on valuation grounds, particularly in sectors that we felt were vulnerable to further waves of the virus. For example, we reduced exposure to Chinese vehicle rental group Car Inc., Chile Metro, Puma Energy, and Delhi Airport due to concerns around fundamentals. Elsewhere, we exited our position in Ethiopia given the ongoing civil war there, and the fund continued to have no exposure in Belarus, given its troubling political situation.

We were very active in the new bond issues market in order to seek out good opportunities to add to our holdings. We participated in some attractively priced sovereign issues where we felt we were being adequately compensated for risks, including newly issued bonds from El Salvador, Jordan, Dubai, Dominican Republic, Panama, Morocco, and Mongolia. In contrast, we reduced some holdings where we assessed fundamentals – data such as budget revenues, or companies' sales and earnings figures – and/or valuations were less appealing. For example, we

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sold out of positions in Namibia and Abu Dhabi. In the corporate space, we bought newly issued securities from Commercial Bank in Qatar, Bangkok Bank and African energy provider Vivo.

Later in the period under review, we participated in new issues from the Bahamas (sovereign bonds) and Chinese online shopping platform Meituan and Chinese technology firm Lenovo, whose bonds attracted a lot of interest from investors, as well as National Bank of Uzbekistan. In local markets, we increased exposure to the Serbian Dinar and the Egyptian Pound.

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

Outlook

The hunt for yield in this low interest rates environment should support investments in emerging market debt, where we think yields remain relatively attractive, in 2021. Emerging market currencies remain broadly undervalued in our view, in an environment where we could see continued pressure on the US dollar. Despite a resurgence in the virus lately, the vaccine roll-out around the world should kick-start an economic recovery that is likely to be supportive for the asset class, particularly for countries with strong links to commodities and tourism. Global monetary policy is expected to remain very accommodative in the near term and should also be a significant supportive factor in 2021.

Clearly the threat of further waves of the virus and national lockdowns still hangs over many parts of the world, including many emerging markets. Also, undoubtedly the crisis will have left many scars on many emerging market economies. In an environment where bond valuations have normalised a lot since the depths of the crisis, the thorough analysis of fundamentals, as well as issuer selectivity and portfolio diversification, will all remain crucial in order to navigate risks effectively.

M&G's emerging market fixed income team takes a 'go anywhere' approach to the asset class that stands it in good stead to deal with what is a highly diverse and growing investment universe. This flexible approach

means we are not constrained by our benchmark and can invest anywhere in emerging market debt, including in bonds issued by governments or companies, denominated in hard or local currencies. The team use a combination of top-down analysis of macroeconomic factors with bottom-up issuer selection based on country and company fundamentals. This investment approach leads to a portfolio of 'best ideas' that we believe should help the fund to navigate different market conditions.

Claudia Calich

Fund manager

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

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

Investments

Portfolio statement

Holding		as at 31.12.20 \$'000	as at 31.12.20 %	as at 30.06.20 %
Fixed Income		1,216,956	96.68	98.73
Debt securities		1,216,956	96.68	98.73
'AAA' credit rated bonds		49,318	3.92	4.19
INR350,000,000	International Finance 5.85% 25/11/2022	4,851	0.38	
INR450,000,000	International Finance 6.3% 25/11/2024	6,369	0.51	
SG\$33,000,000	Singapore (Govt. of) 1.25% 01/10/2021	25,137	2.00	
SG\$17,000,000	Singapore (Govt. of) 2.25% 01/06/2021	12,961	1.03	
'AA' credit rated bonds		11,241	0.89	3.18
US\$8,000,000	Qatar (State of) 5.103% 23/04/2048	11,241	0.89	
'A' credit rated bonds		22,916	1.82	4.18
US\$3,000,000	BOC Aviation 3.875% 27/04/2026	3,277	0.26	
US\$2,053,000	CBQ Finance 2% 15/09/2025	2,054	0.16	
CLP5,000,000,000	Chile (Republic of) 4.7% 01/09/2030	8,268	0.66	
US\$1,112,000	Saudi Arabian Oil 1.625% 24/11/2025	1,136	0.09	
US\$2,209,000	Saudi Arabian Oil 2.25% 24/11/2030	2,243	0.18	
US\$1,810,000	Saudi Arabian Oil 3.25% 24/11/2050	1,827	0.14	
US\$4,000,000	Tencent 3.24% 03/06/2050	4,111	0.33	
'BBB' credit rated bonds		299,287	23.78	18.00
US\$2,766,000	ALROSA Finance 3.1% 25/06/2027	2,841	0.23	
US\$4,800,000	Bank Leumi Le-Israel Var. Rate 3.275% 29/01/2031	4,935	0.39	
COP19,571,000,000	Bogota Distrito Capital 9.75% 26/07/2028	6,610	0.53	
US\$2,667,000	China Construction Bank Var. Rate 2.45% 24/06/2030	2,724	0.22	
COP20,000,000,000	Columbia (Republic of) 7.25% 18/10/2034	6,527	0.52	
KZT2,100,000,000	Development Bank of Kazakhstan 8.95% 04/05/2023	4,911	0.39	
US\$4,300,000	DP World 5.625% 25/09/2048	5,472	0.43	
US\$2,500,000	Ecopetrol 6.875% 29/04/2030	3,211	0.25	
COP13,919,000,000	Empresas Publicas de Medellin ESP 8.375% 08/11/2027	4,313	0.34	
US\$2,925,000	Fufeng 5.875% 28/08/2021	2,993	0.24	
US\$2,624,000	Gaz Capital 7.288% 16/08/2037	3,845	0.31	
€1,325,000	Globalworth Real Estate Investments 2.95% 29/07/2026	1,705	0.14	
US\$3,185,000	Hutama Karya 3.75% 11/05/2030	3,553	0.28	
IDR227,881,000,000	Indonesia (Republic of) 8.25% 15/05/2036	18,860	1.50	
IDR65,000,000,000	Indonesia (Republic of) 8.375% 15/03/2034	5,388	0.43	

Investments

Portfolio statement (continued)

Holding	as at 31.12.20 \$'000	as at 31.12.20 %	as at 30.06.20 %
Fixed Income (continued)			
Debt securities (continued)			
'BBB' credit rated bonds (continued)			
IDR81,667,000,000 Indonesia (Republic of) 8.375% 15/04/2039	6,830	0.54	
KZT1,900,000,000 Kazakhstan (Republic of) 5.3% 19/03/2022	4,267	0.34	
US\$1,562,000 Lenovo 3.421% 02/11/2030	1,644	0.13	
US\$3,667,000 Lenovo 5.875% 24/04/2025	4,210	0.33	
MYR66,366,000 Malaysia (Govt. of) 3.882% 10/03/2022	16,891	1.34	
MYR15,000,000 Malaysia (Govt. of) 3.885% 15/08/2029	4,082	0.32	
US\$2,795,000 Meituan 3.05% 28/10/2030	2,908	0.23	
£5,250,000 Mexico (United Mexican States) 5.625% 19/03/2114	8,173	0.65	
MXN146,800,000 Mexico (United Mexican States) 8% 07/11/2047	8,706	0.69	
MXN560,590,000 Mexico (United Mexican States) 8.5% 18/11/2038	34,937	2.78	
US\$3,500,000 NBK Tier 1 Financing 2 Var. Rate 4.5% Perpetual	3,568	0.28	
US\$8,756,000 Panama Notas del Tesoro 3.75% 17/04/2026	9,543	0.76	
PEN18,000,000 Peru (Republic of) 5.94% 12/02/2029	6,203	0.49	
PEN9,500,000 Peru (Republic of) 6.15% 12/08/2032	3,188	0.25	
PEN29,617,000 Peru (Republic of) 8.2% 12/08/2026	11,018	0.88	
€2,500,000 Perusahaan Listrik Negara 1.875% 05/11/2031	3,005	0.24	
PHP328,000,000 Philippines (Republic of) 6.25% 14/01/2036	8,774	0.70	
€3,000,000 Romania (Republic of) 2.124% 16/07/2031	3,897	0.31	
RUB2,473,367,000 Russia (Federation of) 8.15% 03/02/2027	37,489	2.98	
US\$2,886,000 Tabreed Sukuk Spc 5.5% 31/10/2025	3,364	0.27	
THB252,687,000 Thailand (Kingdom of) IL 1.25% 12/03/2028	8,794	0.70	
THB275,000,000 Thailand (Kingdom of) IL 3.3% 17/06/2038	11,388	0.90	
US\$3,500,000 Trust Fibra Uno 6.39% 15/01/2050	4,063	0.32	
UYU270,902,481 Uruguay (Republic of) 3.875% 02/07/2040	7,620	0.61	
UYU70,000,000 Uruguay (Republic of) 4.375% 15/12/2028	3,918	0.31	
UYU118,919,000 Uruguay (Republic of) 9.875% 20/06/2022	2,919	0.23	
'BB' credit rated bonds	351,396	27.92	25.38
US\$3,000,000 Aeropuerto Internacional de Tocumen 5.625% 18/05/2036	3,487	0.28	
US\$3,206,955 Aeropuerto Internacional de Tocumen 6% 18/11/2048	3,841	0.31	
US\$4,447,000 Azerbaijan (Republic of) 3.5% 01/09/2032	4,712	0.37	

Investments

Portfolio statement (continued)

Holding	as at 31.12.20 \$'000	as at 31.12.20 %	as at 30.06.20 %
Fixed Income (continued)			
Debt securities (continued)			
'BB' credit rated bonds (continued)			
US\$2,913,000 Azerbaijan (Republic of) 4.75% 18/03/2024	3,176	0.25	
US\$5,000,000 Bahamas (Commonwealth of) 6% 21/11/2028	4,791	0.38	
US\$10,678,000 Bahamas (Commonwealth of) 8.95% 15/10/2032	11,567	0.92	
US\$4,800,000 Banco Mercantil del Norte Var. Rate 7.625% Perpetual	5,421	0.43	
US\$2,829,000 Bangkok Bank Var. Rate 5% Perpetual	2,946	0.23	
US\$1,054,000 Bank of East Asia Var. Rate 5.825% Perpetual	1,122	0.09	
US\$6,749,776 Bioceanico Sovereign Certificate 0% 05/06/2034	5,162	0.41	
BRL133,000,000 Brazil (Federal Republic of) 10% 01/01/2029	30,772	2.44	
US\$5,150,000 Cemex 7.375% 05/06/2027	5,842	0.46	
US\$2,500,000 CIFI 6% 16/07/2025	2,669	0.21	
US\$2,175,000 CIFI 6.55% 28/03/2024	2,324	0.18	
US\$3,856,000 Dominican Republic 4.875% 23/09/2032	4,285	0.34	
US\$5,000,000 Dominican Republic 6.4% 05/06/2049	5,818	0.46	
US\$5,016,000 Dominican Republic 7.45% 30/04/2044	6,442	0.51	
DOP413,850,000 Dominican Republic 8.9% 15/02/2023	7,342	0.58	
DOP280,000,000 Dominican Republic 9.75% 05/06/2026	5,185	0.41	
US\$2,080,000 DP World Salaam Var. Rate 6% Perpetual	2,260	0.18	
US\$3,091,000 EnfraGen Energia 5.375% 30/12/2030	3,191	0.25	
US\$4,335,000 Gazprom Var. Rate 4.5985% Perpetual	4,502	0.36	
US\$3,214,000 Germany (Federal Republic of) 4.875% 13/02/2028	3,682	0.29	
US\$4,575,000 Greenko Solar Mauritius 5.95% 29/07/2026	4,916	0.39	
US\$1,886,000 Grupo Aval 4.375% 04/02/2030	2,006	0.16	
US\$2,800,000 Gtlk Europe Capital 4.65% 10/03/2027	2,904	0.23	
US\$2,608,000 GTLK Europe Capital 5.95% 17/04/2025	2,837	0.23	
US\$5,398,000 Guatemala (Republic of) 4.5% 03/05/2026	5,964	0.47	
US\$5,320,000 Guatemala (Republic of) 4.9% 01/06/2030	6,211	0.49	
US\$2,300,000 KazMunayGas National 4.75% 19/04/2027	2,666	0.21	
US\$5,150,000 KUO 5.75% 07/07/2027	5,407	0.43	
€2,000,000 Macedonia (Govt. of) 2.75% 18/01/2025	2,594	0.21	
€2,600,000 Macedonia (Govt. of) 3.675% 03/06/2026	3,570	0.28	

Investments

Portfolio statement (continued)

Holding	as at 31.12.20 \$'000	as at 31.12.20 %	as at 30.06.20 %
Fixed Income (continued)			
Debt securities (continued)			
'BB' credit rated bonds (continued)			
€3,000,000 Macedonia (Govt. of) 5.625% 26/07/2023	4,111	0.33	
US\$1,682,000 MAF Global Securities Var. Rate 5.5% Perpetual	1,722	0.14	
US\$2,544,000 MAF Global Securities Var. Rate 6.375% Perpetual	2,656	0.21	
US\$4,480,000 MARB BondCo 6.875% 19/01/2025	4,635	0.37	
US\$5,421,000 Millicom International Cellular 5.125% 15/01/2028	5,754	0.46	
€4,881,000 Morocco (Kingdom of) 1.375% 30/03/2026	6,032	0.48	
US\$3,852,000 Morocco (Kingdom of) 4% 15/12/2050	3,969	0.32	
US\$4,928,000 Morocco (Kingdom of) 5.5% 11/12/2042	6,133	0.49	
US\$2,937,000 National Bank of Uzbekistan 4.85% 21/10/2025	3,033	0.24	
US\$4,700,000 Network i2i Var. Rate 5.65% Perpetual	5,002	0.40	
US\$5,511,000 Paraguay (Republic of) 6.1% 11/08/2044	7,365	0.59	
US\$7,800,000 Petrobras Global Finance 6.9% 19/03/2049	9,892	0.79	
€2,000,000 Petroleos Mexicanos 1.875% 21/04/2022	2,431	0.19	
US\$4,700,000 Petroleos Mexicanos 6.75% 21/09/2047	4,376	0.35	
US\$6,500,000 Petroleos Mexicanos 7.69% 23/01/2050	6,506	0.52	
US\$4,225,000 Rede D'or Finance 4.95% 17/01/2028	4,528	0.36	
US\$3,750,000 Royal Capital 5.875% Perpetual	3,820	0.30	
US\$4,025,000 SASOL Financing USA 6.5% 27/09/2028	4,362	0.35	
US\$2,286,000 Serbia (Republic of) 2.125% 01/12/2030	2,256	0.18	
€5,455,000 Serbia (Republic of) 3.125% 15/05/2027	7,513	0.60	
RSD600,000,000 Serbia (Republic of) 4.5% 20/08/2032	6,624	0.53	
RSD350,000,000 Serbia (Republic of) 5.875% 08/02/2028	4,304	0.34	
US\$6,000,000 South Africa (Republic of) 5.375% 24/07/2044	5,850	0.46	
ZAR486,118,303 South Africa (Republic of) 8.75% 28/02/2048	27,159	2.16	
US\$2,193,000 Southern Gas Corridor CJSC 6.875% 24/03/2026	2,645	0.21	
US\$3,700,000 Sovcombank Via SovCom Capital Var. Rate 8% 07/04/2030	3,945	0.31	
US\$4,100,000 Telefónica Celular del Paraguay 5.875% 15/04/2027	4,364	0.35	
US\$5,000,000 Teva Pharmaceutical Finance Netherlands III 6.75% 01/03/2028	5,608	0.45	
US\$2,350,000 TMB Bank Var. Rate 4.9% Perpetual	2,289	0.18	

Investments

Portfolio statement (continued)

Holding	as at 31.12.20 \$'000	as at 31.12.20 %	as at 30.06.20 %
Fixed Income (continued)			
Debt securities (continued)			
'BB' credit rated bonds (continued)			
US\$4,600,000 Transnet 4% 26/07/2022	4,636	0.37	
US\$5,344,000 Trinidad Petroleum 9.75% 15/06/2026	6,220	0.49	
US\$1,406,000 Uzbek Industrial and Construction Bank 5.75% 02/12/2024	1,468	0.12	
US\$3,923,000 VEON 3.375% 25/11/2027	4,042	0.32	
US\$1,676,000 Vivo Energy Investments 5.125% 24/09/2027	1,774	0.14	
US\$2,350,000 Wanda Properties International 7.25% 29/01/2024	2,417	0.19	
US\$2,250,000 Woori Bank Var. Rate 4.25% Perpetual	2,341	0.19	
'B' credit rated bonds	364,963	28.99	24.11
US\$3,000,000 ABJA Investment 5.45% 24/01/2028	3,163	0.25	
US\$3,584,000 ADES International 8.625% 24/04/2024	3,571	0.28	
€5,275,000 Albania (Republic of) 3.5% 09/10/2025	6,870	0.55	
US\$3,000,000 Alfa Bank Var. Rate 2030 5.95% 15/04/2030	3,105	0.25	
US\$4,008,000 Alpha 9% 10/02/2025	2,953	0.23	
US\$5,972,000 Armenia (Republic of) 7.15% 26/03/2025	6,852	0.54	
US\$1,168,000 Auna 6.5% 20/11/2025	1,234	0.10	
US\$5,000,000 Bahrain (Kingdom of) 5.625% 30/09/2031	5,275	0.42	
€7,525,000 Benin (Republic of) 5.75% 26/03/2026	9,734	0.77	
US\$9,086,000 Bolivia (Plurinational State of) 4.5% 20/03/2028	8,486	0.67	
US\$2,000,000 C&W Senior Financing 6.875% 15/09/2027	2,160	0.17	
US\$5,561,000 Cameroon (Republic of) 9.5% 19/11/2025	6,164	0.49	
€5,900,000 Central Bank Tunisia 5.625% 17/02/2024	6,664	0.53	
US\$2,000,000 Costa Rica (Republic of) 5.52% 10/11/2021	1,995	0.16	
US\$7,000,000 Costa Rica (Republic of) 9.2% 21/02/2024	7,558	0.60	
€3,800,000 Côte d'Ivoire (Republic of) 5.25% 22/03/2030	4,993	0.40	
€6,139,000 Côte d'Ivoire (Republic of) 6.625% 22/03/2048	8,339	0.66	
US\$4,300,000 Dar Al-Arkan Sukuk 6.875% 21/03/2023	4,376	0.35	
EGP54,000,000 Egypt (Arab Republic of) 0% 28/09/2021	3,138	0.25	
US\$12,500,000 Egypt (Arab Republic of) 8.7002% 01/03/2049	14,425	1.15	
US\$2,435,000 Egypt (Arab Republic of) 8.875% 29/05/2050	2,844	0.23	
EGP90,000,000 Egypt (Arab Republic of) 14.051% 21/07/2022	5,737	0.45	

Investments

Portfolio statement (continued)

Holding	as at 31.12.20 \$'000	as at 31.12.20 %	as at 30.06.20 %
Fixed Income (continued)			
Debt securities (continued)			
'B' credit rated bonds (continued)			
EGP39,000,000 Egypt (Arab Republic of) 14.196% 07/07/2023	2,504	0.20	
US\$6,000,000 El Salvador (Republic of) 7.124% 20/01/2050	5,365	0.43	
US\$3,750,000 El Salvador (Republic of) 9.5% 15/07/2052	3,784	0.30	
US\$2,000,000 Emirates NBD Bank Var. Rate 6.125% Perpetual	2,129	0.17	
US\$4,325,000 GFH Sukuk 7.5% 28/01/2025	4,076	0.32	
US\$10,384,000 Ghana (Republic of) 8.125% 26/03/2032	10,975	0.87	
US\$1,500,000 Ghana (Republic of) 8.627% 16/06/2049	1,530	0.12	
US\$4,105,000 Honduras (Republic of) 5.625% 24/06/2030	4,688	0.37	
US\$8,600,000 Honduras (Republic of) 6.25% 19/01/2027	9,967	0.79	
US\$2,000,000 Jamaica (Govt. of) 7.875% 28/07/2045	2,846	0.23	
US\$4,870,000 Jamaica (Govt. of) 8% 15/03/2039	7,043	0.56	
US\$6,667,000 Jordan (Kingdom of) 5.85% 07/07/2030	7,348	0.58	
US\$6,624,000 Jordan (Kingdom of) 7.375% 10/10/2047	7,711	0.61	
US\$5,106,000 JSC Georgia Capital 6.125% 09/03/2024	5,113	0.41	
US\$1,097,000 Kaisa 11.25% 16/04/2025	1,119	0.09	
US\$2,200,000 Kenya (Republic of) 8% 22/05/2032	2,560	0.20	
US\$3,500,000 Kenya (Republic of) 8.25% 28/02/2048	4,016	0.32	
US\$3,824,000 Kernel 6.75% 27/10/2027	4,050	0.32	
US\$4,500,000 Laos (Republic of) 6.875% 30/06/2021	3,984	0.32	
US\$1,500,000 Mongolia (Govt. of) 5.125% 05/12/2022	1,555	0.12	
US\$3,008,000 Mongolia (Govt. of) 5.125% 07/04/2026	3,230	0.26	
US\$8,230,000 Mongolia (Govt. of) 5.625% 01/05/2023	8,671	0.69	
US\$1,914,000 NAK Naftogaz Ukraine via Kondor Finance 7.375% 19/07/2022	1,967	0.16	
US\$3,268,000 NAK Naftogaz Ukraine via Kondor Finance 7.625% 08/11/2026	3,381	0.27	
US\$5,096,000 Nigeria (Federal Republic of) 7.875% 16/02/2032	5,597	0.44	
US\$4,543,000 Nigeria (Federal Republic of) 8.747% 21/01/2031	5,260	0.42	
US\$8,566,000 Oman (Salutante of) 6.75% 17/01/2048	8,464	0.67	
US\$5,500,000 Pakistan (Islamic Republic of) 6.875% 05/12/2027	5,749	0.46	
US\$4,500,000 Pakistan (Islamic Republic of) 7.875% 31/03/2036	4,631	0.37	

Investments

Portfolio statement (continued)

Holding	as at 31.12.20 \$'000	as at 31.12.20 %	as at 30.06.20 %
Fixed Income (continued)			
Debt securities (continued)			
'B' credit rated bonds (continued)			
US\$9,451,000 Rwanda (Republic of) 6.625% 02/05/2023	9,989	0.79	
€750,000 Senegal (Republic of) 4.75% 13/03/2028	981	0.08	
US\$9,500,000 Senegal (Republic of) 6.25% 23/05/2033	10,643	0.84	
US\$1,500,000 Senegal (Republic of) 6.75% 13/03/2048	1,650	0.13	
US\$791,615 Seychelles (Republic of) 8% 01/01/2026	752	0.06	
US\$1,591,000 Sunac China 6.5% 10/01/2025	1,636	0.13	
US\$3,267,000 Tajikistan (Republic of) 7.125% 14/09/2027	2,781	0.22	
US\$2,125,000 Times China 6.75% 16/07/2023	2,224	0.18	
US\$3,500,000 Turkey (Government of) 6.375% 14/10/2025	3,775	0.30	
US\$6,000,000 Turkey (Government of) 6.625% 17/02/2045	6,255	0.50	
US\$5,000,000 Turkey (Government of) 7.625% 26/04/2029	5,764	0.46	
TRY70,000,000 Turkey (Republic of) 10.6% 11/02/2026	8,771	0.70	
€12,000,000 Ukraine (Republic of) 4.375% 27/01/2030	14,069	1.12	
UAH60,000,000 Ukraine (Republic of) 15.36% 29/09/2021	2,177	0.17	
UAH114,500,000 Ukreximbank Via Biz Finance 16.5% 02/03/2021	4,002	0.32	
US\$3,919,000 Uzbekistan (Republic of) 4.75% 20/02/2024	4,245	0.34	
US\$4,411,000 Uzbekistan (Republic of) 5.375% 20/02/2029	5,127	0.41	
UZS24,920,000,000 Uzbekistan (Republic of) 14.5% 25/11/2023	2,402	0.19	
US\$3,087,000 VTR Comunicaciones 5.125% 15/01/2028	3,283	0.26	
€3,100,000 Walnut Bidco 6.75% 01/08/2024	3,944	0.31	
US\$4,000,000 Yapi ve Kredi Bankasi 8.25% 15/10/2024	4,368	0.35	
US\$4,200,000 Yingde Gases Investment 6.25% 19/01/2023	4,334	0.34	
US\$2,669,000 Yuzhou 7.85% 12/08/2026	2,842	0.22	
'CCC' credit rated bonds	49,324	3.92	2.33
US\$7,863,000 Angola (Republic of) 9.375% 08/05/2048	7,411	0.59	
US\$4,026,001 Ecuador (Republic of) 0% 31/07/2030	1,907	0.15	
US\$6,979,271 Ecuador (Republic of) 0.5% 31/07/2035	3,807	0.30	
US\$3,018,577 Ecuador (Republic of) 0.5% 31/07/2040	1,534	0.12	
US\$4,000,000 Gabonese (Republic of) 6.625% 06/02/2031	4,114	0.33	
US\$6,881,000 Gabonese (Republic of) 6.95% 16/06/2025	7,367	0.59	

Investments

Portfolio statement (continued)

Holding	as at 31.12.20 \$'000	as at 31.12.20 %	as at 30.06.20 %
Fixed Income (continued)			
Debt securities (continued)			
'CCC' credit rated bonds (continued)			
US\$2,667,938 Iraq (Republic of) 5.8% 15/01/2028	2,487	0.20	
US\$2,313,000 Iraq (Republic of) 5.8% 15/01/2028 Frankfurt listed	2,152	0.17	
US\$2,100,000 Kosmos Energy 7.125% 04/04/2026	1,981	0.16	
US\$3,000,000 Maldives (Republic of) 7% 07/06/2022	2,527	0.20	
US\$5,000,000 Mozambique (Republic of) 5% 15/09/2031	4,545	0.36	
US\$11,676,200 Petroleos de Venezuela 5.375% 12/04/2027	423	0.03	
US\$2,200,000 Sri Lanka (Republic of) 6.2% 11/05/2027	1,254	0.10	
US\$2,000,000 Sri Lanka (Republic of) 6.75% 18/04/2028	1,142	0.09	
US\$1,880,000 Sri Lanka (Republic of) 6.85% 03/11/2025	1,108	0.09	
US\$1,500,000 Sri Lanka (Republic of) 7.55% 28/03/2030	849	0.07	
US\$3,000,000 Sri Lanka (Republic of) 7.85% 14/03/2029	1,701	0.13	
US\$3,900,000 YPF 8.5% 28/07/2025	3,015	0.24	
'CC' credit rated bonds	9,984	0.79	0.65
€3,492,000 Argentina (Republic of) 0.125% 09/07/2030	1,608	0.13	
US\$12,570,041 Argentina (Republic of) 0.125% 09/07/2035	4,567	0.36	
US\$8,309,557 Argentina (Republic of) 0.125% 09/01/2038	3,385	0.27	
US\$1,164,000 Argentina (Republic of) 0.125% 09/07/2046	424	0.03	
'C' credit rated bonds	5,053	0.40	0.00
US\$4,985,000 Córdoba (Province of) 7.125% 01/08/2027	3,078	0.24	
US\$2,335,000 Future Retail 5.6% 22/01/2025	1,975	0.16	
'D' credit rated bonds	6,407	0.51	1.39
US\$3,439,000 Buenos Aires (Province of) 7.875% 15/06/2027	1,385	0.11	
US\$3,000,000 Petroleos de Venezuela 6% 16/05/2024	107	0.01	
US\$2,944,927 Petroleos de Venezuela 9.75% 17/05/2035	105	0.01	
US\$12,676,000 Venezuela (Republic of) 7% 31/03/1938	1,192	0.09	
US\$6,171,300 Venezuela (Republic of) 9.25% 07/05/2028	583	0.05	
US\$4,235,000 Zambia (Republic of) 8.5% 14/04/2024	2,250	0.18	
US\$1,500,000 Zambia (Republic of) 8.97% 30/07/2027	785	0.06	
Bonds with no credit rating	47,067	3.74	15.32
US\$7,432,000 Abu Dhabi (Emirate of) 3.9% 09/09/2050	7,292	0.58	

Investments

Portfolio statement (continued)

Holding	as at 31.12.20 \$'000	as at 31.12.20 %	as at 30.06.20 %
Fixed Income (continued)			
Debt securities (continued)			
Bonds with no credit rating (continued)			
US\$2,690,000 Burgan Bank SAK Var. Rate 5.7492% Perpetual	2,772	0.22	
US\$3,865,000 Dubai DOF Sukuk 2.763% 09/09/2030	3,903	0.31	
EGP45,000,000 Egypt (Arab Republic of) 0% 12/10/2021	2,603	0.21	
US\$1,096,000 International Container Terminal Services 4.75% 17/06/2030	1,186	0.09	
US\$4,700,000 Jollibee Worldwide Pte 4.75% 24/06/2030	4,761	0.38	
US\$2,929,000 Jollibee Worldwide Pte Var. Rate 3.9% Perpetual	2,806	0.22	
INR630,000,000 National Highways 7.3% 18/05/2022	8,782	0.70	
UAH140,000,000 Ukraine Treasury Bill 0% 27/10/2021	4,503	0.36	
US\$9,799,000 Vietnam Debt & Asset Trading 1% 10/10/2025	8,459	0.67	
Currency	(2,570)	(0.20)	0.07
Forward currency contracts	(2,570)	(0.20)	0.07
CZK407,000,000 Bought for \$18,258,531 (expires 13.01.21)	779	0.06	
£3,635,000 Bought for \$4,805,859 (expires 13.01.21)	156	0.01	
PEN43,000,000 Bought for \$11,902,849 (expires 13.01.21)	(25)	0.00	
€(83,046,537) Sold for \$98,468,695 (expires 13.01.21)	(3,480)	(0.27)	
Portfolio of investments	1,214,386	96.48	98.80
Cash Equivalents	18,365	1.46	0.78
'AAA' rated money market funds^a	18,365	1.46	0.78
18,365,000 Northern Trust Global Fund - US dollar	18,365	1.46	
Share Class Hedging	4,575	0.36	(0.44)
Forward currency contracts for share class hedging	4,575	0.36	(0.44)
£253,570,892 Bought for \$341,313,058 (expires 13.01.21)	4,788	0.38	
£(7,889,591) Sold for \$10,555,279 (expires 13.01.21)	(213)	(0.02)	
Total portfolio	1,237,326	98.30	99.14
Net other assets / (liabilities)	21,352	1.70	0.86
Net assets attributable to shareholders	1,258,678	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.

Investments

Portfolio transactions for the six months to 31 December 2020

for the six months to 31 December	2020 \$'000	2019 \$'000
Total purchases	384,955	444,118
Total sales	199,319	239,290

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

Financial highlights

Fund performance

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

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

Fund level performance

Fund net asset value as at	31.12.20 \$'000	30.06.20 \$'000	30.06.19 \$'000
Fund net asset value (NAV)	1,258,678	941,236	754,279

Performance since launch

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

October 1999 = 100, plotted monthly
Chart date 4 January 2021



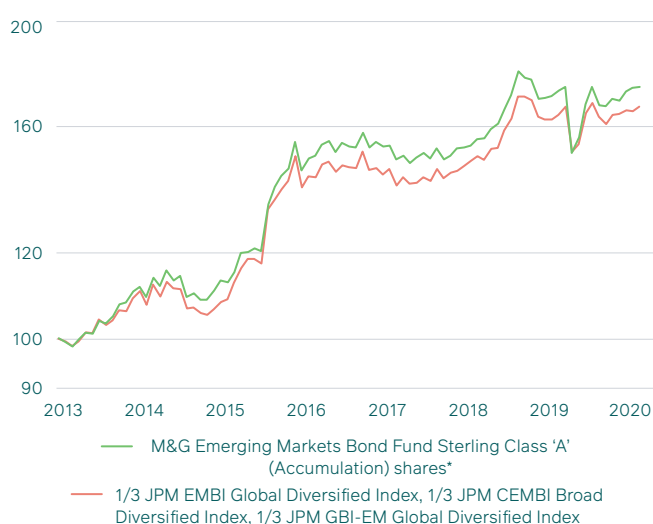
Source: Morningstar, Inc. and M&G

*Income reinvested

Fund performance against the comparator benchmark

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

From 2 December 2013 = 100, plotted monthly
Chart date 4 January 2021



Source: Morningstar, Inc. and M&G

*Income reinvested

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

Financial highlights

Long-term performance by share class

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

Share class	Six months 01.07.20 % ^a	Three years 02.01.18 % pa	Five years 04.01.16 % pa	Since launch % pa
Sterling^b				
Class 'A'	+0.9	+4.4	+8.9	+8.2 ^c
Class 'I'	+1.2	+5.0	+9.6	+7.7 ^d
Class 'I-H'	+11.0	+3.4	+6.4	+5.4 ^e
Class 'PP'	+1.3	n/a	n/a	+5.6 ^f
Class 'R'	+1.0	+4.6	+9.2	+6.8 ^g
Class 'X'	+0.9	+4.4	+8.9	+8.0 ^h

a Absolute basis.

b Price to price with income reinvested.

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

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

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

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

g 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.

Operating charges and portfolio transaction costs

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

Operating charges

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

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

Financial highlights

- **Ongoing charges from underlying funds:** Ongoing charges on holdings in underlying funds that are not rebated. From 1 August 2019 charges from underlying funds (excluding Investment Trust Companies and Real Estate Investment Trusts) will be rebated.

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

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

Portfolio transaction costs

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

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

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

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

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

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

Portfolio transaction costs

Direct portfolio transaction costs ^b	Six months to 31.12.20 %	Year to 30.06.20 %	Year to 30.06.19 %	Average ^a %
Taxes	0.00	0.02	0.04	0.02
Costs before dilution adjustments	0.00	0.02	0.04	0.02
Dilution adjustments ^c	0.00	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.02	0.04	0.02
as at Indirect portfolio transaction costs	31.12.20 %	30.06.20 %	30.06.19 %	Average ^a %
Average portfolio dealing spread	0.80	1.12	0.78	0.90

a Average of first three columns.

b As a percentage of average net asset value.

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

Financial highlights

Specific share class performance

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

Sterling Class 'A' Income share performance

The share class was launched on 1 October 2002.

Change in NAV per share	Six months to 31.12.20 UK p	Year to 30.06.20 UK p	Year to 30.06.19 UK p
Opening NAV	92.76	97.18	90.22
Return before operating charges	0.64	2.74	14.48
Operating charges	(0.58)	(1.22)	(1.34)
Return after operating charges	0.06	1.52	13.14
Distributions	(2.33)	(5.94)	(6.18)
Closing NAV	90.49	92.76	97.18
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.02	0.03
Dilution adjustments ^a	0.00	0.00	0.00
Total direct transaction costs	0.00	0.02	0.03
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.02	0.04
Operating charges ^c	1.25	1.27	1.44
Return after charges	+0.06	+1.56	+14.56
Distribution yield	5.68	6.33	6.40
Other information			
Closing NAV (\$'000)	4,658	4,061	3,450
Closing NAV (%)	0.37	0.43	0.46
Number of shares	3,772,048	3,567,643	2,798,473
Highest share price (UK p)	95.71	103.45	101.12
Lowest share price (UK p)	89.30	82.45	89.00

Sterling Class 'A' Accumulation share performance

The share class was launched on 1 October 2002.

Change in NAV per share	Six months to 31.12.20 UK p	Year to 30.06.20 UK p	Year to 30.06.19 UK p
Opening NAV	251.91	248.00	215.73
Return before operating charges	1.67	7.08	35.52
Operating charges	(1.57)	(3.17)	(3.25)
Return after operating charges	0.10	3.91	32.27
Distributions	(4.86)	(12.26)	(11.81)
Retained distributions	4.86	12.26	11.81
Closing NAV	252.01	251.91	248.00
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.04	0.08
Dilution adjustments ^a	0.00	0.00	0.00
Total direct transaction costs	0.00	0.04	0.08
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.02	0.04
Operating charges ^c	1.25	1.27	1.44
Return after charges	+0.04	+1.58	+14.96
Distribution yield	4.44	5.08	5.03
Other information			
Closing NAV (\$'000)	4,773	4,396	4,113
Closing NAV (%)	0.38	0.47	0.55
Number of shares	1,387,729	1,422,257	1,307,099
Highest share price (UK p)	259.85	263.92	249.89
Lowest share price (UK p)	242.48	216.95	212.83

Financial highlights

Sterling Class 'I' Income share performance

The share class was launched on 19 April 2012.

Change in NAV per share	Six months to 31.12.20 UK p	Year to 30.06.20 UK p	Year to 30.06.19 UK p
Opening NAV	127.41	132.79	122.46
Return before operating charges	0.88	3.76	19.75
Operating charges	(0.48)	(1.00)	(1.00)
Return after operating charges	0.40	2.76	18.75
Distributions	(3.20)	(8.14)	(8.42)
Closing NAV	124.61	127.41	132.79
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.02	0.05
Dilution adjustments ^a	0.00	0.00	0.00
Total direct transaction costs	0.00	0.02	0.05
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.02	0.04
Operating charges ^c	0.75	0.76	0.79
Return after charges	+0.31	+2.08	+15.31
Distribution yield	5.68	6.33	6.40
Other information			
Closing NAV (\$'000)	245,463	193,369	153,289
Closing NAV (%)	19.50	20.55	20.32
Number of shares	144,326,847	123,681,173	90,983,400
Highest share price (UK p)	131.75	141.44	138.17
Lowest share price (UK p)	122.77	113.10	120.99

Sterling Class 'I' Accumulation share performance

The share class was launched on 19 April 2012.

Change in NAV per share	Six months to 31.12.20 UK p	Year to 30.06.20 UK p	Year to 30.06.19 UK p
Opening NAV	188.06	184.19	159.19
Return before operating charges	1.25	5.27	26.32
Operating charges	(0.70)	(1.40)	(1.32)
Return after operating charges	0.55	3.87	25.00
Distributions	(4.06)	(10.08)	(9.85)
Retained distributions	4.06	10.08	9.85
Closing NAV	188.61	188.06	184.19
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.03	0.06
Dilution adjustments ^a	0.00	0.00	0.00
Total direct transaction costs	0.00	0.03	0.06
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.02	0.04
Operating charges ^c	0.75	0.76	0.79
Return after charges	+0.29	+2.10	+15.70
Distribution yield	4.94	5.58	5.66
Other information			
Closing NAV (\$'000)	586,838	493,657	379,720
Closing NAV (%)	46.62	52.45	50.34
Number of shares	227,975,185	213,931,029	162,485,767
Highest share price (UK p)	194.42	196.13	185.60
Lowest share price (UK p)	181.16	161.76	157.28

Financial highlights

Sterling Class 'I-H' Income share performance

The share class was launched on 24 July 2015.

Change in NAV per share	Six months to 31.12.20 UK p	Year to 30.06.20 UK p	Year to 30.06.19 UK p
Opening NAV	88.77	97.83	95.40
Return before operating charges	10.27	(2.32)	9.46
Operating charges	(0.37)	(0.75)	(0.78)
Return after operating charges	9.90	(3.07)	8.68
Distributions	(2.49)	(5.99)	(6.25)
Closing NAV	96.18	88.77	97.83
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.02	0.04
Dilution adjustments ^a	0.00	0.00	0.00
Total direct transaction costs	0.00	0.02	0.04
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.02	0.04
Operating charges ^c	0.78	0.79	0.80
Return after charges	+11.15	-3.14	+9.10
Distribution yield	5.49	6.39	6.39
Other information			
Closing NAV (\$'000)	84,088	73,735	76,269
Closing NAV (%)	6.68	7.84	10.11
Number of shares	64,064,341	67,696,293	61,448,223
Highest share price (UK p)	99.44	101.82	101.76
Lowest share price (UK p)	89.57	78.37	92.39

Sterling Class 'I-H' Accumulation share performance

The share class was launched on 24 July 2015.

Change in NAV per share	Six months to 31.12.20 UK p	Year to 30.06.20 UK p	Year to 30.06.19 UK p
Opening NAV	118.37	122.55	111.91
Return before operating charges	13.61	(3.23)	11.57
Operating charges	(0.49)	(0.95)	(0.93)
Return after operating charges	13.12	(4.18)	10.64
Distributions	(2.83)	(6.67)	(6.58)
Retained distributions	2.83	6.67	6.58
Closing NAV	131.49	118.37	122.55
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.02	0.04
Dilution adjustments ^a	0.00	0.00	0.00
Total direct transaction costs	0.00	0.02	0.04
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.02	0.04
Operating charges ^c	0.78	0.79	0.80
Return after charges	+11.08	-3.41	+9.51
Distribution yield	4.74	5.60	5.64
Other information			
Closing NAV (\$'000)	248,210	151,717	117,459
Closing NAV (%)	19.72	16.12	15.57
Number of shares	138,306,825	104,457,257	75,547,240
Highest share price (UK p)	132.54	129.86	123.47
Lowest share price (UK p)	119.39	101.20	110.15

Financial highlights

Sterling Class 'PP' Income share performance

The share class was launched on 5 August 2019.

Change in NAV per share	Six months to 31.12.20 UK p	Year to 30.06.20 UK p	Year to 30.06.19 UK p
Opening NAV	91.24	100.00	n/a
Return before operating charges	0.63	(2.48)	n/a
Operating charges	(0.28)	(0.51)	n/a
Return after operating charges	0.35	(2.99)	n/a
Distributions	(2.29)	(5.77)	n/a
Closing NAV	89.30	91.24	n/a
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.02	n/a
Dilution adjustments ^a	0.00	0.00	n/a
Total direct transaction costs	0.00	0.02	n/a
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.02	n/a
Operating charges	0.60	0.60	n/a
Return after charges	+0.38	-2.99	n/a
Distribution yield	5.68	6.33	n/a
Other information			
Closing NAV (\$'000)	230	38	n/a
Closing NAV (%)	0.02	0.00	n/a
Number of shares	188,481	34,188	n/a
Highest share price (UK p)	94.40	101.03	n/a
Lowest share price (UK p)	87.93	80.95	n/a

Sterling Class 'PP' Accumulation share performance

The share class was launched on 8 April 2019.

Change in NAV per share	Six months to 31.12.20 UK p	Year to 30.06.20 UK p	Year to 30.06.19 UK p
Opening NAV	108.34	105.96	100.00
Return before operating charges	0.72	3.03	6.11
Operating charges	(0.32)	(0.65)	(0.15)
Return after operating charges	0.40	2.38	5.96
Distributions	(2.39)	(5.96)	(3.00)
Retained distributions	2.39	5.96	3.00
Closing NAV	108.74	108.34	105.96
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.02	0.04
Dilution adjustments ^a	0.00	0.00	0.00
Total direct transaction costs	0.00	0.02	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.02	0.04
Operating charges ^c	0.60	0.60	0.63
Return after charges	+0.37	+2.25	+5.96
Distribution yield	5.08	5.73	5.81
Other information			
Closing NAV (\$'000)	62,867	864	684
Closing NAV (%)	4.99	0.09	0.09
Number of shares	42,359,650	649,685	508,496
Highest share price (UK p)	112.08	112.85	106.77
Lowest share price (UK p)	104.40	93.16	99.69

Financial highlights

Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012.

Change in NAV per share	Six months to 31.12.20 UK p	Year to 30.06.20 UK p	Year to 30.06.19 UK p
Opening NAV	117.76	123.07	113.94
Return before operating charges	0.82	3.46	18.35
Operating charges	(0.59)	(1.24)	(1.40)
Return after operating charges	0.23	2.22	16.95
Distributions	(2.96)	(7.53)	(7.82)
Closing NAV	115.03	117.76	123.07
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.02	0.04
Dilution adjustments ^a	0.00	0.00	0.00
Total direct transaction costs	0.00	0.02	0.04
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.02	0.04
Operating charges ^c	1.00	1.02	1.19
Return after charges	+0.20	+1.80	+14.88
Distribution yield	5.68	6.33	6.40
Other information			
Closing NAV (\$'000)	2,006	1,808	1,503
Closing NAV (%)	0.16	0.19	0.20
Number of shares	1,277,824	1,251,208	962,442
Highest share price (UK p)	121.63	131.03	128.06
Lowest share price (UK p)	113.42	104.60	112.48

Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012.

Change in NAV per share	Six months to 31.12.20 UK p	Year to 30.06.20 UK p	Year to 30.06.19 UK p
Opening NAV	171.61	168.53	146.24
Return before operating charges	1.14	4.81	24.11
Operating charges	(0.85)	(1.73)	(1.82)
Return after operating charges	0.29	3.08	22.29
Distributions	(3.51)	(8.76)	(8.41)
Retained distributions	3.51	8.76	8.41
Closing NAV	171.90	171.61	168.53
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.03	0.06
Dilution adjustments ^a	0.00	0.00	0.00
Total direct transaction costs	0.00	0.03	0.06
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.02	0.04
Operating charges ^c	1.00	1.02	1.19
Return after charges	+0.17	+1.83	+15.24
Distribution yield	4.69	5.33	5.27
Other information			
Closing NAV (\$'000)	3,752	3,336	2,903
Closing NAV (%)	0.30	0.35	0.38
Number of shares	1,599,079	1,584,143	1,357,662
Highest share price (UK p)	177.22	179.39	169.81
Lowest share price (UK p)	165.24	147.70	144.35

Financial highlights

Sterling Class 'X' Income share performance

The share class was launched on 15 October 1999.

Change in NAV per share	Six months to 31.12.20 UK p	Year to 30.06.20 UK p	Year to 30.06.19 UK p
Opening NAV	91.40	95.76	88.88
Return before operating charges	0.62	2.70	14.29
Operating charges	(0.57)	(1.21)	(1.32)
Return after operating charges	0.05	1.49	12.97
Distributions	(2.29)	(5.85)	(6.09)
Closing NAV	89.16	91.40	95.76
Direct transaction costs UK p	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.02	0.03
Dilution adjustments ^a	0.00	0.00	0.00
Total direct transaction costs	0.00	0.02	0.03
Performance and charges %	%	%	%
Direct portfolio transaction costs ^b	0.00	0.02	0.04
Operating charges ^c	1.25	1.27	1.44
Return after charges	+0.05	+1.56	+14.59
Distribution yield	5.68	6.33	6.40
Other information			
Closing NAV (\$'000)	7,758	7,200	7,902
Closing NAV (%)	0.62	0.76	1.05
Number of shares	6,375,503	6,420,188	6,504,500
Highest share price (UK p)	94.30	101.93	99.63
Lowest share price (UK p)	87.98	81.23	87.69

Sterling Class 'X' Accumulation share performance

The share class was launched on 15 October 1999.

Change in NAV per share	Six months to 31.12.20 UK p	Year to 30.06.20 UK p	Year to 30.06.19 UK p
Opening NAV	252.48	248.55	216.22
Return before operating charges	1.67	7.11	35.58
Operating charges	(1.57)	(3.18)	(3.25)
Return after operating charges	0.10	3.93	32.33
Distributions	(4.87)	(12.29)	(11.84)
Retained distributions	4.87	12.29	11.84
Closing NAV	252.58	252.48	248.55
Direct transaction costs UK p	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.04	0.08
Dilution adjustments ^a	0.00	0.00	0.00
Total direct transaction costs	0.00	0.04	0.08
Performance and charges %	%	%	%
Direct portfolio transaction costs ^b	0.00	0.02	0.04
Operating charges ^c	1.25	1.27	1.44
Return after charges	+0.04	+1.58	+14.95
Distribution yield	4.44	5.08	5.03
Other information			
Closing NAV (\$'000)	8,035	7,055	6,987
Closing NAV (%)	0.64	0.75	0.93
Number of shares	2,330,809	2,277,165	2,215,532
Highest share price (UK p)	260.43	264.51	250.45
Lowest share price (UK p)	243.00	217.43	213.31

^a In respect of direct portfolio transaction costs.

^b As a percentage of average net asset value.

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

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Statement of total return

for the six months to 31 December	2020		2019	
	\$'000	\$'000	\$'000	\$'000
Income				
Net capital gains / (losses)		123,170		20,527
Revenue	31,440		28,142	
Expenses	(4,342)		(3,419)	
Net revenue / (expense) before taxation	27,098		24,723	
Taxation	(339)		(125)	
Net revenue / (expense) after taxation		26,759		24,598
Total return before distributions		149,929		45,125
Distributions		(27,288)		(25,010)
Change in net assets attributable to shareholders from investment activities		122,641		20,115

Statement of change in net assets attributable to shareholders

for the six months to 31 December	2020		2019	
	\$'000	\$'000	\$'000	\$'000
Opening net assets attributable to shareholders		941,236		754,279
Amounts received on issue of shares	230,643		217,105	
Amounts paid on cancellation of shares	(56,613)		(32,083)	
		174,030		185,022
Dilution adjustments		1,070		841
Change in net assets attributable to shareholders from investment activities (see above)		122,641		20,115
Retained distributions on Accumulation shares		19,701		17,044
Closing net assets attributable to shareholders		1,258,678		977,301

The opening net assets attributable to shareholders for 2020 differs to the closing position in 2019 by the change in net assets attributable to shareholders for the second half of the comparative financial year.

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Balance sheet

as at	31 December 2020 \$'000	30 June 2020 \$'000
Assets		
Fixed assets		
Investments	1,222,679	931,194
Current assets		
Debtors	25,938	20,123
Cash and bank balances	6,567	9,174
Cash equivalents	18,365	7,368
Total assets	1,273,549	967,859
Liabilities		
Investment liabilities	(3,718)	(5,382)
Creditors		
Bank overdrafts	(80)	0
Distribution payable	(8,864)	(9,001)
Other creditors	(2,209)	(12,240)
Total liabilities	(14,871)	(26,623)
Net assets attributable to shareholders	1,258,678	941,236

Financial statements and notes

Notes to the financial statements

Accounting policies

The financial statements have been prepared in accordance with the 'Accounting policies' set out on page 5.

Distribution policy

In determining the amount available for distribution to Income shares, the annual charge, 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.

Authorised Corporate Director's Report

Investment objective

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

Investment policy

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

Other investments may include:

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

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

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

Investment approach

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

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

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

Benchmark

Benchmark: ICE BofAML Euro Corporate Index.

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

The fund is actively managed.

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

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

Risk profile

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

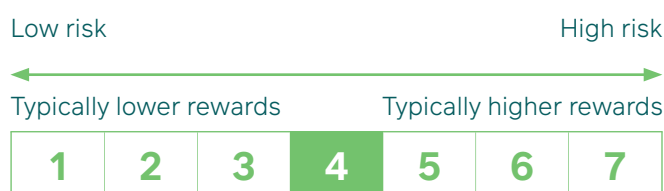
Up to 30% of the fund may be invested in high yield corporate bonds, government and public securities denominated in any European currency. Some of these securities may be higher risk assets that could potentially experience a degree of illiquidity in times of market distress.

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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 4 January 2021, for the six months ended 31 December 2020

Performance against objective

Between 1 July 2020 (the start of the review period) and 4 January 2021, the M&G European Corporate Bond Fund delivered a positive total return (the combination of income and growth of capital) across its sterling share classes.

Fund performance was behind the average return from the fund's benchmark, the ICE BofAML Euro Corporate Index, which was 4.3% in sterling terms, for the

unhedged share classes. For the hedged Class 'I-H' shares, fund performance was ahead of the benchmark.

Over five years, the fund generated a positive total return across all its share classes, but lagged the benchmark, where the average return was 7.3% pa in sterling. Therefore the fund did not meet the objective of providing a higher total return, net of the ongoing charge figure, than the average return of the ICE BofAML Euro Corporate Index, over any five-year period.

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

Performance review

Investor sentiment about the direction of the global economy, which had been deeply affected by worldwide pandemic-related constraints on activity, was much improved during the period under review. The running theme of central banks cutting interest rates, while also purchasing debt issued by companies in order to support the market, provided additional confidence to buyers and sellers of assets such as corporate bonds. Fiscal policy support from governments, including helping to pay wages and salaries of those most affected by lockdowns and social restrictions, was also a boost during the summer months. Overall, there was a sharp recovery in risky assets in the months that followed these moves by central banks and governments.

By the summer, lockdowns were gradually eased across Asia and Europe, although the Americas' experience of the pandemic seemed to worsen. However, a noisy build-up to the US presidential election combined with a second peak in the coronavirus infection rate to weaken investor appetite by the end of September.

There were two important drivers of investor sentiment during autumn and to the end of the period under review: news of COVID-19 vaccines being rolled out from December onwards, and the US presidential election reaching closure as Joe Biden defeated Donald

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Trump with room to spare. In general, risky assets responded to these key drivers with price gains.

Only safe-haven assets such as precious metals and government bonds issued by the UK and Germany experienced price declines. Overall, it was a positive period for corporate bonds – especially those issued by US companies. European and UK corporate bonds fared well as these markets received a boost from central banks buying their bonds (which increased their prices).

In a broadly strong environment for European corporate bonds, the fund's exposure to energy companies like Engie and insurers such as Assicurazioni Generali were a source of positive returns in the period. Equally, companies operating in sectors that can typically weather uncertain economic conditions, such as tobacco group BAT (British American Tobacco), and Fedex, were also supportive of performance in the period. However, having exposure to companies linked to mobility, leisure and hospitality (Ford Motors, Heathrow, and UK pubs group Mitchells & Butlers) cost us some performance in the period.

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 review period, we slightly adjusted the fund's duration, while keeping it short overall.

Relative to the benchmark ICE BofA Merrill Lynch Euro Corporate Index, the fund was slightly underweight in terms of interest rate risk, with duration at around 5.2 years. In terms of credit spread duration – the extent to which the portfolio is exposed to corporate bonds risk – this has been reduced because valuations rose steadily during the final months of 2020. The fund ended the period under review with a spread duration of around 5.0 years, so underweight by 0.3 years compared to the benchmark.

Investment activities

It was an active period for trades as we worked with our in-house analysts to review the fund's exposure to

several European cyclical names that had underperformed in the previous six months. For example, during the summer and autumn we added new issues from Rentokil, Rolls Royce, and Cellnex – the Spanish telecom company. We also sold several names because of rising valuations, such as Signify, Omnicom, and Fedex. Elsewhere, we have added REITs (real estate investment trusts), which have generally lagged the economic recovery we have seen elsewhere.

Trading activity was somewhat lighter during November and December, although we took the opportunity to trim holdings of long-dated insurers (AIG, Aviva), Tesco, Deutsche Bank and also JAB holdings. We added to high quality names, such as Euroclear and Rabobank, and moved money out of Santander's subordinated bonds and into its senior preferred bonds (the latter tend to be of higher quality).

Outlook

We remain conservative with our credit risk exposure, in light of rising valuations against a poor backdrop of increasing coronavirus cases. The technical support in the form of central banks' bond-buying and governments' fiscal packages does, however, lend itself to a broadly positive outlook for the global economy in 2021. Our focus is to maintain a high-quality portfolio of strong companies and be positioned for potentially attractive valuations in sectors severely disrupted by the effect of the coronavirus.

Stefan Isaacs

Fund manager

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

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

Investments

Portfolio statement

Holding	as at 31.12.20 €'000	as at 31.12.20 %	as at 30.06.20 %
Fixed income	77,535	97.40	98.17
Debt securities	77,539	97.40	98.17
'AAA' credit rated bonds	5,861	7.36	7.13
€398,979 Barings 2017-1 FRN 0.9% 15/10/2030	399	0.50	
€500,000 Cooperatieve Rabobank 0.25% 31/05/2024	513	0.64	
€230,511 Germany (Federal Republic of) 0% 08/04/2022	233	0.29	
€1,897,087 Germany (Federal Republic of) 0.25% 15/02/2027	2,015	2.53	
€185,099 Germany (Federal Republic of) 0.5% 15/02/2026	197	0.25	
€260,000 Germany (Federal Republic of) 1% 15/08/2024	277	0.35	
€149,211 Germany (Federal Republic of) 5.5% 04/01/2031	243	0.30	
€475,000 Johnson & Johnson 0.65% 20/05/2024	490	0.62	
£444,000 Lloyds Bank 4.875% 30/03/2027	629	0.79	
€311,000 Nationwide Building Society 0.05% 03/06/2024	316	0.40	
€225,000 Temasek Financial I 0.5% 20/11/2031	228	0.29	
€299,000 Wellcome Trust 1.125% 21/01/2027	321	0.40	
'AA' credit rated bonds	5,008	6.29	6.54
€238,000 Apple 2% 17/09/2027	272	0.34	
€100,000 Clearstream Banking 0% 01/12/2025	101	0.13	
€500,000 Deutsche Bahn Finance 0.375% 23/06/2029	518	0.65	
€400,000 Euroclear Bank 0.125% 07/07/2025	405	0.51	
€703,455 France (Govt. of) 0.25% 25/11/2026	739	0.93	
€262,323 France (Govt. of) 1.75% 25/05/2023	278	0.35	
€416,000 Metropolitan Life Global Funding I 0.375% 09/04/2024	423	0.53	
US\$150,000 Metropolitan Life Global Funding I 2.95% 09/04/2030	137	0.17	
US\$266,000 Microsoft 3.5% 12/02/2035	265	0.33	
€214,000 New York Life Global Funding 0.25% 23/01/2027	218	0.27	
€149,000 Ontario Teachers' Finance Trust 0.5% 06/05/2025	154	0.19	
€218,000 Procter & Gamble 2% 16/08/2022	226	0.29	
€420,000 Shell International Finance 0.5% 08/11/2031	430	0.54	
€421,000 Svenska Handelsbanken 2.625% 23/08/2022	442	0.56	
€281,000 Walmart 4.875% 21/09/2029	400	0.50	
'A' credit rated bonds	18,144	22.79	28.08
€282,000 3M 0.95% 15/05/2023	291	0.36	

Investments

Portfolio statement (continued)

Holding	as at 31.12.20 €'000	as at 31.12.20 %	as at 30.06.20 %
Fixed income (continued)			
Debt securities (continued)			
'A' credit rated bonds (continued)			
€260,000 Airbus 2.375% 09/06/2040	309	0.39	
€100,000 Allianz Finance II Var. Rate 5.75% 08/07/2041	103	0.13	
€400,000 Allianz Var. Rate 3.375% Perpetual	439	0.55	
€700,000 Banco Santander 0.25% 19/06/2024	709	0.89	
€356,000 Bank of America 1.375% 10/09/2021	361	0.45	
€250,000 Bank of America 2.375% 19/06/2024	271	0.34	
€618,000 Berkshire Hathaway 1.125% 16/03/2027	660	0.83	
€175,000 BMW Finance 0.125% 13/07/2022	176	0.22	
€229,000 BMW Finance 1.125% 22/05/2026	244	0.31	
€100,000 BP Capital Markets 0.933% 04/12/2040	100	0.12	
€428,000 BP Capital Markets 2.177% 28/09/2021	436	0.55	
€451,000 BP Capital Markets 2.517% 17/02/2021	452	0.57	
€360,000 BP Capital Markets 2.822% 07/04/2032	454	0.57	
€300,000 BPCE 0.25% 15/01/2026	304	0.38	
€284,000 Chubb 0.875% 15/12/2029	300	0.38	
€122,000 Chubb 1.55% 15/03/2028	134	0.17	
€223,000 Cooperatieve Rabobank 4% 11/01/2022	233	0.29	
€100,000 Crédit Agricole 1.375% 03/05/2027	109	0.14	
€296,000 Diageo Finance 1.875% 27/03/2027	329	0.41	
€180,000 ELM Var. Rate 4.5% Perpetual	212	0.27	
€121,000 EnBW International Finance 0.25% 19/10/2030	123	0.15	
€154,000 Honeywell International 1.3% 22/02/2023	159	0.20	
€387,000 HSBC 0.875% 06/09/2024	401	0.50	
€421,000 HSBC 1.5% 15/03/2022	430	0.54	
€476,000 HSBC FRN 0% 05/10/2023	478	0.60	
€368,000 Hutchison Whampoa Finance 1.375% 31/10/2021	372	0.47	
€590,000 JPMorgan Chase 0.625% 25/01/2024	602	0.76	
€335,000 JPMorgan Chase 1.375% 16/09/2021	339	0.43	
€304,000 JPMorgan Chase Var. Rate 1.001% 25/07/2031	324	0.41	
€210,000 JPMorgan Chase Var. Rate 1.638% 18/05/2028	230	0.29	

Investments

Portfolio statement (continued)

Holding	as at 31.12.20 €'000	as at 31.12.20 %	as at 30.06.20 %
Fixed income (continued)			
Debt securities (continued)			
'A' credit rated bonds (continued)			
€102,000 Lloyds Bank Corporate Markets 0.25% 04/10/2022	103	0.13	
€300,000 LVMH Moët Hennessy Louis Vuitton 0.125% 11/02/2028	303	0.38	
€176,000 Medtronic Global 0% 15/10/2025	177	0.22	
€100,000 Medtronic Global 1.75% 02/07/2049	115	0.14	
€153,000 NatWest Markets 1% 28/05/2024	158	0.20	
€330,000 Nestle Finance International 0% 03/12/2025	333	0.42	
€239,000 Novartis Finance 1.625% 09/11/2026	265	0.33	
€430,000 PepsiCo 0.25% 06/05/2024	436	0.55	
€113,000 Prologis 3.375% 20/02/2024	125	0.16	
€125,000 Prologis International Funding II 1.625% 17/06/2032	141	0.18	
€191,000 Prologis International Funding II 1.876% 17/04/2025	206	0.26	
€300,000 RTE Réseau de Transport d'Electricité 0% 09/09/2027	301	0.38	
€100,000 RTE Réseau de Transport d'Electricité 0.625% 08/07/2032	104	0.13	
€200,000 Santander Consumer Bank 0.125% 11/09/2024	201	0.25	
€300,000 Santander Consumer Bank 0.25% 15/10/2024	302	0.38	
€400,000 Santander Consumer Finance 0.375% 27/06/2024	404	0.51	
€500,000 SAP 0.75% 10/12/2024	518	0.65	
€659,408 Silverback Finance 3.1261% 25/02/2037	685	0.86	
€232,000 Sumitomo Mitsui Banking 2.75% 24/07/2023	249	0.31	
€182,000 Svenska Handelsbanken 0.01% 02/12/2027	182	0.23	
€100,000 Swiss Re Finance Luxembourg Var. Rate 2.534% 30/04/2050	112	0.14	
€500,000 Total Capital International 1.375% 19/03/2025	535	0.67	
€541,000 TOTAL Var. Rate 3.369% Perpetual	608	0.76	
€409,000 Toyota Finance Australia 0.25% 09/04/2024	415	0.52	
€679,000 UBS Var. Rate 1.25% 17/04/2025	707	0.89	
€209,000 Vier Gas Transport 3.125% 10/07/2023	227	0.28	
€145,000 Yorkshire Building Society 0.625% 21/09/2025	148	0.19	
'BBB' credit rated bonds	42,776	53.74	45.21
€200,000 ABN AMRO Bank 0.6% 15/01/2027	206	0.26	
€300,000 Achmea 1.5% 26/05/2027	324	0.41	

Investments

Portfolio statement (continued)

Holding	as at 31.12.20 €'000	as at 31.12.20 %	as at 30.06.20 %
Fixed income (continued)			
Debt securities (continued)			
'BBB' credit rated bonds (continued)			
€100,000 AG Insurance Var. Rate 3.5% 30/06/2047	114	0.14	
€141,000 Albemarle New 1.125% 25/11/2025	146	0.18	
€200,000 Alstria office REIT 1.5% 23/06/2026	209	0.26	
€500,000 Alstria office REIT 1.5% 15/11/2027	520	0.65	
€326,000 Altria 1.7% 15/06/2025	345	0.43	
€451,000 América Móvil 0.75% 26/06/2027	463	0.58	
€300,000 American International Var. Rate 1.187% 15/03/2037	270	0.34	
€167,000 Anheuser-Busch InBev 2% 17/03/2028	189	0.24	
€356,000 Arion Bank 1% 20/03/2023	361	0.45	
€100,000 Arion Banki HF 0.625% 27/05/2024	100	0.13	
€300,000 Aroundtown 1.875% 19/01/2026	323	0.41	
€200,000 Aroundtown 2% 02/11/2026	218	0.27	
€472,000 Assicurazioni Generali Var. Rate 5.5% 27/10/2047	580	0.73	
€139,000 AT&T 1.6% 19/05/2028	151	0.19	
€444,000 AT&T 1.8% 05/09/2026	483	0.61	
€300,000 AXA Var. Rate 5.125% 04/07/2043	336	0.42	
€324,000 Babcock International 1.375% 13/09/2027	334	0.42	
€400,000 Banco Bilbao Vizcaya Argentaria 0.5% 14/01/2027	408	0.51	
€100,000 Banco de Sabadell Var. Rate 1.75% 29/06/2023	102	0.13	
€100,000 Banco Santander 2.125% 08/02/2028	109	0.14	
€236,000 Barclays Bank 6.625% 30/03/2022	254	0.32	
€267,000 BAT International Finance 3.125% 06/03/2029	313	0.39	
£195,000 BAT International Finance 7.25% 12/03/2024	260	0.33	
€200,000 Bayer 0.75% 06/01/2027	206	0.26	
€178,000 BNP Paribas 1.5% 17/11/2025	190	0.24	
€615,000 BNP Paribas FRN 0.223% 07/06/2024	621	0.78	
€315,000 BNP Paribas Var. Rate 2.875% 20/03/2026	317	0.40	
€300,000 BNP Paribas Var. Rate 0.5% 01/09/2028	303	0.38	
€183,000 Boston Scientific 0.625% 01/12/2027	185	0.23	
€200,000 BPCE 1.375% 23/03/2026	213	0.27	

Investments

Portfolio statement (continued)

Holding	as at 31.12.20 €'000	as at 31.12.20 %	as at 30.06.20 %
Fixed income (continued)			
Debt securities (continued)			
'BBB' credit rated bonds (continued)			
€200,000 BPCE Var. Rate 2.75% 30/11/2027	210	0.26	
€200,000 Bureau Veritas 1.125% 18/01/2027	204	0.26	
€400,000 CA Immobilien Anlagen 1% 27/10/2025	406	0.51	
€200,000 CaixaBank 1.375% 19/06/2026	211	0.27	
€113,000 CEZ 4.875% 16/04/2025	136	0.17	
€525,000 Channel Link Enterprises Finance Var. Rate 1.761% 30/06/2050	521	0.65	
€140,000 Citigroup Var. Rate 0.5% 08/10/2027	142	0.18	
€100,000 CK Hutchison Group Telecom Finance 1.5% 17/10/2031	107	0.13	
€400,000 Coentreprise de Transport d'Électricité 1.5% 29/07/2028	441	0.55	
€200,000 Covivio 1.625% 23/06/2030	214	0.27	
€400,000 Crédit Agricole 1.875% 20/12/2026	440	0.55	
US\$513,000 Crédit Agricole 4.125% 10/01/2027	480	0.60	
£277,000 Credit Suisse Funding 3% 27/05/2022	319	0.40	
€347,000 Daimler 2% 22/08/2026	383	0.48	
€65,000 Daimler 2.625% 07/04/2025	72	0.09	
€255,000 Daimler International Finance 1% 11/11/2025	266	0.33	
€180,000 Deutsche Bank 1.125% 30/08/2023	186	0.23	
€50,000 Deutsche Bank Var. Rate 1.375% 10/06/2026	53	0.07	
€381,000 Deutsche Telekom International Finance 0.375% 30/10/2021	383	0.48	
€185,000 DH Europe Finance II 1.8% 18/09/2049	208	0.26	
€102,000 Digital Dutch Finco 1.5% 15/03/2030	110	0.14	
€350,000 Électricité de France 4% 12/11/2025	419	0.53	
€196,000 ELM Var. Rate 3.375% 29/09/2047	220	0.28	
€577,000 Engie 5.95% 16/03/2111	1,187	1.49	
€400,000 Eurogrid 1.113% 15/05/2032	436	0.55	
€66,000 EWE 5.25% 16/07/2021	68	0.09	
€311,000 Fastighets AB Balder 1.875% 23/01/2026	328	0.41	
€145,000 FedEx 1.625% 11/01/2027	158	0.20	
€197,000 Fidelity National Information Services 0.125% 03/12/2022	198	0.25	
€193,000 Fidelity National Information Services 1.5% 21/05/2027	208	0.26	

Investments

Portfolio statement (continued)

Holding	as at 31.12.20 €'000	as at 31.12.20 %	as at 30.06.20 %
Fixed income (continued)			
Debt securities (continued)			
'BBB' credit rated bonds (continued)			
US\$350,000 GE Capital International Funding 4.418% 15/11/2035	339	0.43	
€300,000 General Electric 1.5% 17/05/2029	319	0.40	
€309,000 General Motors Financial 0.955% 07/09/2023	315	0.40	
€125,000 General Motors Financial 2.2% 01/04/2024	132	0.17	
€236,000 Glencore Capital Finance 1.125% 10/03/2028	241	0.30	
€234,000 Global Switch 2.25% 31/05/2027	257	0.32	
€73,000 Goldman Sachs 1.375% 26/07/2022	75	0.09	
€245,000 Goldman Sachs 1.625% 27/07/2026	264	0.33	
€439,000 Goldman Sachs FRN 0.079% 26/09/2023	440	0.55	
€200,000 Grand City Properties 1.7% 09/04/2024	211	0.27	
€448,000 Heathrow Funding 1.5% 11/02/2030	471	0.59	
€273,000 Heathrow Funding 1.875% 14/03/2034	296	0.37	
€147,000 Helvetia Europe Var. Rate 2.75% 30/09/2041	162	0.20	
€175,000 Holcim Finance 1.75% 29/08/2029	195	0.25	
€300,000 Iliad 1.875% 25/04/2025	305	0.38	
€300,000 Iliad 2.375% 17/06/2026	311	0.39	
€127,000 Imperial Brands Finance 1.375% 27/01/2025	132	0.17	
€200,000 Infineon Technologies 1.625% 24/06/2029	218	0.27	
€182,000 Informa 2.125% 06/10/2025	192	0.24	
€100,000 ING 2.125% 10/01/2026	110	0.14	
€421,000 ING Bank Var. Rate 3.625% 25/02/2026	423	0.53	
€358,000 Intesa Sanpaolo 1.125% 04/03/2022	362	0.46	
€500,000 JAB 1% 20/12/2027	521	0.65	
€100,000 JAB 2.5% 17/04/2027	112	0.14	
€366,000 Johnson Controls International 1.375% 25/02/2025	386	0.49	
€300,000 KBC 0.75% 01/03/2022	304	0.38	
€152,000 Liberty Mutual 2.75% 04/05/2026	172	0.22	
€144,000 Lloyds Banking Var. Rate 0.5% 12/11/2025	146	0.18	
€270,000 Logicor Financing 1.625% 15/07/2027	287	0.36	
€100,000 McDonald's 0.9% 15/06/2026	105	0.13	

Investments

Portfolio statement (continued)

Holding	as at 31.12.20 €'000	as at 31.12.20 %	as at 30.06.20 %
Fixed income (continued)			
Debt securities (continued)			
'BBB' credit rated bonds (continued)			
€300,000 McDonald's 2% 01/06/2023	316	0.40	
€218,000 Merlin Properties 1.875% 02/11/2026	231	0.29	
£246,220 Mitchells & Butlers Finance FRN 0.6426% 15/12/2033	234	0.29	
US\$386,463 Mitchells & Butlers Finance FRN 0.6665% 15/12/2030	280	0.35	
€100,000 Mohawk Capital Finance 1.75% 12/06/2027	103	0.13	
€162,000 Molnlycke 0.875% 05/09/2029	167	0.21	
€241,000 Mondelēz International Netherlands 0.875% 01/10/2031	255	0.32	
€325,000 Morgan Stanley 1% 02/12/2022	332	0.42	
€356,000 Morgan Stanley 1.375% 27/10/2026	382	0.48	
€281,000 Natwest Var. Rate 2% 04/03/2025	297	0.37	
€459,000 NET4GAS 2.5% 28/07/2021	464	0.58	
€279,000 Nielsen Norman Var. Rate 4.5% Perpetual	321	0.40	
€489,000 O2 Telefónica Germany 2.375% 10/02/2021	490	0.62	
€200,000 Orange 0% 04/09/2026	201	0.25	
€254,000 Orange Var. Rate 5% Perpetual	307	0.39	
€332,000 PVH 3.625% 15/07/2024	362	0.46	
€200,000 Quadient 2.25% 03/02/2025	195	0.25	
€123,000 RCI Banque 2% 11/07/2024	129	0.16	
€120,000 Rentokil Initial 0.5% 14/10/2028	121	0.15	
€300,000 SEB 1.5% 31/05/2024	308	0.39	
€311,000 SELP Finance 1.25% 25/10/2023	321	0.40	
€300,000 Société Générale 1.25% 12/06/2030	317	0.40	
€400,000 Société Générale 1.75% 22/03/2029	439	0.55	
€164,000 Statkraft 2.5% 28/11/2022	172	0.22	
€300,000 Stryker 2.125% 30/11/2027	340	0.43	
€100,000 Suez Var. Rate 2.875% Perpetual	104	0.13	
€200,000 Swiss Re Finance Var. Rate 2.714% 04/06/2052	223	0.28	
€294,000 Takeda Pharmaceutical 1.375% 09/07/2032	315	0.40	
€400,000 Takeda Pharmaceutical 2.25% 21/11/2026	449	0.56	
€606,000 Tele2 1.125% 15/05/2024	626	0.79	

Investments

Portfolio statement (continued)

Holding	as at 31.12.20 €'000	as at 31.12.20 %	as at 30.06.20 %
Fixed income (continued)			
Debt securities (continued)			
'BBB' credit rated bonds (continued)			
€459,000 Tele2 2.125% 15/05/2028	514	0.65	
€275,000 Tesco Corporate Treasury Services 0.875% 29/05/2026	283	0.36	
€500,000 Thales 0.75% 07/06/2023	510	0.64	
€191,000 Thermo Fisher Scientific 1.875% 01/10/2049	220	0.28	
€719,000 UBS Var. Rate 4.75% 12/02/2026	722	0.91	
€300,000 Unibail-Rodamco-Westfield 0.875% 29/03/2032	285	0.36	
€300,000 Uniqa Insurance Var. Rate 6.875% 31/07/2043	346	0.43	
€267,000 Upjohn Finance 1.362% 23/06/2027	283	0.36	
€485,000 Verizon Communications 3.25% 17/02/2026	567	0.71	
€200,000 Vilmorin & Cie 2.375% 26/05/2021	201	0.25	
€771,000 Vodafone 2.2% 25/08/2026	863	1.08	
€179,000 Volkswagen Financial Services 0.75% 14/10/2021	180	0.23	
€60,000 Volkswagen International Finance 1.625% 16/01/2030	66	0.08	
€500,000 Volkswagen International Finance Var. Rate 3.5% Perpetual	527	0.66	
€144,000 Volkswagen Leasing 1.5% 19/06/2026	152	0.19	
€361,000 Volkswagen Leasing 2.625% 15/01/2024	388	0.49	
€330,000 Wells Fargo 0.625% 25/03/2030	336	0.42	
€197,000 Wells Fargo 1.625% 02/06/2025	210	0.26	
€100,000 Wells Fargo 2% 27/04/2026	109	0.14	
€421,000 Wells Fargo 2.625% 16/08/2022	440	0.55	
€145,000 Wolters Kluwer 0.75% 03/07/2030	151	0.19	
€171,000 WPC Eurobond 1.35% 15/04/2028	178	0.22	
€469,000 WPC Eurobond 2.25% 19/07/2024	503	0.63	
€242,000 WPP Finance 2.375% 19/05/2027	271	0.34	
'BB' credit rated bonds	4,992	6.27	3.73
€200,000 Banco de Sabadell Var. Rate 5.375% 12/12/2028	218	0.27	
€200,000 Banco Santander Var. Rate 6.75% Perpetual	211	0.26	
£37,000 Bank of Scotland Var. Rate 7.281% Perpetual	50	0.06	
€154,000 Barclays Var. Rate 2% 07/02/2028	157	0.20	
€300,000 Bertelsmann Var. Rate 3.5% 23/04/2075	323	0.41	

Investments

Portfolio statement (continued)

Holding	as at 31.12.20 €'000	as at 31.12.20 %	as at 30.06.20 %
Fixed income (continued)			
Debt securities (continued)			
'BB' credit rated bonds (continued)			
€200,000 CaixaBank Var. Rate 5.25% Perpetual	205	0.26	
€400,000 Cellnex Telecom 1.75% 23/10/2030	403	0.51	
€200,000 CPI Property Var. Rate 4.875% Perpetual	209	0.26	
€425,000 FCE Bank 1.134% 10/02/2022	423	0.53	
€400,000 Lagardère 1.625% 21/06/2024	378	0.47	
€123,000 Leonardo 2.375% 08/01/2026	128	0.16	
€43,000 National Westminster Bank Var. Rate 1.605% Perpetual	42	0.05	
€123,000 Rolls-Royce 4.625% 16/02/2026	133	0.17	
€400,000 Smurfit Kappa Treasury ULC 1.5% 15/09/2027	418	0.53	
€245,000 Solvay Finance Var. Rate 5.425% Perpetual	271	0.34	
€202,000 UBS Var. Rate 5.75% Perpetual	211	0.26	
€127,000 Unicredit 6.95% 31/10/2022	141	0.18	
€250,000 UniCredit Var. Rate 2.731% 15/01/2032	253	0.32	
€300,000 Vodafone Var. Rate 3.1% 03/01/2079	311	0.39	
€205,000 Vodafone Var. Rate 2.625% 27/08/2080	211	0.27	
€300,000 ZF Europe Finance 2% 23/02/2026	296	0.37	
'B' credit rated bonds	758	0.95	0.00
£200,000 Heathrow Finance 4.375% 01/03/2027	222	0.28	
€254,000 Intesa Sanpaolo Var. Rate 7.75% Perpetual	304	0.38	
€200,000 UniCredit Var. Rate 7.5% Perpetual	232	0.29	
Bonds with no credit rating	0	0.00	7.48
€350,000 Lehman Brothers Holdings Var. Rate 0% 26/09/2040 ^a	0	0.00	
Debt derivatives	(4)	0.00	0.00
Interest rate futures	(4)	0.00	0.00
(14) 10 Year US Treasury Note March 2021	4	0.01	
35 Euro-Bobl March 2021	1	0.00	
25 Euro-Bund March 2021	14	0.02	
(8) Euro-Buxl Mar 2021	(16)	(0.02)	
(5) UK Long Gilt Bond March 2021	(7)	(0.01)	

Investments

Portfolio statement (continued)

Holding	as at 31.12.20 €'000	as at 31.12.20 %	as at 30.06.20 %
Currency	59	0.08	0.06
Forward currency contracts	59	0.08	0.06
£284,557 Bought for €314,847 (expires 13.01.21)	2	0.01	
£(1,934,811) Sold for €2,152,737 (expires 13.01.21)	1	0.00	
£(11,946) Sold for €13,284 (expires 26.02.21)	0	0.00	
US\$256,250 Bought for €214,729 (expires 13.01.21)	(6)	(0.01)	
US\$(2,182,769) Sold for €1,839,755 (expires 13.01.21)	62	0.08	
Portfolio of investments	77,594	97.48	98.23
Cash equivalents	1,109	1.39	1.61
'AAA' rated money market funds^b	1,109	1.39	1.61
1,142,185 Northern Trust Global Fund - Euro	1,109	1.39	
Share class hedging	0	0.00	0.00
Forward currency contracts for share class hedging	0	0.00	0.00
£21,797 Bought for €24,204 (expires 13.01.21)	0	0.00	
£(43) Sold for €47 (expires 13.01.21)	0	0.00	
Total portfolio	78,703	98.87	99.84
Net other assets / (liabilities)	902	1.13	0.16
Net assets attributable to shareholders	79,605	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.

Investments

Portfolio transactions for the six months to 31 December 2020

for the six months to 31 December	2020 €'000	2019 €'000
Total purchases	14,058	25,746
Total sales	26,649	96,032

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

Financial highlights

Fund performance

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

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

Fund level performance

Fund net asset value as at	31.12.20 €'000	30.06.20 €'000	30.06.19 €'000
Fund net asset value (NAV)	79,605	89,294	184,337

Performance since launch

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

January 2003 = 100, plotted monthly
Chart date 4 January 2021



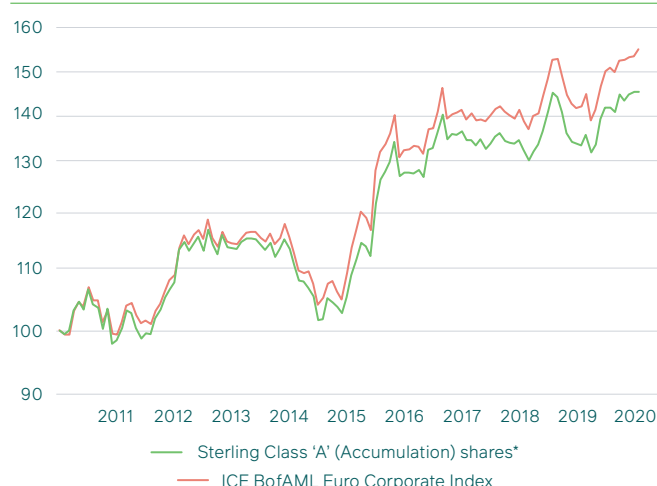
Source: Morningstar, Inc. and M&G

*Income reinvested

Ten-year fund performance against the comparator benchmark

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

Ten years, 4 January 2011 = 100, plotted monthly
Chart date 4 January 2021



Source: Morningstar, Inc. and M&G

*Income reinvested

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

Financial highlights

Long-term performance by share class

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

Share class	Six months 01.07.20 % ^a	Three years 02.01.18 % pa	Five years 04.01.16 % pa	Since launch % pa
Sterling^b				
Class 'A'	+3.9	+2.0	+6.4	+5.0 ^c
Class 'I'	+4.2	+2.5	+6.9	+5.0 ^d
Class 'I-H'	+5.1	n/a	n/a	+3.5 ^e
Class 'R'	+4.0	+2.3	+6.6	+4.8 ^d
Class 'X'	+3.9	+2.0	+6.3	+4.9 ^c

a Absolute basis.

b Price to price with income reinvested.

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

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

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

Operating charges and portfolio transaction costs

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

Operating charges

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

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

Financial highlights

- **Ongoing charges from underlying funds:** Ongoing charges on holdings in underlying funds that are not rebated. From 1 August 2019 charges from underlying funds (excluding Investment Trust Companies and Real Estate Investment Trusts) will be rebated.

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

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

Portfolio transaction costs

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

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

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

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

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

Portfolio transaction costs

as at	31.12.20	30.06.20	30.06.19	Average ^a
Indirect portfolio transaction costs	%	%	%	%
Average portfolio dealing spread	0.52	0.61	0.48	0.54

a Average of first three columns.

Specific share class performance

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

Financial highlights

Sterling Class 'A' Income share performance

The share class was launched on 13 January 2003.

Change in NAV per share	Six months to 31.12.20 UK p	Year to 30.06.20 UK p	Year to 30.06.19 UK p
Opening NAV	78.81	79.45	77.44
Return before operating charges	1.98	1.65	4.48
Operating charges	(0.46)	(0.90)	(0.90)
Return after operating charges	1.52	0.75	3.58
Distributions	(0.55)	(1.39)	(1.57)
Closing NAV	79.78	78.81	79.45
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments ^a	0.00	0.00	0.00
Total direct transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.00	0.00
Operating charges ^c	1.15	1.15	1.17
Return after charges	+1.93	+0.94	+4.62
Distribution yield	1.49	1.75	1.51
Other information			
Closing NAV (€'000)	586	588	607
Closing NAV (%)	0.74	0.66	0.33
Number of shares	660,022	681,756	685,338
Highest share price (UK p)	82.37	83.49	80.21
Lowest share price (UK p)	77.51	72.41	74.48

Sterling Class 'A' Accumulation share performance

The share class was launched on 13 January 2003.

Change in NAV per share	Six months to 31.12.20 UK p	Year to 30.06.20 UK p	Year to 30.06.19 UK p
Opening NAV	118.00	116.84	111.60
Return before operating charges	2.96	2.49	6.55
Operating charges	(0.69)	(1.33)	(1.31)
Return after operating charges	2.27	1.16	5.24
Distributions	(0.17)	(0.72)	(0.98)
Retained distributions	0.17	0.72	0.98
Closing NAV	120.27	118.00	116.84
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments ^a	0.00	0.00	0.00
Total direct transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.00	0.00
Operating charges ^c	1.15	1.15	1.17
Return after charges	+1.92	+0.99	+4.70
Distribution yield	0.34	0.60	0.37
Other information			
Closing NAV (€'000)	28,729	33,131	40,203
Closing NAV (%)	36.08	37.10	21.81
Number of shares	21,481,247	25,647,149	30,869,258
Highest share price (UK p)	123.88	122.77	117.39
Lowest share price (UK p)	116.05	107.94	108.43

Financial highlights

Sterling Class 'I' Income share performance

The share class was launched on 3 August 2012.

Change in NAV per share	Six months to 31.12.20 UK p	Year to 30.06.20 UK p	Year to 30.06.19 UK p
Opening NAV	1,258.16	1,261.98	1,223.86
Return before operating charges	31.49	26.34	71.07
Operating charges	(4.14)	(8.09)	(8.15)
Return after operating charges	27.35	18.25	62.92
Distributions	(8.77)	(22.07)	(24.80)
Closing NAV	1,276.74	1,258.16	1,261.98
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.01	0.01	0.00
Dilution adjustments ^a	0.00	0.00	0.00
Total direct transaction costs	0.01	0.01	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.00	0.00
Operating charges ^c	0.65	0.65	0.67
Return after charges	+2.17	+1.45	+5.14
Distribution yield	1.49	1.75	1.51
Other information			
Closing NAV (€'000)	3,621	3,407	2,719
Closing NAV (%)	4.55	3.82	1.48
Number of shares	255,028	247,339	193,314
Highest share price (UK p)	1,318.06	1,326.92	1,274.11
Lowest share price (UK p)	1,237.51	1,154.64	1,181.08

Sterling Class 'I' Accumulation share performance

The share class was launched on 3 August 2012.

Change in NAV per share	Six months to 31.12.20 UK p	Year to 30.06.20 UK p	Year to 30.06.19 UK p
Opening NAV	1,472.00	1,450.15	1,378.24
Return before operating charges	36.85	31.20	81.17
Operating charges	(4.84)	(9.35)	(9.26)
Return after operating charges	32.01	21.85	71.91
Distributions	(5.44)	(16.16)	(19.12)
Retained distributions	5.44	16.16	19.12
Closing NAV	1,504.01	1,472.00	1,450.15
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.01	0.02	0.01
Dilution adjustments ^a	0.00	0.00	0.00
Total direct transaction costs	0.01	0.02	0.01
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.00	0.00
Operating charges ^c	0.65	0.65	0.67
Return after charges	+2.17	+1.51	+5.22
Distribution yield	0.84	1.10	0.87
Other information			
Closing NAV (€'000)	27,797	29,283	30,308
Closing NAV (%)	34.92	32.79	16.44
Number of shares	1,662,087	1,817,209	1,875,040
Highest share price (UK p)	1,548.65	1,524.74	1,456.99
Lowest share price (UK p)	1,447.83	1,344.77	1,343.59

Financial highlights

Sterling Class 'I-H' Income share performance

The share class was launched on 23 February 2018.

Change in NAV per share	Six months to 31.12.20 UK p	Year to 30.06.20 UK p	Year to 30.06.19 UK p
Opening NAV	100.25	101.74	98.67
Return before operating charges	4.59	1.08	5.77
Operating charges	(0.35)	(0.69)	(0.68)
Return after operating charges	4.24	0.39	5.09
Distributions	(0.74)	(1.88)	(2.02)
Closing NAV	103.75	100.25	101.74
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments ^a	0.00	0.00	0.00
Total direct transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.00	0.00
Operating charges ^c	0.68	0.68	0.69
Return after charges	+4.23	+0.38	+5.16
Distribution yield	1.46	1.77	1.52
Other information			
Closing NAV (€'000)	24	31	68,919
Closing NAV (%)	0.03	0.04	37.39
Number of shares	20,912	27,912	60,777,130
Highest share price (UK p)	104.76	104.46	102.71
Lowest share price (UK p)	100.11	94.41	97.54

Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012.

Change in NAV per share	Six months to 31.12.20 UK p	Year to 30.06.20 UK p	Year to 30.06.19 UK p
Opening NAV	124.57	125.27	121.79
Return before operating charges	3.12	2.60	7.05
Operating charges	(0.57)	(1.11)	(1.11)
Return after operating charges	2.55	1.49	5.94
Distributions	(0.87)	(2.19)	(2.46)
Closing NAV	126.25	124.57	125.27
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments ^a	0.00	0.00	0.00
Total direct transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.00	0.00
Operating charges ^c	0.90	0.90	0.92
Return after charges	+2.05	+1.19	+4.88
Distribution yield	1.49	1.75	1.51
Other information			
Closing NAV (€'000)	149	144	156
Closing NAV (%)	0.19	0.16	0.08
Number of shares	105,920	105,726	111,436
Highest share price (UK p)	130.36	131.66	126.47
Lowest share price (UK p)	122.52	114.39	117.33

Financial highlights

Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012.

Change in NAV per share	Six months to 31.12.20 UK p	Year to 30.06.20 UK p	Year to 30.06.19 UK p
Opening NAV	144.76	142.98	136.22
Return before operating charges	3.63	3.06	8.01
Operating charges	(0.66)	(1.28)	(1.25)
Return after operating charges	2.97	1.78	6.76
Distributions	(0.35)	(1.24)	(1.55)
Retained distributions	0.35	1.24	1.55
Closing NAV	147.73	144.76	142.98
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments ^a	0.00	0.00	0.00
Total direct transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.00	0.00
Operating charges ^c	0.90	0.90	0.92
Return after charges	+2.05	+1.24	+4.96
Distribution yield	0.59	0.85	0.63
Other information			
Closing NAV (€'000)	368	359	430
Closing NAV (%)	0.46	0.40	0.23
Number of shares	223,903	226,623	269,643
Highest share price (UK p)	152.13	150.28	143.65
Lowest share price (UK p)	142.38	132.33	132.58

Sterling Class 'X' Income share performance

The share class was launched on 13 January 2003.

Change in NAV per share	Six months to 31.12.20 UK p	Year to 30.06.20 UK p	Year to 30.06.19 UK p
Opening NAV	78.61	79.24	77.23
Return before operating charges	1.97	1.64	4.47
Operating charges	(0.46)	(0.89)	(0.90)
Return after operating charges	1.51	0.75	3.57
Distributions	(0.55)	(1.38)	(1.56)
Closing NAV	79.57	78.61	79.24
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments ^a	0.00	0.00	0.00
Total direct transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.00	0.00
Operating charges ^c	1.15	1.15	1.17
Return after charges	+1.92	+0.95	+4.62
Distribution yield	1.49	1.75	1.51
Other information			
Closing NAV (€'000)	721	705	772
Closing NAV (%)	0.91	0.79	0.42
Number of shares	814,882	818,921	873,923
Highest share price (UK p)	82.16	83.27	80.01
Lowest share price (UK p)	77.31	72.23	74.28

Financial highlights

Sterling Class 'X' Accumulation share performance

The share class was launched on 13 January 2003.

Change in NAV per share	Six months to 31.12.20 UK p	Year to 30.06.20 UK p	Year to 30.06.19 UK p
Opening NAV	115.39	114.26	109.14
Return before operating charges	2.89	2.43	6.40
Operating charges	(0.67)	(1.30)	(1.28)
Return after operating charges	2.22	1.13	5.12
Distributions	(0.17)	(0.70)	(0.96)
Retained distributions	0.17	0.70	0.96
Closing NAV	117.61	115.39	114.26
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments ^a	0.00	0.00	0.00
Total direct transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.00	0.00
Operating charges ^c	1.15	1.15	1.17
Return after charges	+1.92	+0.99	+4.69
Distribution yield	0.34	0.60	0.40
Other information			
Closing NAV (€'000)	17,610	21,646	40,223
Closing NAV (%)	22.12	24.24	21.82
Number of shares	13,465,701	17,135,491	31,583,381
Highest share price (UK p)	121.14	120.06	114.80
Lowest share price (UK p)	113.49	105.55	106.04

^a In respect of direct portfolio transaction costs.

^b As a percentage of average net asset value.

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

Financial statements and notes

Financial statements

Statement of total return

for the six months to 31 December	2020		2019	
	€'000	€'000	€'000	€'000
Income				
Net capital gains / (losses)		2,735		3,159
Revenue	564		1,317	
Expenses	(390)		(665)	
Net revenue / (expense) before taxation	174		652	
Taxation	(1)		0	
Net revenue / (expense) after taxation		173		652
Total return before distributions		2,908		3,811
Distributions		(205)		(784)
Change in net assets attributable to shareholders from investment activities		2,703		3,027

Statement of change in net assets attributable to shareholders

for the six months to 31 December	2020		2019	
	€'000	€'000	€'000	€'000
Opening net assets attributable to shareholders		89,294		184,337
Amounts received on issue of shares	6,869		9,185	
Amounts paid on cancellation of shares	(19,487)		(83,967)	
		(12,618)		(74,782)
Dilution adjustments		56		181
Change in net assets attributable to shareholders from investment activities (see above)		2,703		3,027
Retained distributions on Accumulation shares		170		422
Closing net assets attributable to shareholders		79,605		113,185

The opening net assets attributable to shareholders for 2020 differs to the closing position in 2019 by the change in net assets attributable to shareholders for the second half of the comparative financial year.

Financial statements and notes

Financial statements

Balance sheet

as at	31 December 2020 €'000	30 June 2020 €'000
Assets		
Fixed assets		
Investments	77,623	87,767
Current assets		
Debtors	715	1,350
Cash and bank balances	252	170
Cash equivalents	1,109	1,436
Total assets	79,699	90,723
Liabilities		
Investment liabilities	(29)	(51)
Creditors		
Bank overdrafts	0	(271)
Distribution payable	(13)	(22)
Other creditors	(52)	(1,085)
Total liabilities	(94)	(1,429)
Net assets attributable to shareholders	79,605	89,294

Financial statements and notes

Notes to the financial statements

Accounting policies

The financial statements have been prepared in accordance with the 'Accounting policies' set out on page 5.

Distribution policy

In determining the amount available for distribution to Income shares, the annual charge, 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.

Authorised Corporate Director's Report

Investment objective

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

Investment policy

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

Other investments may include:

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

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

Investment approach

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

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

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

Benchmark up to 15 October 2020

Benchmark: IA Global Bonds sector.

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

The fund is actively managed.

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

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

Benchmark from 16 October 2020

Benchmark: IA Global Bonds sector

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

The fund is actively managed.

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

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

Authorised Corporate Director's Report

Risk profile

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

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

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

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

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

Low risk High risk



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 4 January 2021, for the six months ended 31 December 2020

Performance against objective

Between 1 July 2020 (the start of the review period) and 4 January 2021, the M&G Global Government Bond Fund delivered negative performance across its sterling and euro share classes, while its US dollar and Swiss franc share classes delivered positive returns.

In comparison, the fund's benchmark, which is the IA Global Bonds Sector, recorded positive returns across all share classes. For all of the fund's share classes, returns were behind the benchmark's returns.

For the five-year period, the fund met its objective, which is to provide a combination of capital growth and income, net of the ongoing charge figure, higher than that of the average return of the IA Global Bonds Sector over any five-year period. All of the fund's share classes delivered returns that were higher than the returns of the benchmark over a five-year period. The benchmark's returns, expressed in relevant currencies, were: 6.0% pa in sterling; 1.7% pa in euro; 4.1% pa in US dollar; 1.5% pa in Swiss franc.

The returns of the euro, US dollar and Swiss franc share classes are to 15 December 2020, the date when these share classes were closed.

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

Performance review

Global financial markets continued their remarkable recovery in the period under review, largely overcoming any downbeat sentiment arising from the ongoing pandemic. Despite a resurgence in COVID-19 cases in the US and Europe from September onwards, markets remained optimistic overall thanks to supportive central bank stimulus measures, robust corporate earnings and signs of a resilient uptick in global economic activity.

Markets were further buoyed in early November following news of several successful COVID-19 vaccine

Authorised Corporate Director's Report

trials, which brightened the near-term global economic outlook significantly. The forward-looking nature of equity markets meant that share prices globally registered strong performance during the final two months of the period, despite fresh lockdown restrictions being imposed in many countries towards the year end.

Markets also reacted favourably to a decisive outcome of what had been an uncertain US election in November. Elsewhere, the European Central Bank (ECB) expanded its monetary stimulus programme by a further €500 billion to help support the region's economy as it grapples with the latest lockdown measures. Towards the end of the period, the announcement of a post-Brexit trade deal provided a boost to sterling, which ended the year at a 30-month high of 1.36 versus the US dollar.

Against this backdrop, corporate bonds performed strongly during the period, with riskier assets such as high yield bonds and lower quality financial bonds performing especially well. 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. The higher the yield on a bond, the higher the risk of default - that is, the risk that the issuer will fail to pay the interest or repay the full amount borrowed.

However, returns for core government bonds were more muted as investors rotated away from traditional safe-haven assets. The notable underperformers in this space were US Treasuries, especially those with a long time until maturity, with these assets experiencing negative returns in the period. In contrast, peripheral eurozone assets performed well, with Italian and Spanish government bonds recording robust gains.

Emerging market bonds and currencies also performed strongly, reflecting increased optimism for global growth and ongoing policy support around the world. From a currency perspective, it was a weak period for the US dollar, which depreciated against most major counterparts.

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

Investment activities

Throughout the period, the US government bond market remained as one of the fund's largest allocations within mainstream markets. We favoured this stance based on key factors such as the backdrop of declining US interest rates and the perceived safe-haven status of US government bonds amid the uncertain environment caused by the coronavirus pandemic. However, in the early part of the period we sold the fund's Treasury Inflation Protected Securities (TIPS) positions following a sharp recovery in US inflation-linked valuations.

Our other preferred allocations included Japanese government bonds, partly as we felt the Japanese yen was an attractively valued currency that could support the performance of these assets. In contrast, we kept a modest exposure to the large German government bond market, given our assessment that very low (or negative) yields in the country lacked value.

In addition to our chosen allocations in developed government bond markets, the fund's flexible investment approach allows us to hold government bond positions across emerging economies. We continued to favour exposure to this area, where we think valuations look compelling compared to the very low yields that are available in developed market government bonds. Key allocations within emerging markets include Indonesia, Mexico and Russia, but we also hold significant allocation to less established parts of this asset class, including Peru, Serbia and Egypt.

Authorised Corporate Director's Report

Outlook

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

At the end of the review period, US government bonds remained our largest position, while we also favoured diversification via other large industrialised countries such as Japan. The fund's smaller allocations to developed government bond markets at the end of the period included Germany, Norway, Canada and Australia.

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

Claudia Calich

Fund manager

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

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

Investments

Portfolio statement

Holding		as at 31.12.20 \$'000	as at 31.12.20 %	as at 30.06.20 %
Fixed income		268,080	97.85	98.58
Debt securities		268,080	97.85	98.58
'AAA' credit rated bonds		28,985	10.58	11.70
INR100,000,000	Asian Development Bank 5.9% 20/12/2022	1,392	0.51	
AU\$4,000,000	Australia (Commonwealth of) 2.75% 21/11/2028	3,572	1.30	
IDR20,000,000,000	European Bank for Reconstruction & Development 6.25% 22/12/2021	1,452	0.53	
€6,400,000	Germany (Federal Republic of) 0.25% 15/08/2028	8,431	3.08	
INR100,090,000	International Finance 5.85% 25/11/2022	1,387	0.50	
INR190,000,000	International Finance 6.3% 25/11/2024	2,689	0.98	
UAH50,000,000	International Finance 15.5% 29/01/2021	1,771	0.65	
NOK30,500,000	Norway (Kingdom of) 2% 24/05/2023	3,721	1.36	
SG\$6,000,000	Singapore (Govt. of) 1.25% 01/10/2021	4,570	1.67	
'AA' credit rated bonds		55,161	20.13	25.14
CA\$4,000,000	Canada (Govt. of) 2.25% 01/03/2024	3,336	1.22	
CZK100,000,000	Czech (Republic of) 0.45% 25/10/2023	4,674	1.70	
US\$375,000	Petroleos Mexicano 2.46% 15/12/2025	374	0.14	
US\$1,556,000	Qatar (State of) 5.103% 23/04/2048	2,186	0.80	
US\$1,000,000	Qatar (State of) 6.4% 20/01/2040	1,571	0.57	
US\$20,000,000	US Treasury 3.125% 15/11/2028	23,647	8.63	
US\$14,500,000	US Treasury 3.125% 15/05/2048	19,373	7.07	
'A' credit rated bonds		48,557	17.72	17.14
US\$1,750,000	Bermuda (Govt. of) 2.375% 20/08/2030	1,836	0.67	
CLP2,700,000,000	Chile (Republic of) 4.7% 01/09/2030	4,465	1.63	
€1,251,000	Iceland (Republic of) 0.625% 03/06/2026	1,581	0.58	
ILS7,500,000	Israel (State of) 1.25% 30/11/2022	2,384	0.87	
US\$1,350,000	Israel (State of) 4.5% 30/01/2043	1,776	0.65	
¥1,518,450,000	Japan (Govt. of) 2.1% 20/12/2029	17,521	6.40	
¥1,401,600,000	Japan (Govt. of) IL 0.1% 10/03/2029	13,658	4.98	
€2,000,000	Lithuania (Republic of) 0.75% 06/05/2030	2,666	0.97	
PLN8,800,000	Poland (Republic of) 3.25% 25/07/2025	2,670	0.97	
'BBB' credit rated bonds		68,918	25.16	21.36
COP4,993,000,000	Bogota Distrito Capital 9.75% 26/07/2028	1,686	0.62	
€2,000,000	Bulgaria (Republic of) 3.125% 26/03/2035	3,226	1.18	

Investments

Portfolio statement (continued)

Holding	as at 31.12.20 \$'000	as at 31.12.20 %	as at 30.06.20 %
Fixed income (continued)			
Debt securities (continued)			
'BBB' credit rated bonds (continued)			
US\$1,000,000 Colombia (Republic of) 7.375% 18/09/2037	1,456	0.53	
€1,500,000 Hungary (Republic of) 1.625% 28/04/2032	2,007	0.73	
US\$4,210,000 Hutama Karya 3.75% 11/05/2030	4,697	1.72	
IDR60,617,000,000 Indonesia (Republic of) 8.25% 15/05/2036	5,017	1.83	
£1,300,000 Italy (Republic of) 6% 04/08/2028	2,351	0.86	
€1,500,000 Kazakhstan (Republic of) 2.375% 09/11/2028	2,105	0.77	
US\$2,000,000 Kazakhstan (Republic of) 4.875% 14/10/2044	2,706	0.99	
MYR10,000,000 Malaysia (Govt. of) 3.882% 10/03/2022	2,545	0.93	
£1,292,000 Mexico (United Mexican States) 5.625% 19/03/2114	2,011	0.73	
MXN25,000,000 Mexico (United Mexican States) 8% 07/11/2047	1,483	0.54	
MXN60,000,000 Mexico (United Mexican States) 8.5% 18/11/2038	3,739	1.37	
€3,000,000 MFB Magyar Fejlesztési Bank Zrt 1.375% 24/06/2025	3,818	1.39	
€2,000,000 Peru (Republic of) 3.75% 01/03/2030	3,149	1.15	
PEN4,000,000 Peru (Republic of) 5.94% 12/02/2029	1,379	0.50	
PEN4,300,000 Peru (Republic of) 6.15% 12/08/2032	1,443	0.53	
PEN4,800,000 Peru (Republic of) 8.2% 12/08/2026	1,786	0.65	
€3,500,000 Philippines (Republic of) 0.7% 03/02/2029	4,305	1.57	
PHP50,000,000 Philippines (Republic of) 6.25% 14/01/2036	1,338	0.49	
€523,000 Romania (Republic of) 3.624% 26/05/2030	765	0.28	
RUB395,000,000 Russia (Federation of) 8.15% 03/02/2027	5,987	2.19	
US\$1,000,000 Russia (Federation of) 12.75% 24/06/2028	1,710	0.62	
THB85,000,000 Thailand (Kingdom of) IL 1.25% 12/03/2028	2,958	1.08	
THB20,000,000 Thailand (Kingdom of) IL 3.3% 17/06/2038	828	0.30	
UYU36,065,711 Uruguay (Republic of) 3.875% 02/07/2040	1,015	0.37	
UYU50,000,000 Uruguay (Republic of) 8.5% 15/03/2028	1,239	0.45	
UYU88,378,000 Uruguay (Republic of) 9.875% 20/06/2022	2,169	0.79	
'BB' credit rated bonds	37,246	13.59	13.10
US\$2,200,000 Bahamas (Commonwealth of) 8.95% 15/10/2032	2,383	0.87	
BRL12,000,000 Brazil (Federal Republic of) 10% 01/01/2029	2,777	1.01	
€2,750,000 Croatia (Republic of) 1.5% 17/06/2031	3,691	1.35	

Investments

Portfolio statement (continued)

Holding	as at 31.12.20 \$'000	as at 31.12.20 %	as at 30.06.20 %
Fixed income (continued)			
Debt securities (continued)			
'BB' credit rated bonds (continued)			
US\$490,000 Guatemala (Republic of) 4.875% 13/02/2028	561	0.20	
US\$1,900,000 Guatemala (Republic of) 4.9% 01/06/2030	2,218	0.81	
€975,000 Macedonia (Govt. of) 3.675% 03/06/2026	1,339	0.49	
€2,350,000 Macedonia (Govt. of) 5.625% 26/07/2023	3,221	1.17	
€842,000 Morocco (Kingdom of) 1.375% 30/03/2026	1,041	0.38	
€842,000 Morocco (Kingdom of) 2% 30/09/2030	1,046	0.38	
US\$1,632,000 Morocco (Kingdom of) 5.5% 11/12/2042	2,031	0.74	
US\$1,000,000 Paraguay (Republic of) 4.95% 28/04/2031	1,207	0.44	
US\$1,000,000 Paraguay (Republic of) 6.1% 11/08/2044	1,337	0.49	
€2,364,000 Serbia (Republic of) 3.125% 15/05/2027	3,256	1.19	
RSD200,000,000 Serbia (Republic of) 4.5% 20/08/2032	2,208	0.81	
RSD200,000,000 Serbia (Republic of) 5.875% 08/02/2028	2,459	0.90	
ZAR43,000,000 South Africa (Republic of) 8.75% 28/02/2048	2,402	0.88	
US\$4,045,800 Vietnam (Socialist Republic of) 5.5% 12/03/2028	4,069	1.48	
'B' credit rated bonds	24,267	8.86	4.15
€1,502,000 Albania (Republic of) 3.5% 09/10/2025	1,956	0.71	
US\$1,730,000 Armenia (Republic of) 7.15% 26/03/2025	1,985	0.72	
US\$333,000 Costa Rica (Republic of) 5.52% 10/11/2021	332	0.12	
US\$178,000 Costa Rica (Republic of) 5.52% 23/08/2023	176	0.06	
€1,700,000 Côte d'Ivoire (Republic of) 6.625% 22/03/2048	2,309	0.84	
EGP13,000,000 Egypt (Arab Republic of) 0% 28/09/2021	755	0.28	
€2,150,000 Egypt (Arab Republic of) 5.625% 16/04/2030	2,755	1.01	
EGP14,300,000 Egypt (Arab Republic of) 14.051% 21/07/2022	912	0.33	
EGP12,000,000 Egypt (Arab Republic of) 14.196% 07/07/2023	770	0.28	
US\$2,400,000 Honduras (Republic of) 6.25% 19/01/2027	2,781	1.02	
US\$2,100,000 Rwanda (Republic of) 6.625% 02/05/2023	2,220	0.81	
€2,000,000 Senegal (Republic of) 4.75% 13/03/2028	2,616	0.96	
US\$205,865 Seychelles (Republic of) 8% 01/01/2026	196	0.07	
€2,000,000 Ukraine (Republic of) 4.375% 27/01/2030	2,345	0.86	

Investments

Portfolio statement (continued)

Holding	as at 31.12.20 \$'000	as at 31.12.20 %	as at 30.06.20 %
Fixed income (continued)			
Debt securities (continued)			
'B' credit rated bonds (continued)			
US\$1,453,000 Uzbekistan (Republic of) 5.375% 20/02/2029	1,689	0.62	
UZ\$4,870,000,000 Uzbekistan (Republic of) 14.5% 25/11/2023	470	0.17	
'CC' credit rated bonds	1,303	0.48	0.21
US\$1,940,000 Argentina (Republic of) 0.125% 09/07/2035	705	0.26	
US\$1,468,233 Argentina (Republic of) 0.125% 09/01/2038	598	0.22	
'D' credit rated bonds	0	0.00	0.27
Bonds with no credit rating	3,643	1.33	5.51
EGP10,000,000 Egypt (Arab Republic of) 0% 12/10/2021	578	0.21	
US\$3,550,000 Vietnam Debt & Asset Trading 1% 10/10/2025	3,065	1.12	
Currency	545	0.20	0.02
Forward currency contracts	545	0.20	0.02
£11,950,000 Bought for \$15,765,586 (expires 13.01.21)	545	0.20	
Portfolio of investments	268,625	98.05	98.60
Cash equivalents	1,986	0.73	0.39
'AAA' rated money market funds^a	1,986	0.73	0.39
1,986,000 Northern Trust Global Fund - US dollar	1,986	0.73	
Total portfolio	270,611	98.78	98.99
Net other assets / (liabilities)	3,348	1.22	1.01
Net assets attributable to shareholders	273,959	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.

Investments

Portfolio transactions for the six months to 31 December 2020

for the six months to 31 December	2020 \$'000	2019 \$'000
Total purchases	39,520	104,963
Total sales	78,816	42,987

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

Financial highlights

Fund performance

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

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

Fund level performance

Fund net asset value as at	31.12.20 \$'000	30.06.20 \$'000	30.06.19 \$'000
Fund net asset value (NAV)	273,959	291,669	175,095

Performance since launch

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

October 1999 = 100, plotted monthly
Chart date 4 January 2021



Source: Morningstar, Inc. and M&G

*Income reinvested

Long-term performance by share class

To give an indication of the performance of the fund the following table shows the compound rate of return per annum, over the period to 15 December 2020 for the remaining non-sterling share classes and 4 January 2021 for the sterling share classes. Calculated on a price to price basis with income reinvested.

Share class	From 01.07.20 % ^a	From 02.01.18 % pa	From 04.01.16 % pa	Since launch % pa
Euro^b				
Class 'A'	-1.2	+3.0	+3.1	+4.6 ^c
Class 'C'	-1.0	+3.6	+3.7	+5.2 ^c
Sterling^d				
Class 'A'	-1.5	+3.4	+7.2	+5.2 ^e
Class 'I'	-1.3	+3.9	+7.7	+3.8 ^f
Class 'R'	-1.4	+3.6	+7.4	+3.6 ^f
Swiss franc^b				
Class 'A'	+0.2	+0.2	+3.0	+2.7 ^c
Class 'C'	+0.5	+0.7	+3.5	+3.3 ^c
US dollar^b				
Class 'A'	+7.2	+3.3	+5.4	+3.2 ^c
Class 'C'	+7.5	+3.9	+6.0	+3.7 ^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.

Financial highlights

Operating charges and portfolio transaction costs

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

Operating charges

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

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

- **Ongoing charges from underlying funds:** Ongoing charges on holdings in underlying funds that are not rebated. From 1 August 2019 charges from underlying funds (excluding Investment Trust Companies and Real Estate Investment Trusts) will be rebated.

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

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

Portfolio transaction costs

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

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

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

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

Financial highlights

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

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

Portfolio transaction costs

Direct portfolio transaction costs ^b	Six months to 31.12.20 %	Year to 30.06.20 %	Year to 30.06.19 %	Average ^a %
Taxes	0.00	0.01	0.06	0.02
Costs before dilution adjustments	0.00	0.01	0.06	0.02
Dilution adjustments ^c	0.00	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.01	0.06	0.02
as at Indirect portfolio transaction costs	31.12.20 %	30.06.20 %	30.06.19 %	Average ^a %
Average portfolio dealing spread	0.45	0.54	0.36	0.45

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.

Euro Class 'A' Income share performance

The share class was launched on 22 August 2014.

The share class closed on 15 December 2020.

Change in NAV per share	Six months to 31.12.20 Euro €	Year to 30.06.20 Euro €	Year to 30.06.19 Euro €
Opening NAV	1,143.26	1,147.79	1,095.80
Return before operating charges	(0.88)	45.10	104.12
Operating charges	(5.44)	(12.44)	(12.14)
Return after operating charges	(6.32)	32.66	91.98
Distributions	0.00	(37.19)	(39.99)
Return to shareholder as a result of share class closure	(1,136.94)	n/a	n/a
Closing NAV	0.00	1,143.26	1,147.79
Direct transaction costs	Euro €	Euro €	Euro €
Costs before dilution adjustments	0.00	0.14	0.63
Dilution adjustments ^a	0.00	0.00	0.00
Total direct transaction costs	0.00	0.14	0.63
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.01	0.06
Operating charges ^c	1.05	1.05	1.09
Return after charges	-0.55	+2.85	+8.39
Distribution yield	0.00	2.99	3.63
Other information			
Closing NAV (\$'000)	0	4,769	5,816
Closing NAV (%)	0.00	1.64	3.32
Number of shares	0	372,124	445,190
Highest share price (Euro €)	1,154.00	1,222.82	1,175.75
Lowest share price (Euro €)	1,122.00	1,104.93	1,081.26

Financial highlights

Euro Class 'A' Accumulation share performance

The share class was launched on 22 August 2014.

The share class closed on 15 December 2020.

Change in NAV per share	Six months to 31.12.20 Euro €	Year to 30.06.20 Euro €	Year to 30.06.19 Euro €
Opening NAV	1,336.23	1,299.35	1,197.45
Return before operating charges	(1.69)	51.07	115.29
Operating charges	(6.36)	(14.19)	(13.39)
Return after operating charges	(8.05)	36.88	101.90
Distributions	0.00	(28.50)	(31.31)
Retained distributions	0.00	28.50	31.31
Return to shareholder as a result of share class closure	(1,328.18)	n/a	n/a
Closing NAV	0.00	1,336.23	1,299.35
Direct transaction costs	Euro €	Euro €	Euro €
Costs before dilution adjustments	0.00	0.16	0.70
Dilution adjustments ^a	0.00	0.00	0.00
Total direct transaction costs	0.00	0.16	0.70
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.01	0.06
Operating charges ^c	1.05	1.05	1.09
Return after charges	-0.60	+2.84	+8.51
Distribution yield	0.00	1.94	2.65
Other information			
Closing NAV (\$'000)	0	4,913	6,865
Closing NAV (%)	0.00	1.69	3.92
Number of shares	0	328,034	464,153
Highest share price (Euro €)	1,348.00	1,407.50	1,307.48
Lowest share price (Euro €)	1,310.00	1,271.79	1,181.54

Euro Class 'C' Income share performance

The share class was launched on 22 August 2014.

The share class closed on 16 July 2020

Change in NAV per share	Six months to 31.12.20 Euro €	Year to 30.06.20 Euro €	Year to 30.06.19 Euro €
Opening NAV	1,165.93	1,164.52	1,106.25
Return before operating charges	3.62	47.07	106.20
Operating charges	(0.27)	(6.60)	(6.50)
Return after operating charges	3.35	40.47	99.70
Distributions	0.00	(39.06)	(41.43)
Return to shareholder as a result of share class closure	(1,169.28)	n/a	n/a
Closing NAV	0.00	1,165.93	1,164.52
Direct transaction costs	Euro €	Euro €	Euro €
Costs before dilution adjustments	0.00	0.14	0.64
Dilution adjustments ^a	0.00	0.00	0.00
Total direct transaction costs	0.00	0.14	0.64
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.01	0.06
Operating charges ^c	0.55	0.55	0.57
Return after charges	+0.29	+3.48	+9.01
Distribution yield	0.00	2.99	3.63
Other information			
Closing NAV (\$'000)	0	6	7
Closing NAV (%)	0.00	0.00	0.00
Number of shares	0	500	500
Highest share price (Euro €)	1,176.00	1,245.00	1,192.91
Lowest share price (Euro €)	1,165.00	1,125.55	1,093.14

Financial highlights

Euro Class 'C' Accumulation share performance

The share class was launched on 22 August 2014.

The share class closed on 15 December 2020.

Change in NAV per share	Six months to 31.12.20 Euro ¢	Year to 30.06.20 Euro ¢	Year to 30.06.19 Euro ¢
Opening NAV	1,379.52	1,334.49	1,222.89
Return before operating charges	(1.72)	52.67	118.43
Operating charges	(3.42)	(7.64)	(6.83)
Return after operating charges	(5.14)	45.03	111.60
Distributions	0.00	(36.35)	(39.23)
Retained distributions	0.00	36.35	39.23
Return to shareholder as a result of share class closure	(1,374.38)	n/a	n/a
Closing NAV	0.00	1,379.52	1,334.49
Direct transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.00	0.16	0.71
Dilution adjustments ^a	0.00	0.00	0.00
Total direct transaction costs	0.00	0.16	0.71
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.01	0.06
Operating charges ^c	0.55	0.55	0.54
Return after charges	-0.37	+3.37	+9.13
Distribution yield	0.00	2.44	3.14
Other information			
Closing NAV (\$'000)	0	7,677	44
Closing NAV (%)	0.00	2.63	0.03
Number of shares	0	496,445	2,910
Highest share price (Euro ¢)	1,392.00	1,450.49	1,342.68
Lowest share price (Euro ¢)	1,355.00	1,311.17	1,208.59

Sterling Class 'A' Income share performance

The share class was launched on 4 October 1999.

Change in NAV per share	Six months to 31.12.20 UK p	Year to 30.06.20 UK p	Year to 30.06.19 UK p
Opening NAV	99.60	98.19	92.57
Return before operating charges	(1.70)	5.57	10.06
Operating charges	(0.52)	(1.04)	(1.02)
Return after operating charges	(2.22)	4.53	9.04
Distributions	(1.40)	(3.12)	(3.42)
Closing NAV	95.98	99.60	98.19
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.01	0.05
Dilution adjustments ^a	0.00	0.00	0.00
Total direct transaction costs	0.00	0.01	0.05
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.01	0.06
Operating charges ^c	1.05	1.05	1.09
Return after charges	-2.23	+4.61	+9.77
Distribution yield	2.99	2.99	3.63
Other information			
Closing NAV (\$'000)	3,074	2,498	2,389
Closing NAV (%)	1.12	0.86	1.37
Number of shares	2,346,601	2,043,957	1,917,770
Highest share price (UK p)	100.05	104.09	100.31
Lowest share price (UK p)	95.42	94.33	91.25

Financial highlights

Sterling Class 'A' Accumulation share performance

The share class was launched on 4 October 1999.

Change in NAV per share	Six months to 31.12.20 UK p	Year to 30.06.20 UK p	Year to 30.06.19 UK p
Opening NAV	149.69	142.95	130.10
Return before operating charges	(2.56)	8.26	14.30
Operating charges	(0.78)	(1.52)	(1.45)
Return after operating charges	(3.34)	6.74	12.85
Distributions	(1.37)	(3.07)	(3.44)
Retained distributions	1.37	3.07	3.44
Closing NAV	146.35	149.69	142.95
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.02	0.08
Dilution adjustments ^a	0.00	0.00	0.00
Total direct transaction costs	0.00	0.02	0.08
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.01	0.06
Operating charges ^c	1.05	1.05	1.09
Return after charges	-2.23	+4.71	+9.88
Distribution yield	1.96	1.94	2.65
Other information			
Closing NAV (\$'000)	11,127	11,211	11,409
Closing NAV (%)	4.06	3.84	6.52
Number of shares	5,570,910	6,103,840	6,290,218
Highest share price (UK p)	150.37	151.53	143.46
Lowest share price (UK p)	143.40	137.33	128.23

Sterling Class 'I' Income share performance

The share class was launched on 3 August 2012.

Change in NAV per share	Six months to 31.12.20 UK p	Year to 30.06.20 UK p	Year to 30.06.19 UK p
Opening NAV	1,174.42	1,152.02	1,080.60
Return before operating charges	(20.07)	65.50	117.89
Operating charges	(3.19)	(6.40)	(6.44)
Return after operating charges	(23.26)	59.10	111.45
Distributions	(16.49)	(36.70)	(40.03)
Closing NAV	1,134.67	1,174.42	1,152.02
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.13	0.62
Dilution adjustments ^a	0.00	0.00	0.00
Total direct transaction costs	0.00	0.13	0.62
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.01	0.06
Operating charges ^c	0.55	0.55	0.58
Return after charges	-1.98	+5.13	+10.31
Distribution yield	2.99	2.99	3.63
Other information			
Closing NAV (\$'000)	25,681	26,925	28,067
Closing NAV (%)	9.38	9.23	16.03
Number of shares	1,658,349	1,868,408	1,920,251
Highest share price (UK p)	1,182.49	1,222.28	1,176.87
Lowest share price (UK p)	1,126.09	1,109.29	1,066.72

Financial highlights

Sterling Class 'I' Accumulation share performance

The share class was launched on 3 August 2012.

Change in NAV per share	Six months to 31.12.20 UK p	Year to 30.06.20 UK p	Year to 30.06.19 UK p
Opening NAV	1,393.76	1,324.38	1,199.22
Return before operating charges	(23.87)	76.83	132.22
Operating charges	(3.79)	(7.45)	(7.06)
Return after operating charges	(27.66)	69.38	125.16
Distributions	(16.00)	(35.22)	(38.08)
Retained distributions	16.00	35.22	38.08
Closing NAV	1,366.10	1,393.76	1,324.38
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.16	0.70
Dilution adjustments ^a	0.00	0.00	0.00
Total direct transaction costs	0.00	0.16	0.70
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.01	0.06
Operating charges ^c	0.55	0.55	0.57
Return after charges	-1.98	+5.24	+10.44
Distribution yield	2.45	2.44	3.14
Other information			
Closing NAV (\$'000)	231,808	227,942	116,146
Closing NAV (%)	84.62	78.15	66.34
Number of shares	12,433,048	13,328,306	6,912,196
Highest share price (UK p)	1,403.25	1,405.09	1,329.09
Lowest share price (UK p)	1,336.35	1,275.20	1,183.83

Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012.

Change in NAV per share	Six months to 31.12.20 UK p	Year to 30.06.20 UK p	Year to 30.06.19 UK p
Opening NAV	116.26	114.33	107.52
Return before operating charges	(1.99)	6.49	11.70
Operating charges	(0.46)	(0.92)	(0.91)
Return after operating charges	(2.45)	5.57	10.79
Distributions	(1.63)	(3.64)	(3.98)
Closing NAV	112.18	116.26	114.33
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.01	0.06
Dilution adjustments ^a	0.00	0.00	0.00
Total direct transaction costs	0.00	0.01	0.06
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.01	0.06
Operating charges ^c	0.80	0.80	0.83
Return after charges	-2.11	+4.87	+10.04
Distribution yield	2.99	2.99	3.63
Other information			
Closing NAV (\$'000)	532	507	406
Closing NAV (%)	0.19	0.17	0.23
Number of shares	347,587	355,093	279,986
Highest share price (UK p)	116.92	121.25	116.80
Lowest share price (UK p)	111.43	109.96	106.06

Financial highlights

Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012.

Change in NAV per share	Six months to 31.12.20 UK p	Year to 30.06.20 UK p	Year to 30.06.19 UK p
Opening NAV	137.26	130.76	118.72
Return before operating charges	(2.34)	7.57	13.04
Operating charges	(0.55)	(1.07)	(1.00)
Return after operating charges	(2.89)	6.50	12.04
Distributions	(1.41)	(3.14)	(3.46)
Retained distributions	1.41	3.14	3.46
Closing NAV	134.37	137.26	130.76
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.02	0.07
Dilution adjustments ^a	0.00	0.00	0.00
Total direct transaction costs	0.00	0.02	0.07
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.01	0.06
Operating charges ^c	0.80	0.80	0.82
Return after charges	-2.11	+4.97	+10.14
Distribution yield	2.20	2.19	2.89
Other information			
Closing NAV (\$'000)	1,737	1,366	1,826
Closing NAV (%)	0.63	0.47	1.04
Number of shares	947,098	810,886	1,100,961
Highest share price (UK p)	138.05	138.67	131.22
Lowest share price (UK p)	131.55	125.76	117.09

Swiss franc Class 'A' Accumulation share performance

The share class was launched on 22 August 2014.

The share class closed on 15 December 2020.

Change in NAV per share	Six months to 31.12.20 Swiss ¢	Year to 30.06.20 Swiss ¢	Year to 30.06.19 Swiss ¢
Opening NAV	1,180.38	1,195.37	1,148.24
Return before operating charges	11.42	(2.30)	59.60
Operating charges	(5.71)	(12.69)	(12.47)
Return after operating charges	5.71	(14.99)	47.13
Distributions	0.00	(25.43)	(29.01)
Retained distributions	0.00	25.43	29.01
Return to shareholder as a result of share class closure	(1,186.09)	n/a	n/a
Closing NAV	0.00	1,180.38	1,195.37
Direct transaction costs	Swiss ¢	Swiss ¢	Swiss ¢
Costs before dilution adjustments	0.00	0.14	0.66
Dilution adjustments ^a	0.00	0.00	0.00
Total direct transaction costs	0.00	0.14	0.66
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.01	0.06
Operating charges ^c	1.05	1.05	1.08
Return after charges	+0.48	-1.25	+4.10
Distribution yield	0.00	1.94	2.65
Other information			
Closing NAV (\$'000)	0	1,728	403
Closing NAV (%)	0.00	0.59	0.23
Number of shares	0	139,145	32,832
Highest share price (Swiss ¢)	1,202.00	1,239.40	1,213.55
Lowest share price (Swiss ¢)	1,165.00	1,111.12	1,102.66

Financial highlights

Swiss franc Class 'C' Accumulation share performance

The share class was launched on 22 August 2014.

The share class closed on 15 December 2020.

Change in NAV per share	Six months to 31.12.20 Swiss ¢	Year to 30.06.20 Swiss ¢	Year to 30.06.19 Swiss ¢
Opening NAV	1,218.00	1,226.63	1,170.87
Return before operating charges	11.78	(1.73)	62.37
Operating charges	(3.08)	(6.90)	(6.61)
Return after operating charges	8.70	(8.63)	55.76
Distributions	0.00	(32.91)	(36.99)
Retained distributions	0.00	32.91	36.99
Return to shareholder as a result of share class closure	(1,226.70)	n/a	n/a
Closing NAV	0.00	1,218.00	1,226.63
Direct transaction costs	Swiss ¢	Swiss ¢	Swiss ¢
Costs before dilution adjustments	0.00	0.14	0.67
Dilution adjustments ^a	0.00	0.00	0.00
Total direct transaction costs	0.00	0.14	0.67
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.01	0.06
Operating charges ^c	0.55	0.55	0.56
Return after charges	+0.71	-0.70	+4.76
Distribution yield	0.00	2.44	3.14
Other information			
Closing NAV (\$'000)	0	48	6
Closing NAV (%)	0.00	0.02	0.00
Number of shares	0	3,779	500
Highest share price (Swiss ¢)	1,243.00	1,276.60	1,244.45
Lowest share price (Swiss ¢)	1,204.00	1,144.94	1,126.33

US dollar Class 'A' Income share performance

The share class was launched on 22 August 2014.

The share class closed on 15 December 2020.

Change in NAV per share	Six months to 31.12.20 US ¢	Year to 30.06.20 US ¢	Year to 30.06.19 US ¢
Opening NAV	965.77	984.53	961.21
Return before operating charges	80.57	23.04	68.15
Operating charges	(4.85)	(10.37)	(10.44)
Return after operating charges	75.72	12.67	57.71
Distributions	0.00	(31.43)	(34.39)
Return to shareholder as a result of share class closure	(1,041.49)	n/a	n/a
Closing NAV	0.00	965.77	984.53
Direct transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.00	0.11	0.54
Dilution adjustments ^a	0.00	0.00	0.00
Total direct transaction costs	0.00	0.11	0.54
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.01	0.06
Operating charges ^c	1.05	1.05	1.09
Return after charges	+7.84	+1.29	+6.00
Distribution yield	0.00	2.99	3.63
Other information			
Closing NAV (\$'000)	0	198	243
Closing NAV (%)	0.00	0.07	0.14
Number of shares	0	20,523	24,631
Highest share price (US ¢)	1,042.00	1,025.42	1,005.78
Lowest share price (US ¢)	971.00	895.10	945.00

Financial highlights

US dollar Class 'A' Accumulation share performance

The share class was launched on 22 August 2014.

The share class closed on 15 December 2020.

Change in NAV per share	Six months to 31.12.20 US ¢	Year to 30.06.20 US ¢	Year to 30.06.19 US ¢
Opening NAV	1,129.18	1,115.02	1,050.84
Return before operating charges	94.12	25.98	75.70
Operating charges	(5.66)	(11.82)	(11.52)
Return after operating charges	88.46	14.16	64.18
Distributions	0.00	(24.10)	(26.95)
Retained distributions	0.00	24.10	26.95
Return to shareholder as a result of share class closure	(1,217.64)	n/a	n/a
Closing NAV	0.00	1,129.18	1,115.02
Direct transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.00	0.13	0.60
Dilution adjustments ^a	0.00	0.00	0.00
Total direct transaction costs	0.00	0.13	0.60
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.01	0.06
Operating charges ^c	1.05	1.05	1.09
Return after charges	+7.83	+1.27	+6.11
Distribution yield	0.00	1.94	2.65
Other information			
Closing NAV (\$'000)	0	1,754	1,438
Closing NAV (%)	0.00	0.60	0.82
Number of shares	0	155,359	128,952
Highest share price (US ¢)	1,219.00	1,180.84	1,118.99
Lowest share price (US ¢)	1,136.00	1,030.77	1,033.13

US dollar Class 'C' Income share performance

The share class was launched on 22 August 2014.

The share class closed on 16 July 2020.

Change in NAV per share	Six months to 31.12.20 US ¢	Year to 30.06.20 US ¢	Year to 30.06.19 US ¢
Opening NAV	984.56	998.75	970.38
Return before operating charges	19.47	23.73	69.75
Operating charges	(0.24)	(5.68)	(5.71)
Return after operating charges	19.23	18.05	64.04
Distributions	0.00	(32.24)	(35.67)
Return to shareholder as a result of share class closure	(1,003.79)	n/a	n/a
Closing NAV	0.00	984.56	998.75
Direct transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.00	0.12	0.55
Dilution adjustments ^a	0.00	0.00	0.00
Total direct transaction costs	0.00	0.12	0.55
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.01	0.06
Operating charges ^c	0.55	0.57	0.59
Return after charges	+1.95	+1.81	+6.60
Distribution yield	0.00	2.99	3.63
Other information			
Closing NAV (\$'000)	0	5	5
Closing NAV (%)	0.00	0.00	0.00
Number of shares	0	500	500
Highest share price (US ¢)	1,004.00	1,043.82	1,020.48
Lowest share price (US ¢)	990.00	911.29	956.04

Financial highlights

US dollar Class 'C' Accumulation share performance

The share class was launched on 22 August 2014.

The share class closed on 15 December 2020.

Change in NAV per share	Six months to 31.12.20 US ¢	Year to 30.06.20 US ¢	Year to 30.06.19 US ¢
Opening NAV	1,165.76	1,145.32	1,073.94
Return before operating charges	97.29	26.81	77.84
Operating charges	(3.05)	(6.37)	(6.46)
Return after operating charges	94.24	20.44	71.38
Distributions	0.00	(30.66)	(33.12)
Retained distributions	0.00	30.66	33.12
Return to shareholder as a result of share class closure	(1,260.00)	n/a	n/a
Closing NAV	0.00	1,165.76	1,145.32
Direct transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.00	0.13	0.61
Dilution adjustments ^a	0.00	0.00	0.00
Total direct transaction costs	0.00	0.13	0.61
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.01	0.06
Operating charges ^c	0.55	0.56	0.59
Return after charges	+8.08	+1.78	+6.65
Distribution yield	0.00	2.44	3.14
Other information			
Closing NAV (\$'000)	0	122	25
Closing NAV (%)	0.00	0.04	0.01
Number of shares	0	10,438	2,216
Highest share price (US ¢)	1,261.00	1,217.22	1,149.40
Lowest share price (US ¢)	1,172.00	1,062.67	1,057.65

^a In respect of direct portfolio transaction costs.

^b As a percentage of average net asset value.

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

Financial statements and notes

Financial statements

Statement of total return

for the six months to 31 December	2020		2019	
	\$'000	\$'000	\$'000	\$'000
Income				
Net capital gains / (losses)		21,333		1,883
Revenue	4,489		3,832	
Expenses	(873)		(703)	
Net revenue / (expense) before taxation	3,616		3,129	
Taxation	(64)		(15)	
Net revenue / (expense) after taxation		3,552		3,114
Total return before distributions		24,885		4,997
Distributions		(3,586)		(3,150)
Change in net assets attributable to shareholders from investment activities		21,299		1,847

Statement of change in net assets attributable to shareholders

for the six months to 31 December	2020		2019	
	\$'000	\$'000	\$'000	\$'000
Opening net assets attributable to shareholders		291,669		175,095
Amounts received on issue of shares	11,625		83,703	
Amounts paid on cancellation of shares	(53,587)		(25,067)	
		(41,962)		58,636
Dilution adjustments		113		157
Change in net assets attributable to shareholders from investment activities (see above)		21,299		1,847
Retained distributions on Accumulation shares		2,840		2,858
Closing net assets attributable to shareholders		273,959		238,593

The opening net assets attributable to shareholders for 2020 differs to the closing position in 2019 by the change in net assets attributable to shareholders for the second half of the comparative financial year.

Financial statements and notes

Financial statements

Balance sheet

as at	31 December 2020 \$'000	30 June 2020 \$'000
Assets		
Fixed assets		
Investments	268,625	287,636
Current assets		
Debtors	3,422	3,355
Cash and bank balances	700	1,231
Cash equivalents	1,986	1,129
Total assets	274,733	293,351
Liabilities		
Investment liabilities	0	(50)
Creditors		
Distribution payable	(426)	(534)
Other creditors	(348)	(1,098)
Total liabilities	(774)	(1,682)
Net assets attributable to shareholders	273,959	291,669

Financial statements and notes

Notes to the financial statements

Accounting policies

The financial statements have been prepared in accordance with the 'Accounting policies' set out on page 5.

Distribution policy

In determining the amount available for distribution to Income shares, the annual charge, 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.

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Investment objective

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

Investment policy

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

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

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

Derivatives may be used for efficient portfolio management and hedging.

Investment approach

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

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

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

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

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

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

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

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

Benchmark

Benchmark: FTSE All-Share Index.

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

The fund is actively managed.

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

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

Risk profile

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

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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.

Low risk High risk

← →
Typically lower rewards Typically higher rewards

1	2	3	4	5	6	7
---	---	---	---	---	---	---

The above number:

- is based on the rate at which the value of the fund has moved up and down in the past and is based on historical data so may not be a reliable indicator of the future risk profile of the fund.
- is not guaranteed and may change over time and the lowest risk number does not mean risk free.
- has changed during this period. From 1 July 2020 to 9 July 2020 the risk number was 5.

Investment review

As at 4 January 2021, for the six months ended 31 December 2020

Performance against objective

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

The fund has lagged the FTSE All-Share Index in total return terms (the combination of income and growth of capital) across all its share classes over five years, therefore missing its objective. Over this period, the index returned 5.9% pa in sterling terms and 1.3% pa in euro terms.

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

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

Performance review

The Recovery strategy delivered a solid first half to the fund's new financial year, which put it well ahead of the FTSE All-Share Index total return of 10.9%, in the process recouping a substantial proportion of the performance deficit of the previous financial year, and finishing calendar year 2020 broadly in line with the index.

The pandemic continued to be a dominant influence on markets; however, whilst it weighed on returns in the previous financial year, in the current six-month period under review the combination of the authorities' response in the form of monetary and fiscal support measures, including a £350 billion spending package, along with the vaccine rollout, led to a rebound as investors looked forward to an economic recovery and better times ahead.

However, the road to recovery was not a straight path, with the market enduring setbacks, particularly in October when it fell into negative territory for the period. Risk appetite evaporated in the wake of a resurgent virus and renewed government restrictions threatening to derail the economic recovery, along with concerns about whether the UK would secure a trade deal with the EU. However, the final two months of 2020 produced the domestic market's strongest performance of the year as it staged a recovery from oversold levels. The catalyst for the rebound was positive news on vaccines in November, followed by regulatory approval in the UK for two of them in December. In addition, the US presidential election result along with a US\$2.3 trillion fiscal stimulus package provided further support. In the UK, sentiment received a boost from the finalising of the EU trade deal on Christmas Eve, although this was dampened subsequently by the emergence of two highly infectious coronavirus strains and the bulk of the UK being put under further restrictions.

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Confronted with the pandemic, many companies announced the omission, cancellation or suspension of dividend payments, which undermined the domestic market. However, in the later stages of 2020, some companies resumed payouts as they began to adjust to the new environment. In particular, two big sources of market dividends are the banks and oil companies. The Prudential Regulation Authority (PRA) stopped banks paying dividends in March and it was not until December that it signalled payouts could recommence. In addition, a collapse in demand pushed the oil price into negative territory in April and subsequently resulted in Shell cutting its dividend by two-thirds and BP by half. However, the outlook improved towards the end of the year, with Brent crude recovering over 165% from its March lows to around US\$50 as commodities generally rallied amidst a robust recovery in China, which has avoided a second lockdown.

Sterling was also a key influence on the UK market and ended the six months with a 10% gain against the dollar at US\$1.37, having been as low as US\$1.15 in late March. The currency tended to reflect progress in the trade negotiations – weakening when the outcome looked uncertain and vice versa. The potential for a stronger pound to impact the overseas revenues of the dominant multinationals in the FTSE 100 Index, meant that larger companies underperformed the more domestically orientated medium-sized and smaller companies, as a stronger currency bore down on their import costs.

Reflecting the market recovery from the March lows, more economically sensitive areas, such as mining, chemicals, industrials, retailers and travel & leisure, generally outperformed. More defensive sectors, such as consumer staples, pharmaceuticals, mobile telecoms and the water utilities, along with energy companies, lagged.

Against this background, the fund's outperformance was due primarily to its exposure to more cyclical areas of the economy, such as miners, industrials and media, as well as biotechnology companies. Also, value was added through a lack of exposure to quality consumer goods companies and the mainstream pharmaceutical manufacturers. The former are trading on rich

valuations and do not meet the fund's investment criteria, and these were eschewed by investors as risk appetite improved. The latter came under pressure from concerns about downward pressure on drug pricing in the US from a Biden administration.

These performance trends were reflected in a positive contribution from stock selection, along with the fund's positioning across large, medium and smaller companies. Sector allocation had a broadly neutral impact as a positive contribution from above-average market positions in mining and industrials, combined with a below-average exposure to consumer goods companies, was offset by a negative contribution from an above-market position in water utilities and a below-market exposure to financials.

Miners were prominent among the contributors to performance and included First Quantum Minerals, Bacanora Lithium, Kenmare Resources, Bluejay Mining and Rio Tinto, which rose strongly on the back of the rise in commodity prices. Notably, Bacanora Lithium announced that it was on course to start mining lithium for electric vehicle batteries at its Sonora mining project in Mexico from 2023. Kenmare Resources basked in the glow of having paid its first dividend earlier in the year and latterly moving some of its operation to a new richer seam in Mozambique to boost its ilmenite production.

Within UK larger companies, aside from the fund's holding in miner Rio Tinto, Smurfit Kappa added value as first-half results revealed that the paper and packaging manufacturer had benefited from increases in paper prices and relatively stable earnings through the pandemic.

Within medium-sized companies, the standout performer was biotech firm Oxford Biomedica as a key supplier for the raw components of AstraZeneca's COVID-19 vaccine, which is being manufactured by AstraZeneca, was approved for use by the MHRA and is being rolled out across the UK in January. In addition, notably IWG staged a recovery from a bout of weakness – the world's largest flexible workspace provider looks more secure after a round of fundraising and stands to

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benefit from changed working patterns. Elsewhere, shares in ITV rose from oversold levels after the broadcaster reported an improvement in advertising trends towards the end of a difficult year which included the biggest fall in advertising in its history during the first lockdown.

Value was added within smaller companies by Dignity, the UK's second-largest funeral services provider, where the shares recovered strongly in the summer post the release of a benign competition review into the funeral services sector. Good results announcements and equity placings also gave a boost to technology-based advertiser Mirriad Advertising and retailer Mothercare.

Conversely, two biotech companies that bucked the trend and detracted value over the six-month period under review were Mesoblast and GW Pharmaceuticals. After a strong run through most of 2020, Mesoblast came under pressure in the autumn following disappointing headline news about two of its phase 3 trials involving treatments for late-stage COVID-19 and chronic heart failure. The start of 2021, though, has brought better results for the Australian company's heart treatment. GW Pharmaceuticals reported annual results that were fine, but the market had raised expectations from the cannabinoid medicine manufacturer. The shares sold off in response in the summer, but staged a recovery towards the year end. Another notable detractor was the fund's holding in oil major BP, which was affected by the oil price trend and dividend cut.

Investment activities

Taking advantage of share price weakness, positions were established in two UK insurers, Beazley and Hiscox, as well as exhibitions business Informa. The fund also participated in a number of placings (fund-raising exercises by companies). These included gold miner Troy Resources to assist with developing a promising resource; Mirriad Advertising to help the company develop the business on the back of its first few large client wins; Medical Developments International so the Australian company could build out its European sales force for its Pentrox fast pain relief

product; and wealth manager WH Ireland to fund the acquisition of Henley-based Harpsden Wealth Management.

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

In other activity, we took advantage of some strong individual share price performance to trim fund holdings. These included reductions to positions in miners First Quantum Minerals, St Barbara and Rio Tinto. Within the fund's biotech holdings, positions were reduced in Hutchison China MediTech and Oxford Biomedica; and in the support services sector, we trimmed flexible workspace provider IWG.

Outlook

The UK lagged the other major regional markets over the second half of 2020 and ended the year as a whole down by 10% as measured by the FTSE All-Share Index in total return terms. This was partly a result of uncertainty over the country's trade deal with the EU, as well as the suspension of dividends, the UK's belated response to the pandemic and resultant impact on the economy, sterling weakness deterring foreign investors despite this year's partial recovery, along with the market's composition. In the latter case, in particular, the market was held back by a small tech sector

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compared to the US where it propelled Wall Street to all-time highs in 2020, and a substantial weighting in banks and energy companies which were constrained by dividend cuts and low oil prices.

The government and the Bank of England continue to provide a huge package of measures to support the economy and the market will benefit from any improvement in global economic activity. Indeed, China has recorded some strong industrial growth numbers, and elsewhere there are signs of a pick-up in manufacturing activity. Meanwhile, the shape of the UK's post-Brexit trade relationship with the European Union should become known in the next few months, which will provide greater clarity. Finally, numerous vaccines are under development and the authorities have already approved treatments developed by Pfizer/BionTech, Oxford Biomedica/AstraZeneca and Moderna, adding to vaccines that have been developed by China and Russia, which will help authorities rescue the global economy from its stasis.

On a more positive note, the current situation differs from previous market setbacks as the sharp economic deterioration has been caused by governments shutting down their economies, and not more typically by rising interest rates, corporate failure, a geopolitical event or an oil price rise shock. Indeed, although the latter has risen off historic lows, it is hovering around US\$50 per barrel, which should provide a boost to most of the global economy. When policymakers start switching their economies back on again, the bounce-back could be fairly swift, albeit to a lower rate of growth than before. In some countries, such as China and South Korea, this is already starting to occur. The worry remains of a continued rise in mutations of the virus and further lockdowns. One thing is for certain, the wave of capital raisings is likely to continue as companies seek to repair their balance sheets and ultimately return to paying dividends.

The UK market's underperformance has left it looking cheap in a global context, in our view, trading at levels not seen since 1975. This could start to attract takeover activity by foreign companies once some of the shorter-term uncertainties have been surmounted. This is one

of the ways companies exit Recovery's portfolio as acquirers start to recognise value in the repaired business models. There are small signs that this might be picking up already with, for example, the £630m deal by US private equity firm Lone Star to buy retirement homebuilder McCarthy & Stone, 'Las Vegas casino owner Caesars Entertainment's' £2.9bn bid for bookmaker William Hill, the £7.2bn takeover of insurer RSA by an overseas consortium, and a £3.2 billion bid for corporate jet leasing and airport services firm Signature Aviation (formerly BBA) from US private equity group Blackstone.

2020 has been an especially challenging year for the fund, but it has come through relatively unscathed. Despite having to weather an extended period of underperformance, we have stuck to our recovery proposition. While many companies face major challenges in the short run, we are confident that many of our holdings are robust and show encouraging evidence of sound management. By giving companies the breathing space they need to execute a strategy for recovery, we can see a very material creation of value as the market re-rates those companies. We believe the potential of our portfolio remains considerable, and expect that long-term opportunities will present themselves as the crisis eases and companies tap the markets to raise funds.

Tom Dobell

Fund manager

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

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

Investments

Portfolio statement

Holding	as at 31.12.20 £'000	as at 31.12.20 %	as at 30.06.20 %
Equities	1,509,383	100.16	100.09
Software & computer services	36,829	2.44	1.97^b
7,063,972 Actual Experience ^a	10,031	0.67	
2,200,000 Micro Focus International	9,370	0.62	
36,616,666 Mirriad Advertising ^a	15,745	1.04	
2,872,000 Watchstone ^a	1,683	0.11	
Telecommunication service providers	25,876	1.72	1.57
19,500,000 BT	25,876	1.72	
Medical equipment & services	15,833	1.05	1.21
8,333,000 Creo Medical ^a	15,833	1.05	
Pharmaceuticals & biotechnology	237,957	15.79	21.88
480,684 GW Pharmaceuticals ADR	40,803	2.71	
1,910,000 Hutchison China Meditech ADR	43,985	2.92	
3,629,101 Medical Developments International	13,626	0.90	
43,848,668 Mesoblast	55,955	3.71	
792,995 Mesoblast ADR	4,910	0.33	
7,743,929 Oxford Biomedica	78,678	5.22	
Banks	174,721	11.59	11.01
18,000,000 HSBC	68,436	4.54	
125,680,000 Lloyds Banking	46,005	3.05	
17,000,000 Natwest	28,415	1.89	
6,800,000 Standard Chartered	31,865	2.11	
Investment banking & brokerage services	21,330	1.42	1.02
17,657,142 IP	17,428	1.16	
9,291,333 WH Ireland ^a	3,902	0.26	
Non-life insurance	31,911	2.12	0.00
4,500,000 Beazley	16,560	1.10	
1,537,266 Hiscox	15,351	1.02	
Consumer services	36,627	2.43	1.78^b
2,100,000 Compass	28,959	1.92	
1,200,000 Dignity	7,668	0.51	
Media	72,878	4.84	3.49^b
1,500,000 Informa	8,229	0.55	

Investments

Portfolio statement (continued)

Holding		as at 31.12.20 £'000	as at 31.12.20 %	as at 30.06.20 %
Equities (continued)				
Media (continued)				
20,900,000	ITV	22,363	1.48	
2,100,000	Pearson	14,251	0.95	
3,500,000	WPP	28,035	1.86	
	Retailers	7,789	0.52	0.34^b
69,542,935	Mothercare	7,789	0.52	
	Travel & leisure	57,475	3.81	4.17^b
5,000,000	Dalata Hotel	16,997	1.13	
909,362	easyJet	7,580	0.50	
9,321,340	fastjet Warrants 31/07/2021	0	0.00	
639,371	J.D. Wetherspoon	7,129	0.47	
10,728,010	National Express	25,769	1.71	
	Food producers	43,605	2.89	2.72
1,100,000	Associated British Foods	24,871	1.65	
8,757,630	REA	4,992	0.33	
1,700,000	Tate & Lyle	11,427	0.76	
46,304,408	Zambeef Products ^a	2,315	0.15	
	Construction & materials	104,892	6.96	6.92^b
13,250,000	Balfour Beatty	35,934	2.39	
1,350,000	CRH	41,580	2.76	
5,548,239	Kier	4,278	0.28	
33,000,000	Severfield	23,100	1.53	
	Aerospace & defence	29,436	1.95	2.48
339,811	Babcock International	969	0.06	
4,000,000	Meggitt	18,664	1.24	
146,309,150	TP ^a	9,803	0.65	
	General industrials	73,065	4.85	4.16
12,649,508	Coats	8,551	0.57	
800,000	Smiths	12,104	0.80	
1,520,000	Smurfit Kappa	52,410	3.48	
	Industrial engineering	2,204	0.15	0.21^b
18,367,378	Renold ^a	2,204	0.15	

Investments

Portfolio statement (continued)

Holding	as at 31.12.20 £'000	as at 31.12.20 %	as at 30.06.20 %
Equities (continued)			
Industrial support services	100,533	6.67	6.55
28,444,340 Capita	11,221	0.74	
4,399,600 Essentra	13,604	0.90	
2,000,000 Grafton	18,480	1.23	
14,600,000 IWG	49,990	3.32	
120,629,158 Wameja ^a	7,238	0.48	
Industrial transportation	6,572	0.44	0.98
4,618,049 Avation	5,772	0.38	
285,634,550 Mercantile Ports & Logistics ^a	800	0.06	
Industrial metals & mining	223,873	14.86	10.53^b
44,373,385 Bacanora Lithium ^a	27,955	1.86	
132,136,364 Bluejay Mining ^a	16,055	1.07	
3,900,000 First Quantum Minerals	53,098	3.52	
13,500,000 Hummingbird Resources ^a	4,388	0.29	
18,557,778 Kenmare Resources	57,529	3.82	
1,175,000 Rio Tinto	64,848	4.30	
Precious metals & mining	34,574	2.29	3.20^b
100,000,000 Petra Diamonds	1,752	0.11	
20,000,000 St Barbara	26,656	1.77	
113,250,000 Troy Resources	6,166	0.41	
Non-renewable energy	117,094	7.77	9.74^b
32,000,000 BP	82,288	5.46	
16,622,508 Great Eastern Energy GDR	1,164	0.08	
19,197,850 MC Mining ^a	1,344	0.09	
94,647,984 Providence Resources ^a	4,448	0.29	
62,000,000 Tullow Oil	18,265	1.21	
153,645,250 White Energy Company	9,585	0.64	
Electricity	7,859	0.52	0.39
50,702,030 OPG Power Ventures ^a	7,859	0.52	
Gas, water & multi-utilities	46,450	3.08	3.77
5,357,526 National Grid	46,450	3.08	

Investments

Portfolio statement (continued)

Holding	as at 31.12.20 £'000	as at 31.12.20 %	as at 30.06.20 %
Equities (continued)			
Unquoted / unlisted^c	0	0.00	0.00
38,761,085 African Minerals	0	0.00	
39,868,814 Alizyme	0	0.00	
3,094,020 Izodia	0	0.00	
34,149,791 KSK Power Ventur	0	0.00	
Total portfolio	1,509,383	100.16	100.09
Net other assets / (liabilities)	(2,363)	(0.16)	(0.09)
Net assets attributable to shareholders	1,507,020	100.00	100.00

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

a AIM quoted.

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

c Suspended.

Investments

Top ten portfolio transactions for the six months to 31 December 2020

Largest purchases	£'000
Beazley	14,468
Hiscox	13,534
Informa	7,653
J.D. Wetherspoon	4,422
Mirriad Advertising ^a	2,780
Dalata Hotel	2,156
Associated British Foods	1,764
Compass	1,213
Essentra	1,039
Troy Resources	984
Other purchases	876
Total purchases	50,889
Largest sales	£'000
Mesoblast	50,528
First Quantum Minerals	15,355
IWG	13,717
Oxford Biomedica	13,463
easyJet	12,234
Mesoblast ADR	8,324
QinetiQ	8,230
Eco Animal Health	8,038
Blanco Technology	6,757
Rio Tinto	6,730
Other sales	29,824
Total sales	173,200

a AIM quoted.

Financial highlights

Fund performance

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

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

Fund level performance

Fund net asset value as at	31.12.20 £'000	30.06.20 £'000	30.06.19 £'000
Fund net asset value (NAV)	1,507,020	1,431,300	2,211,907

Performance since launch

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

May 1969 = 100, plotted monthly
Chart date 4 January 2021



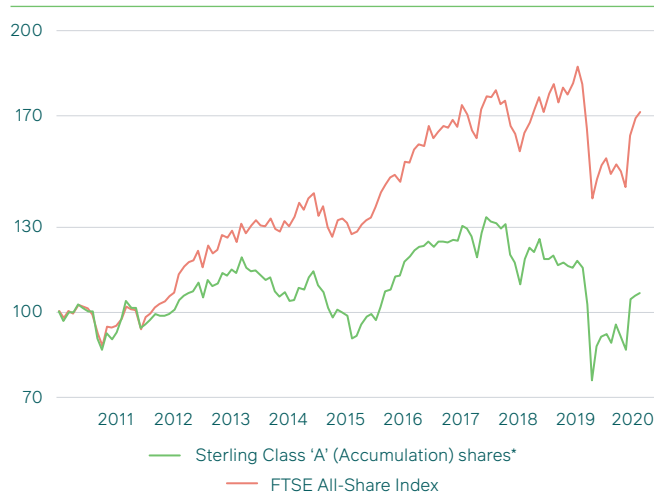
Source: Morningstar, Inc. and M&G

*Income reinvested

Ten-year performance

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

Ten years, 4 January 2011 = 100, plotted monthly
Chart date 4 January 2021



Source: Morningstar, Inc. and M&G

*Income reinvested

Financial highlights

Long-term performance by share class

To give an indication of the performance of the fund the following table shows the compound rate of return per annum, over the period to 15 December 2020 for the non-sterling share classes and 4 January 2021 for sterling share classes. Calculated on a price to price basis with income reinvested.

Share class	From 01.07.20 % ^a	From 02.01.18 % pa	From 04.01.16 % pa	Since launch % pa
Euro^b				
Class 'A'	+16.7	-7.3	-2.2	+4.4 ^c
Class 'C'	+17.1	-6.6	-1.4	+5.2 ^c
Sterling^d				
Class 'A'	+17.2	-6.5	+2.0	+12.7 ^e
Class 'C'	+18.0	-5.2	+3.5	+6.9 ^f
Class 'I'	+17.5	-5.9	+2.7	+2.6 ^g
Class 'PP'	+17.7	n/a	n/a	-7.6 ^h
Class 'R'	+17.4	-6.1	+2.4	+1.6 ⁱ
Class 'X'	+17.2	-6.5	+2.0	+6.6 ^j

a Absolute basis.

b Price to price with net income reinvested.

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

d Price to price with income reinvested.

e 23 May 1969, the end of the initial offer period of the predecessor unit trust.

f 1 July 2004, the launch date of the share class.

g 15 January 2010, the launch date of the share class.

h 8 April 2019, the launch date of the share class.

i 3 August 2012, the launch date of the share class.

j 1 October 2002, the launch date of the share class.

Operating charges and portfolio transaction costs

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

Operating charges

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

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

Financial highlights

- **Ongoing charges from underlying funds:** Ongoing charges on holdings in underlying funds that are not rebated. From 1 August 2019 charges from underlying funds (excluding Investment Trust Companies and Real Estate Investment Trusts) will be rebated.

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

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

Portfolio transaction costs

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

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

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

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

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

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

Portfolio transaction costs

Direct portfolio transaction costs ^b	Six months to 31.12.20 %	Year to 30.06.20 %	Year to 30.06.19 %	Average ^a %
Broker commission	0.01	0.02	0.01	0.01
Taxes	0.02	0.05	0.02	0.03
Costs before dilution adjustments	0.03	0.07	0.03	0.04
Dilution adjustments ^c	(0.03)	(0.03)	(0.02)	(0.03)
Total direct portfolio transaction costs	0.00	0.04	0.01	0.01
as at Indirect portfolio transaction costs	31.12.20 %	30.06.20 %	30.06.19 %	Average ^a %
Average portfolio dealing spread	0.81	0.82	0.69	0.77

a Average of first three columns.

b As a percentage of average net asset value.

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

Specific share class performance

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

Historic yields for the current year are calculated as at 15 January 2021.

Financial highlights

Euro Class 'A' Accumulation share performance

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

Change in NAV per share	Six months to 31.12.20 Euro ¢	Year to 30.06.20 Euro ¢	Year to 30.06.19 Euro ¢
Opening NAV	1,853.48	2,440.93	2,751.81
Return before operating charges	323.52	(550.74)	(268.28)
Operating charges	(14.28)	(36.71)	(42.60)
Return after operating charges	309.24	(587.45)	(310.88)
Distributions	0.00	(14.52)	(30.61)
Retained distributions	0.00	14.52	30.61
Return to shareholder as a result of share class closure	(2162.72)	n/a	n/a
Closing NAV	0.00	1,853.48	2,440.93
Direct transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.00	1.67	0.81
Dilution adjustments ^a	(0.26)	(0.62)	(0.57)
Total direct transaction costs	(0.26)	1.05	0.24
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.04	0.01
Operating charges ^c	1.62 ^d	1.61	1.66
Return after charges	0.00	-24.07	-11.30
Historic yield	0.00	0.77	1.24
Other information			
Closing NAV (£'000)	0	3,444	5,281
Closing NAV (%)	0.00	0.24	0.24
Number of shares	0	203,395	241,155
Highest share price (Euro ¢)	2,237.08	2,626.35	2,780.15
Lowest share price (Euro ¢)	1,748.99	1,320.89	2,226.86

Euro Class 'C' Accumulation share performance

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

Change in NAV per share	Six months to 31.12.20 Euro ¢	Year to 30.06.20 Euro ¢	Year to 30.06.19 Euro ¢
Opening NAV	2,119.49	2,768.98	3,098.39
Return before operating charges	370.72	(628.65)	(302.97)
Operating charges	(8.03)	(20.84)	(26.44)
Return after operating charges	362.69	(649.49)	(329.41)
Distributions	0.00	(36.35)	(55.94)
Retained distributions	0.00	36.35	55.94
Return to shareholder as a result of share class closure	(2,482.18)	n/a	n/a
Closing NAV	0.00	2,119.49	2,768.98
Direct transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.00	1.87	0.91
Dilution adjustments ^a	(0.29)	(0.69)	(0.65)
Total direct transaction costs	(0.29)	1.18	0.26
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.04	0.01
Operating charges ^c	0.82 ^e	0.82	0.91
Return after charges	0.00	-23.46	-10.63
Historic yield	0.00	1.69	2.00
Other information			
Closing NAV (£'000)	0	3,140	4,014
Closing NAV (%)	0.00	0.22	0.18
Number of shares	0	162,166	161,571
Highest share price (Euro ¢)	2,567.17	2,992.88	3,131.01
Lowest share price (Euro ¢)	2,005.32	1,507.09	2,516.52

Financial highlights

Sterling Class 'A' Income share performance

The share class was launched on 27 June 1977.

Change in NAV per share	Six months to 31.12.20 UK p	Year to 30.06.20 UK p	Year to 30.06.19 UK p
Opening NAV	96.66	127.43	146.31
Return before operating charges	14.91	(26.67)	(12.79)
Operating charges	(0.67)	(1.55)	(2.24)
Return after operating charges	14.24	(28.22)	(15.03)
Distributions	(0.78)	(2.55)	(3.85)
Closing NAV	110.12	96.66	127.43
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.02	0.07	0.04
Dilution adjustments ^a	(0.01)	(0.03)	(0.03)
Total direct transaction costs	0.01	0.04	0.01
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.04	0.01
Operating charges ^c	1.32 ^f	1.34	1.66
Return after charges	+14.73	-22.15	-10.27
Historic yield	1.38	2.63	3.00
Other information			
Closing NAV (£'000)	299,335	271,321	378,214
Closing NAV (%)	19.86	18.96	17.10
Number of shares	271,838,176	280,693,010	296,790,684
Highest share price (UK p)	115.51	130.82	147.56
Lowest share price (UK p)	90.39	70.78	119.75

Sterling Class 'A' Accumulation share performance

The share class was launched on 23 May 1969.

Change in NAV per share	Six months to 31.12.20 UK p	Year to 30.06.20 UK p	Year to 30.06.19 UK p
Opening NAV	241.49	311.48	346.76
Return before operating charges	37.24	(66.17)	(29.95)
Operating charges	(1.67)	(3.82)	(5.33)
Return after operating charges	35.57	(69.99)	(35.28)
Distributions	(0.32)	(2.45)	(3.91)
Retained distributions	0.32	2.45	3.91
Closing NAV	277.06	241.49	311.48
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.04	0.18	0.10
Dilution adjustments ^a	(0.04)	(0.08)	(0.07)
Total direct transaction costs	0.00	0.10	0.03
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.04	0.01
Operating charges ^c	1.32 ^f	1.34	1.66
Return after charges	+14.73	-22.47	-10.17
Historic yield	0.22	1.01	1.24
Other information			
Closing NAV (£'000)	393,711	358,620	536,905
Closing NAV (%)	26.13	25.06	24.27
Number of shares	142,102,225	148,502,807	172,372,639
Highest share price (UK p)	288.60	319.71	349.75
Lowest share price (UK p)	225.83	175.35	285.39

Financial highlights

Sterling Class 'C' Income share performance

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

The share class was launched on 1 July 2004.

Change in NAV per share	Six months to 31.12.20 UK p	Year to 30.06.20 UK p	Year to 30.06.19 UK p
Opening NAV	102.75	133.64	151.14
Return before operating charges	15.91	(28.19)	(13.27)
Operating charges	0.00	(0.02)	(0.22)
Return after operating charges	15.91	(28.21)	(13.49)
Distributions	(0.83)	(2.68)	(4.01)
Closing NAV	117.83	102.75	133.64
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.02	0.08	0.04
Dilution adjustments ^a	(0.02)	(0.03)	(0.03)
Total direct transaction costs	0.00	0.05	0.01
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.04	0.01
Operating charges ^c	0.00	0.01	0.16
Return after charges	+15.48	-21.11	-8.93
Historic yield	1.37	2.61	2.97
Other information			
Closing NAV (£'000)	56,620	50,773	70,012
Closing NAV (%)	3.76	3.55	3.17
Number of shares	48,052,796	49,415,120	52,386,777
Highest share price (UK p)	123.49	137.23	152.51
Lowest share price (UK p)	96.50	74.96	124.67

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.

Change in NAV per share	Six months to 31.12.20 UK p	Year to 30.06.20 UK p	Year to 30.06.19 UK p
Opening NAV	304.34	387.33	424.80
Return before operating charges	47.15	(82.93)	(36.84)
Operating charges	0.00	(0.06)	(0.63)
Return after operating charges	47.15	(82.99)	(37.47)
Distributions	(2.46)	(7.76)	(10.77)
Retained distributions	2.46	7.76	10.77
Closing NAV	351.49	304.34	387.33
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.05	0.23	0.12
Dilution adjustments ^a	(0.05)	(0.10)	(0.09)
Total direct transaction costs	0.00	0.13	0.03
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.04	0.01
Operating charges ^c	0.00	0.01	0.16
Return after charges	+15.49	-21.43	-8.82
Historic yield	1.35	2.55	2.75
Other information			
Closing NAV (£'000)	221,734	232,883	360,330
Closing NAV (%)	14.71	16.27	16.29
Number of shares	63,083,142	76,519,474	93,028,828
Highest share price (UK p)	365.82	398.65	428.66
Lowest share price (UK p)	285.84	220.17	352.19

Financial highlights

Sterling Class 'I' Income share performance

The share class was launched on 15 January 2010.

Change in NAV per share	Six months to 31.12.20 UK p	Year to 30.06.20 UK p	Year to 30.06.19 UK p
Opening NAV	99.33	130.27	148.43
Return before operating charges	15.35	(27.35)	(12.98)
Operating charges	(0.43)	(0.98)	(1.25)
Return after operating charges	14.92	(28.33)	(14.23)
Distributions	(0.80)	(2.61)	(3.93)
Closing NAV	113.45	99.33	130.27
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.02	0.08	0.04
Dilution adjustments ^a	(0.02)	(0.03)	(0.03)
Total direct transaction costs	0.00	0.05	0.01
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.04	0.01
Operating charges ^c	0.82 ^g	0.82	0.91
Return after charges	+15.02	-21.75	-9.59
Historic yield	1.38	2.62	2.99
Other information			
Closing NAV (£'000)	83,050	78,995	140,143
Closing NAV (%)	5.51	5.52	6.34
Number of shares	73,206,096	79,524,933	107,582,769
Highest share price (UK p)	118.97	133.74	149.74
Lowest share price (UK p)	93.04	72.64	121.96

Sterling Class 'I' Accumulation share performance

The share class was launched on 15 January 2010.

Change in NAV per share	Six months to 31.12.20 UK p	Year to 30.06.20 UK p	Year to 30.06.19 UK p
Opening NAV	259.76	333.28	368.26
Return before operating charges	40.12	(71.00)	(31.86)
Operating charges	(1.11)	(2.52)	(3.12)
Return after operating charges	39.01	(73.52)	(34.98)
Distributions	(1.01)	(4.22)	(6.73)
Retained distributions	1.01	4.22	6.73
Closing NAV	298.77	259.76	333.28
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.04	0.20	0.11
Dilution adjustments ^a	(0.04)	(0.08)	(0.08)
Total direct transaction costs	0.00	0.12	0.03
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.04	0.01
Operating charges ^c	0.82 ^g	0.82	0.91
Return after charges	+15.02	-22.06	-9.50
Historic yield	0.65	1.62	2.00
Other information			
Closing NAV (£'000)	279,785	267,099	468,848
Closing NAV (%)	18.57	18.66	21.20
Number of shares	93,645,323	102,825,964	140,675,920
Highest share price (UK p)	311.11	342.13	371.53
Lowest share price (UK p)	243.31	188.35	304.20

Financial highlights

Sterling Class 'PP' Income share performance

The share class was launched on 5 August 2019.

Change in NAV per share	Six months to 31.12.20 UK p	Year to 30.06.20 UK p	Year to 30.06.19 UK p
Opening NAV	78.74	100.00	n/a
Return before operating charges	12.16	(18.70)	n/a
Operating charges	(0.25)	(0.50)	n/a
Return after operating charges	11.91	(19.20)	n/a
Distributions	(0.63)	(2.06)	n/a
Closing NAV	90.02	78.74	n/a
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.01	0.05	n/a
Dilution adjustments ^a	(0.01)	(0.02)	n/a
Total direct transaction costs	0.00	0.03	n/a
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.04	n/a
Operating charges	0.62 ^h	0.61	n/a
Return after charges	+15.13	-19.20	n/a
Historic yield	1.38	2.62	n/a
Other information			
Closing NAV (£'000)	31	29	n/a
Closing NAV (%)	0.00	0.00	n/a
Number of shares	34,534	37,204	n/a
Highest share price (UK p)	94.39	104.30	n/a
Lowest share price (UK p)	73.80	57.54	n/a

Sterling Class 'PP' Accumulation share performance

The share class was launched on 8 April 2019.

Change in NAV per share	Six months to 31.12.20 UK p	Year to 30.06.20 UK p	Year to 30.06.19 UK p
Opening NAV	74.83	95.81	100.00
Return before operating charges	11.56	(20.44)	(4.03)
Operating charges	(0.24)	(0.54)	(0.16)
Return after operating charges	11.32	(20.98)	(4.19)
Distributions	(0.37)	(1.39)	(1.21)
Retained distributions	0.37	1.39	1.21
Closing NAV	86.15	74.83	95.81
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.01	0.06	0.01
Dilution adjustments ^a	(0.01)	(0.02)	(0.01)
Total direct transaction costs	0.00	0.04	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.04	0.01
Operating charges ^c	0.62 ^h	0.62	0.71
Return after charges	+15.13	-21.90	-4.19
Historic yield	0.83	1.85	1.80
Other information			
Closing NAV (£'000)	566	485	522
Closing NAV (%)	0.04	0.03	0.02
Number of shares	657,600	648,414	544,596
Highest share price (UK p)	89.70	98.36	102.00
Lowest share price (UK p)	70.14	54.22	94.55

Financial highlights

Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012.

Change in NAV per share	Six months to 31.12.20 UK p	Year to 30.06.20 UK p	Year to 30.06.19 UK p
Opening NAV	84.57	111.19	127.02
Return before operating charges	13.05	(23.31)	(11.12)
Operating charges	(0.47)	(1.08)	(1.36)
Return after operating charges	12.58	(24.39)	(12.48)
Distributions	(0.68)	(2.23)	(3.35)
Closing NAV	96.47	84.57	111.19
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.01	0.06	0.04
Dilution adjustments ^a	(0.01)	(0.03)	(0.03)
Total direct transaction costs	0.00	0.03	0.01
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.04	0.01
Operating charges ^c	1.07 ⁱ	1.07	1.16
Return after charges	+14.88	-21.94	-9.83
Historic yield	1.38	2.63	2.99
Other information			
Closing NAV (£'000)	9,322	8,532	11,259
Closing NAV (%)	0.62	0.60	0.51
Number of shares	9,663,047	10,088,561	10,125,699
Highest share price (UK p)	101.18	114.16	128.13
Lowest share price (UK p)	79.15	61.89	104.23

Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012.

Change in NAV per share	Six months to 31.12.20 UK p	Year to 30.06.20 UK p	Year to 30.06.19 UK p
Opening NAV	98.41	126.59	140.22
Return before operating charges	15.19	(26.95)	(12.12)
Operating charges	(0.55)	(1.23)	(1.51)
Return after operating charges	14.64	(28.18)	(13.63)
Distributions	(0.26)	(1.31)	(2.23)
Retained distributions	0.26	1.31	2.23
Closing NAV	113.05	98.41	126.59
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.02	0.07	0.04
Dilution adjustments ^a	(0.02)	(0.03)	(0.03)
Total direct transaction costs	0.00	0.04	0.01
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.04	0.01
Operating charges ^c	1.07 ⁱ	1.07	1.16
Return after charges	+14.88	-22.26	-9.72
Historic yield	0.44	1.33	1.75
Other information			
Closing NAV (£'000)	61,841	53,949	72,636
Closing NAV (%)	4.10	3.77	3.28
Number of shares	54,701,620	54,819,119	57,380,182
Highest share price (UK p)	117.74	129.94	141.46
Lowest share price (UK p)	92.11	71.41	115.69

Financial highlights

Sterling Class 'X' Income share performance

The share class was launched on 1 October 2002.

Change in NAV per share	Six months to 31.12.20 UK p	Year to 30.06.20 UK p	Year to 30.06.19 UK p
Opening NAV	97.29	128.27	147.26
Return before operating charges	14.99	(26.86)	(12.86)
Operating charges	(0.67)	(1.56)	(2.25)
Return after operating charges	14.32	(28.42)	(15.11)
Distributions	(0.78)	(2.56)	(3.88)
Closing NAV	110.83	97.29	128.27
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.02	0.07	0.04
Dilution adjustments ^a	(0.02)	(0.03)	(0.03)
Total direct transaction costs	0.00	0.04	0.01
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.04	0.01
Operating charges ^c	1.32 ^j	1.34	1.66
Return after charges	+14.72	-22.16	-10.26
Historic yield	1.38	2.63	3.00
Other information			
Closing NAV (£'000)	43,607	40,422	58,168
Closing NAV (%)	2.89	2.82	2.63
Number of shares	39,345,036	41,547,675	45,349,600
Highest share price (UK p)	116.27	131.67	148.53
Lowest share price (UK p)	90.98	71.24	120.53

Sterling Class 'X' Accumulation share performance

The share class was launched on 1 October 2002.

Change in NAV per share	Six months to 31.12.20 UK p	Year to 30.06.20 UK p	Year to 30.06.19 UK p
Opening NAV	238.96	308.21	343.12
Return before operating charges	36.85	(65.44)	(29.63)
Operating charges	(1.65)	(3.81)	(5.28)
Return after operating charges	35.20	(69.25)	(34.91)
Distributions	(0.32)	(2.43)	(3.87)
Retained distributions	0.32	2.43	3.87
Closing NAV	274.16	238.96	308.21
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.04	0.18	0.10
Dilution adjustments ^a	(0.04)	(0.08)	(0.07)
Total direct transaction costs	0.00	0.10	0.03
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.04	0.01
Operating charges ^c	1.32 ^j	1.34	1.66
Return after charges	+14.73	-22.47	-10.17
Historic yield	0.22	1.01	1.24
Other information			
Closing NAV (£'000)	57,418	61,608	105,575
Closing NAV (%)	3.81	4.30	4.77
Number of shares	20,943,189	25,781,914	34,253,763
Highest share price (UK p)	285.58	316.36	346.08
Lowest share price (UK p)	223.46	173.51	282.40

^a In respect of direct portfolio transaction costs.

^b As a percentage of average net asset value.

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

^d As the annual management charge has been discounted during the period, 1.63% is a more reliable estimate of the period to 31.12.20 ongoing charges.

^e As the annual management charge has been discounted during the period, 0.83% is a more reliable estimate of the period to 31.12.20 ongoing charges.

^f As the annual management charge has been discounted during the period, 1.33% is a more reliable estimate of the period to 31.12.20 ongoing charges.

Financial highlights

- ^g As the annual management charge has been discounted during the period, 0.83% is a more reliable estimate of the period to 31.12.20 ongoing charges.
- ^h As the annual management charge has been discounted during the period, 0.63% is a more reliable estimate of the period to 31.12.20 ongoing charges.
- ⁱ As the annual management charge has been discounted during the period, 1.08% is a more reliable estimate of the period to 31.12.20 ongoing charges.
- ^j As the annual management charge has been discounted during the period, 1.33% is a more reliable estimate of the period to 31.12.20 ongoing charges.

Financial statements and notes

Financial statements

Statement of total return

for the six months to 31 December	2020		2019	
	£'000	£'000	£'000	£'000
Income				
Net capital gains / (losses)		198,874		(29,662)
Revenue	11,536		30,124	
Expenses	(6,716)		(10,254)	
Net revenue / (expense) before taxation	4,820		19,870	
Taxation	(2)		(46)	
Net revenue / (expense) after taxation		4,818		19,824
Total return before distributions		203,692		(9,838)
Distributions		(7,137)		(22,872)
Change in net assets attributable to shareholders from investment activities		196,555		(32,710)

Statement of change in net assets attributable to shareholders

for the six months to 31 December	2020		2019	
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		1,431,300		2,211,907
Amounts received on issue of shares	13,718		20,569	
Amounts paid on cancellation of shares	(138,426)		(172,164)	
		(124,708)		(151,595)
Dilution adjustments		700		715
Change in net assets attributable to shareholders from investment activities (see above)		196,555		(32,710)
Retained distributions on Accumulation shares		3,155		13,100
Unclaimed distributions		18		23
Closing net assets attributable to shareholders		1,507,020		2,041,440

The opening net assets attributable to shareholders for 2020 differs to the closing position in 2019 by the change in net assets attributable to shareholders for the second half of the comparative financial year.

Financial statements and notes

Financial statements

Balance sheet

as at	31 December 2020 £'000	30 June 2020 £'000
Assets		
Fixed assets		
Investments	1,509,383	1,432,620
Current assets		
Debtors	3,050	1,341
Cash and bank balances	414	3,173
Total assets	1,512,847	1,437,134
Liabilities		
Creditors		
Distribution payable	(3,476)	(3,817)
Other creditors	(2,351)	(2,017)
Total liabilities	(5,827)	(5,834)
Net assets attributable to shareholders	1,507,020	1,431,300

Financial statements and notes

Notes to the financial statements

Accounting policies

The financial statements have been prepared in accordance with the 'Accounting policies' set out on page 5.

Distribution policy

In determining the amount available for distribution to Income shares, the annual charge, 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.

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Investment objective

The fund aims to deliver a higher total return (the combination of capital growth and income) than the Numis Smaller Companies Index (excluding Investment Companies), net of the ongoing charge figure, over any five year period.

Investment policy

At least 80% of the fund is invested in UK smaller companies. These are UK listed companies which, at the initial time of purchase, are:

- in the bottom 10% (by market capitalisation) of the FTSE All-Share index, or
- in the Numis Smaller Companies Index (excluding Investment Companies), or
- listed on the Alternative Investment Market.

The fund may also invest in collective investment schemes and other transferable securities. Cash and near cash may be held for ancillary purposes and derivatives, including warrants, may be used for efficient portfolio management and hedging purposes.

Investment approach

The fund manager takes a bottom-up approach to stockpicking and aims to construct a well-diversified portfolio. A long-term perspective is adopted with particular focus placed on 'growth drivers', competitive advantage, change, quality of management and valuation.

When a company held by the fund grows such that it no longer has the characteristics of a smaller company, the fund manager will reduce the holding in a manner and timescale best suited to meeting the fund's objective.

Benchmark

Benchmark: Numis Smaller Companies Index (excluding Investment Companies).

The benchmark is a target which the fund seeks to outperform. The index has been chosen as the fund's benchmark as it best reflects the scope of the fund's investment policy. The benchmark is used to measure the fund's performance and, together with the other index, and the Alternative Investment Market constrains the fund's portfolio construction as they define the investment universe of the fund.

The fund is actively managed.

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

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

Risk profile

The fund invests in the shares of smaller UK-listed companies and is, therefore, subject to the price volatility of the UK stockmarket and the performance of individual companies. The fund's focus is on smaller companies and it can also invest in the shares of AIM-listed companies. Shares in both types of company can be more unpredictable and difficult to buy and sell compared to those of larger companies. Diversification is therefore key in managing liquidity risk and reducing market risk. The fund's risks are measured and managed as an integral part of the investment process.

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

Low risk High risk

← →
Typically lower rewards Typically higher rewards

1	2	3	4	5	6	7
---	---	---	---	---	---	---

The above number:

- is based on the rate at which the value of the fund has moved up and down in the past and is based on historical data so may not be a reliable indicator of the future risk profile of the fund.
- is not guaranteed and may change over time and the lowest risk number does not mean risk free.
- has changed during this period. From 1 July 2020 to 16 July 2020 the risk number was 5.

Investment review

As at 4 January 2021, for the six months ended 31 December 2020

Performance against objective

Between 1 July 2020 (the start of the review period) and 4 January 2021, the M&G Smaller Companies Fund delivered a positive total return (the combination of income and growth of capital) across all of its share classes. Fund performance was ahead of a comparative index, the Numis Smaller Companies excluding Investment Companies Index, which returned 27.2%.

The fund met its investment objective of delivering a higher total return than the Numis Smaller Companies excluding Investment Companies Index over any five-year period for all share classes. The index returned 6.3% pa in the five years to 4 January 2021.

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

Performance review

Following heavy falls in spring 2020 due to the emergence and spread of COVID-19, global

stockmarkets rallied in early summer. Sentiment was boosted by huge monetary and fiscal stimulus, signs that the rate of infection may be slowing and hopeful reports of a vaccine or treatment for the virus. As the summer progressed, a lack of progress in the Brexit negotiations dampened investors' mood, leading to weakness in the domestic stockmarket. Meanwhile, a resurgence of the virus in several countries, including the UK, led to the imposition of localised restrictions, which threatened to derail the economic recovery and further weighed on markets.

In early November, the UK entered its second lockdown with the aim of curbing a second wave of the virus. Against a backdrop of pandemic-related economic damage and the UK's imminent departure from the European Union (EU), the Bank of England added to an already considerable bond-buying stimulus, increasing it by a larger-than-expected £150 billion, which was well received by investors.

Global stockmarkets gained strongly in November due to positive news on COVID-19 vaccines, followed by regulatory approval in the UK for two of the vaccines in December. In addition, the US presidential election result was seen as supportive for markets and global trade. In the UK, investor sentiment also received a boost from the finalising of the trade deal with the EU on Christmas Eve. Towards the end of December, market sentiment was dampened by the emergence of two highly infectious coronavirus strains and the bulk of the UK moving into tighter restrictions. Shortly after the end of the period under review, the UK moved back into lockdown for the third time during the pandemic.

The most recent gains in share prices easily outweighed earlier volatility and the fund performed strongly over the six-month period. Significant contributors to the fund's performance included digital marketing company Kin and Carta, Tyman, a supplier of engineered components to the door and window industry, and Inspects, a provider of frames for spectacles.

Kin and Carta has increased its focus on digital transformation, a growing market that has been

Authorised Corporate Director's Report

boosted by the pandemic. Tyman has strong cashflows and has upgraded its earnings expectations thanks to strong trading momentum. Meanwhile, Inspec made some acquisitions during the period that were well received by investors. The deals have enabled the firm to expand its geographic reach and customer scope.

Other contributors included IT support firm Computacenter, which benefited from an increased need for workers to access technology from home during the pandemic, as well as its exposure to large corporate customers.

Elsewhere, independent oil & gas exploration and development firm Cairn Energy benefited from the higher oil price. In addition, a long-standing tax dispute with the Indian government was resolved in its favour. Café bar chain Loungers added further value due to the re-opening of cafés after the initial lockdown and the government's 'Eat out to help out' initiative, aimed at boosting the economy. A holding in corporate foreign exchange specialist Alpha FX was also helpful, with the firm upgrading its performance expectations thanks to strong trading.

In contrast, detractors from fund performance included RWS, which provides intellectual property and translation services. The holding in RWS had entered the portfolio in connection with its acquisition of language translation and content management firm SDL, an existing position in the portfolio. Shares in RWS declined following the deal and failed to participate in the rally late in the period.

A holding in public services provider Serco Group also cost some performance over the six months. Shares in the company drifted lower following strong performance earlier in the year. The company's leisure and transportation businesses also came under pressure due to the pandemic.

Other detractors included homeware retailer Dunelm and marine engineering services firm James Fisher & Sons. Shares in Dunelm had performed strongly earlier in the year as the firm benefited from the population lockdown but the stock did not participate in the recent

stockmarket rebound. Meanwhile, James Fisher was hurt by COVID-19-related delays and excessive debt.

Investment activities

We continued to focus on investing in companies whose prospects are likely to be strengthened, or not hampered, by the pandemic. For example, we started a new holding in bike supplier Halfords, which also has a motor accessories business. Halfords stands to benefit as people spend more time at home and shy away from public transport. Another new holding, food manufacturer Premier Foods, is benefiting as consumers eat at home more, leading to stronger trading and the ability to reduce debt more quickly. Luxury watches retailer Watches of Switzerland was another entrant to the portfolio. The company has seen very resilient trading on the back of pent-up demand.

We also started a position in Volution, a provider of ventilation solutions for corporate and domestic settings. The company is benefiting from the recovery in the housing market and increased expenditure on energy efficient infrastructure. It also has a manufacturing turnaround plan that should improve profitability. Software reseller Bytes Technology was another new entrant. Bytes sells software to small- and medium-sized enterprises and is trading strongly as companies increasingly invest in their IT infrastructure. Convenience food manufacturer Greencore also joined the portfolio during the period. Greencore's food-to-go business is driven by people buying take-away sandwiches from convenience stores and travel-hubs. We supported the company's financing measures based on our expectations of a return to greater mobility once the pandemic is more under control.

In terms of disposals, we sold holdings in recruitment consultant PageGroup, whose shares have been fairly resilient, and pub company Wetherspoons. In our opinion, prospects for PageGroup are difficult, given the challenging outlook for the economy and employment. Similarly, the outlook for Wetherspoons has deteriorated in our view, and we feel there are better ways to access the consumer market. Other disposals included James Fisher, as mentioned earlier. We sold the holdings in Softcat, a value-added reseller

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of software products, and Blue Prism, a manufacturer of robotic process automation software, which have both performed well and in our opinion are close to fair value.

Outlook

After a challenging year, we are cautiously optimistic as we enter 2021. In terms of Brexit, the UK has avoided a 'no-deal' scenario and the last-minute trade deal with the EU should provide greater clarity. Three new vaccines against COVID-19 have been approved for use in the UK and an ambitious vaccination roll-out programme is under way, leading to hopes that a return to something approaching normality may be feasible in the near to medium term.

However, the timing of the economic recovery is uncertain and it is too early to gauge the longer lasting impact of the pandemic on individual sectors.

Meanwhile, the government and the Bank of England continue to provide a huge package of measures to support the economy and the UK stockmarket is likely to benefit from any improvement in global economic activity.

As always, we will continue to focus on good value opportunities in stocks that are structurally advantaged and currently misunderstood by investors. In our view, investors often take a short-term approach, rather than looking to the longer term, and this can present attractive opportunities for patient investors. We will also seek to identify companies that appear to be better placed to survive the current crisis and emerge as stronger businesses.

Garfield Kiff

Fund manager

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

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

Investments

Portfolio statement

Holding	as at 31.12.20 £'000	as at 31.12.20 %	as at 30.06.20 %
Equities	275,190	98.17	97.10
Software & computer services	37,894	13.52	17.00^a
528,778 accesso Technology ^b	2,485	0.89	
544,365 Ascential	2,097	0.75	
631,210 Bytes Technology	2,129	0.76	
277,536 Computacenter	6,767	2.41	
615,325 EMIS ^b	6,633	2.36	
523,689 FDM	5,907	2.11	
5,164,515 Kin & Carta	7,230	2.58	
1,818,503 NCC	4,646	1.66	
Technology hardware & equipment	5,718	2.04	1.93^a
2,802,835 TT Electronics	5,718	2.04	
Telecommunications equipment	2,139	0.76	0.73^a
810,196 Spirent Communications	2,139	0.76	
Telecommunications service providers	3,645	1.30	1.54
254,869 Telecom Plus	3,645	1.30	
Medical equipment & services	0	0.00	0.96
Pharmaceuticals & biotechnology	727	0.26	0.00^a
472,039 Synairgen ^b	727	0.26	
Finance & credit services	9,749	3.48	3.13
479,637 Mortgage Advice Bureau ^b	3,991	1.42	
1,352,283 OSB	5,758	2.06	
Investment banking & brokerage services	19,614	7.00	7.62^a
234,538 Alpha FX ^b	3,002	1.07	
1,609,152 Brewin Dolphin	4,932	1.76	
1,383,334 PureTech Health	5,526	1.97	
160,017 Rathbone Brothers	2,439	0.87	
602,136 Sanne	3,715	1.33	
Non-life insurance	5,988	2.14	2.74
200,278 Lancashire	1,451	0.52	
1,640,816 Sabre Insurance	4,537	1.62	
Real estate investment & services	5,658	2.02	2.06
1,527,149 Helical	5,658	2.02	

Investments

Portfolio statement (continued)

Holding	as at 31.12.20 £'000	as at 31.12.20 %	as at 30.06.20 %
Equities (continued)			
Real estate investment trusts	8,884	3.17	3.78
2,433,021 LondonMetric Property	5,606	2.00	
428,808 Workspace	3,278	1.17	
Consumer services	3,542	1.26	1.02
236,761 CVS ^b	3,542	1.26	
Household goods & home construction	11,856	4.23	3.50^a
1,016,788 Countryside Properties	4,750	1.70	
405,969 Vistry Group	3,790	1.35	
1,776,993 Watkin Jones ^b	3,316	1.18	
Leisure goods	3,017	1.08	0.91
26,699 Games Workshop	3,017	1.08	
Personal goods	9,268	3.31	0.91
1,683,406 Inspec ^b	5,387	1.92	
667,931 Watches of Switzerland	3,881	1.39	
Media	9,346	3.33	4.43^a
81,506 4imprint	2,107	0.75	
275,590 Future	4,856	1.73	
1,906,948 Pebble ^b	2,383	0.85	
Retailers	7,783	2.78	2.66
355,669 Dunelm	4,386	1.57	
438,636 Halfords	1,162	0.41	
1,392,496 Joules ^b	2,235	0.80	
Travel & leisure	9,683	3.45	3.76
277,690 Gym	597	0.21	
180,970 JET2 ^b	2,620	0.93	
1,537,840 Loungers ^b	3,322	1.19	
605,651 On the Beach	2,295	0.82	
314,794 William Hill	849	0.30	
Beverages	5,738	2.05	2.16
2,137,150 Stock Spirits	5,738	2.05	

Investments

Portfolio statement (continued)

Holding	as at 31.12.20 £'000	as at 31.12.20 %	as at 30.06.20 %
Equities (continued)			
Food producers	6,016	2.14	0.00
1,665,871 Greencore	1,959	0.70	
4,017,257 Premier Foods	4,057	1.44	
Personal care, drug & grocery stores	3,186	1.14	0.59^a
518,868 IG Design ^b	3,186	1.14	
Construction & materials	27,641	9.86	8.16
4,856,516 Breedon ^b	4,216	1.50	
1,556,764 Galliford Try	1,906	0.68	
546,232 Marshalls	4,091	1.46	
1,016,094 Polypipe	6,097	2.18	
2,213,064 Tyman	7,856	2.80	
1,250,000 Volution	3,475	1.24	
Aerospace & defence	8,392	2.99	3.50
45,253 Avon Rubber	1,446	0.51	
333,626 Ultra Electronics	6,946	2.48	
General industrials	4,227	1.51	1.82
6,253,712 Coats	4,227	1.51	
Industrial engineering	3,504	1.25	1.47^a
382,508 Vitec	3,504	1.25	
Industrial support services	34,978	12.48	10.57^a
2,356,245 Alpha Financial Markets Consulting ^b	5,278	1.88	
1,406,119 Essentra	4,348	1.55	
140,282 Euromoney Institutional Investor	1,504	0.54	
567,759 Marlowe ^b	3,634	1.30	
752,486 Midwich ^b	3,755	1.34	
1,242,132 Restore ^b	4,844	1.73	
1,390,862 RWS ^b	7,427	2.65	
3,490,294 Serco	4,188	1.49	
Industrial transportation	4,506	1.61	3.15
41,126 Clarkson	1,104	0.40	
4,887,747 Speedy Hire	3,402	1.21	

Investments

Portfolio statement (continued)

Holding	as at 31.12.20 £'000	as at 31.12.20 %	as at 30.06.20 %
Equities (continued)			
Industrial metals & mining	6,339	2.26	2.39^a
452,791 Hill & Smith	6,339	2.26	
Chemicals	9,015	3.21	2.31
2,072,702 Elementis	2,386	0.85	
1,478,505 Synthomer	6,629	2.36	
Non-renewable energy	7,137	2.54	2.30
2,547,998 Cairn Energy	5,295	1.89	
838,255 Hunting	1,842	0.65	
Portfolio of investments	275,190	98.17	97.10
Cash Equivalents	6,122	2.18	5.88
'AAA' rated money market funds^c	6,122	2.18	5.88
6,121,858 Northern Trust Global Fund - Sterling	6,122	2.18	
Total portfolio	281,312	100.35	102.98
Net other assets / (liabilities)	(985)	(0.35)	(2.98)
Net assets attributable to shareholders	280,327	100.00	100.00

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

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

b AIM quoted.

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

Investments

Top ten portfolio transactions for the six months to 31 December 2020

Largest purchases	£'000
Premier Foods	5,354
Watches of Switzerland	3,270
Volusion	2,771
Greencore	1,866
Bytes Technology	1,704
IG Design ^a	1,466
Synairgen ^a	1,296
Lancashire	1,257
Inspects ^a	1,241
Vistry Group	1,195
Other purchases	5,916
Total purchases	27,336
Largest sales	£'000
Computacenter	5,846
Softcat	5,625
Future	5,606
Polypipe	5,285
Sanne	4,958
Ascential	4,563
James Fisher & Sons	4,482
SDL	4,385
Sabre Insurance	4,054
Dunelm	3,970
Other sales	128,296
Total sales	177,070

^a AIM quoted.

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

Financial highlights

Fund performance

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

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

Fund level performance

Fund net asset value as at	31.12.20 £'000	30.06.20 £'000	30.06.19 £'000
Fund net asset value (NAV)	280,327	366,850	414,010

Performance since launch

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

September 1967 = 100, plotted monthly
Chart date 4 January 2021



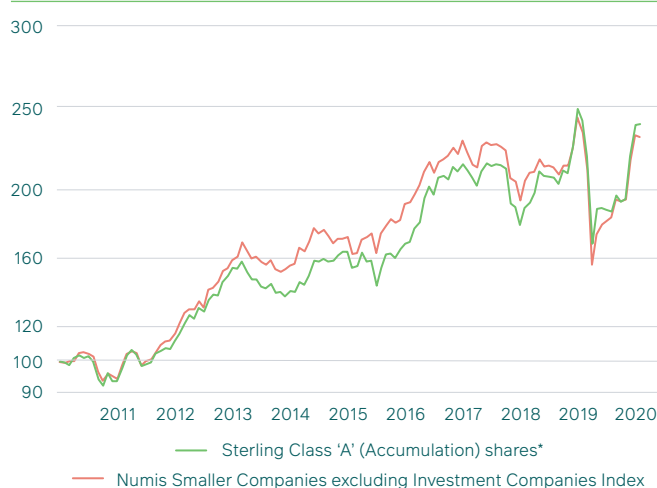
Source: Morningstar, Inc. and M&G

*Income reinvested

Ten-year performance

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

Ten years, 4 January 2011 = 100, plotted monthly
Chart date 4 January 2021



Source: Morningstar, Inc. and M&G

*Income reinvested

Long-term performance by share class

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

Share class	Six months 01.07.20 % ^a	Three years 02.01.18 % pa	Five years 04.01.16 % pa	Since launch % pa
Sterling^b				
Class 'A'	+28.1	+3.6	+8.0	+12.1 ^c
Class 'C'	+28.9	+5.0	+9.6	+10.5 ^d
Class 'I'	+28.4	+4.2	+8.7	+11.8 ^e
Class 'R'	+28.3	+4.0	+8.5	+11.5 ^e
Class 'X'	+28.1	+3.6	+8.0	+12.6 ^f

a Absolute basis.

b Price to price with income reinvested.

c 27 September 1967, the end of the initial offer period of the predecessor unit trust.

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

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

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

Financial highlights

Operating charges and portfolio transaction costs

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

Operating charges

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

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

- **Ongoing charges from underlying funds:** Ongoing charges on holdings in underlying funds that are not rebated. From 1 August 2019 charges from underlying funds (excluding Investment Trust Companies and Real Estate Investment Trusts) will be rebated.

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

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

Portfolio transaction costs

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

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

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

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

Financial highlights

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

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

Portfolio transaction costs

Direct portfolio transaction costs ^b	Six months to 31.12.20 %	Year to 30.06.20 %	Year to 30.06.19 %	Average ^a %
Broker commission	0.01	0.02	0.03	0.02
Taxes	0.05	0.10	0.13	0.09
Costs before dilution adjustments	0.06	0.12	0.16	0.11
Dilution adjustments ^c	(0.06)	(0.02)	(0.01)	(0.03)
Total direct portfolio transaction costs	0.00	0.10	0.15	0.08
as at Indirect portfolio transaction costs	31.12.20 %	30.06.20 %	30.06.19 %	Average ^a %
Average portfolio dealing spread	0.94	1.20	0.67	0.94

a Average of first three columns.

b As a percentage of average net asset value.

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

Specific share class performance

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

Historic yields for the current year are calculated as at 15 January 2021.

Sterling Class 'A' Income share performance

The share class was launched on 27 September 1967.

Change in NAV per share	Six months to 31.12.20 UK p	Year to 30.06.20 UK p	Year to 30.06.19 UK p
Opening NAV	309.29	346.52	369.03
Return before operating charges	83.65	(26.34)	(5.82)
Operating charges	(2.27)	(4.79)	(5.73)
Return after operating charges	81.38	(31.13)	(11.55)
Distributions	(2.01)	(6.10)	(10.96)
Closing NAV	388.66	309.29	346.52
Direct transaction costs UK p	UK p	UK p	UK p
Costs before dilution adjustments	0.11	0.37	0.56
Dilution adjustments ^a	(0.11)	(0.06)	(0.02)
Total direct transaction costs	0.00	0.31	0.54
Performance and charges %	%	%	%
Direct portfolio transaction costs ^b	0.00	0.10	0.15
Operating charges ^c	1.35	1.38	1.66
Return after charges	+26.31	-8.98	-3.13
Historic yield	1.04	1.97	3.17
Other information			
Closing NAV (£'000)	110,130	90,030	109,944
Closing NAV (%)	39.28	24.54	26.56
Number of shares	28,335,725	29,108,557	31,727,678
Highest share price (UK p)	393.96	413.10	375.26
Lowest share price (UK p)	303.36	241.60	304.69

Financial highlights

Sterling Class 'A' Accumulation share performance

The share class was launched on 27 September 1967.

Change in NAV per share	Six months to 31.12.20 UK p	Year to 30.06.20 UK p	Year to 30.06.19 UK p
Opening NAV	836.30	921.63	949.64
Return before operating charges	226.70	(72.54)	(13.18)
Operating charges	(6.14)	(12.79)	(14.83)
Return after operating charges	220.56	(85.33)	(28.01)
Distributions	0.00	(4.42)	(13.73)
Retained distributions	0.00	4.42	13.73
Closing NAV	1,056.86	836.30	921.63
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.29	0.98	1.44
Dilution adjustments ^a	(0.29)	(0.16)	(0.05)
Total direct transaction costs	0.00	0.82	1.39
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.10	0.15
Operating charges ^c	1.35	1.38	1.66
Return after charges	+26.37	-9.26	-2.95
Historic yield	0.00	0.53	1.50
Other information			
Closing NAV (£'000)	33,742	27,767	33,354
Closing NAV (%)	12.04	7.57	8.06
Number of shares	3,192,612	3,320,255	3,619,045
Highest share price (UK p)	1,065.39	1,102.81	965.67
Lowest share price (UK p)	820.40	649.14	784.06

Sterling Class 'C' Income share performance

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

The share class was launched on 3 January 2006.

Change in NAV per share	Six months to 31.12.20 UK p	Year to 30.06.20 UK p	Year to 30.06.19 UK p
Opening NAV	335.07	370.26	388.41
Return before operating charges	90.53	(28.63)	(5.91)
Operating charges	0.00	(0.05)	(0.60)
Return after operating charges	90.53	(28.68)	(6.51)
Distributions	(1.74)	(6.51)	(11.64)
Closing NAV	423.86	335.07	370.26
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.11	0.39	0.59
Dilution adjustments ^a	(0.11)	(0.06)	(0.02)
Total direct transaction costs	0.00	0.33	0.57
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.10	0.15
Operating charges ^c	0.00	0.01	0.16
Return after charges	+27.02	-7.75	-1.68
Historic yield	1.00	1.94	3.15
Other information			
Closing NAV (£'000)	32,308	156,492	175,806
Closing NAV (%)	11.52	42.66	42.45
Number of shares	7,622,273	46,704,180	47,481,931
Highest share price (UK p)	429.56	444.47	396.31
Lowest share price (UK p)	328.82	260.71	323.08

Financial highlights

Sterling Class 'I' Income share performance

The share class was launched on 3 August 2012.

Change in NAV per share	Six months to 31.12.20 UK p	Year to 30.06.20 UK p	Year to 30.06.19 UK p
Opening NAV	1,724.72	1,922.15	2,031.62
Return before operating charges	467.02	(147.07)	(31.48)
Operating charges	(7.94)	(16.52)	(17.38)
Return after operating charges	459.08	(163.59)	(48.86)
Distributions	(11.16)	(33.84)	(60.61)
Closing NAV	2,172.64	1,724.72	1,922.15
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.60	2.04	3.07
Dilution adjustments ^a	(0.60)	(0.32)	(0.11)
Total direct transaction costs	0.00	1.72	2.96
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.10	0.15
Operating charges ^c	0.85	0.86	0.91
Return after charges	+26.62	-8.51	-2.40
Historic yield	1.03	1.96	3.16
Other information			
Closing NAV (£'000)	58,828	54,453	52,949
Closing NAV (%)	20.99	14.84	12.79
Number of shares	2,707,698	3,157,208	2,754,654
Highest share price (UK p)	2,202.31	2,297.75	2,069.45
Lowest share price (UK p)	1,691.99	1,345.31	1,683.65

Sterling Class 'I' Accumulation share performance

The share class was launched on 3 August 2012.

Change in NAV per share	Six months to 31.12.20 UK p	Year to 30.06.20 UK p	Year to 30.06.19 UK p
Opening NAV	2,015.70	2,210.12	2,260.31
Return before operating charges	545.94	(175.29)	(30.72)
Operating charges	(9.30)	(19.13)	(19.47)
Return after operating charges	536.64	(194.42)	(50.19)
Distributions	(3.93)	(19.98)	(48.83)
Retained distributions	3.93	19.98	48.83
Closing NAV	2,552.34	2,015.70	2,210.12
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.70	2.36	3.44
Dilution adjustments ^a	(0.70)	(0.37)	(0.12)
Total direct transaction costs	0.00	1.99	3.32
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.10	0.15
Operating charges ^c	0.85	0.86	0.91
Return after charges	+26.62	-8.80	-2.22
Historic yield	0.29	0.99	2.22
Other information			
Closing NAV (£'000)	25,846	22,153	24,091
Closing NAV (%)	9.22	6.04	5.82
Number of shares	1,012,646	1,099,008	1,090,021
Highest share price (UK p)	2,573.93	2,653.63	2,302.40
Lowest share price (UK p)	1,977.51	1,562.37	1,873.18

Financial highlights

Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012.

Change in NAV per share	Six months to 31.12.20 UK p	Year to 30.06.20 UK p	Year to 30.06.19 UK p
Opening NAV	170.72	190.75	202.12
Return before operating charges	46.19	(14.57)	(3.15)
Operating charges	(1.02)	(2.11)	(2.20)
Return after operating charges	45.17	(16.68)	(5.35)
Distributions	(1.10)	(3.35)	(6.02)
Closing NAV	214.79	170.72	190.75
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.06	0.20	0.30
Dilution adjustments ^a	(0.06)	(0.03)	(0.01)
Total direct transaction costs	0.00	0.17	0.29
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.10	0.15
Operating charges ^c	1.10	1.11	1.16
Return after charges	+26.46	-8.74	-2.65
Historic yield	1.03	1.96	3.17
Other information			
Closing NAV (£'000)	2,970	2,392	2,526
Closing NAV (%)	1.06	0.65	0.61
Number of shares	1,382,700	1,401,232	1,324,519
Highest share price (UK p)	217.73	227.73	205.77
Lowest share price (UK p)	167.47	133.26	167.29

Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012.

Change in NAV per share	Six months to 31.12.20 UK p	Year to 30.06.20 UK p	Year to 30.06.19 UK p
Opening NAV	197.55	217.15	222.63
Return before operating charges	53.45	(17.19)	(3.04)
Operating charges	(1.18)	(2.41)	(2.44)
Return after operating charges	52.27	(19.60)	(5.48)
Distributions	(0.12)	(1.41)	(4.28)
Retained distributions	0.12	1.41	4.28
Closing NAV	249.82	197.55	217.15
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.07	0.23	0.34
Dilution adjustments ^a	(0.07)	(0.04)	(0.01)
Total direct transaction costs	0.00	0.19	0.33
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.10	0.15
Operating charges ^c	1.10	1.11	1.16
Return after charges	+26.46	-9.03	-2.46
Historic yield	0.07	0.72	1.98
Other information			
Closing NAV (£'000)	10,068	8,128	8,605
Closing NAV (%)	3.59	2.22	2.08
Number of shares	4,030,119	4,114,172	3,962,631
Highest share price (UK p)	251.94	260.30	226.65
Lowest share price (UK p)	193.78	153.23	184.27

Financial highlights

Sterling Class 'X' Income share performance

The share class was launched on 1 October 2002.

Change in NAV per share	Six months to 31.12.20 UK p	Year to 30.06.20 UK p	Year to 30.06.19 UK p
Opening NAV	309.15	346.36	368.86
Return before operating charges	83.60	(26.34)	(5.81)
Operating charges	(2.27)	(4.78)	(5.73)
Return after operating charges	81.33	(31.12)	(11.54)
Distributions	(2.00)	(6.09)	(10.96)
Closing NAV	388.48	309.15	346.36
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.11	0.37	0.56
Dilution adjustments ^a	(0.11)	(0.06)	(0.02)
Total direct transaction costs	0.00	0.31	0.54
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.10	0.15
Operating charges ^c	1.35	1.38	1.66
Return after charges	+26.31	-8.98	-3.13
Historic yield	1.04	1.97	3.17
Other information			
Closing NAV (£'000)	4,287	3,585	4,342
Closing NAV (%)	1.53	0.98	1.05
Number of shares	1,103,628	1,159,745	1,253,711
Highest share price (UK p)	393.78	412.91	375.09
Lowest share price (UK p)	303.22	241.49	304.54

Sterling Class 'X' Accumulation share performance

The share class was launched on 1 October 2002.

Change in NAV per share	Six months to 31.12.20 UK p	Year to 30.06.20 UK p	Year to 30.06.19 UK p
Opening NAV	826.28	910.73	938.41
Return before operating charges	223.51	(71.75)	(13.02)
Operating charges	(6.06)	(12.70)	(14.66)
Return after operating charges	217.45	(84.45)	(27.68)
Distributions	0.00	(4.36)	(13.57)
Retained distributions	0.00	4.36	13.57
Closing NAV	1,043.73	826.28	910.73
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.29	0.97	1.42
Dilution adjustments ^a	(0.29)	(0.15)	(0.05)
Total direct transaction costs	0.00	0.82	1.37
Performance and charges	%	%	%
Direct portfolio transaction costs ^b	0.00	0.10	0.15
Operating charges ^c	1.35	1.38	1.66
Return after charges	+26.32	-9.27	-2.95
Historic yield	0.00	0.53	1.50
Other information			
Closing NAV (£'000)	2,148	1,850	2,393
Closing NAV (%)	0.77	0.50	0.58
Number of shares	205,838	223,915	262,702
Highest share price (UK p)	1,052.52	1,089.72	954.25
Lowest share price (UK p)	810.49	641.35	774.79

a In respect of direct portfolio transaction costs.

b As a percentage of average net asset value.

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

Financial statements and notes

Financial statements

Statement of total return

for the six months to 31 December	2020		2019	
	£'000	£'000	£'000	£'000
Income				
Net capital gains / (losses)		68,698		69,516
Revenue	2,197		5,028	
Expenses	(1,289)		(1,521)	
Net revenue / (expense) before taxation	908		3,507	
Taxation	0		0	
Net revenue / (expense) after taxation		908		3,507
Total return before distributions		69,606		73,023
Distributions		(1,800)		(4,493)
Change in net assets attributable to shareholders from investment activities		67,806		68,530

Statement of change in net assets attributable to shareholders

for the six months to 31 December	2020		2019	
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		366,850		414,010
Amounts received on issue of shares	1,345		18,899	
Amounts paid on cancellation of shares	(156,645)		(16,315)	
		(155,300)		2,584
Dilution adjustments		924		172
Change in net assets attributable to shareholders from investment activities (see above)		67,806		68,530
Retained distributions on Accumulation shares		45		430
Unclaimed distributions		2		3
Closing net assets attributable to shareholders		280,327		485,729

The opening net assets attributable to shareholders for 2020 differs to the closing position in 2019 by the change in net assets attributable to shareholders for the second half of the comparative financial year.

Financial statements and notes

Financial statements

Balance sheet

as at	31 December 2020 £'000	30 June 2020 £'000
Assets		
Fixed assets		
Investments	275,190	356,223
Current assets		
Debtors	307	253
Cash and bank balances	325	0
Cash equivalents	6,122	21,562
Total assets	281,944	378,038
Liabilities		
Creditors		
Bank overdrafts	0	(6,926)
Distribution payable	(1,041)	(1,935)
Other creditors	(576)	(2,327)
Total liabilities	(1,617)	(11,188)
Net assets attributable to shareholders	280,327	366,850

Financial statements and notes

Notes to the financial statements

Accounting policies

The financial statements have been prepared in accordance with the 'Accounting policies' set out on page 5.

Distribution policy

In determining the amount available for distribution to Income shares, the annual charge, 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.

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 the fund's financial highlights section under 'Performance and charges'.

Glossary

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

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

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

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

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

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

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

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

Bunds Fixed income securities issued by the German government.

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

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

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

Cash equivalents Deposits or investments with similar characteristics to cash.

Charity Authorised Investment Fund (CAIF) An investment entity that is both a registered charity and an authorised investment fund. The CAIF must comply with charity law as well as financial services laws and regulations, and is usually treated as a registered charity for tax purposes.

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

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

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

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

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

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

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

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

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

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

Glossary

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Equities Shares of ownership in a company.

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

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

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

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

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

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

Glossary

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

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

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

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

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

Gilts Fixed income securities issued by the UK government.

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

Hedging A method of reducing unnecessary or unintended risk.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Glossary

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

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

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

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

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

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

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

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

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

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

Morningstar™ A provider of independent investment research, including performance statistics and independent fund ratings.

Near cash Deposits or investments with similar characteristics to cash.

Net asset value (NAV) A fund's net asset value is calculated by taking the current value of the fund's assets and subtracting its liabilities.

Ongoing Charge Figure The Ongoing charge Figure represents the operating costs investors can reasonably expect to pay under normal circumstances.

Open-ended investment company (OEIC) A type of managed fund, whose value is directly linked to the value of the fund's underlying investments.

Options Financial contracts that offer the right, but not the obligation, to buy or sell an asset at a given price on or before a given date in the future.

Over-the-counter (OTC) Whereby financial assets are traded directly between two parties. This is in contrast to exchange trading, which is carried out through exchanges set up specifically for the purpose of trading. OTC is also known as off-exchange trading.

Overweight If a fund is 'overweight' a stock, it holds a larger proportion of that stock than the comparable index or sector.

Payment date The date on which distributions will be paid by the fund to investors, usually the last business day of the month.

Physical assets An item of value that has tangible existence, for example, cash, equipment, inventory or real estate. Physical assets can also refer to securities, such as company shares or fixed income securities.

Portfolio transaction cost The cost of trading, such as brokerage, clearing, exchange fees and bid-offer spread as well as taxes such as stamp duty.

Preference shares Preference shares are a loan to a company that may be traded in the same way as ordinary shares, but generally have a higher yield and pay dividends on fixed dates. Preference shares have varying characteristics as to the treatment of the principal and the dividend payment, which includes ranking them above ordinary shares when it comes to dividend payments.

Principal The face value of a fixed income security, which is the amount due back to the investor by the borrower when the security reaches the end of its life.

Private placement An offer of sale of securities to a relatively small number of investors selected by the company, generally investment banks, mutual funds, insurance companies or pension funds.

Property Expense Ratio (PER) Property expenses are the operating expenses that relate to the management of the property assets in the portfolio. These include: insurance and rates, rent review and lease renewal costs and maintenance and repairs, but not improvements. They depend on the level of activity taking place within the fund. The Property Expense Ratio is the ratio of property expenses to the fund's net asset value.

Glossary

Real yield The return of an investment, adjusted for changes in prices in an economy.

Retail Prices Index (RPI) A UK inflation index that measures the rate of change in prices for a basket of goods and services in the UK, including mortgage payments and council tax.

Risk The chance that an investment's return will be different to what is expected. Risk includes the possibility of losing some or all of the original investment.

Risk management The term used to describe the activities the fund manager undertakes to limit the risk of a loss in a fund.

Risk premium The difference between the return from a risk-free asset, such as a high-quality government bond or cash, and the return from an investment in any other asset. The risk premium can be considered the 'price' or 'pay-off' for taking on increased risk. A higher risk premium implies higher risk.

Risk-free asset An asset that notionally carries no risk of nonpayment by the borrower such as a high-quality fixed income security issued by a government or cash.

Risk/reward ratio A ratio comparing the expected returns of an investment with the amount of risk undertaken.

Safe-haven assets Refers to assets that investors perceive to be relatively safe from suffering a loss in times of market turmoil.

Security Financial term for a paper asset – usually a share in a company or a fixed income security also known as a bond.

Share class Each M&G fund has different share classes, such as A, R and I. Each has a different level of charges and minimum investment. Details on charges and minimum investments can be found in the Key Investor Information Documents.

Share class hedging Activities undertaken in respect of hedged shares to mitigate the impact on performance of exchange rate movements between the fund's currency exposure and the investor's chosen currency.

Short position A way for a fund manager to express his or her view that the market might fall in value.

Short selling This often refers to the practice whereby an investor sells an asset they do not own. The investor borrows the asset from someone who does own it and pays a fee. The investor must eventually return the borrowed asset by buying it in the open market. If the asset has fallen in price, the investor buys it for less than they sold it for, thus making a profit. The contrary may also occur.

Short-dated corporate bonds Fixed income securities issued by companies and repaid over relatively short periods.

Short-dated government bonds Fixed income securities issued by governments and repaid over relatively short periods.

Sovereign debt Debt of a government. Also referred to as government bonds.

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

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.

Glossary

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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