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M&G Investment Funds (1)

Interim Long Report and unaudited Financial Statements
for the six months ended 28 February 2019

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M&G Investment Funds (1)

Authorised Corporate Director's Report

The Authorised Corporate Director (ACD) of M&G Investment Funds (1) presents its Interim Long Report and unaudited Financial Statements for the six months ended 28 February 2019.

The unaudited financial statements of M&G Investment Funds (1) 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 (1) is an umbrella Open-Ended Investment Company (OEIC) and contains 11 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 6 June 2001 and was launched on 1 November 2001, 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 28 February 2019, none of the funds held shares of the other funds within this OEIC.

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

Fund managers

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

M&G Asian Fund

Alastair Bruce

At the start of the review period Matthew Vaight was the fund manager.

M&G European Index Tracker Fund

Nigel Booth

M&G European Select Fund

Phil Cliff

M&G Global Select Fund

John William Olsen

M&G Global Themes Fund

Alex Araujo

At the start of the review period Jamie Horvat was the fund manager.

M&G Japan Fund

Johan Du Preez

M&G Japan Smaller Companies Fund

Johan Du Preez

M&G North American Dividend Fund

John Weavers

M&G North American Value Fund

Daniel White

M&G Pan European Select Fund

John William Olsen

M&G Pan European Select Smaller Companies Fund

Michael Oliveros

ACD

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

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

Directors of the ACD

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

* Resigned 4 January 2019.

Investment manager

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

(Authorised and regulated by the Financial Conduct Authority)

Registrar

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

Depositary

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

Independent auditor

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

M&G Investment Funds (1)

Authorised Corporate Director's Report

Important information

Following the extraordinary resolutions at shareholder meetings held on 4 October 2018, shareholders approved the mergers of the non-sterling share classes of several funds into equivalent sub-funds in M&G (Lux) Investment Funds 1 as follows:

Non-sterling share classes of the M&G Asian Fund merged into the M&G (Lux) Asian Fund on 26 October 2018.

Non-sterling share classes of the M&G Global Select Fund merged into the M&G (Lux) Global Select Fund on 9 November 2018.

Non-sterling share classes of the M&G Japan Fund merged into the M&G (Lux) Japan Fund on 26 October 2018.

Non-sterling share classes of the M&G Japan Smaller Companies Fund merged into the M&G (Lux) Japan Smaller Companies Fund on 26 October 2018.

Non-sterling share classes of the M&G North American Dividend Fund merged into the M&G (Lux) North American Dividend Fund on 9 November 2018.

Non-sterling share classes of the M&G North American Value Fund merged into the M&G (Lux) North American Value Fund on 9 November 2018.

Non-sterling share classes of the M&G Pan European Select Fund merged into the M&G (Lux) Pan European Select Fund on 9 November 2018.

For further details of the mergers, please refer to www.mandg.com/brexitmergerdocumentation.

The investment objectives and policies of M&G Asian Fund, M&G European Select Fund, M&G Japan Fund and M&G North American Value Fund were changed on 1 March 2019. The objective and policy of M&G Japan Smaller Companies Fund changed on 24 April 2019.

Investor information

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

Customer services and administration for UK clients:

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

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

Telephone: 0800 390 390 (UK only)

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

Customer services and administration for non-UK clients:

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

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

Telephone: +352 2605 9944

Email: csmang@rbc.com

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

Austrian paying and information agent:

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

Belgian financial agent:

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

Danish representative agent:

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

French centralising agent:

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

German information agent:

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

Greek paying agent and distributor:

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

Irish facilities agent:

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

M&G Investment Funds (1)

Authorised Corporate Director's Report

Investor information

Italian paying agents:

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

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

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

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

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

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

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

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

Luxembourg paying and information agent:

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

Portuguese distributor:

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

Spanish representative:

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

Swedish paying agent:

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

Swiss paying agent and representative:

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

Authorised Corporate Director's Responsibilities

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

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

Directors' statement

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

G N COTTON
L J MUMFORD
12 April 2019

} Directors

M&G Investment Funds (1)

Financial statements and notes

The financial statements for M&G Investment Funds (1) comprise the individual financial statements for each fund and the notes below.

Notes to the financial statements

Accounting policies

The interim financial statements have been prepared on the same basis as the audited financial statements for the year ended 31 August 2018. They are prepared under the historical cost convention, as modified by the revaluation of investments, and in accordance with the Statement of Recommended Practice (SORP) for Authorised Funds issued by the Investment Association in May 2014.

M&G Asian Fund

Authorised Corporate Director's Report

Investment objective and policy up to 28 February 2019

The Fund's sole objective is long term capital growth. It invests wholly or mainly in a range of Asian (including Australasian) securities. When not wholly invested as above, the fund may also invest in global securities with the exception of Japanese securities.

Investment approach up to 28 February 2019

The M&G Asian Fund employs a bottom-up stockpicking approach to identify companies whose ability to improve their profitability or sustain high levels of profitability over time is, in the fund manager's opinion, being undervalued.

It is the core belief of the fund manager that company-specific factors, not economic growth levels, drive share prices over the long run. Consequently, investment decisions are determined by fundamental analysis of individual companies with a specific focus on their use of capital and profitability.

The fund manager applies a strict valuation discipline and looks for companies whose future profitability is, in his opinion, being underappreciated by the market. He also assesses their corporate governance practices to find companies that are run for the benefit of their shareholders. The fund's country and sector exposure is not influenced by top-down views.

The fund invests in two specific types of company. The first comprises firms with the potential to improve their profitability, either through external change or internal change. The fund also invests in businesses with high levels of profitability where the market does not believe these levels of returns are sustainable over time; we define these as asset growth and quality companies. Investing in these different types of company is designed to create a balanced portfolio that has the potential to perform in a variety of market conditions.

The fund manager aims to hold between 50 and 70 stocks, with a typical holding period of three to five years. Taking a long-term view enables the manager to align his interest with the strategic value-creating decisions of company management. It also enables him to take advantage of valuation anomalies created by the short-term nature of emerging market investors.

Investment objective from 1 March 2019

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 MSCI AC Asia Pacific ex Japan Index over any five-year period.

Investment policy from 1 March 2019

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, or do most of their business in the Asia Pacific region (excluding Japan).

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 from 1 March 2019

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

The investment approach identifies shares of Asia Pacific ex Japan companies which, in the fund manager's opinion at the time of investment, are undervalued.

When analysing a company, the fund manager focuses on three key factors: return on capital, valuations and corporate governance.

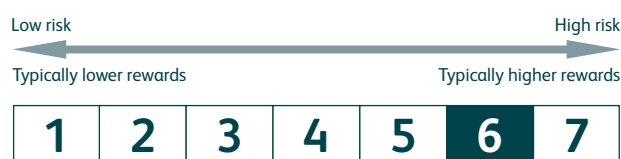
The fund manager believes that company-specific factors, in particular their profitability (which is measured in terms of return on capital), drive share prices over the long term.

Risk profile

The fund invests in shares of companies throughout Asia (excluding Japan), or companies that conduct the majority of their business activities in these countries. It is, therefore, subject to the price volatility of the Asian stockmarket and the performance of individual issuers. The fund may also be influenced by developments in the broader global stockmarket and is subject to fluctuations in currency exchange rates.

Asia (ex Japan) is a region that is regarded as having emerging economies. Hence, the fund's focus on Asia may result in greater volatility compared to a fund that invests mainly in the securities of companies in developed countries. The reasons for this greater volatility include: the financial infrastructure in emerging markets is typically less mature, the regulatory systems and disclosure standards are less developed, and adverse market and political circumstances are more likely to occur in these markets. Diversification across countries, industries and market capitalisation is therefore 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.

M&G Asian Fund

Authorised Corporate Director's Report

Investment review

As at 1 March 2019, for the six months ended 28 February 2019

Performance against objective

Between 3 September 2018 (the start of the review period) and 1 March 2019, the sterling share classes of the M&G Asian Fund produced a negative total return (the combination of income and growth of capital).

Nonetheless, the fund was ahead of a comparative index, the MSCI Asia Pacific ex Japan Index. Over the six months, the index declined 2.9% in sterling terms.

Between 3 September 2018 and 26 October 2018, the fund's euro and US dollar share classes delivered negative returns, but were ahead of the returns from the MSCI Asia Pacific ex Japan Index (-10.8% and -12.7% in euros and US dollars, respectively)*. On 26 October 2018, the fund's non-sterling share classes merged into the M&G (Lux) Asian Fund, a Luxembourg-authorised SICAV that launched on that date.

Over the longer term of five years, the fund's sterling share classes produced positive returns and achieved the performance objective of maximising long-term total return. The non-sterling share classes had produced positive returns over the period from 3 March 2014 until 26 October 2018 when they merged into the SICAV.

Subsequent to the end of the review period, the fund's objective and policy changed.

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

Investment performance

Asian stockmarkets experienced turbulence during the six months under review as worries about a potential global trade war, signs of weakness in global economic growth and higher interest rates in the US unsettled investors. Initially, share prices of Asian companies (equities) declined before rebounding towards the end of the period as investor confidence recovered.

The dominant issue for investors was arguably the trade dispute between the US and China. Over the course of 2018, the US introduced tariffs on billions of dollars' worth of Chinese products, in an attempt to reduce the trade imbalance between the two nations and address issues such as intellectual property rights and subsidies.

The Chinese government retaliated with tariffs on US goods and, by the end of the year, signs emerged that the trade war was having a damaging impact on global economic growth and trade.

There were some positive developments towards the end of the period as the two countries held talks to try and resolve their dispute. Encouraged by progress in the negotiations, US President Donald Trump delayed imposing further tariffs on Chinese goods.

Another factor that influenced investor sentiment was the path of US interest rates. In response to a robust US economy, the Federal Reserve (Fed) raised interest rates four times in 2018 as it continued to unwind the stimulus measures that were put in place after the global financial crisis a decade earlier. However, at the end of the period, investors welcomed suggestions that the Fed would be patient before raising rates again.

The combination of optimism about a trade deal and expectations of a pause in US interest rate rises lifted investor confidence and Asian stockmarkets rallied in the first two months of 2019. Despite healthy gains, they failed to recoup all of their previous losses.

South Korea and Taiwan were among the worst-performing markets over the six months. As export-focused economies, they both suffered from concerns about the US-China trade dispute. Taiwan is also home to many technology firms which were hurt by worries about slowing demand for smartphones and memory chips. India's stockmarket also lagged amid rising oil prices and uncertainty about forthcoming elections. India is a major oil importer and higher prices put pressure on the country's economic position.

In contrast, the smaller southeast Asian markets of Indonesia, Thailand and the Philippines were among the best performers. Share prices in Hong Kong rose, while China's stockmarket was relatively resilient. Chinese equities rallied in the final two months of the period amid encouraging developments in the US-China trade negotiations and expectations of stimulus policies to support China's slowing economy.

At the sector level, energy stocks struggled as oil prices retreated amid concerns about a global supply glut and weaker demand. This led major producers to agree cuts in output in 2019 to support prices. Information technology stocks were also weak, dragged down by fears about a downturn in the memory chip market. On the other hand, industrials, real estate and utilities outperformed.

Against this background, although the fund's returns were negative, it was ahead of the comparative index over the six months, with stock selection in several sectors making a positive contribution to relative performance.

In technology, our holdings in Delta Electronics, a provider of power and thermal management solutions from Taiwan, and Chinese PC maker Lenovo were notable contributors. Lenovo's share price climbed to the highest level in three years after the company reported better-than-expected results. Investors were encouraged that Lenovo's turnaround strategy appears to be making good progress. Meanwhile, Delta's share price recovered from a period of weakness.

In energy, Ophir Energy, a UK-listed oil & gas explorer, was a leading contributor as the shares rose after Ophir received a takeover bid. Our holding in Chinese oil company CNOOC also added value.

A number of our other Chinese holdings performed well during the review period, including sporting goods firm Li-Ning. Recently, investors have been encouraged by the company's efforts to turn around the business after a period of unsuccessful expansion. The new management team has adopted a disciplined approach and is focused on improving margins. The share price rose when Li-Ning reported encouraging sales growth, particularly in its e-commerce business.

M&G Asian Fund

Authorised Corporate Director's Report

Investment review

Investment performance (continued)

In addition, solar glass panel firm Xinyi Solar and financial services company Far East Horizon advanced. Xinyi's share price rose when the Chinese government announced pilot projects to promote green energy.

On the other hand, concerns about the impact of the trade war on China's economy weighed on the share prices of Chinese holdings Baidu, an internet search firm, and online travel company Ctrip.com. In our view, Ctrip is well positioned to benefit from the growth of the Chinese travel industry, while we think profitability should improve as a result of recent consolidation in the market.

Our holdings in Taiwanese tech firms Casetek and Catcher Technology also detracted from relative performance. Both companies make casings for smartphones and tablets, and during the review period they were hurt by fears of weakening demand for Apple iPhones.

Global Brands, a Hong Kong-based business which designs and distributes branded clothing, was another detractor as the company's shares declined on weak results. Global Brands is implementing a restructuring program to improve performance and announced plans to sell its loss-making kids clothing business.

Investment activities

We made a relatively large number of changes to the portfolio during the review period as we sold some smaller positions and focused on stocks that we believe have the most attractive prospects. For instance, we sold our stake in South Korean car maker Hyundai Motor as we lost confidence in the management team to improve performance and corporate governance.

Other notable sales included Singapore-listed conglomerate Jardine Matheson, Chinese power producer China Resources Power and Cathay Financial, a financial services company from Taiwan. Meanwhile, Ophir Energy left the portfolio after the company was acquired.

We also took some profits by reducing our positions in stocks that had performed well, including Chinese PC maker Lenovo, Li-Ning, a Chinese sportswear retailer and Xinyi Solar, a Chinese solar glass company.

The proceeds from these sales were used to buy more shares in Chinese online travel company Ctrip.com, which struggled amid trade war concerns, and Indian electricity provider NTPC.

We also started a position in Global Brands, a Hong Kong-based clothing company. The company has recently sold its North American licensing business and is expected to use the proceeds to pay a special dividend and improve its balance sheet. In our view, the market is placing a very low valuation on the remainder of the business, which could become more profitable over time.

We think the Philippines has attractive long-term economic prospects, but this potential has historically been reflected in expensive valuations for Philippine companies. However, during the period, we saw an opportunity to invest in Metro Pacific Investments, an infrastructure company from the Philippines, at an attractive valuation. Metro operates a number of quality businesses, including companies involved in electricity distribution, hospitals and toll roads, and in our view, is well positioned to benefit from structural changes in the Philippines.

Outlook

We believe ongoing uncertainty about the macroeconomic environment is likely to cause further turbulence in financial markets. The trade war between the US and China remains a key risk as prolonged tension could cause economic activity to slow further. Currently, there is a high degree of optimism that the two nations will reach a deal, but the dispute involves complex and significant issues that will arguably take a long time to resolve completely.

Despite these concerns, we are optimistic about the potential long-term returns from Asian company shares. Despite the stockmarket rebound at the end of the review period, we believe there are plenty of promising opportunities available for selective, value-focused investors.

In our view, worries about the macroeconomic outlook (slowing global economic growth) and geopolitics (trade wars) have weighed on share prices in the region. In contrast, we believe that investors have largely ignored the operational performance, or fundamentals, of companies.

As a result, we believe the stockmarket weakness during the period provided opportunities to invest in companies whose valuations have been marked down for reasons unrelated to their underlying performance.

As long-term value-oriented investors, we will continue to look for opportunities in areas that we think are being overlooked by other market participants. As we did during the review period, we will apply our selective stockpicking approach and seek to take advantage of any stocks that become mispriced as a result of fears about the external environment.

Alastair Bruce

Fund manager

An employee of M&G Limited which is an associate of M&G Securities Limited. At the start of the review period Matthew Vaight was the 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.

M&G Asian Fund

Authorised Corporate Director's Report

Investments

Portfolio statement

as at Holding	28.02.19 \$'000	28.02.19 %	31.08.18 %
EQUITIES	215,240	97.99	99.08
United Kingdom	0	0.00	0.55
Australia	12,207	5.56	6.27
312,981 Downer EDI	1,659	0.76	
257,476 Iluka Resources	1,686	0.77	
1,542,239 Mesoblast	1,349	0.61	
359,077 Nufarm	1,341	0.61	
700,411 QBE Insurance	6,172	2.81	
China	63,983	29.13	30.14
10,914,000 AMVIG	2,628	1.20	
34,486 Baidu ADR	5,592	2.54	
5,704,000 China Construction Bank	5,065	2.31	
11,900,000 China Lesso	6,640	3.02	
4,578,000 China Petroleum & Chemical	3,954	1.80	
2,786,000 China Railway Signal & Communication	2,286	1.04	
2,788,000 CNOOC	4,809	2.19	
217,549 Ctrip.com International ADR	7,377	3.36	
4,839,000 Far East Horizon	5,357	2.44	
8,198,000 Greatview Aseptic Packaging	5,096	2.32	
245,812 HollySys Automation Technologies	5,226	2.38	
2,400,000 Lenovo	2,162	0.98	
3,082,860 PICC Property & Casualty	3,692	1.68	
271,700 Vtech	2,845	1.30	
2,556,156 Xinyi Solar	1,254	0.57	
Hong Kong	41,953	19.10	13.30
562,000 AIA	5,617	2.56	
1,156,850 CK Hutchison	12,298	5.60	
11,564,000 Fufeng	5,863	2.67	
151,824,000 Global Brands	7,060	3.21	
2,457,500 Li-Ning	3,444	1.57	
5,252,006 PCCW	3,151	1.43	
563,599 Standard Chartered	4,520	2.06	
India	7,752	3.53	2.88
569,961 ICICI Bank	2,811	1.28	
143,458 McLeod Russel India	175	0.08	
2,393,080 NTPC	4,766	2.17	
Indonesia	4,465	2.03	1.48
8,815,900 Bank Mandiri	4,465	2.03	
Philippines	16,307	7.42	4.72
14,408,000 First Pacific	5,818	2.65	
333,713 GT Capital	6,114	2.78	
48,140,200 Metro Pacific Investments	4,375	1.99	
Singapore	13,768	6.27	7.33
437,709 DBS	8,065	3.67	
577,767 Ezion Warrant 24/04/2020	0	0.00	
10,728,468 Ezion Warrant 16/04/2023 [a]	0	0.00	
3,819,500 Japfa	2,168	0.99	
1,825,600 Sembcorp Industries	3,535	1.61	
South Korea	30,116	13.71	17.09
121,552 Hana Financial	4,193	1.91	
315,149 Samsung Electronics	12,637	5.75	
10,324 Samsung Fire & Marine Insurance	2,768	1.26	
209,495 Samsung Heavy Industries	1,705	0.78	
168,905 Shinhan Financial	6,540	2.98	
110,890 Wonik IPS	2,273	1.03	

Portfolio statement (continued)

as at Holding	28.02.19 \$'000	28.02.19 %	31.08.18 %
Taiwan	24,689	11.24	15.32
1,150,610 Casetek	1,802	0.82	
450,000 Catcher Technology	3,422	1.55	
1,724,075 Chicony Electronics	3,798	1.73	
643,220 Delta Electronics	3,208	1.46	
307,000 eMemory Technology	2,768	1.26	
29,473 Silicon Motion Technology ADR	1,247	0.57	
807,178 Taiwan Semiconductor Manufacturing	6,255	2.85	
3,537,000 TECO Electric & Machinery	2,189	1.00	
Portfolio of investments	215,240	97.99	99.08
CASH EQUIVALENTS	4,306	1.96	1.68
Eire 'AAA' rated money market funds [b]	4,306	1.96	1.68
4,306,000 Northern Trust Global Fund - US dollar	4,306	1.96	
Total portfolio	219,546	99.95	100.76
Net other assets / (liabilities)	106	0.05	(0.76)
Net assets attributable to shareholders	219,652	100.00	100.00

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

[a] Suspended.

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

Top ten portfolio transactions

for the six months to 28 February 2019

Largest purchases	\$'000
Global Brands	8,147
CK Hutchison	6,832
Ctrip.com International ADR	6,122
Metro Pacific Investments	6,077
Ophir Energy	3,145
China Lesso	2,969
GT Capital	2,886
ICICI Bank	2,784
NTPC	2,757
Standard Chartered	2,719
Other purchases	27,193
Total purchases	71,631
Largest sales	\$'000
CNOOC	9,731
Samsung Electronics	6,688
Ophir Energy	5,163
Cathay Financial	4,825
Delta Electronics	4,711
Hyundai Motor	4,707
AIA	4,264
Axis Bank	3,589
Jardine Matheson	3,571
First Pacific	3,346
Other sales	75,252
Total sales	125,847

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

M&G Asian Fund

Financial highlights

Fund performance

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

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

We show performance for these two share classes because:

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

The fund is available for investment in different share classes, each with varying levels of charges and minimum investments; please refer to the Prospectus for M&G Investment Funds (1), 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	28.02.19 \$'000	31.08.18 \$'000	31.08.17 \$'000
Fund net asset value (NAV)	219,652	409,725	699,384

Performance since launch

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



When the fund's objective changed, the comparable index of the fund also changed, and to make a fair comparison the chart above shows performance since the fund's change of objective.

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

M&G Asian Fund

Financial highlights

Fund performance

To give an indication of the performance of the fund, the following table shows the compound rate of return, per annum, over the period to 26 October 2018 for non-sterling share classes and 1 March 2019 for sterling share classes. Calculated on a price to price basis with income reinvested.

Long-term performance by share class				
	From 03.09.18 % ^[a]	From 01.03.16 % p.a.	From 03.03.14 % p.a.	Since launch % p.a.
Euro ^[b]				
Class 'A'	-6.7	+6.6	+5.8	+7.9 ^[c]
Class 'C'	-6.6	+7.4	+6.6	+8.7 ^[c]
Sterling ^[d]				
Class 'A'	-1.2	+13.3	+8.6	+8.9 ^[e]
Class 'I'	-0.8	+14.2	+9.4	+9.0 ^[f]
Class 'R'	-0.9	+13.9	+9.1	+8.7 ^[f]
Class 'X'	-1.2	+13.3	+8.6	+14.5 ^[g]
US dollar ^[b]				
Class 'A'	-8.9	+8.3	+1.5	+9.2 ^[h]
Class 'C'	-8.8	+9.2	+2.3	+10.1 ^[h]

^[a] Absolute basis.

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

^[c] 28 November 2001, the launch date of the share class.

^[d] Price to price with income reinvested.

^[e] 14 September 1973, the end of the initial offer period of the predecessor unit trust.

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

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

^[h] 19 December 2008, the launch date of the share class.

Operating charges and portfolio transaction costs

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

Operating charges

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

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

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

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

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

Portfolio transaction costs

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

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

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

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

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

Portfolio transaction costs				
	Six months to 28.02.19 %	Year to 31.08.18 %	Year to 31.08.17 %	Average ^[a] %
Direct portfolio transaction costs ^[b]				
Broker commission	0.07	0.04	0.05	0.05
Taxes	0.14	0.11	0.07	0.11
Costs before dilution adjustments	0.21	0.15	0.12	0.16
Dilution adjustments ^[c]	(0.06)	(0.11)	(0.10)	(0.09)
Total direct portfolio transaction costs	0.15	0.04	0.02	0.07
as at				
Indirect portfolio transaction costs				
Average portfolio dealing spread	0.33	0.26	0.22	0.27

^[a] Average of first three columns.

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

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

M&G Asian Fund

Financial highlights

Specific share class performance

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

The non-sterling share classes were merged into the M&G (Lux) Asian Fund on 26 October 2018. The current period historic yields for the non-sterling share classes were calculated at the merger date.

Historic yields for the sterling share classes for the current period are calculated as at 8 March 2019.

Euro Class 'A' Accumulation share performance

The share class was launched on 28 November 2001.

	Six months to 28.02.19 Euro €	Year to 31.08.18 Euro €	Year to 31.08.17 Euro €
Change in NAV per share			
Opening NAV	3,898.78	3,907.05	3,449.85
Return before operating charges and after direct portfolio transaction costs	(228.34)	60.75	523.14
Operating charges	(10.15)	(69.02)	(65.94)
Return after operating charges	(238.49)	(8.27)	457.20
Distributions	(4.09)	(48.68)	(29.75)
Retained distributions	4.09	48.68	29.75
Return to shareholder as a result of share class closure	(3,660.29)	n/a	n/a
Closing NAV	0.00	3,898.78	3,907.05
Direct portfolio transaction costs	Euro €	Euro €	Euro €
Costs before dilution adjustments	1.69	6.18	4.71
Dilution adjustments ^[a]	(0.51)	(4.61)	(3.87)
Total direct portfolio transaction costs	1.18	1.57	0.84
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.15	0.04	0.02
Operating charges	1.72	1.72	1.73
Return after operating charges	-6.12	-0.21	+13.25
Historic yield	1.35	1.25	0.76
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	0	61,291	144,382
Closing NAV percentage of total fund NAV (%)	0.00	14.96	20.64
Number of shares	0	1,347,259	3,116,526
Highest share price (Euro €)	3,996.77	4,191.48	4,097.96
Lowest share price (Euro €)	3,616.44	3,787.29	3,394.56

Euro Class 'C' Accumulation share performance

The share class was launched on 28 November 2001.

	Six months to 28.02.19 Euro €	Year to 31.08.18 Euro €	Year to 31.08.17 Euro €
Change in NAV per share			
Opening NAV	4,369.14	4,345.72	3,808.43
Return before operating charges and after direct portfolio transaction costs	(256.09)	66.68	579.39
Operating charges	(6.43)	(43.26)	(42.10)
Return after operating charges	(262.52)	23.42	537.29
Distributions	(9.64)	(88.66)	(62.52)
Retained distributions	9.64	88.66	62.52
Return to shareholder as a result of share class closure	(4,106.62)	n/a	n/a
Closing NAV	0.00	4,369.14	4,345.72
Direct portfolio transaction costs	Euro €	Euro €	Euro €
Costs before dilution adjustments	1.90	6.87	5.31
Dilution adjustments ^[a]	(0.58)	(5.12)	(4.36)
Total direct portfolio transaction costs	1.32	1.75	0.95
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.15	0.04	0.02
Operating charges	0.97	0.97	0.98
Return after operating charges	-6.01	+0.54	+14.11
Historic yield	2.19	2.04	1.44
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	0	68,091	207,138
Closing NAV percentage of total fund NAV (%)	0.00	16.62	29.62
Number of shares	0	1,335,613	4,019,799
Highest share price (Euro €)	4,481.54	4,668.58	4,547.60
Lowest share price (Euro €)	4,056.16	4,239.33	3,748.66

Sterling Class 'A' Income share performance

The share class was launched on 14 September 1973.

	Six months to 28.02.19 UK p	Year to 31.08.18 UK p	Year to 31.08.17 UK p
Change in NAV per share			
Opening NAV	1,384.50	1,467.64	1,221.09
Return before operating charges and after direct portfolio transaction costs	(5.78)	(15.90)	304.39
Operating charges	(11.67)	(24.80)	(23.94)
Return after operating charges	(17.45)	(40.70)	280.45
Distributions	n/a	(42.44)	(33.90)
Closing NAV	1,367.05	1,384.50	1,467.64
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	1.89	2.22	1.71
Dilution adjustments ^[a]	(0.57)	(1.66)	(1.40)
Total direct portfolio transaction costs	1.32	0.56	0.31
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.15	0.04	0.02
Operating charges	1.77	1.72	1.73
Return after operating charges	-1.26	-2.77	+22.97
Historic yield	3.09	3.06	2.32
Effect on yield of charges offset against capital	1.65	1.65	1.65
Other information			
Closing NAV (\$'000)	134,122	147,696	184,111
Closing NAV percentage of total fund NAV (%)	61.07	36.05	26.33
Number of shares	7,375,054	8,202,557	9,742,682
Highest share price (UK p)	1,404.94	1,511.84	1,519.22
Lowest share price (UK p)	1,254.15	1,365.59	1,202.92

M&G Asian Fund

Financial highlights

Specific share class performance

Sterling Class 'A' Accumulation share performance

The share class was launched on 14 September 1973.

	Six months to 28.02.19 UK p	Year to 31.08.18 UK p	Year to 31.08.17 UK p
Change in NAV per share			
Opening NAV	2,288.15	2,353.57	1,913.98
Return before operating charges and after direct portfolio transaction costs	(9.95)	(25.64)	476.78
Operating charges	(18.93)	(39.78)	(37.19)
Return after operating charges	(28.88)	(65.42)	439.59
Distributions	n/a	(28.57)	(17.92)
Retained distributions	n/a	28.57	17.92
Closing NAV	2,259.27	2,288.15	2,353.57
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	3.10	3.56	2.66
Dilution adjustments ^[a]	(0.94)	(2.66)	(2.19)
Total direct portfolio transaction costs	2.16	0.90	0.47
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.15	0.04	0.02
Operating charges	1.75	1.72	1.73
Return after operating charges	-1.26	-2.78	+22.97
Historic yield	1.26	1.25	0.77
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	22,721	57,067	67,603
Closing NAV percentage of total fund NAV (%)	10.34	13.93	9.67
Number of shares	755,964	1,917,667	2,230,785
Highest share price (UK p)	2,321.90	2,424.29	2,381.27
Lowest share price (UK p)	2,072.68	2,189.76	1,885.52

Sterling Class 'I' Income share performance

The share class was launched on 3 August 2012.

	Six months to 28.02.19 UK p	Year to 31.08.18 UK p	Year to 31.08.17 UK p
Change in NAV per share			
Opening NAV	1,586.60	1,669.18	1,378.34
Return before operating charges and after direct portfolio transaction costs	(6.42)	(18.09)	344.72
Operating charges	(7.74)	(15.97)	(15.43)
Return after operating charges	(14.16)	(34.06)	329.29
Distributions	n/a	(48.52)	(38.45)
Closing NAV	1,572.44	1,586.60	1,669.18
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	2.18	2.54	1.94
Dilution adjustments ^[a]	(0.66)	(1.89)	(1.60)
Total direct portfolio transaction costs	1.52	0.65	0.34
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.15	0.04	0.02
Operating charges	1.02	0.97	0.98
Return after operating charges	-0.89	-2.04	+23.89
Historic yield	3.07	3.05	2.31
Effect on yield of charges offset against capital	0.90	0.90	0.90
Other information			
Closing NAV (\$'000)	14,497	14,401	15,177
Closing NAV percentage of total fund NAV (%)	6.60	3.50	2.17
Number of shares	693,040	697,908	706,150
Highest share price (UK p)	1,611.05	1,721.72	1,727.52
Lowest share price (UK p)	1,438.43	1,562.97	1,358.16

Sterling Class 'I' Accumulation share performance

The share class was launched on 3 August 2012.

	Six months to 28.02.19 UK p	Year to 31.08.18 UK p	Year to 31.08.17 UK p
Change in NAV per share			
Opening NAV	1,764.31	1,801.20	1,453.84
Return before operating charges and after direct portfolio transaction costs	(7.17)	(19.69)	363.68
Operating charges	(8.60)	(17.20)	(16.32)
Return after operating charges	(15.77)	(36.89)	347.36
Distributions	n/a	(35.80)	(25.91)
Retained distributions	n/a	35.80	25.91
Closing NAV	1,748.54	1,764.31	1,801.20
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	2.42	2.73	2.06
Dilution adjustments ^[a]	(0.73)	(2.04)	(1.69)
Total direct portfolio transaction costs	1.69	0.69	0.37
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.15	0.04	0.02
Operating charges	1.02	0.97	0.98
Return after operating charges	-0.89	-2.05	+23.89
Historic yield	2.04	2.03	1.44
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	28,028	29,073	32,674
Closing NAV percentage of total fund NAV (%)	12.76	7.10	4.67
Number of shares	1,204,961	1,267,044	1,408,817
Highest share price (UK p)	1,791.47	1,857.75	1,822.17
Lowest share price (UK p)	1,599.52	1,686.47	1,432.58

Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012.

	Six months to 28.02.19 UK p	Year to 31.08.18 UK p	Year to 31.08.17 UK p
Change in NAV per share			
Opening NAV	157.68	166.30	137.68
Return before operating charges and after direct portfolio transaction costs	(0.64)	(1.79)	34.38
Operating charges	(0.96)	(2.00)	(1.93)
Return after operating charges	(1.60)	(3.79)	32.45
Distributions	n/a	(4.83)	(3.83)
Closing NAV	156.08	157.68	166.30
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.22	0.25	0.19
Dilution adjustments ^[a]	(0.07)	(0.19)	(0.16)
Total direct portfolio transaction costs	0.15	0.06	0.03
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.15	0.04	0.02
Operating charges	1.27	1.22	1.23
Return after operating charges	-1.01	-2.28	+23.57
Historic yield	3.08	3.06	2.31
Effect on yield of charges offset against capital	1.15	1.15	1.15
Other information			
Closing NAV (\$'000)	922	848	312
Closing NAV percentage of total fund NAV (%)	0.42	0.21	0.04
Number of shares	444,027	413,646	145,633
Highest share price (UK p)	160.07	171.47	172.13
Lowest share price (UK p)	142.92	155.40	135.65

M&G Asian Fund

Financial highlights

Specific share class performance

Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012.

	Six months to 28.02.19 UK p	Year to 31.08.18 UK p	Year to 31.08.17 UK p
Change in NAV per share			
Opening NAV	173.83	177.91	143.96
Return before operating charges and after direct portfolio transaction costs	(0.70)	(1.94)	35.95
Operating charges	(1.06)	(2.14)	(2.00)
Return after operating charges	(1.76)	(4.08)	33.95
Distributions	n/a	(3.08)	(2.16)
Retained distributions	n/a	3.08	2.16
Closing NAV	172.07	173.83	177.91
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.24	0.27	0.20
Dilution adjustments ^[a]	(0.07)	(0.20)	(0.17)
Total direct portfolio transaction costs	0.17	0.07	0.03
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.15	0.04	0.02
Operating charges	1.27	1.22	1.23
Return after operating charges	-1.01	-2.29	+23.58
Historic yield	1.78	1.77	1.22
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	8,434	7,888	261
Closing NAV percentage of total fund NAV (%)	3.84	1.92	0.04
Number of shares	3,684,695	3,489,146	113,830
Highest share price (UK p)	176.48	183.42	179.99
Lowest share price (UK p)	157.56	166.23	141.84

Sterling Class 'X' Income share performance

The share class was launched on 1 October 2002.

	Six months to 28.02.19 UK p	Year to 31.08.18 UK p	Year to 31.08.17 UK p
Change in NAV per share			
Opening NAV	1,382.63	1,465.67	1,219.45
Return before operating charges and after direct portfolio transaction costs	(5.75)	(15.89)	303.93
Operating charges	(11.68)	(24.76)	(23.86)
Return after operating charges	(17.43)	(40.65)	280.07
Distributions	n/a	(42.39)	(33.85)
Closing NAV	1,365.20	1,382.63	1,465.67
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	1.89	2.22	1.71
Dilution adjustments ^[a]	(0.57)	(1.65)	(1.40)
Total direct portfolio transaction costs	1.32	0.57	0.31
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.15	0.04	0.02
Operating charges	1.77	1.72	1.73
Return after operating charges	-1.26	-2.77	+22.97
Historic yield	3.09	3.06	2.32
Effect on yield of charges offset against capital	1.65	1.65	1.65
Other information			
Closing NAV (\$'000)	7,781	8,185	12,753
Closing NAV percentage of total fund NAV (%)	3.54	2.00	1.82
Number of shares	428,436	455,159	675,786
Highest share price (UK p)	1,403.04	1,509.80	1,517.17
Lowest share price (UK p)	1,252.46	1,363.74	1,201.30

Sterling Class 'X' Accumulation share performance

The share class was launched on 1 October 2002.

	Six months to 28.02.19 UK p	Year to 31.08.18 UK p	Year to 31.08.17 UK p
Change in NAV per share			
Opening NAV	2,266.72	2,331.55	1,896.08
Return before operating charges and after direct portfolio transaction costs	(9.46)	(25.41)	472.61
Operating charges	(19.13)	(39.42)	(37.14)
Return after operating charges	(28.59)	(64.83)	435.47
Distributions	n/a	(28.30)	(17.76)
Retained distributions	n/a	28.30	17.76
Closing NAV	2,238.13	2,266.72	2,331.55
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	3.10	3.53	2.65
Dilution adjustments ^[a]	(0.94)	(2.63)	(2.18)
Total direct portfolio transaction costs	2.16	0.90	0.47
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.15	0.04	0.02
Operating charges	1.77	1.72	1.73
Return after operating charges	-1.26	-2.78	+22.97
Historic yield	1.26	1.25	0.77
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	3,147	3,326	4,413
Closing NAV percentage of total fund NAV (%)	1.43	0.81	0.63
Number of shares	105,701	112,822	146,994
Highest share price (UK p)	2,300.16	2,401.60	2,358.99
Lowest share price (UK p)	2,053.28	2,169.26	1,867.87

US dollar Class 'A' Accumulation share performance

The share class was launched on 19 December 2008.

	Six months to 28.02.19 US ¢	Year to 31.08.18 US ¢	Year to 31.08.17 US ¢
Change in NAV per share			
Opening NAV	2,631.10	2,679.39	2,223.02
Return before operating charges and after direct portfolio transaction costs	(222.22)	(0.98)	497.65
Operating charges	(6.79)	(47.31)	(41.28)
Return after operating charges	(229.01)	(48.29)	456.37
Distributions	(2.68)	(32.85)	(20.41)
Retained distributions	2.68	32.85	20.41
Return to shareholder as a result of share class closure	(2,402.09)	n/a	n/a
Closing NAV	0.00	2,631.10	2,679.39
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	1.13	4.23	2.95
Dilution adjustments ^[a]	(0.34)	(3.16)	(2.42)
Total direct portfolio transaction costs	0.79	1.07	0.53
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.15	0.04	0.02
Operating charges	1.71	1.72	1.73
Return after operating charges	-8.70	-1.80	+20.53
Historic yield	1.37	1.27	0.76
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	0	10,024	12,576
Closing NAV percentage of total fund NAV (%)	0.00	2.45	1.80
Number of shares	0	380,985	469,365
Highest share price (US ¢)	2,677.12	2,968.03	2,741.03
Lowest share price (US ¢)	2,390.85	2,534.84	2,154.76

M&G Asian Fund

Financial highlights

Specific share class performance

US dollar Class 'C' Accumulation share performance

The share class was launched on 19 December 2008.

	Six months to 28.02.19 US ¢	Year to 31.08.18 US ¢	Year to 31.08.17 US ¢
Change in NAV per share			
Opening NAV	2,828.30	2,858.71	2,354.12
Return before operating charges and after direct portfolio transaction costs	(239.03)	(1.73)	529.54
Operating charges	(4.16)	(28.68)	(24.95)
Return after operating charges	(243.19)	(30.41)	504.59
Distributions	(6.07)	(57.39)	(41.13)
Retained distributions	6.07	57.39	41.13
Return to shareholder as a result of share class closure	(2,585.11)	n/a	n/a
Closing NAV	0.00	2,828.30	2,858.71
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	1.21	4.53	3.15
Dilution adjustments ^[a]	(0.37)	(3.38)	(2.59)
Total direct portfolio transaction costs	0.84	1.15	0.56
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.15	0.04	0.02
Operating charges	0.98	0.97	0.98
Return after operating charges	-8.60	-1.06	+21.43
Historic yield	2.22	2.06	1.44
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	0	1,835	17,984
Closing NAV percentage of total fund NAV (%)	0.00	0.45	2.57
Number of shares	0	64,874	629,106
Highest share price (US ¢)	2,879.42	3,176.49	2,922.74
Lowest share price (US ¢)	2,573.01	2,724.00	2,285.66

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

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

M&G Asian Fund

Financial statements and notes

Financial statements

Statement of total return

for the six months to 28 February	2019 \$'000	2018 \$'000
Income		
Net capital gains / (losses)	(14,324)	36,751
Revenue	3,214	6,343
Expenses	(2,137)	(4,691)
Net revenue / (expense) before taxation	1,077	1,652
Taxation	(265)	(1,721)
Net revenue / (expense) after taxation	812	(69)
Total return before distributions	(13,512)	36,682
Distributions	(333)	(208)
Change in net assets attributable to shareholders from investment activities	(13,845)	36,474

Statement of change in net assets attributable to shareholders

for the six months to 28 February	2019 \$'000	2018 \$'000
Opening net assets attributable to shareholders	409,725	699,384
Amounts received on issue of shares	5,588	42,176
Amounts paid on cancellation of shares	(60,281)	(193,244)
Transfer to M&G (Lux) Asian Fund	(121,968)	0
	(176,661)	(151,068)
Dilution adjustments	224	581
Change in net assets attributable to shareholders from investment activities (see above)	(13,845)	36,474
Retained distributions on Accumulation shares	208	0
Unclaimed distributions	1	0
Closing net assets attributable to shareholders	219,652	585,371

The opening net assets attributable to shareholders for 2019 differs to the closing position in 2018 by the change in net assets attributable to shareholders for the second half of the comparative financial year.

Balance sheet

as at	28 February 2019 \$'000	31 August 2018 \$'000
Assets		
Fixed assets		
Investments	215,240	405,941
Current assets		
Debtors	4,095	4,807
Cash and bank balances	1,318	2,404
Cash equivalents	4,306	6,886
Total assets	224,959	420,038
Liabilities		
Creditors		
Bank overdrafts	0	(2,262)
Distribution payable	0	(5,245)
Other creditors	(5,307)	(2,806)
Total liabilities	(5,307)	(10,313)
Net assets attributable to shareholders	219,652	409,725

Notes to the financial statements

Accounting policies

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

Distribution policy

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

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

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

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M&G European Index Tracker Fund

Authorised Corporate Director's Report

Investment objective and policy

The fund is designed to track the FTSE World Europe ex UK Index.

Investment approach

The M&G European Index Tracker Fund is a European ex UK fund that tracks the performance of the FTSE World Europe ex UK Index* using a technique called stratified sampling.

The fund will normally hold the largest 100 stocks in the index as well as a selection of the remaining smaller stocks to ensure that the fund's capitalisation and industry weights are in line with the index weightings.

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Risk profile

The fund is designed to track the performance of the FTSE World Europe ex UK Index, which represents a broad spread of European company shares. Its performance, therefore, reflects the price volatility of the European stockmarket and the performance of individual companies.

The fund will typically hold around 350 stocks, including the largest 100 stocks in the index, as well as a selection of the remaining smaller stocks to ensure that the fund's market capitalisation and industry weights are in line with the index. The fund's risks are measured and managed as an integral part of the investment process.

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



The above number:

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

Investment review

As at 1 March 2019, for the six months ended 28 February 2019

Performance against objective

The M&G European Index Tracker Fund is designed to track the FTSE World Europe ex UK Index. Between 3 September 2018 (the start of the review period) and 1 March 2019, the fund's Sterling Class 'A' shares returned -6.4%, while the Euro Class 'A' shares returned -2.0%.* The difference in returns between the share classes reflects currency movements over the period. Meanwhile, the FTSE World Europe ex UK Index returned -6.6% and -2.0% in sterling and euro terms, respectively.

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

Investment performance

The M&G European Index Tracker Fund tracks the performance of the FTSE World Europe ex UK Index using a technique called 'stratified sampling', which is a two-part strategy. Firstly, the portfolio contains the largest European companies in the index in the same proportion as the index. Secondly, we hold shares in some of the remaining companies listed in the index in such a way as to reflect the characteristics of the index. In our opinion, using this method of tracking the index is the best way of minimising the fund's dealing costs and therefore represents good value for shareholders. As the fund tracks the index, its overall performance can largely be explained by market developments over the period under review.

The six months under review was an unsettling period for most major stockmarkets, due to concerns about rising US interest rates and expectations of further moves towards the 'normalisation' of monetary policy. Persistent unease about international trade wars and heightened concerns about the potential for a global recession also dampened investor sentiment.

Global stockmarkets saw significant volatility during October 2018 due to a sharper-than-expected increase in borrowing costs driven by the US bond market. At the same time, some disappointing earnings guidance weighed on investors' mood. Investors were also concerned that monetary policy tightening by the US Federal Reserve (Fed) may dampen the US economy. Despite a modest rebound across most stockmarkets in November, December saw further sharp swings in asset prices as global political and economic uncertainty again troubled investors.

Meanwhile, a row over Italy's controversial budget for 2019 led to market jitters before a revised version was finally approved in December by the European Commission, the European Union's (EU) executive arm. In terms of politics, Sweden finally formed a centre-left minority government four months after an inconclusive general election. Meanwhile, in France, sentiment was affected at times by demonstrations in Paris, initially a protest against the rising price of fuel but the focus subsequently spread to include the cost of living and other demands.

M&G European Index Tracker Fund

Authorised Corporate Director's Report

Investment review

Investment performance (continued)

The new year brought a welcome stockmarket rally after the US Federal Reserve indicated a slower approach to interest rate hikes, given the global economic slowdown, lower oil prices and generally muted domestic inflation. However, investors' renewed optimism in the early months of 2019 was not enough to offset the earlier declines and the European stockmarket, like many global markets, declined over the six months under review.

Turning to the economy, eurozone activity is expanding – although growth has been softer of late. Quarter-on-quarter growth in the region was 0.1% in the third quarter of 2018 and 0.2% in the final quarter of the year. This compares with growth of 0.4% in each of the first two quarters of 2018. In the most recent quarter, Germany's economy was flat, narrowly avoiding recession following a 0.2% decline in the third quarter. Exports form a significant part of Germany's economy and the global trade disputes and weaker activity in the global economy has hurt domestic growth. Elsewhere, Spain and France recorded economic growth of 0.7% and 0.3%, respectively, while the Italian economy entered recession, with activity dipping 0.1% in each of the final two quarters of 2018. Despite softer economic growth, the European Central Bank (ECB) announced in the summer that it would halve its bond purchases in September and halt them altogether in December.

In other data, inflation in the eurozone has dipped below the ECB's target level of 2.0%, from its peak of 2.3% in October 2018 – standing at 1.4% in January 2019, compared with 1.3% a year earlier. Meanwhile, unemployment levels continue to improve, reaching 7.8% in January 2019. This was stable compared with the previous month and compares with 8.6% in January 2018. The Czech Republic and Germany had the lowest levels, with 2.1% and 3.2%, respectively, while the highest rates were recorded by Greece (18.5% in November 2018), Spain (14.1%) and Italy (10.5%). The rate of youth unemployment in the eurozone is also improving, standing at 16.5%, compared with 17.7% in January 2018.

In terms of sector performance, the strongest areas included certain 'defensive' stocks, which tend not to respond much to swings in economic cycles. For example, food and drug retailers, food producers, electricity and other utilities gained in an overall falling market. At the other end of the range, industrial metals, general industrials and support services lagged the broader market.

Investment activities

A number of companies were added to the index and we subsequently initiated holdings in the fund. New entrants included German real estate firm Aroundtown, Scout24, a German services company specialising in the real estate and automotive sectors, Danish hearing aid manufacturer GN Store Nord, Denmark's Ambu, which develops and markets diagnostics and medical equipment, and speciality biopharmaceutical firm Swedish Orphan Biovitrum.

Meanwhile, we also started a new holding in Swedish firm Elekta, which provides treatment for cancer and brain disorders. Previously included in the index, Elekta rejoined the FTSE World Europe ex UK Index during the period.

In terms of sales, we sold the holding in Linde, a German industrial gases firm, prior to its merger with US firm Praxair and subsequent deletion from the index.

A number of transactions related to cashflow management. Examples of specific transactions involved Swiss food and beverage company Nestlé, Swiss healthcare firm Roche, and pharmaceutical businesses Novartis (Switzerland) and Sanofi (France).

Outlook

Although overall economic growth in the eurozone remains positive, activity has weakened and the risks to the region have increased. A slowdown in China is hurting the global economy, and consequently also activity in the eurozone, while international trade disputes have led to heightened uncertainty. Meanwhile, negotiations for the UK to leave the European Union continue with a notable lack of progress or clarity.

Against a backdrop of slower economic activity, shortly after the end of the period under review, the ECB reduced its growth forecast for 2019 to 1.1%, compared with a previous estimate of 1.7%. Inflation is also expected to be lower than previously thought, at 1.2%, rather than a previous forecast of 1.6%. Just two months after stopping bond purchases, the ECB also unexpectedly announced new plans to support economic activity in the region; interest rates are now likely to remain at very low levels until 2020, while the bank also plans a series of loans to encourage banks to lend.

In a challenging environment, businesses will continue to benefit from very low interest rates, while unemployment levels are still improving. The fresh loans for banks are at favourable rates and this should provide some support. Meanwhile, recent stockmarket weakness means that valuations are attractive.

Nigel Booth

Fund manager

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

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

M&G European Index Tracker Fund

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Investments

Portfolio statement

as at Holding	28.02.19 €'000	28.02.19 %	31.08.18 %
EQUITIES	86,389	99.10	97.98
Austria	452	0.52	0.51
1,450 Andritz	63	0.07	
4,185 Erste Group Bank	134	0.15	
2,214 OMV	103	0.12	
1,956 Raiffeisen International Bank	44	0.05	
4,152 Telekom Austria	27	0.03	
1,114 Vienna Insurance	23	0.03	
2,113 Voestalpine	58	0.07	
Belgium	1,872	2.14	2.22
514 Ackermans & van Haaren	71	0.08	
3,141 Ageas	136	0.16	
11,871 Anheuser-Busch InBev	823	0.94	
989 bpost	8	0.01	
1,365 Bruxelles Lambert	115	0.13	
4,237 KBC	272	0.31	
2,246 Proximus	52	0.06	
1,008 Solvay	98	0.11	
757 Telenet	30	0.04	
2,051 UCB	151	0.17	
3,078 Umicore	116	0.13	
Czech Republic	86	0.10	0.11
1,745 CEZ	37	0.04	
1,318 Komerční banka	49	0.06	
Denmark	3,312	3.80	3.61
2,000 Ambu	41	0.05	
166 AP Moller-Maersk	194	0.22	
1,474 Carlsberg	157	0.18	
1,642 Chr. Hansen	147	0.17	
2,558 Coloplast	221	0.25	
10,339 Danske Bank	180	0.21	
2,845 DSV	207	0.24	
954 Genmab	147	0.17	
1,500 GN Store Nord	63	0.07	
2,892 ISS	79	0.09	
1,339 JYSKE Bank	45	0.05	
26,597 Novo-Nordisk	1,142	1.31	
3,120 Novozymes	125	0.14	
2,265 Orsted	144	0.17	
1,874 Pandora	87	0.10	
2,333 Tryg	56	0.06	
3,248 Vestas Wind Systems	238	0.27	
1,500 William Demant	39	0.05	
Finland	2,499	2.87	2.38
2,585 Elisa	96	0.11	
6,514 Fortum	125	0.14	
1,013 Huhtamaki	32	0.04	
1,292 Kesko	67	0.08	
6,033 Kone	256	0.29	
1,797 Metso	53	0.06	
2,250 Neste	192	0.22	
81,609 Nokia	433	0.50	
1,479 Nokian Renkaat	46	0.05	
50,014 Nordea Bank	398	0.46	
1,554 Orion Corporation	48	0.06	
7,378 Sampo	313	0.36	
8,332 Stora Enso	99	0.11	
8,346 UPM-Kymmene	224	0.26	
8,213 Wartsila	117	0.13	

Portfolio statement (continued)

as at Holding	28.02.19 €'000	28.02.19 %	31.08.18 %
France	20,085	23.04	22.55
3,142 Accor	117	0.14	
443 Aéroports de Paris	76	0.09	
35 Air Liquide	4	0.00	
6,379 Air Liquide (prime de fidélité 2012)	700	0.80	
8,391 Airbus	951	1.09	
2,409 Alstom	90	0.10	
800 Amundi	47	0.05	
1,006 Arkema	89	0.10	
1,438 AtoS	121	0.14	
29,098 AXA	645	0.74	
686 BioMérieux	49	0.06	
16,516 BNP Paribas	740	0.85	
14,068 Bolloré	54	0.06	
77 Bolloré (RFD)	0	0.00	
3,551 Bouygues	118	0.14	
4,518 Bureau Veritas	94	0.11	
2,396 Capgemini	252	0.29	
8,735 Carrefour	158	0.18	
1,028 Casino Guichard Perrachon	47	0.05	
2,656 CNP Assurances	53	0.06	
777 Covivio REIT	68	0.08	
18,184 Crédit Agricole	204	0.23	
9,161 Danone	607	0.70	
52 Dassault Aviation	76	0.09	
2,128 Dassault Systemes	275	0.32	
4,157 Edenred	160	0.18	
4,307 EDF	55	0.06	
3,522 EDF (prime de fidélité 2017)	45	0.05	
1,245 Eiffage	106	0.12	
3,000 Elis	42	0.05	
4,056 ENGIE	55	0.06	
22,798 ENGIE (prime de fidélité)	307	0.35	
4,314 EssilorLuxottica	457	0.52	
598 Eurazeo	40	0.05	
220 Eurofins Scientific	82	0.09	
3,283 Eutelsat Communications	57	0.07	
1,404 Faurecia	58	0.07	
940 Gecina REIT	121	0.14	
1,570 Gemalto	80	0.09	
7,126 Getlink	93	0.11	
485 Hermes International	269	0.31	
352 Iliad	32	0.04	
835 Imerys	42	0.05	
944 Ingenico	55	0.06	
587 Ipsen	73	0.08	
1,159 Kering	559	0.64	
3,192 Klepierre REIT	97	0.11	
2,991 LafargeHolcim	130	0.15	
2,137 Lagardère	49	0.06	
4,280 Legrand	246	0.28	
231 L'Oréal	51	0.06	
3,416 L'Oréal (prime de fidélité 2012)	752	0.86	
3,764 LVMH	1,135	1.30	
2,649 Michelin	279	0.32	
13,227 Natixis	63	0.07	
29,501 Orange	396	0.45	
873 Orpea	89	0.10	
3,304 Pernod Ricard	497	0.57	
6,692 Peugeot	150	0.17	
1,180 Plastic Omnium	29	0.03	
3,502 Publicis	171	0.20	

M&G European Index Tracker Fund

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Investments

Portfolio statement (continued)				
as at Holding	28.02.19 €'000	28.02.19 %	31.08.18 %	
France (continued)				
2,777 Renault	168	0.19		
5,263 Rexel	57	0.07		
1,549 Rubis	80	0.09		
4,823 Safran	576	0.66		
7,597 Saint-Gobain	241	0.28		
16,486 Sanofi	1,202	1.38		
8,087 Schneider Electric	549	0.63		
1,961 SCOR	77	0.09		
461 SEB	68	0.08		
5,836 SES FDR	104	0.12		
577 Société BIC	48	0.06		
10,589 Société Générale	284	0.33		
1,500 Sodexo (prime de fidélité)	144	0.17		
9,763 STMicroelectronics	142	0.16		
3,139 Suez	35	0.04		
6,956 TechnipFMC	136	0.16		
839 Teleperformance	131	0.15		
1,607 Thales	173	0.20		
38,473 Total	1,918	2.20		
1,264 Ubisoft	81	0.09		
3,748 Valeo	104	0.12		
7,794 Veolia Environnement	150	0.17		
7,250 Vinci	605	0.69		
15,083 Vivendi	386	0.44		
621 Wendel	69	0.08		
Germany	16,308	18.70	20.06	
3,113 adidas	663	0.76		
6,525 Allianz	1,268	1.45		
849 Axel Springer	42	0.05		
14,106 BASF	945	1.08		
14,602 Bayer	1,014	1.16		
5,259 Bayerische Motoren Werke	391	0.45		
159 Bayerische Motoren Werke Preference Shares	10	0.01		
1,209 Beiersdorf	98	0.11		
2,685 Brenntag	117	0.13		
3,410 Ceconomy	17	0.02		
17,101 Commerzbank	122	0.14		
1,758 Continental	252	0.29		
2,443 Covestro	122	0.14		
13,833 Daimler	728	0.84		
1,200 Delivery Hero	41	0.05		
28,489 Deutsche Bank	228	0.26		
3,082 Deutsche Börse	341	0.39		
4,178 Deutsche Lufthansa	95	0.11		
15,007 Deutsche Post	406	0.47		
50,655 Deutsche Telekom	735	0.84		
5,512 Deutsche Wohnen	226	0.26		
32,143 E.ON	309	0.35		
2,417 Evonik Industries	60	0.07		
665 Fraport	47	0.05		
6,771 Fresenius	330	0.38		
3,355 Fresenius Medical Care	228	0.26		
374 Fuchs Petrolub	13	0.02		
1,397 Fuchs Petrolub Preference Shares	55	0.06		
2,659 GEA	55	0.06		
937 Hannover Rueck	122	0.14		

Portfolio statement (continued)

as at Holding	28.02.19 €'000	28.02.19 %	31.08.18 %
Germany (continued)			
2,460 HeidelbergCement	159	0.18	
4,150 Henkel Preference Shares	364	0.42	
228 Hochtief	32	0.04	
934 HUGO BOSS	61	0.07	
17,539 Infineon Technologies	338	0.39	
1,977 Innogy	74	0.08	
3,971 K&S	67	0.08	
991 Kion	52	0.06	
1,244 LANXESS	59	0.07	
1,019 LEG Immobilien	100	0.11	
683 MAN	62	0.07	
2,006 Merck	183	0.21	
4,029 Metro AG	59	0.07	
801 MTU Aero Engines	152	0.17	
2,343 Munich Re	480	0.55	
1,709 OSRAM Licht	65	0.08	
2,594 Porsche Automobil Preference Shares	151	0.17	
3,925 ProSiebenSat.1 Media	62	0.07	
107 Puma	52	0.06	
3,915 QIAGEN	131	0.15	
500 Rheinmetall	47	0.05	
570 RTL	28	0.03	
8,119 RWE	174	0.20	
14,749 SAP	1,386	1.59	
300 Sartorius Preference Shares	42	0.05	
1,500 Scout24	69	0.08	
11,855 Siemens	1,138	1.31	
1,800 Siemens Healthineers	64	0.07	
1,729 Südzucker	22	0.03	
2,022 Symrise	157	0.18	
11,445 Telefónica Deutschland	33	0.04	
7,236 ThyssenKrupp	95	0.11	
3,272 Uniper	83	0.10	
2,146 United Internet	69	0.08	
1,250 Volkswagen	194	0.22	
2,148 Volkswagen Preference Shares	324	0.37	
7,531 Vonovia	321	0.37	
1,780 Wirecard	211	0.24	
2,167 Zalando	68	0.08	
Greece	187	0.21	0.24
26,395 Alpha Bank	32	0.04	
3,141 FF	0	0.00	
2,568 Hellenic Petroleum	20	0.02	
4,617 Hellenic Telecommunications	52	0.06	
1,807 Jumbo	26	0.03	
12,171 National Bank of Greece	19	0.02	
3,338 OPAP	30	0.03	
6,750 Piraeus Bank	8	0.01	
Hungary	251	0.29	0.24
5,015 MOL Hungarian Oil & Gas	52	0.06	
3,963 OTP Bank	146	0.17	
3,103 Richter Gedeon	53	0.06	
Ireland	497	0.57	0.60
12,064 AIB	49	0.06	
16,629 Bank of Ireland	92	0.10	
3,306 Glanbia	59	0.07	
16,490 Irish Bank Resolution Corporation ^[a]	0	0.00	
2,317 Kerry	210	0.24	
2,161 Kingspan	87	0.10	

M&G European Index Tracker Fund

Authorised Corporate Director's Report

Investments

Portfolio statement (continued)				
as at Holding	28.02.19 €'000	28.02.19 %	31.08.18 %	
Italy	4,626	5.31	5.13	
20,193 Assicurazioni Generali	315	0.36		
8,615 Atlantia	181	0.21		
7,715 Banca Mediolanum	47	0.05		
26,896 Banco BPM	57	0.07		
1,563 Buzzi Unicem	27	0.03		
13,834 CNH Industrial	132	0.15		
10,963 Davide Campari Milano	91	0.11		
122,027 Enel	646	0.74		
38,432 Eni	582	0.67		
1,958 EXOR	106	0.12		
1,967 Ferrari	222	0.25		
16,260 Fiat Chrysler Automobiles	211	0.24		
5,687 FinecoBank	60	0.07		
234,111 Intesa Sanpaolo	510	0.59		
6,526 Italgas	35	0.04		
8,596 Leonardo	77	0.09		
8,891 Mediaset	25	0.03		
7,809 Mediobanca	68	0.08		
2,934 Moncler	99	0.11		
7,706 Pirelli	45	0.05		
3,982 Prysmian	72	0.08		
1,519 Recordati	50	0.06		
12,040 Saipem	55	0.06		
27,101 Snam	117	0.13		
145,178 Telecom Italia	77	0.09		
119,508 Telecom Italia (Savings shares)	57	0.07		
8,165 Tenaris	97	0.11		
22,884 Terna	125	0.14		
15,009 UBI Banca	39	0.05		
33,649 UniCredit	401	0.46		
Luxembourg	59	0.07	0.00	
8,000 Aroundtown	59	0.07		
Netherlands	6,457	7.40	7.56	
1,400 Aalberts Industries	45	0.05		
6,736 ABN Amro GDR	142	0.16		
28,991 Aegon	136	0.16		
3,606 Akzo Nobel	288	0.33		
11,900 Altice	24	0.03		
9,191 ArcelorMittal	186	0.21		
6,283 ASML	1,009	1.16		
2,516 ASR Nederland	96	0.11		
1,973 Boskalis Westminster	48	0.05		
2,801 DSM	264	0.30		
4,331 Heineken	382	0.44		
1,281 Heineken Holding	108	0.12		
58,997 ING	685	0.79		
18,740 Koninklijke Ahold Delhaize	424	0.49		
50,352 KPN	137	0.16		
5,768 NN	220	0.25		
14,423 Philips	501	0.57		
2,068 Randstad	96	0.11		
2,010 Unibail-Rodamco-Westfield REIT	286	0.33		
22,956 Unilever	1,085	1.24		
1,161 Vopak	50	0.06		
4,269 Wolters Kluwer	245	0.28		

Portfolio statement (continued)

as at Holding	28.02.19 €'000	28.02.19 %	31.08.18 %
Norway	1,380	1.59	1.50
17,074 DnB	287	0.33	
15,955 Equinor	317	0.36	
3,895 Gjensidige Forsikring	61	0.07	
6,327 Mowi	129	0.15	
16,352 Norsk Hydro	60	0.07	
14,141 Orkla	98	0.11	
1,651 Schibsted 'A'	58	0.07	
2,013 Schibsted 'B'	65	0.08	
10,831 Telenor	186	0.21	
3,213 Yara International	119	0.14	
Poland	679	0.78	0.96
2,120 Bank Pekao	55	0.06	
1,496 CD Projekt	67	0.08	
2,335 KGHM Polska Miedz	55	0.06	
22 LPP	42	0.05	
369 mBank	37	0.04	
12,048 PGE Polska Grupa Energetyczna	33	0.04	
35,447 PGNiG	56	0.06	
4,617 PKN Orlen	110	0.13	
12,046 PKO Bank Polski	106	0.12	
8,031 PZU	76	0.09	
480 Santander Bank Polska	42	0.05	
Portugal	318	0.36	0.38
41,873 EDP - Energias de Portugal	134	0.15	
9,316 Galp Energia	134	0.15	
3,706 Jerónimo Martins	50	0.06	
Spain	5,810	6.67	6.36
455 Acciona	39	0.04	
4,058 Acerinox	38	0.04	
4,061 ACS Actividades	158	0.18	
982 Aena	154	0.18	
6,526 Amadeus IT	438	0.50	
93,808 Banco de Sabadell	93	0.11	
240,758 Banco Santander	1,021	1.17	
21,278 Bankia	57	0.06	
10,644 Bankinter	76	0.09	
99,967 BBVA	539	0.62	
55,332 CaixaBank	173	0.20	
2,621 Cellnex Telecom	60	0.07	
4,071 Enagas	102	0.12	
5,921 Endesa	130	0.15	
7,889 Ferrovial	159	0.18	
7,053 Grifols	160	0.18	
394 Grifols Preference Shares	6	0.01	
92,542 Iberdrola	679	0.78	
15,901 Inditex	419	0.48	
17,345 Mapfre	43	0.05	
1,534 Mediaset España Comunicación	10	0.01	
6,335 Merlin Properties REIT	71	0.08	
4,656 Naturgy Energy	111	0.13	
7,697 Red Electrica	146	0.17	
18,955 Repsol	286	0.33	
4,367 Siemens Gamesa Renewable Energy	59	0.07	
71,673 Telefónica	543	0.62	
5,557 Zardoya Otis	40	0.05	
Sweden	4,761	5.46	5.74
4,929 Alfa Laval	94	0.11	
14,151 Assa Abloy	257	0.29	
14,376 Atlas Copco	339	0.39	
4,222 Boliden	101	0.12	

M&G European Index Tracker Fund

Authorised Corporate Director's Report

Investments

Portfolio statement (continued)				
as at Holding	28.02.19 €'000	28.02.19 %	31.08.18 %	
Sweden (continued)				
4,032 Electrolux	92	0.11		
5,000 Elekta	51	0.06		
15,092 Epiroc	132	0.15		
45,833 Ericsson	367	0.42		
9,401 Essity	229	0.26		
1,760 Fastighets AB Balder	46	0.05		
13,773 Hennes & Mauritz	183	0.21		
3,693 Hexagon	169	0.19		
6,957 Husqvarna	49	0.06		
1,261 ICA	43	0.05		
5,807 Industrivarden	107	0.12		
3,572 Investment AB Latour	41	0.05		
8,280 Investor	322	0.37		
4,206 Kinnevik	93	0.11		
3,465 Lundin Petroleum	102	0.12		
16,983 Sandvik	243	0.28		
4,722 Securitas	65	0.07		
21,045 Skandinaviska Enskilda Banken	186	0.21		
6,480 Skanska	102	0.12		
5,877 SKF	86	0.10		
8,611 Svenska Cellulosa	69	0.08		
21,799 Svenska Handelsbanken	219	0.25		
15,437 Swedbank	248	0.28		
2,849 Swedish Match	118	0.14		
1,500 Swedish Orphan Biovitrum	29	0.03		
4,969 Tele2	58	0.07		
43,715 Telia	167	0.19		
4,929 Trelleborg	71	0.08		
21,975 Volvo	283	0.32		
Switzerland	16,180	18.57	17.37	
28,558 ABB	495	0.57		
2,589 Adecco	116	0.13		
908 ams	24	0.03		
676 Baloise	96	0.11		
63 Banque Cantonale Vaudoise	45	0.05		
2,660 Clariant	50	0.06		
39,083 Credit Suisse	424	0.49		
646 Dufry	58	0.07		
101 EMS-Chemie	51	0.06		
286 Flughafen Zurich	45	0.05		
565 Geberit	199	0.23		
60 Georg Fischer	47	0.05		
142 Givaudan	312	0.36		
126 Helvetia	66	0.07		
3,014 Julius Baer	115	0.13		
851 Kuehne & Nagel	97	0.11		
4,366 LafargeHolcim	190	0.22		
3 Lindt & Sprüngli	193	0.22		
2,628 Logitech	87	0.10		
1,115 Lonza	276	0.32		
46,116 Nestlé	3,675	4.22		
33,599 Novartis	2,698	3.10		
865 Pargesa	62	0.07		
257 Partners	163	0.19		
738 PSP Swiss Property	66	0.08		
7,705 Richemont	516	0.59		
10,931 Roche	2,664	3.06		
946 Schindler	184	0.21		
83 SGS	185	0.21		

Portfolio statement (continued)

as at Holding	28.02.19 €'000	28.02.19 %	31.08.18 %
Switzerland (continued)			
1,988 Sika	236	0.27	
849 Sonova	138	0.16	
179 Straumann	122	0.14	
384 Sulzer	33	0.04	
568 Swatch	147	0.17	
523 Swiss Life	199	0.23	
1,282 Swiss Prime Site	95	0.11	
4,770 Swiss Re	414	0.46	
359 Swisscom	145	0.17	
980 Temenos	123	0.14	
53,715 UBS	599	0.68	
696 Vifor Pharma	76	0.09	
2,262 Zurich Insurance	654	0.75	
Turkey	570	0.65	0.39
26,709 Akbank	30	0.03	
7,086 Anadolu Efes Biracilik Ve Malt Sanayii	24	0.03	
4,055 BIM Birlesik Magazalar	58	0.07	
13,970 Emlak Konut REIT	4	0.00	
11,298 ENKA	9	0.01	
25,696 Eregli Demir Celik Fabrikalari	39	0.04	
2,369 Ford Otomotiv Sanayi	22	0.03	
24,329 Hacı Ömer Sabancı	37	0.04	
18,764 Koç	58	0.07	
6,105 Tofaş Türk Otomobil Fabrikası	21	0.02	
2,754 Tüpraş	66	0.08	
19,783 Turkcell Iletisim Hizmetleri	47	0.05	
2,099 Turk Hava Yollari	5	0.01	
34,312 Türkiye Garanti Bankası	50	0.06	
19,423 Türkiye Halk Bankası	25	0.03	
31,496 Türkiye İş Bankası	30	0.03	
26,528 Türkiye Şişe ve Cam Fabrikaları	29	0.03	
18,551 Türkiye Vakıflar Bankası	16	0.02	
United States	0	0.00	0.07
EQUITY DERIVATIVES	24	0.03	(0.04)
Equity futures contracts	24	0.03	(0.04)
10 Euro Stoxx 50 Index Mar 2019	24	0.03	
Portfolio of investments	86,413	99.13	97.94
CASH EQUIVALENTS	294	0.34	2.16
'AAA' rated money market funds [b]	294	0.34	2.16
252,000 Northern Trust Global Fund - Sterling	294	0.34	
Total portfolio	86,707	99.47	100.10
Net other assets / (liabilities)	462	0.53	(0.10)
Net assets attributable to shareholders	87,169	100.00	100.00

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

[a] Delisted.

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

M&G European Index Tracker Fund

Authorised Corporate Director's Report

Investments

Top ten portfolio transactions

for the six months to 28 February 2019

Largest purchases	€'000
GN Store Nord	64
Scout24	62
Aroundtown	62
Elekta	60
Ambu	49
Sartorius Preference Shares	43
Amundi	42
William Demant	42
Investor	40
Swedish Orphan Biovitrum	37
Other purchases	46
Total purchases	547
Largest sales	€'000
Linde	705
Nestlé	472
Roche	303
RELX	282
Novartis	258
Total	198
Sanofi	183
Allianz	179
BASF	156
Novo-Nordisk	154
Other sales	8,251
Total sales	11,141

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

M&G European Index Tracker Fund

Financial highlights

Fund performance

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

The following chart and tables reflect the key financial information of a representative share class, Sterling Class 'A' (Accumulation) shares. As different share classes have different attributes, for example charging structures and minimum investments, please be aware that their performance may be different. Please refer to the Prospectus for M&G Investment Funds (1), which is available free of charge either from our website at www.mandg.co.uk/prospectuses or by calling M&G Customer Relations.

Index tracking

The tracking difference between the fund's investment return and that of the FTSE World Europe ex UK Index for the 12 month period ending 28 February 2019 was -0.04% (28 February 2018: -0.24%). The investment returns are calculated gross of fees using end of day pricing in order to be comparable with the index.

The historic tracking error of the investment return of the fund relative to the FTSE World Europe ex UK Index for the period ending 28 February 2019 was 0.19% (28 February 2018: 0.16%), which falls within the predicted tracking error range of 0.0% to 0.50%. Historic tracking error is a measure of the monthly volatility of the investment returns relative to the index over a 36 month period.

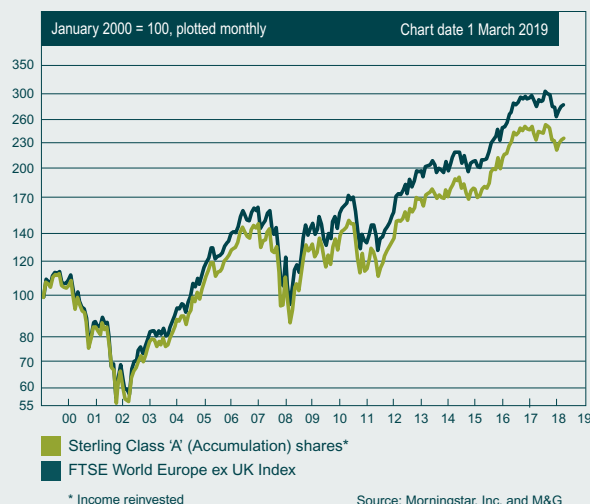
The differences are due to the fund not fully replicating the FTSE World Europe ex UK Index.

Fund level performance

Fund net asset value			
as at	28.02.19 €'000	31.08.18 €'000	31.08.17 €'000
Fund net asset value (NAV)	87,169	102,314	171,552

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.



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

Long-term performance by share class

	Six months 03.09.18 % [a]	Three years 01.03.16 % p.a.	Five years 03.03.14 % p.a.	Since launch % p.a.
Euro [b]				
Class 'A'	-2.0	+7.1	+5.9	+4.2 [c]
Sterling [d]				
Class 'A'	-6.4	+10.7	+6.8	+4.6 [e]

[a] Absolute basis.

[b] Price to price with net income reinvested.

[c] 28 November 2001, the launch date of the share class.

[d] Price to price with income reinvested.

[e] 31 January 2000, the end of the initial offer period of the predecessor unit trust.

M&G European Index Tracker Fund

Financial highlights

Fund performance

Operating charges and portfolio transaction costs

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

Operating charges

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

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

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

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

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

Portfolio transaction costs

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

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

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

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

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

Portfolio transaction costs

	Six months to 28.02.19 %	Year to 31.08.18 %	Year to 31.08.17 %	Average ^[a] %
Direct portfolio transaction costs ^[b]				
Broker commission	0.01	0.01	0.02	0.01
Taxes	0.00	0.01	0.04	0.02
Costs before dilution adjustments	0.01	0.02	0.06	0.03
Dilution adjustments ^[c]	(0.01)	(0.02)	(0.06)	(0.03)
Total direct portfolio transaction costs	0.00	0.00	0.00	0.00
as at	28.02.19	31.08.18	31.08.17	Average ^[a]
Indirect portfolio transaction costs	%	%	%	%
Average portfolio dealing spread	0.05	0.05	0.05	0.05

^[a] Average of first three columns.

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

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

M&G European Index Tracker Fund

Financial highlights

Specific share class performance

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

Historic yields for the current period are calculated as at 8 March 2019.

Euro Class 'A' Accumulation share performance

The share class was launched on 28 November 2001.

	Six months to 28.02.19 Euro ¢	Year to 31.08.18 Euro ¢	Year to 31.08.17 Euro ¢
Change in NAV per share			
Opening NAV	2,048.64	1,988.51	1,735.75
Return before operating charges and after direct portfolio transaction costs	(49.31)	74.51	266.79
Operating charges	(6.83)	(14.38)	(14.03)
Return after operating charges	(56.14)	60.13	252.76
Distributions	n/a	(45.40)	(40.03)
Retained distributions	n/a	45.40	40.03
Closing NAV	1,992.50	2,048.64	1,988.51
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.08	0.47	1.13
Dilution adjustments ^[a]	(0.08)	(0.47)	(1.13)
Total direct portfolio transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges	0.70	0.70	0.72
Return after operating charges	-2.74	+3.02	+14.56
Historic yield	2.27	2.22	2.00
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€'000)	3,706	15,220	85,930
Closing NAV percentage of total fund NAV (%)	4.25	14.88	50.09
Number of shares	185,981	742,930	4,321,333
Highest share price (Euro ¢)	2,084.46	2,147.55	2,083.57
Lowest share price (Euro ¢)	1,804.22	1,946.58	1,679.68

Sterling Class 'A' Income share performance

The share class was launched on 31 January 2000.

	Six months to 28.02.19 UK p	Year to 31.08.18 UK p	Year to 31.08.17 UK p
Change in NAV per share			
Opening NAV	84.44	86.23	71.20
Return before operating charges and after direct portfolio transaction costs	(5.92)	1.30	17.94
Operating charges	(0.27)	(0.61)	(0.57)
Return after operating charges	(6.19)	0.69	17.37
Distributions	n/a	(2.48)	(2.34)
Closing NAV	78.25	84.44	86.23
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.02	0.05
Dilution adjustments ^[a]	0.00	(0.02)	(0.05)
Total direct portfolio transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges	0.69	0.71	0.71
Return after operating charges	-7.33	+0.80	+24.40
Historic yield	3.16	2.95	2.70
Effect on yield of charges offset against capital	0.65	0.65	0.65
Other information			
Closing NAV (€'000)	34,379	36,196	42,265
Closing NAV percentage of total fund NAV (%)	39.44	35.38	24.64
Number of shares	37,702,322	38,461,709	45,135,726
Highest share price (UK p)	85.48	89.43	89.63
Lowest share price (UK p)	74.46	80.23	69.44

Sterling Class 'A' Accumulation share performance

The share class was launched on 31 January 2000.

	Six months to 28.02.19 UK p	Year to 31.08.18 UK p	Year to 31.08.17 UK p
Change in NAV per share			
Opening NAV	125.03	123.90	99.60
Return before operating charges and after direct portfolio transaction costs	(8.94)	2.01	25.09
Operating charges	(0.40)	(0.88)	(0.79)
Return after operating charges	(9.34)	1.13	24.30
Distributions	n/a	(2.76)	(2.50)
Retained distributions	n/a	2.76	2.50
Closing NAV	115.69	125.03	123.90
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.00	0.03	0.07
Dilution adjustments ^[a]	0.00	(0.03)	(0.07)
Total direct portfolio transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.00	0.00
Operating charges	0.69	0.71	0.71
Return after operating charges	-7.47	+0.91	+24.40
Historic yield	2.37	2.21	2.01
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€'000)	49,084	50,898	43,357
Closing NAV percentage of total fund NAV (%)	56.31	49.74	25.27
Number of shares	36,411,087	36,521,977	32,226,481
Highest share price (UK p)	126.37	128.46	125.38
Lowest share price (UK p)	110.08	115.24	97.13

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

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

M&G European Index Tracker Fund

Financial statements and notes

Financial statements

Statement of total return

for the six months to 28 February	2019		2018	
	€'000	€'000	€'000	€'000
Income				
Net capital gains / (losses)		(3,248)		2,269
Revenue	425		762	
Expenses	(298)		(600)	
Net revenue / (expense) before taxation	127		162	
Taxation	(18)		(34)	
Net revenue / (expense) after taxation		109		128
Total return before equalisation		(3,139)		2,397
Equalisation		(2)		(18)
Change in net assets attributable to shareholders from investment activities		(3,141)		2,379

Statement of change in net assets attributable to shareholders

for the six months to 28 February	2019		2018	
	€'000	€'000	€'000	€'000
Opening net assets attributable to shareholders		102,314		171,552
Amounts received on issue of shares	1,519		25,072	
Amounts paid on cancellation of shares	(13,534)		(37,533)	
		(12,015)		(12,461)
Dilution adjustments		11		53
Change in net assets attributable to shareholders from investment activities (see above)		(3,141)		2,379
Closing net assets attributable to shareholders		87,169		161,523

The opening net assets attributable to shareholders for 2019 differs to the closing position in 2018 by the change in net assets attributable to shareholders for the second half of the comparative financial year.

Balance sheet

as at	28 February 2019	31 August 2018
	€'000	€'000
Assets		
Fixed assets		
Investments	86,413	100,257
Current assets		
Debtors	912	836
Cash and bank balances	146	568
Cash equivalents	294	2,207
Total assets	87,765	103,868
Liabilities		
Investment liabilities	0	(46)
Creditors		
Bank overdrafts	(14)	(16)
Overdrawn positions at futures clearing houses and collateral manager	(124)	0
Distribution payable	0	(1,065)
Other creditors	(458)	(427)
Total liabilities	(596)	(1,554)
Net assets attributable to shareholders	87,169	102,314

Notes to the financial statements

Accounting policies

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

Distribution policy

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

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

M&G European Index Tracker Fund

Financial statements and notes

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M&G European Select Fund

Authorised Corporate Director's Report

Investment objective and policy up to 28 February 2019

The fund's prime objective is long term capital growth. It invests wholly or predominantly in a diversified portfolio of securities of European (excluding United Kingdom) issuers. When not wholly invested as above, it may also invest in companies which are listed or registered outside Europe but trade within it. Income is of secondary importance when investments are selected. The fund may at any time be concentrated in a limited number of securities.

Investment approach up to 28 February 2019

The M&G European Select Fund invests in the shares of European (ex UK) companies with sustainable competitive advantages, which have the opportunity to reinvest their capital at high rates of return. Central to the fund manager's approach is the capital allocation strategy of the businesses in which he invests. In light of this, the manager focuses on companies that recognise the importance of growing dividends, which in turn instils capital discipline and ensures that the highest returning growth projects are prioritised.

The fund manager believes that, as a result of his focus on capital discipline and dividends, the dividend growth of the fund's holdings is likely to be higher than that of a broad index of European (ex UK) equities over the long term. He expects this premium dividend growth to drive the fund's long-term capital growth, as well as growth in the fund's income distributions. The fund will usually hold between 25 and 35 stocks, with a long-term investment view of three years or more.

Investment objective from 1 March 2019

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 World Europe ex UK Index over any five-year period.

Investment policy from 1 March 2019

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 Europe (excluding the United Kingdom).

The fund usually holds a concentrated portfolio of fewer than 50 companies.

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 from 1 March 2019

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

The investment approach seeks to identify European ex UK companies that have sustainable competitive advantages leading to high return on invested capital. Each company's strategy around capital allocation is central to the investment process.

The fund manager focuses on companies which recognise the importance of dividends, which in turn instils capital discipline and ensures that the highest returning growth projects are prioritised.

Rising cashflow, and over time, rising dividends, for the fund's holdings are expected to drive the long-term total return of the fund.

Risk profile

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

The fund's focus is on European (ex UK) companies with sustainable competitive advantages, which have the opportunity to reinvest their capital at high rates of return, and some of these stocks could potentially experience a degree of illiquidity in times of market distress. The fund is a concentrated portfolio of between 25-35 holdings, but 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 companies, which can be more unpredictable and difficult to buy and sell. Diversification across countries, industries and market capitalisation is therefore key in managing liquidity risk and reducing market risk. The fund's risks are measured and managed as an integral part of the investment process.

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



The above number:

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

M&G European Select Fund

Authorised Corporate Director's Report

Investment review

As at 1 March 2019, for the six months ended 28 February 2019

Performance against objective

Between 3 September 2018 (the start of the review period) and 1 March 2019, the M&G European Select Fund delivered negative total returns (the combination of income and growth of capital) across all of its share classes.* All share classes finished behind a comparable index, the FTSE World Europe ex UK Index. Over the six months, returns from the index were -6.6% and -2.0% in sterling and euros, respectively.

Over five years, the fund has delivered positive total returns, and has performed broadly in line with the comparative index.

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

Investment performance

Stockmarkets were turbulent during the period under review. The US stockmarket, for example, witnessed the worst December on record since the Great Depression, followed by a sharp upswing in January – resulting in the best January since 1987. The main explanation for this extraordinary turn of events was the US Federal Reserve's (Fed) decision to abandon the 'autopilot' unwinding of its balance sheet (i.e. the sale of the bonds it had purchased) following the long stretch of so-called 'quantitative easing', a rescue measure which had been made necessary by the global financial crisis of 2008. The Fed further reiterated its 'patient' approach to interest rate increases in a move widely accepted to reflect its close focus on financial markets.

This double commitment reassured investors, although concerns remained about the state of the global economy, namely a slowdown in China as well as the ability of Europe to fend off various threats to growth in its core regions. European markets faced specific issues, with low growth, low inflation and uncertainty over the arrival of a new central bank governor to replace Mario Draghi. European stocks were particularly affected by the drawn-out impasse on the Italian budget and by Brexit's increasingly tortuous negotiations.

All of this saw the beginning of 2019 producing a renewed, but subdued, optimism over the global economic outlook, with both the US and European stockmarkets seeming to turn a corner. Investors nevertheless remained cautious.

In terms of sector performance within European stockmarkets, some of the more defensive sectors (that is, sectors with relatively predictable and stable earnings regardless of the state of the overall economy) outperformed the wider market, including utilities, telecommunications and healthcare. By contrast, basic materials, technology and industrials underperformed materially.

The fund's sector positioning, overall, dragged on returns for the period, particularly the below-index positions in utilities and telecoms and the above-index position in industrials. Stockpicking mostly drove underperformance, namely within the technology, oil & gas and consumer services sectors.

At a stock level, the fund's largest detractor was Austria-listed ams, a global leader in sensor technology. The company went through a tough period as its order book visibility was impaired by softer demand for Apple's newest phones (Apple is one of ams' main customers for digital sensors). As a result, the company was not able

to comment as openly as we expected through the second half of 2018 and its second profit warning in November was – as expected – badly received by investors. Uncertainty remained on the company's immediate outlook and profitability prospects. This was compounded by Apple's disappointing performance and the change of its guidance on handset sales, prompting investors to worry that Apple's phone sales were likely to have peaked. Given the circumstances, we could not maintain conviction in the investment case and we closed the position.

SMCP, the fast-growing French aspirational luxury brand, was another detractor in spite of a strong set of results for 2018. We remain confident in the company's outlook and its ability to continue to outperform its peer group. We believe that management will continue to deliver resilient growth, with its international store roll-out experiencing strong momentum in the US and Asia alike, while the proportion of online sales continues to increase steadily.

Other detractors included international drilling company Borr Drilling, after its share price was hit by weakness in the oil price. German speciality chemical company LANXESS was another detractor as the company's share price fell despite publishing solid results. We feel that the market has not fully appreciated LANXESS' resilience nor its growth perspectives. The company's products have a wide range of applications from industrial coatings to water purification, and we think its business model is much more stable than in the past.

On the upside, stockpicking within the healthcare sector was positive, with pharmaceutical companies Roche and Novartis among the fund's top contributors. Both companies benefited from the market's growing aversion to risk and investors' search for revenue streams with defensive characteristics. Both companies also published strong results during the period, and we continue to believe that they are ideally positioned to benefit from strong growth in their core therapeutic areas such as cancer therapies, as well as diabetes therapies for Roche and asthma therapies for Novartis.

Glanbia, a global nutrition company specialising in sports nutrition for athletes and lifestyle consumers, as well as dairy-based nutritional solutions, buoyed returns as well. The company's products target a wide range of end markets, from ready meals to supplements. Glanbia is making progress on its global aspirations, as consumers' increasing focus on health and quality sports nutrition is providing a powerful tailwind.

Other supportive holdings included information and data provider RELX and financial services business KBC. RELX delivered positive returns and we continue to support the company's reshaping of its core portfolio as it builds up new digital products and applications, drawing on its artificial intelligence capabilities. KBC, meanwhile, outperformed the European banking sector on the back of solid numbers against conservative guidance, having established leadership positions in all its core geographic markets.

Investment activities

During the period under review, we added three new holdings to the fund, starting with Italian company IMA, one of the global leaders in the design and manufacture of automated processing and packaging machines dedicated to the pharmaceutical, cosmetic and food industries (tea and coffee in particular). The group delivered steady growth over the course of 2018, supported by its key markets exhibiting reasonably predictable trends. Unexpected share price weakness offered us an attractive entry point in a company which we believe is set for strong structural growth.

M&G European Select Fund

Authorised Corporate Director's Report

Investment review

Investment activities (continued)

We initiated a position in Ipsen, a French bio-pharmaceutical company which specialises in the manufacture of medication for cancer, neurology and rare disease therapies. The company has a strong culture of innovation, which has resulted in leadership in its key therapeutic areas, and is currently experiencing strong growth in the US.

Finally, we established a holding in LVMH, the French luxury conglomerate. The group owns a portfolio of well-recognised brands, which we believe offer significant growth opportunities on a global scale. The company's management has always demonstrated financial discipline and a focus on shareholder returns. Recent macroeconomic concerns provided an opportunity to acquire the shares at an attractive valuation.

Conversely, as mentioned above, we decided to close our position in sensor maker ams, having lost faith in the investment case for the business.

We also exited our holding in Irish building materials supplier CRH for two reasons: uncertainty over the evolution of the US housing sector; and concerns over management's disjointed strategy, evidenced by a series of divestitures and acquisitions that we felt had no clear objective.

Outlook

In spite of the extreme episodes of volatility (or market turbulence) recently witnessed, we continue to believe that the overall state of the global economy remains positive.

We also continue to believe that companies with sector leadership and financial discipline will, over the long term, outperform the market, irrespective of short-term perceptions, and we remain committed to our selective, stockpicking approach.

The sustainability of our investee companies' business models and cashflows are more important than ever at a time when operational landscapes are evolving quickly under the growing pressure of governments and customers. It is becoming clear that climate change considerations are likely to become an embedded part of companies' overall strategy, as well as daily operational focus. This will enable the more proactive companies to anticipate any threats to their operations and profitability, but also – and perhaps more importantly – to take advantage of the inevitable new opportunities offered by the development of entirely new business activities.

Active investors have a fiduciary duty to engage in the thorough analysis of fundamentals as well as valuations, and we remain committed to our conviction-based approach, while starting to integrate sustainability issues that are material to the companies we review.

Phil Cliff

Fund manager

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

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

Investments

Portfolio statement

as at Holding	28.02.19 €'000	28.02.19 %	31.08.18 %
EQUITIES	125,419	96.85	100.40
Technology hardware & equipment	3,536	2.73	8.00
22,026 ASML	3,536	2.73	
Medical equipment & services	5,377	4.15	3.69
78,987 Fresenius Medical Care	5,377	4.15	
Pharmaceuticals & biotechnology	20,769	16.04	15.02
17,230 Ipsen	2,131	1.65	
75,958 Novartis	6,099	4.71	
43,807 Roche	10,675	8.24	
25,329 UCB	1,864	1.44	
Banks	11,917	9.20	8.24
792,479 AIB	3,209	2.48	
118,922 Erste Group Bank	3,800	2.93	
76,424 KBC	4,908	3.79	
Finance & credit services	2,192	1.69	1.48
123,216 Banca IFIS	2,192	1.69	
Non-life insurance	7,281	5.62	6.05
18,101 Hannover Rueck	2,359	1.82	
116,063 Sampo	4,922	3.80	
Automobiles & parts	3,814	2.95	3.03
122,584 Nokian Renkaat	3,814	2.95	
Leisure goods	3,647	2.82	2.06
185,915 Thule	3,647	2.82	
Personal goods	10,990	8.48	9.11
4,756 LVMH	1,434	1.10	
194,946 SMCP	3,236	2.50	
133,654 Unilever	6,320	4.88	
Media	10,784	8.33	7.89
106,903 CTS Eventim	4,225	3.26	
326,330 RELX	6,559	5.07	
Food producers	8,934	6.90	4.02
209,524 Glanbia	3,746	2.89	
65,097 Nestlé	5,188	4.01	
Construction & materials	2,940	2.27	5.98
73,453 Kingspan	2,940	2.27	
Electronic & electrical equipment	4,289	3.31	4.19
74,493 Legrand	4,289	3.31	
General industrials	4,915	3.80	4.70
51,192 Siemens	4,915	3.80	
Industrial engineering	4,386	3.39	1.57
28,268 IMA	1,616	1.25	
236,764 OC Oerlikon	2,770	2.14	
Industrial support services	4,737	3.65	3.38
228,388 Bureau Veritas	4,737	3.65	
Industrial transportation	4,388	3.39	3.95
60,250 DSV	4,388	3.39	
Chemicals	3,830	2.96	3.17
80,648 LANXESS	3,830	2.96	
Non-renewable energy	6,693	5.17	4.87
833,758 Borr Drilling	2,006	1.55	
325,404 Galp Energia	4,687	3.62	
Portfolio of investments	125,419	96.85	100.40

M&G European Select Fund

Authorised Corporate Director's Report

Investments

Portfolio statement (continued)			
as at	28.02.19	28.02.19	31.08.18
Holding	€'000	%	%
CASH EQUIVALENTS	1,940	1.50	0.00
'AAA' rated money market funds ^[a]	1,940	1.50	0.00
1,977,776 Northern Trust Global Fund - Euro	1,940	1.50	
Total portfolio	127,359	98.35	100.40
Net other assets / (liabilities)	2,143	1.65	(0.40)
Net assets attributable to shareholders	129,502	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.

Top ten portfolio transactions	
for the six months to 28 February 2019	
Largest purchases	€'000
Nestlé	2,411
Ipsen	2,056
IMA	1,596
Erste Group Bank	1,455
Fresenius Medical Care	1,292
LANXESS	1,257
LVMH	1,241
Galp Energia	1,024
Thule	1,014
Borr Drilling	973
Other purchases	4,784
Total purchases	19,103
Largest sales	€'000
UCB	4,326
CRH	4,111
ams	3,077
ASML	1,538
Hannover Rueck	1,462
SMCP	1,358
Glanbia	1,190
Legrand	1,174
Nokian Renkaat	1,036
Erste Group Bank	1,005
Other sales	6,766
Total sales	27,043

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

M&G European Select Fund

Financial highlights

Fund performance

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

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

We show performance for these two share classes because:

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

The fund is available for investment in different share classes, each with varying levels of charges and minimum investments; please refer to the Prospectus for M&G Investment Funds (1), 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	28.02.19 €'000	31.08.18 €'000	31.08.17 €'000
Fund net asset value (NAV)	129,502	144,483	155,193

Performance since launch

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



Ten-year performance

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



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

M&G European Select Fund

Financial highlights

Fund performance

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

Long-term performance by share class				
	Six months 03.09.18 % ^[a]	Three years 01.03.16 % p.a.	Five years 03.03.14 % p.a.	Since launch % p.a.
Euro ^[b]				
Class 'A'	-7.9	+5.2	+5.1	+2.8 ^[c]
Class 'C'	-7.5	+5.9	+5.9	+3.6 ^[c]
Sterling ^[d]				
Class 'A'	-12.0	+8.7	+6.1	+9.1 ^[e]
Class 'I'	-11.7	+9.6	+6.9	+10.2 ^[f]
Class 'R'	-11.8	+9.3	+6.6	+9.9 ^[f]
Class 'X'	-12.0	+8.7	+6.1	+10.1 ^[g]

^[a] Absolute basis.

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

^[c] 26 November 2001, the launch date of the share class.

^[d] Price to price with income reinvested.

^[e] 24 July 1972, the end of the initial offer period of the predecessor unit trust.

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

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

Operating charges and portfolio transaction costs

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

Operating charges

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

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

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

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

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

Portfolio transaction costs

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

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

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

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

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

Portfolio transaction costs				
	Six months to 28.02.19 %	Year to 31.08.18 %	Year to 31.08.17 %	Average ^[a] %
Direct portfolio transaction costs ^[b]				
Broker commission	0.03	0.04	0.11	0.06
Taxes	0.04	0.07	0.07	0.06
Costs before dilution adjustments	0.07	0.11	0.18	0.12
Dilution adjustments ^[c]	(0.01)	(0.02)	(0.06)	(0.03)
Total direct portfolio transaction costs	0.06	0.09	0.12	0.09
as at				
Indirect portfolio transaction costs				
Average portfolio dealing spread	0.08	0.07	0.07	0.07

^[a] Average of first three columns.

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

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

M&G European Select Fund

Financial highlights

Specific share class performance

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

Euro Class 'A' Accumulation share performance

The share class was launched on 26 November 2001.

	Six months to 28.02.19 Euro €	Year to 31.08.18 Euro €	Year to 31.08.17 Euro €
Change in NAV per share			
Opening NAV	1,742.73	1,624.92	1,451.20
Return before operating charges and after direct portfolio transaction costs	(135.13)	146.55	199.50
Operating charges	(13.09)	(28.74)	(25.78)
Return after operating charges	(148.22)	117.81	173.72
Distributions	n/a	(9.26)	(6.24)
Retained distributions	n/a	9.26	6.24
Closing NAV	1,594.51	1,742.73	1,624.92
Direct portfolio transaction costs	Euro €	Euro €	Euro €
Costs before dilution adjustments	0.54	1.82	2.73
Dilution adjustments ^[a]	(0.07)	(0.28)	(0.89)
Total direct portfolio transaction costs	0.47	1.54	1.84
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.06	0.09	0.12
Operating charges	1.68	1.68	1.68
Return after operating charges	-8.51	+7.25	+11.97
Historic yield	0.58	0.54	0.38
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€'000)	1,043	1,190	1,943
Closing NAV percentage of total fund NAV (%)	0.80	0.82	1.25
Number of shares	65,393	68,262	119,597
Highest share price (Euro €)	1,744.16	1,763.12	1,681.04
Lowest share price (Euro €)	1,412.82	1,619.86	1,368.75

Euro Class 'C' Accumulation share performance

The share class was launched on 26 November 2001.

	Six months to 28.02.19 Euro €	Year to 31.08.18 Euro €	Year to 31.08.17 Euro €
Change in NAV per share			
Opening NAV	1,982.17	1,834.43	1,626.03
Return before operating charges and after direct portfolio transaction costs	(153.49)	165.61	225.83
Operating charges	(8.36)	(17.87)	(17.43)
Return after operating charges	(161.85)	147.74	208.40
Distributions	n/a	(25.03)	(20.05)
Retained distributions	n/a	25.03	20.05
Closing NAV	1,820.32	1,982.17	1,834.43
Direct portfolio transaction costs	Euro €	Euro €	Euro €
Costs before dilution adjustments	0.63	2.04	3.34
Dilution adjustments ^[a]	(0.08)	(0.31)	(1.09)
Total direct portfolio transaction costs	0.55	1.73	2.25
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.06	0.09	0.12
Operating charges	0.93	0.93	0.93
Return after operating charges	-8.17	+8.05	+12.82
Historic yield	1.38	1.28	1.09
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€'000)	50	188	8,802
Closing NAV percentage of total fund NAV (%)	0.04	0.13	5.67
Number of shares	2,768	9,468	479,795
Highest share price (Euro €)	1,983.92	1,997.86	1,894.28
Lowest share price (Euro €)	1,610.83	1,836.17	1,535.65

Sterling Class 'A' Income share performance

The share class was launched on 27 June 1977.

	Six months to 28.02.19 UK p	Year to 31.08.18 UK p	Year to 31.08.17 UK p
Change in NAV per share			
Opening NAV	2,066.36	2,020.73	1,695.12
Return before operating charges and after direct portfolio transaction costs	(242.55)	125.25	395.81
Operating charges	(15.33)	(34.26)	(30.09)
Return after operating charges	(257.88)	90.99	365.72
Distributions	n/a	(45.36)	(40.11)
Closing NAV	1,808.48	2,066.36	2,020.73
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.64	2.17	3.19
Dilution adjustments ^[a]	(0.08)	(0.33)	(1.04)
Total direct portfolio transaction costs	0.56	1.84	2.15
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.06	0.09	0.12
Operating charges	1.68	1.68	1.68
Return after operating charges	-12.48	+4.50	+21.57
Historic yield	2.51	2.22	1.97
Effect on yield of charges offset against capital	1.65	1.65	1.65
Other information			
Closing NAV (€'000)	47,910	52,434	56,331
Closing NAV percentage of total fund NAV (%)	37.00	36.29	36.30
Number of shares	2,273,480	2,276,657	2,567,161
Highest share price (UK p)	2,077.93	2,140.81	2,070.96
Lowest share price (UK p)	1,683.86	1,914.24	1,616.13

M&G European Select Fund

Financial highlights

Specific share class performance

Sterling Class 'A' Accumulation share performance

The share class was launched on 24 July 1972.

	Six months to 28.02.19 UK p	Year to 31.08.18 UK p	Year to 31.08.17 UK p
Change in NAV per share			
Opening NAV	3,230.95	3,092.21	2,543.44
Return before operating charges and after direct portfolio transaction costs	(379.35)	191.16	595.07
Operating charges	(23.97)	(52.42)	(46.30)
Return after operating charges	(403.32)	138.74	548.77
Distributions	n/a	(17.16)	(11.89)
Retained distributions	n/a	17.16	11.89
Closing NAV	2,827.63	3,230.95	3,092.21
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	1.00	3.32	4.90
Dilution adjustments ^[a]	(0.13)	(0.51)	(1.60)
Total direct portfolio transaction costs	0.87	2.81	3.30
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.06	0.09	0.12
Operating charges	1.68	1.68	1.68
Return after operating charges	-12.48	+4.49	+21.58
Historic yield	0.61	0.54	0.38
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€'000)	58,129	66,456	71,380
Closing NAV percentage of total fund NAV (%)	44.89	46.00	45.99
Number of shares	1,764,224	1,845,398	2,125,792
Highest share price (UK p)	3,248.92	3,275.47	3,107.40
Lowest share price (UK p)	2,632.78	2,928.82	2,424.93

Sterling Class 'I' Income share performance

The share class was launched on 3 August 2012.

	Six months to 28.02.19 UK p	Year to 31.08.18 UK p	Year to 31.08.17 UK p
Change in NAV per share			
Opening NAV	1,901.74	1,845.74	1,536.67
Return before operating charges and after direct portfolio transaction costs	(223.28)	115.00	361.18
Operating charges	(7.85)	(17.39)	(15.58)
Return after operating charges	(231.13)	97.61	345.60
Distributions	n/a	(41.61)	(36.53)
Closing NAV	1,670.61	1,901.74	1,845.74
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.59	1.99	2.98
Dilution adjustments ^[a]	(0.08)	(0.30)	(0.97)
Total direct portfolio transaction costs	0.51	1.69	2.01
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.06	0.09	0.12
Operating charges	0.93	0.93	0.93
Return after operating charges	-12.15	+5.29	+22.49
Historic yield	2.49	2.21	1.97
Effect on yield of charges offset against capital	0.90	0.90	0.90
Other information			
Closing NAV (€'000)	7,730	8,470	7,599
Closing NAV percentage of total fund NAV (%)	5.97	5.86	4.90
Number of shares	397,098	399,585	379,140
Highest share price (UK p)	1,912.51	1,970.02	1,891.28
Lowest share price (UK p)	1,553.49	1,756.25	1,467.88

Sterling Class 'I' Accumulation share performance

The share class was launched on 3 August 2012.

	Six months to 28.02.19 UK p	Year to 31.08.18 UK p	Year to 31.08.17 UK p
Change in NAV per share			
Opening NAV	2,130.10	2,023.40	1,651.90
Return before operating charges and after direct portfolio transaction costs	(250.17)	125.79	388.18
Operating charges	(8.78)	(19.09)	(16.68)
Return after operating charges	(258.95)	106.70	371.50
Distributions	n/a	(26.90)	(22.09)
Retained distributions	n/a	26.90	22.09
Closing NAV	1,871.15	2,130.10	2,023.40
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.66	2.19	3.19
Dilution adjustments ^[a]	(0.08)	(0.33)	(1.04)
Total direct portfolio transaction costs	0.58	1.86	2.15
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.06	0.09	0.12
Operating charges	0.93	0.93	0.93
Return after operating charges	-12.16	+5.27	+22.49
Historic yield	1.44	1.28	1.08
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€'000)	8,128	8,804	6,024
Closing NAV percentage of total fund NAV (%)	6.28	6.09	3.88
Number of shares	372,792	370,839	274,161
Highest share price (UK p)	2,142.08	2,159.32	2,033.09
Lowest share price (UK p)	1,739.96	1,925.02	1,577.94

Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012.

	Six months to 28.02.19 UK p	Year to 31.08.18 UK p	Year to 31.08.17 UK p
Change in NAV per share			
Opening NAV	189.35	184.24	153.77
Return before operating charges and after direct portfolio transaction costs	(22.22)	11.47	36.09
Operating charges	(0.99)	(2.21)	(1.97)
Return after operating charges	(23.21)	9.26	34.12
Distributions	n/a	(4.15)	(3.65)
Closing NAV	166.14	189.35	184.24
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.06	0.20	0.30
Dilution adjustments ^[a]	(0.01)	(0.03)	(0.10)
Total direct portfolio transaction costs	0.05	0.17	0.20
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.06	0.09	0.12
Operating charges	1.18	1.18	1.18
Return after operating charges	-12.26	+5.03	+22.19
Historic yield	2.50	2.22	1.97
Effect on yield of charges offset against capital	1.15	1.15	1.15
Other information			
Closing NAV (€'000)	653	703	183
Closing NAV percentage of total fund NAV (%)	0.50	0.49	0.12
Number of shares	337,435	332,919	91,288
Highest share price (UK p)	190.42	196.16	188.80
Lowest share price (UK p)	154.55	175.05	146.80

M&G European Select Fund

Financial highlights

Specific share class performance

Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012.

	Six months to 28.02.19 UK p	Year to 31.08.18 UK p	Year to 31.08.17 UK p
Change in NAV per share			
Opening NAV	209.87	199.87	163.58
Return before operating charges and after direct portfolio transaction costs	(24.64)	12.41	38.39
Operating charges	(1.10)	(2.41)	(2.10)
Return after operating charges	(25.74)	10.00	36.29
Distributions	n/a	(2.14)	(1.71)
Retained distributions	n/a	2.14	1.71
Closing NAV	184.13	209.87	199.87
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.06	0.22	0.32
Dilution adjustments ^[a]	(0.01)	(0.03)	(0.10)
Total direct portfolio transaction costs	0.05	0.19	0.22
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.06	0.09	0.12
Operating charges	1.18	1.18	1.18
Return after operating charges	-12.26	+5.00	+22.18
Historic yield	1.16	1.03	0.85
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€'000)	3,789	3,873	65
Closing NAV percentage of total fund NAV (%)	2.93	2.68	0.04
Number of shares	1,765,828	1,655,817	29,944
Highest share price (UK p)	211.06	212.76	200.83
Lowest share price (UK p)	171.30	189.86	156.15

Sterling Class 'X' Income share performance

The share class was launched on 1 October 2002.

	Six months to 28.02.19 UK p	Year to 31.08.18 UK p	Year to 31.08.17 UK p
Change in NAV per share			
Opening NAV	2,046.03	2,000.83	1,678.43
Return before operating charges and after direct portfolio transaction costs	(240.17)	124.00	392.67
Operating charges	(15.19)	(33.89)	(30.55)
Return after operating charges	(255.36)	90.11	362.12
Distributions	n/a	(44.91)	(39.72)
Closing NAV	1,790.67	2,046.03	2,000.83
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.63	2.15	3.24
Dilution adjustments ^[a]	(0.08)	(0.33)	(1.06)
Total direct portfolio transaction costs	0.55	1.82	2.18
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.06	0.09	0.12
Operating charges	1.68	1.68	1.68
Return after operating charges	-12.48	+4.50	+21.57
Historic yield	2.51	2.22	1.97
Effect on yield of charges offset against capital	1.65	1.65	1.65
Other information			
Closing NAV (€'000)	1,288	1,457	1,981
Closing NAV percentage of total fund NAV (%)	0.99	1.01	1.28
Number of shares	61,746	63,905	91,178
Highest share price (UK p)	2,057.47	2,119.74	2,050.58
Lowest share price (UK p)	1,667.28	1,895.40	1,600.21

Sterling Class 'X' Accumulation share performance

The share class was launched on 1 October 2002.

	Six months to 28.02.19 UK p	Year to 31.08.18 UK p	Year to 31.08.17 UK p
Change in NAV per share			
Opening NAV	3,196.92	3,059.63	2,516.67
Return before operating charges and after direct portfolio transaction costs	(375.35)	189.16	588.73
Operating charges	(23.72)	(51.87)	(45.77)
Return after operating charges	(399.07)	137.29	542.96
Distributions	n/a	(16.98)	(11.77)
Retained distributions	n/a	16.98	11.77
Closing NAV	2,797.85	3,196.92	3,059.63
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.99	3.29	4.85
Dilution adjustments ^[a]	(0.13)	(0.50)	(1.58)
Total direct portfolio transaction costs	0.86	2.79	3.27
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.06	0.09	0.12
Operating charges	1.68	1.68	1.68
Return after operating charges	-12.48	+4.49	+21.57
Historic yield	0.61	0.54	0.38
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€'000)	782	908	885
Closing NAV percentage of total fund NAV (%)	0.60	0.63	0.57
Number of shares	23,981	25,479	26,649
Highest share price (UK p)	3,214.71	3,240.98	3,074.66
Lowest share price (UK p)	2,605.06	2,897.97	2,399.39

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

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

M&G European Select Fund

Financial statements and notes

Financial statements

Statement of total return

for the six months to 28 February	2019		2018	
	€'000	€'000	€'000	€'000
Income				
Net capital gains / (losses)		(11,782)		7,206
Revenue	577		556	
Expenses	(1,025)		(1,270)	
Net revenue / (expense) before taxation	(448)		(714)	
Taxation	(39)		(63)	
Net revenue / (expense) after taxation		(487)		(777)
Total return before equalisation		(12,269)		6,429
Equalisation		6		6
Change in net assets attributable to shareholders from investment activities		(12,263)		6,435

Statement of change in net assets attributable to shareholders

for the six months to 28 February	2019		2018	
	€'000	€'000	€'000	€'000
Opening net assets attributable to shareholders		144,483		155,193
Amounts received on issue of shares	3,010		13,309	
Amounts paid on cancellation of shares	(5,737)		(12,837)	
		(2,727)		472
Dilution adjustments		8		18
Change in net assets attributable to shareholders from investment activities (see above)		(12,263)		6,435
Unclaimed distributions		1		1
Closing net assets attributable to shareholders		129,502		162,119

The opening net assets attributable to shareholders for 2019 differs to the closing position in 2018 by the change in net assets attributable to shareholders for the second half of the comparative financial year.

Balance sheet

as at	28 February 2019	31 August 2018
	€'000	€'000
Assets		
Fixed assets		
Investments	125,419	145,063
Current assets		
Debtors	1,969	2,366
Cash and bank balances	509	2
Cash equivalents	1,940	0
Total assets	129,837	147,431
Liabilities		
Creditors		
Bank overdrafts	0	(1,037)
Distribution payable	0	(1,384)
Other creditors	(335)	(527)
Total liabilities	(335)	(2,948)
Net assets attributable to shareholders	129,502	144,483

Notes to the financial statements

Accounting policies

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

Distribution policy

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

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

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

M&G Global Select Fund

Authorised Corporate Director's Report

Investment objective

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

Investment policy

At least 80% of the fund is invested in companies globally across a wide range of geographies, sectors and market capitalisations. The fund has a concentrated portfolio and usually holds fewer than 40 stocks.

The fund is based on an investment process that uses fundamental analysis to identify competitively advantaged companies with sustainable business models.

Sustainability considerations play an important role in determining the investment universe and assessing business models. Companies that are assessed to be in breach of the United Nations Global Compact principles on human rights, labour, environment and anti-corruption are excluded from the investment universe. Industries such as tobacco and controversial weapons are also excluded.

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

Derivatives may be used for efficient portfolio management.

Investment approach

The fund is a focused core global equity fund, making long-term investments in companies with sustainable business models and competitively advantageous characteristics to protect their profitability. Importantly, the fund manager invests in these businesses where short-term issues have provided a clear valuation opportunity.

Sustainability considerations are fully integrated into the investment process.

The fund manager believes that this approach offers a powerful combination, providing the long-term compounded value of quality businesses, as well as the potential boost to a company's share price when a short-term issue has been resolved.

Risk profile

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

The fund's focus is on quality businesses where an element of change is helping to drive their value, and these stocks could potentially experience a degree of illiquidity in times of market distress. The fund is a concentrated portfolio of between 30 and 40 holdings, but is mainly invested in the shares of large and medium-sized companies, which are normally traded with relative ease. Diversification across countries, industries and market capitalisation is key in managing liquidity risk and reducing market risk. The fund's risks are measured and managed as an integral part of the investment process.

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



The above number:

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

Investment review

As at 1 March 2019, for the six months ended 28 February 2019

Performance against objective

Between 3 September 2018 (the start of the review period) and 1 March 2019, the sterling share classes of the M&G Global Select Fund delivered negative total returns (the combination of income and growth of capital). The fund's sterling returns lagged a comparative index, the MSCI World Index, which declined by 5.2% for the period in sterling terms.

Between 3 September 2018 and 9 November 2018, the fund's euro and US dollar share classes delivered negative returns that were behind the returns of the MSCI World Index (-2.4% and -4.7% in euros and US dollars, respectively).^{*} On 9 November 2018, the fund's non-sterling share classes merged into the M&G (Lux) Global Select Fund, a Luxembourg-authorised SICAV that launched on that date.

Over five years and since launch, the fund has delivered positive total returns, and has remained invested in a diversified portfolio of company shares from anywhere in the world, thus meeting its investment objective.

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

Investment performance

Stockmarkets in developed countries delivered negative returns for the six months under review, with the end of 2018 witnessing levels of market turbulence not seen since the previous February's market rout, before recovering to a degree in the new year. There were several driving forces that hit sentiment over the period, one of the most destabilising of which was the ongoing 'trade war' between the US and China. Concerns about on-again / off-again trade negotiations drove waves of risk aversion, for fear of the overall effects wide-ranging import tariffs could have on global growth. Other sources of disillusionment included an apparent slowdown in China and signs of weakness in the US economy, political difficulties in Europe, exacerbated by the looming presence of Brexit casting an ever-lengthening shadow, and weakness in the oil price, amid potential declining demand in the face of reduced economic activity.

M&G Global Select Fund

Authorised Corporate Director's Report

Investment review

Investment performance (continued)

As we moved through the end of the period under review, the mood changed for the better. We saw fresh, robust US economic data and well-received comments on interest rate stabilisation from the US Federal Reserve, moves in China to stimulate the country's economy and a defeat on Prime Minister Theresa May's Brexit plans (and the potential of a Brexit delay), all of which had a buoying effect on markets. Investors were also enlivened by encouraging signs in the trade talks between the US and China, with US President Trump eventually announcing a delay to US tariff hikes that had been due to hit at the beginning of March. In this latter part of the review period markets rose strongly, but not by enough to counter the previous declines.

Among larger markets, Germany delivered the weakest performance for the period, as Europe's biggest economy barely avoided slipping into recession, having reported an ongoing decline in industrial production; this hit sentiment in the German stockmarket. The fund's slightly above index position in Germany had a negligibly negative effect on relative returns, more than counterbalanced by stockpicking within the country. Another laggard was Japan, which saw a number of its bigger constituents reporting disappointing results, with some weak economic data, including poor numbers on exports, also souring the mood (our below-index position in the country, therefore, was supportive, as was stockpicking within it). Switzerland and UK stockmarkets, meanwhile, delivered some of the best performance for the period, albeit both markets still ended up in negative territory. The above-index position in the UK was supportive (although stockpicking dragged on relative returns).

Against this background, some of the more defensive sectors (that is, those that have relatively predictable and stable earnings regardless of the state of the overall economy) including utilities, consumer staples and healthcare, outperformed, as risk averse investors tend to favour this part of the market in periods of uncertainty. Real estate also outpaced the wider market. Our below-index positions in both utilities and real estate weighed on relative performance to a degree, as did stock selection within healthcare and energy. Conversely, selection within the materials, financial and consumer discretionary sectors was supportive.

At an individual stock level, the fund's largest detractor was US drilling rig equipment maker National Oilwell Varco, whose shares fell out of favour in light of weakness in the oil price. US-listed luxury jeweller Tiffany & Co dragged on returns as well, having experienced a slump in demand from Chinese holidaymakers in its core US and Hong Kong markets, thereby hitting sales and weakening sentiment in the company's shares.

As mentioned above, a number of our holdings in the healthcare sector also weighed on performance, namely UK-listed addiction cessation drug maker Indivior, Israeli pharmaceutical company Teva Pharmaceuticals and US-listed diversified managed healthcare company UnitedHealth.

Indivior's share price had been under pressure following news that Indian drug maker Dr Reddy's was set to launch its own generic version of Indivior's best-selling opioid addiction drug Suboxone Film. Indivior subsequently blocked the launch, as US courts granted a temporary restraining order on Dr Reddy's. In November, though, Indivior lost its case in the US Court of Appeals and its shares fell sharply. We had reduced our position in the company in the run-up to the decision.

Along with other generic drug makers, Teva's shares fell in December after it was named as one of a group of generic drug manufacturers facing investigation into alleged price-fixing in the US (we have been monitoring the situation and spoke with company management, who denied the allegations). Teva's shares then declined markedly near the end of the period under review after the company reported results that fell below expectations and offered guidance that disappointed, citing expectations that 2019 would be the 'trough' for the business. Issues affecting operational performance included generic competition for its blockbuster multiple sclerosis drug Copaxone and a general decline in its US generics business in light of increased competition and pricing pressure.

Meanwhile, shares in UnitedHealth fell (with other healthcare companies) following news from a US Senate hearing to address soaring drug prices. At the hearing, pharma executives voiced support for the US government's plans to reform the industry-wide system of rebates (which benefit health insurers). Separately, House Democrats unveiled a bill to move all Americans into the government's Medicare health insurance programme, potentially replacing private insurance in the US. We are watching developments closely.

On the upside, the fund's largest contributor for the period under review was US-listed metal packaging specialist Ball. The company reported solid performance numbers on the back of ongoing operational success, aided by a growing aerospace backlog, increasing global demand for environmentally favoured metal packaging and beneficial cost-cutting initiatives. It also reaffirmed plans to return over US\$1 billion to shareholders in 2019 through share buybacks and dividends.

Other top performers for the period included German industrial gases producer Linde and UK-listed retailer WH Smith.

Linde's planned US\$42 billion merger with US rival Praxair had met with difficulties for several years, as regulatory scrutiny placed ongoing demands on both companies, including various divestitures, before approvals would be given. In October the companies agreed to the final regulatory conditions and subsequently announced that the business combination had been successfully completed, thus drawing the saga to a close. Investors were pleased, and Linde's shares rose accordingly. Its share price was then further supported on the back of its announcement of a US\$1 billion share repurchase programme.

WH Smith posted a solid rise in sales, with robust performance from its travel business – including concessions in airports and train stations – offsetting more lacklustre high street trading. It also reported that the integration of US travel retailer InMotion, acquired by WH Smith in October 2018, was progressing well, with good growth prospects both in the US and internationally.

M&G Global Select Fund

Authorised Corporate Director's Report

Investment review

Investment activities

We run a concentrated portfolio of between 30 and 40 holdings, maintaining a watchlist of around 300 quality 'moated' companies that we would like to own when the timing and price are right (moated companies are those where we feel the business model is well protected from competition). We monitor our watchlist closely, waiting patiently for short-term issues to create buying opportunities.

During the review period, two such opportunities presented themselves. The first was Chinese internet company Tencent Music Entertainment, which provides messaging services and entertainment platforms, including gaming and social network services. The company is the top player in a huge, protected (through regulation) and technologically underpenetrated domestic market, allowing for massive organic growth both within China and as a funding mechanism to expand abroad. Tencent's shares were down considerably after reporting a slowdown in mobile gaming revenue resulting from regulatory issues around the licensing and monetisation of games, as well as a timing issue with game releases. We firmly believe that both of these issues are temporary, providing the short-term disruption that allowed us to buy the shares at what we believe to be an attractive valuation.

Our other new purchase was US video game company Electronic Arts (EA). EA is one of the world's top game makers, dominating the sports games market with franchises including FIFA and Madden NFL. The company's games are a staple for both casual and hardcore gamers alike, providing an annual recurring revenue stream. We think this is a wide-moated, quality company, benefiting from a product mix shift into higher margin 'live' services, as well as a shift from physical to digital continuing to support margin growth. The company's shares declined considerably over the second half of 2018 after it lowered its guidance on live services expectations and had some disappointing sales figures. As with Tencent, we think these are short-term issues, which, once resolved, should see the share price return to a more appropriate level.

To fund these purchases, we closed three positions, starting with US waste service provider Stericycle. Our original investment case for the business included consideration of Stericycle's long history of effective mergers and acquisitions and solid pricing power. However, more recently the company's pricing power has diminished, particularly amid the consolidation of hospitals in the US. It also purchased Shred-it back in 2015 – a business that proved difficult to integrate – while taking on debt to do so. We engaged with the company on a number of occasions, but ultimately lost faith in the investment case. We also lost faith in the investment case for US retail operator L Brands, and sold its shares as well.

Finally, last year Georgian lender Bank of Georgia spun off its investment arm to form Georgia Capital, with both companies subsequently held in the portfolio. In January we closed the position in Bank of Georgia, while maintaining our holding in Georgia Capital.

Outlook

We think that valuations in some parts of the market are currently looking very attractive, particularly in Europe, but in the long term we have slightly lower expectations for company shares in general over the next 10 years. This is because we are getting closer to the end of the current economic cycle, with companies on high earnings being somewhat overvalued in some parts of the market. After the setback at the end of 2018, and with sustained earnings growth, we believe 10-year stockmarket returns will likely be closer to normal, and hopefully with a more consistent return of volatility (ie, market turbulence). It is these conditions that can benefit long-term, fundamental stockpickers.

We also think that valuations of growth stocks are currently looking more reasonable while valuations of more cyclical companies (ie those more closely tied to the economic cycle) are increasingly pricing in a US recession. All-in-all, we think investors are getting a better margin of safety, even if we are at the end of the cycle.

We believe the main risks for the next couple of years will be a deep setback in China, which we think seems unlikely in the short term, or a credit led blow-up / recession in the US, which we also think seems unlikely in the short term.

In terms of the fund, we remain confident in the quality of the stocks within the current portfolio. As long-term investors, our focus is on the ability of our holdings to generate long-term value for the fund and for our investors, and we continue to be optimistic about their prospects.

John William Olsen
Fund manager

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

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

M&G Global Select Fund

Authorised Corporate Director's Report

Investments

Portfolio statement

as at Holding	28.02.19 \$'000	28.02.19 %	31.08.18 %
EQUITIES	678,560	98.98	99.75
Energy equipment & services	11,576	1.69	2.45
403,063 National Oilwell Varco	11,576	1.69	
Chemicals	25,442	3.71	3.71
144,661 Linde	25,442	3.71	
Containers & packaging	40,029	5.84	4.49
721,247 Ball	40,029	5.84	
Building products	19,457	2.84	2.66
548,078 Johnson Controls International	19,457	2.84	
Electrical equipment	21,625	3.15	2.94
279,056 Schneider Electric	21,625	3.15	
Machinery	17,251	2.52	2.42
365,479 Graco	17,251	2.52	
Commercial services & supplies	22,421	3.27	4.40
715,122 ISS	22,421	3.27	
Specialty retail	66,700	9.73	10.05
216,136 Tiffany & Co	20,697	3.02	
1,667,348 WH Smith	46,003	6.71	
Food products	22,625	3.30	3.14
248,673 Nestlé	22,625	3.30	
Household products	15,677	2.29	2.25
203,996 Reckitt Benckiser	15,677	2.29	
Personal products	21,456	3.13	2.96
397,465 Unilever	21,456	3.13	
Health care equipment & supplies	42,523	6.20	6.85
169,916 Becton Dickinson	42,523	6.20	
Health care providers & services	42,249	6.16	6.95
168,907 UnitedHealth	42,249	6.16	
Pharmaceuticals	49,841	7.28	7.80
1,286,053 Indivior	1,841	0.27	
803,816 Novo-Nordisk	39,395	5.75	
505,890 Teva Pharmaceuticals ADR	8,605	1.26	
Banks	29,685	4.33	5.07
1,244,405 ING	16,500	2.41	
76,432 M&T Bank	13,185	1.92	
Consumer finance	41,152	6.00	6.39
202,487 American Express	21,751	3.17	
272,330 Discover Financial Services	19,401	2.83	
Capital markets	25,552	3.73	3.80
334,831 Bank of New York Mellon	17,666	2.58	
535,326 Georgia Capital	7,886	1.15	
Insurance	25,941	3.78	3.80
529,700 Tokio Marine	25,941	3.78	
Software	81,861	11.94	12.66
105,297 Ansys	18,607	2.71	
437,867 Manhattan Associates	24,048	3.51	
349,492 Microsoft	39,206	5.72	

Portfolio statement (continued)

as at Holding	28.02.19 \$'000	28.02.19 %	31.08.18 %
Entertainment	10,351	1.51	0.00
105,789 Electronic Arts	10,351	1.51	
82 Tencent Music Entertainment ADR ^[a]	0	0.00	
Interactive media & services	45,146	6.58	4.96
27,977 Alphabet	31,410	4.58	
321,100 Tencent	13,736	2.00	
Portfolio of investments	678,560	98.98	99.75
CASH EQUIVALENTS	3,414	0.50	0.50
'AAA' rated money market funds ^[b]	3,414	0.50	0.50
3,414,000 Northern Trust Global Fund - US dollar	3,414	0.50	
Total portfolio	681,974	99.48	100.25
Net other assets / (liabilities)	3,598	0.52	(0.25)
Net assets attributable to shareholders	685,572	100.00	100.00

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

^[a] Delisted.

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

Top portfolio transactions

for the six months to 28 February 2019

Purchases	\$'000
Tencent	12,889
Electronic Arts	10,240
ISS	2,229
Tencent Music Entertainment ADR	1
Total purchases	25,359
Largest sales	\$'000
Microsoft	17,506
UnitedHealth	16,337
Becton Dickinson	15,865
Linde	12,465
L Brands	11,594
Stericycle	11,277
Ball	10,869
Discover Financial Services	9,353
Tokio Marine	8,896
Alphabet	7,918
Other sales	74,042
Total sales	196,122

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

M&G Global Select Fund

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Fund performance

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

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

We show performance for these two share classes because:

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

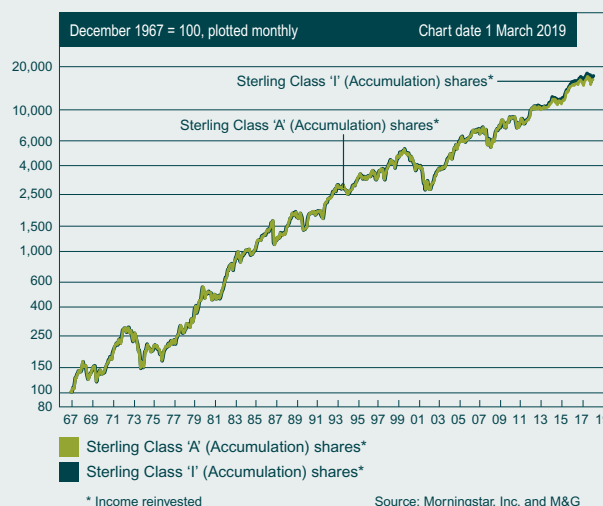
The fund is available for investment in different share classes, each with varying levels of charges and minimum investments; please refer to the Prospectus for M&G Investment Funds (1), which is available free of charge either from our website at www.mandg.co.uk/prospectuses or by calling M&G Customer Relations.

Fund level performance

Fund net asset value			
as at	28.02.19 \$'000	31.08.18 \$'000	31.08.17 \$'000
Fund net asset value (NAV)	685,572	971,265	1,025,973

Performance since launch

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



Ten-year performance

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



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

M&G Global Select Fund

Financial highlights

Fund performance

To give an indication of the performance of the fund, the following table shows the compound rate of return, per annum, over the period to 9 November 2018 for non-sterling share classes and 1 March 2019 for sterling share classes. Calculated on a price to price basis with income reinvested.

Long-term performance by share class				
	From 03.09.18 % ^[a]	From 01.03.16 % p.a.	From 03.03.14 % p.a.	Since launch % p.a.
Euro ^[b]				
Class 'A'	-0.8	+10.3	+9.5	+6.2 ^[c]
Class 'B'	-0.9	n/a	n/a	+9.3 ^[d]
Class 'C'	-0.7	+11.4	+10.6	+7.2 ^[c]
Sterling ^[e]				
Class 'A'	-5.8	+13.0	+10.0	+10.4 ^[f]
Class 'I'	-5.5	+13.8	+10.8	+11.9 ^[g]
Class 'R'	-5.6	+13.5	+10.6	+11.6 ^[g]
Class 'X'	-5.8	+13.0	+10.0	+15.7 ^[h]
US dollar ^[b]				
Class 'A'	-3.1	+12.1	+5.1	+9.1 ^[i]
Class 'C'	-2.8	+13.3	+6.1	+10.1 ^[i]

^[a] Absolute basis.

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

^[c] 28 November 2001, the launch date of the share class.

^[d] 18 March 2016, the launch date of the share class.

^[e] Price to price with income reinvested.

^[f] 19 December 1967, the end of the initial offer period of the predecessor unit trust.

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

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

^[i] 19 December 2008, the launch date of the share class.

Operating charges and portfolio transaction costs

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

Operating charges

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

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

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

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

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

M&G Global Select Fund

Financial highlights

Fund performance

Operating charges and portfolio transaction costs

Portfolio transaction costs

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

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

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

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

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

Portfolio transaction costs				
	Six months to 28.02.19	Year to 31.08.18	Year to 31.08.17	Average ^[a]
Direct portfolio transaction costs ^[b]	%	%	%	%
Broker commission	0.02	0.01	0.03	0.02
Taxes	0.00	0.02	0.02	0.01
Costs before dilution adjustments	0.02	0.03	0.05	0.03
Dilution adjustments ^[c]	(0.01)	(0.01)	(0.02)	(0.01)
Total direct portfolio transaction costs	0.01	0.02	0.03	0.02
as at	28.02.19	31.08.18	31.08.17	Average ^[a]
Indirect portfolio transaction costs	%	%	%	%
Average portfolio dealing spread	0.04	0.03	0.03	0.03

^[a] Average of first three columns.

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

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

Specific share class performance

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

The non-sterling share classes were merged into the M&G (Lux) Global Select Fund on 9 November 2018. The current period historic yields for the non-sterling share classes were calculated at the merger date.

Historic yields for the sterling share classes for the current period are calculated as at 8 March 2019.

Euro Class 'A' Income share performance

The share class was launched on 8 August 2014.

	Six months to 28.02.19 Euro ¢	Year to 31.08.18 Euro ¢	Year to 31.08.17 Euro ¢
Change in NAV per share			
Opening NAV	2,703.01	2,390.67	2,317.94
Return before operating charges and after direct portfolio transaction costs	6.74	402.99	162.54
Operating charges	(24.57)	(49.15)	(47.38)
Return after operating charges	(17.83)	353.84	115.16
Distributions	(6.09)	(41.50)	(42.43)
Return to shareholder as a result of share class closure	(2,679.09)	n/a	n/a
Closing NAV	0.00	2,703.01	2,390.67
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.33	0.68	1.29
Dilution adjustments ^[a]	(0.17)	(0.37)	(0.60)
Total direct portfolio transaction costs	0.16	0.31	0.69
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.02	0.03
Operating charges	1.91	1.91	1.91
Return after operating charges	-0.66	+14.80	+4.97
Historic yield	1.56	1.57	1.79
Effect on yield of charges offset against capital	1.90	1.90	1.90
Other information			
Closing NAV (\$'000)	0	227	278
Closing NAV percentage of total fund NAV (%)	0.00	0.02	0.03
Number of shares	0	7,200	9,821
Highest share price (Euro ¢)	2,714.41	2,753.45	2,619.88
Lowest share price (Euro ¢)	2,485.55	2,346.73	2,210.40

M&G Global Select Fund

Financial highlights

Specific share class performance

Euro Class 'A' Accumulation share performance

The share class was launched on 28 November 2001.

	Six months to 28.02.19 Euro ¢	Year to 31.08.18 Euro ¢	Year to 31.08.17 Euro ¢
Change in NAV per share			
Opening NAV	2,811.06	2,448.35	2,332.46
Return before operating charges and after direct portfolio transaction costs	6.59	413.08	163.44
Operating charges	(25.64)	(50.37)	(47.55)
Return after operating charges	(19.05)	362.71	115.89
Distributions	0.00	0.00	0.00
Retained distributions	0.00	0.00	0.00
Return to shareholder as a result of share class closure	(2,792.01)	n/a	n/a
Closing NAV	0.00	2,811.06	2,448.35
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.34	0.70	1.30
Dilution adjustments ^[a]	(0.18)	(0.38)	(0.60)
Total direct portfolio transaction costs	0.16	0.32	0.70
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.02	0.03
Operating charges	1.91	1.91	1.91
Return after operating charges	-0.68	+14.81	+4.97
Historic yield	0.00	0.00	0.00
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	0	59,499	72,904
Closing NAV percentage of total fund NAV (%)	0.00	6.13	7.11
Number of shares	0	1,813,957	2,511,233
Highest share price (Euro ¢)	2,824.05	2,820.13	2,636.30
Lowest share price (Euro ¢)	2,585.94	2,403.56	2,224.25

Euro Class 'B' Accumulation share performance

The share class was launched on 18 March 2016.

	Six months to 28.02.19 Euro ¢	Year to 31.08.18 Euro ¢	Year to 31.08.17 Euro ¢
Change in NAV per share			
Opening NAV	1,274.83	1,115.93	1,068.43
Return before operating charges and after direct portfolio transaction costs	5.12	187.86	75.58
Operating charges	(14.58)	(28.96)	(28.08)
Return after operating charges	(9.46)	158.90	47.50
Distributions	0.00	0.00	0.00
Retained distributions	0.00	0.00	0.00
Return to shareholder as a result of share class closure	(1,265.37)	n/a	n/a
Closing NAV	0.00	1,274.83	1,115.93
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.15	0.32	0.61
Dilution adjustments ^[a]	(0.08)	(0.17)	(0.28)
Total direct portfolio transaction costs	0.07	0.15	0.33
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.02	0.03
Operating charges	2.41	2.41	2.41
Return after operating charges	-0.74	+14.24	+4.45
Historic yield	0.00	0.00	0.00
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	0	279	153
Closing NAV percentage of total fund NAV (%)	0.00	0.04	0.02
Number of shares	0	18,728	11,556
Highest share price (Euro ¢)	1,280.20	1,279.15	1,203.96
Lowest share price (Euro ¢)	1,171.89	1,095.40	1,017.96

Euro Class 'C' Income share performance

The share class was launched on 8 August 2014.

	Six months to 28.02.19 Euro ¢	Year to 31.08.18 Euro ¢	Year to 31.08.17 Euro ¢
Change in NAV per share			
Opening NAV	3,041.38	2,663.06	2,556.18
Return before operating charges and after direct portfolio transaction costs	(1.12)	451.19	178.68
Operating charges	(13.11)	(26.19)	(24.62)
Return after operating charges	(14.23)	425.00	154.06
Distributions	(6.84)	(46.68)	(47.18)
Return to shareholder as a result of share class closure	(3,020.31)	n/a	n/a
Closing NAV	0.00	3,041.38	2,663.06
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.37	0.77	1.42
Dilution adjustments ^[a]	(0.19)	(0.41)	(0.66)
Total direct portfolio transaction costs	0.18	0.36	0.76
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.02	0.03
Operating charges	0.91	0.91	0.91
Return after operating charges	-0.47	+15.96	+6.03
Historic yield	1.55	1.56	1.78
Effect on yield of charges offset against capital	0.90	0.90	0.90
Other information			
Closing NAV (\$'000)	0	47	24
Closing NAV percentage of total fund NAV (%)	0.00	0.00	0.00
Number of shares	0	1,318	745
Highest share price (Euro ¢)	3,056.92	3,098.05	2,912.52
Lowest share price (Euro ¢)	2,800.95	2,614.69	2,441.92

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Specific share class performance

Euro Class 'C' Accumulation share performance

The share class was launched on 28 November 2001.

	Six months to 28.02.19 Euro €	Year to 31.08.18 Euro €	Year to 31.08.17 Euro €
Change in NAV per share			
Opening NAV	3,254.99	2,806.91	2,647.46
Return before operating charges and after direct portfolio transaction costs	(1.79)	475.79	185.65
Operating charges	(14.14)	(27.71)	(26.20)
Return after operating charges	(15.93)	448.08	159.45
Distributions	(1.71)	(21.12)	(25.07)
Retained distributions	1.71	21.12	25.07
Return to shareholder as a result of share class closure	(3,239.06)	n/a	n/a
Closing NAV	0.00	3,254.99	2,806.91
Direct portfolio transaction costs	Euro €	Euro €	Euro €
Costs before dilution adjustments	0.40	0.80	1.50
Dilution adjustments ^[a]	(0.21)	(0.43)	(0.70)
Total direct portfolio transaction costs	0.19	0.37	0.80
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.02	0.03
Operating charges	0.91	0.91	0.91
Return after operating charges	-0.49	+15.96	+6.02
Historic yield	0.66	0.68	0.90
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	0	53,645	50,594
Closing NAV percentage of total fund NAV (%)	0.00	5.52	4.93
Number of shares	0	1,412,428	1,520,123
Highest share price (Euro €)	3,273.01	3,265.52	3,016.43
Lowest share price (Euro €)	2,998.96	2,756.17	2,529.14

Sterling Class 'A' Income share performance

The share class was launched on 19 December 1967.

	Six months to 28.02.19 UK p	Year to 31.08.18 UK p	Year to 31.08.17 UK p
Change in NAV per share			
Opening NAV	417.51	378.07	336.76
Return before operating charges and after direct portfolio transaction costs	(20.01)	52.34	54.13
Operating charges	(3.25)	(6.50)	(6.12)
Return after operating charges	(23.26)	45.84	48.01
Distributions	n/a	(6.40)	(6.70)
Closing NAV	394.25	417.51	378.07
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.05	0.10	0.19
Dilution adjustments ^[a]	(0.03)	(0.06)	(0.09)
Total direct portfolio transaction costs	0.02	0.04	0.10
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.02	0.03
Operating charges	1.67	1.66	1.66
Return after operating charges	-5.57	+12.12	+14.26
Historic yield	1.63	1.56	1.79
Effect on yield of charges offset against capital	1.65	1.65	1.65
Other information			
Closing NAV (\$'000)	298,712	446,672	486,113
Closing NAV percentage of total fund NAV (%)	43.57	45.99	47.38
Number of shares	56,955,454	82,262,177	99,859,434
Highest share price (UK p)	419.74	428.55	395.79
Lowest share price (UK p)	359.45	358.74	326.49

Sterling Class 'A' Accumulation share performance

The share class was launched on 19 December 1967.

	Six months to 28.02.19 UK p	Year to 31.08.18 UK p	Year to 31.08.17 UK p
Change in NAV per share			
Opening NAV	839.00	748.20	654.86
Return before operating charges and after direct portfolio transaction costs	(40.18)	103.61	105.22
Operating charges	(6.54)	(12.81)	(11.88)
Return after operating charges	(46.72)	90.80	93.34
Distributions	n/a	0.00	(1.43)
Retained distributions	n/a	0.00	1.43
Closing NAV	792.28	839.00	748.20
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.10	0.20	0.37
Dilution adjustments ^[a]	(0.05)	(0.11)	(0.17)
Total direct portfolio transaction costs	0.05	0.09	0.20
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.02	0.03
Operating charges	1.67	1.66	1.66
Return after operating charges	-5.57	+12.14	+14.25
Historic yield	0.00	0.00	0.19
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	106,160	115,527	159,000
Closing NAV percentage of total fund NAV (%)	15.48	11.89	15.50
Number of shares	10,072,449	10,587,533	16,504,330
Highest share price (UK p)	843.86	848.18	769.64
Lowest share price (UK p)	722.35	710.03	634.88

Sterling Class 'I' Income share performance

The share class was launched on 3 August 2012.

	Six months to 28.02.19 UK p	Year to 31.08.18 UK p	Year to 31.08.17 UK p
Change in NAV per share			
Opening NAV	2,024.71	1,819.69	1,608.70
Return before operating charges and after direct portfolio transaction costs	(96.97)	253.26	259.24
Operating charges	(8.70)	(17.29)	(16.10)
Return after operating charges	(105.67)	235.97	243.14
Distributions	n/a	(30.95)	(32.15)
Closing NAV	1,919.04	2,024.71	1,819.69
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.24	0.50	0.92
Dilution adjustments ^[a]	(0.13)	(0.27)	(0.43)
Total direct portfolio transaction costs	0.11	0.23	0.49
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.02	0.03
Operating charges	0.92	0.91	0.91
Return after operating charges	-5.22	+12.97	+15.11
Historic yield	1.62	1.55	1.78
Effect on yield of charges offset against capital	0.90	0.90	0.90
Other information			
Closing NAV (\$'000)	26,748	27,970	24,463
Closing NAV percentage of total fund NAV (%)	3.90	2.88	2.39
Number of shares	1,047,739	1,062,204	1,044,084
Highest share price (UK p)	2,035.72	2,078.07	1,902.09
Lowest share price (UK p)	1,747.30	1,734.35	1,560.00

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Specific share class performance

Sterling Class 'I' Accumulation share performance

The share class was launched on 3 August 2012.

	Six months to 28.02.19 UK p	Year to 31.08.18 UK p	Year to 31.08.17 UK p
Change in NAV per share			
Opening NAV	2,202.35	1,949.35	1,693.41
Return before operating charges and after direct portfolio transaction costs	(105.47)	271.50	272.91
Operating charges	(9.46)	(18.50)	(16.97)
Return after operating charges	(114.93)	253.00	255.94
Distributions	n/a	(14.29)	(17.41)
Retained distributions	n/a	14.29	17.41
Closing NAV	2,087.42	2,202.35	1,949.35
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.26	0.54	0.97
Dilution adjustments ^[a]	(0.14)	(0.29)	(0.45)
Total direct portfolio transaction costs	0.12	0.25	0.52
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.02	0.03
Operating charges	0.92	0.91	0.91
Return after operating charges	-5.22	+12.98	+15.11
Historic yield	0.69	0.68	0.90
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	226,347	101,913	92,385
Closing NAV percentage of total fund NAV (%)	33.02	10.49	9.00
Number of shares	8,151,080	3,558,078	3,680,718
Highest share price (UK p)	2,215.28	2,226.36	2,002.25
Lowest share price (UK p)	1,900.61	1,858.10	1,642.16

Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012.

	Six months to 28.02.19 UK p	Year to 31.08.18 UK p	Year to 31.08.17 UK p
Change in NAV per share			
Opening NAV	201.45	181.51	160.86
Return before operating charges and after direct portfolio transaction costs	(9.65)	25.24	25.91
Operating charges	(1.10)	(2.22)	(2.05)
Return after operating charges	(10.75)	23.02	23.86
Distributions	n/a	(3.08)	(3.21)
Closing NAV	190.70	201.45	181.51
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.02	0.05	0.09
Dilution adjustments ^[a]	(0.01)	(0.03)	(0.04)
Total direct portfolio transaction costs	0.01	0.02	0.05
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.02	0.03
Operating charges	1.17	1.16	1.16
Return after operating charges	-5.34	+12.68	+14.83
Historic yield	1.62	1.55	1.78
Effect on yield of charges offset against capital	1.15	1.15	1.15
Other information			
Closing NAV (\$'000)	2,313	2,236	425
Closing NAV percentage of total fund NAV (%)	0.35	0.23	0.04
Number of shares	911,796	853,347	181,866
Highest share price (UK p)	202.54	206.77	189.83
Lowest share price (UK p)	173.71	172.74	155.99

Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012.

	Six months to 28.02.19 UK p	Year to 31.08.18 UK p	Year to 31.08.17 UK p
Change in NAV per share			
Opening NAV	216.88	192.44	167.59
Return before operating charges and after direct portfolio transaction costs	(10.39)	26.80	26.98
Operating charges	(1.18)	(2.36)	(2.13)
Return after operating charges	(11.57)	24.44	24.85
Distributions	n/a	(0.89)	(1.27)
Retained distributions	n/a	0.89	1.27
Closing NAV	205.31	216.88	192.44
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.03	0.05	0.10
Dilution adjustments ^[a]	(0.01)	(0.03)	(0.04)
Total direct portfolio transaction costs	0.02	0.02	0.06
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.02	0.03
Operating charges	1.17	1.16	1.16
Return after operating charges	-5.33	+12.70	+14.83
Historic yield	0.44	0.44	0.67
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	11,754	10,932	200
Closing NAV percentage of total fund NAV (%)	1.71	1.13	0.02
Number of shares	4,303,420	3,875,753	80,949
Highest share price (UK p)	218.15	219.24	197.76
Lowest share price (UK p)	187.02	183.16	162.51

Sterling Class 'X' Income share performance

The share class was launched on 1 October 2002.

	Six months to 28.02.19 UK p	Year to 31.08.18 UK p	Year to 31.08.17 UK p
Change in NAV per share			
Opening NAV	417.48	378.04	336.74
Return before operating charges and after direct portfolio transaction costs	(20.01)	52.33	54.11
Operating charges	(3.25)	(6.49)	(6.11)
Return after operating charges	(23.26)	45.84	48.00
Distributions	n/a	(6.40)	(6.70)
Closing NAV	394.22	417.48	378.04
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.05	0.10	0.19
Dilution adjustments ^[a]	(0.03)	(0.06)	(0.09)
Total direct portfolio transaction costs	0.02	0.04	0.10
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.02	0.03
Operating charges	1.67	1.66	1.66
Return after operating charges	-5.57	+12.13	+14.25
Historic yield	1.63	1.56	1.79
Effect on yield of charges offset against capital	1.65	1.65	1.65
Other information			
Closing NAV (\$'000)	7,888	8,555	11,020
Closing NAV percentage of total fund NAV (%)	1.15	0.88	1.07
Number of shares	1,504,039	1,575,647	2,263,895
Highest share price (UK p)	419.71	428.52	395.77
Lowest share price (UK p)	359.43	358.72	326.47

M&G Global Select Fund

Financial highlights

Specific share class performance

Sterling Class 'X' Accumulation share performance

The share class was launched on 1 October 2002.

	Six months to 28.02.19 UK p	Year to 31.08.18 UK p	Year to 31.08.17 UK p
Change in NAV per share			
Opening NAV	831.96	741.92	649.36
Return before operating charges and after direct portfolio transaction costs	(39.86)	102.79	104.35
Operating charges	(6.48)	(12.75)	(11.79)
Return after operating charges	(46.34)	90.04	92.56
Distributions	n/a	0.00	(1.41)
Retained distributions	n/a	0.00	1.41
Closing NAV	785.62	831.96	741.92
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.10	0.20	0.37
Dilution adjustments ^[a]	(0.05)	(0.11)	(0.17)
Total direct portfolio transaction costs	0.05	0.09	0.20
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.02	0.03
Operating charges	1.67	1.66	1.66
Return after operating charges	-5.57	+12.14	+14.25
Historic yield	0.00	0.00	0.19
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	5,650	6,284	7,156
Closing NAV percentage of total fund NAV (%)	0.82	0.65	0.70
Number of shares	540,614	580,758	749,083
Highest share price (UK p)	836.77	841.06	763.18
Lowest share price (UK p)	716.28	704.06	629.55

US dollar Class 'A' Income share performance

The share class was launched on 8 August 2014.

	Six months to 28.02.19 US ¢	Year to 31.08.18 US ¢	Year to 31.08.17 US ¢
Change in NAV per share			
Opening NAV	2,343.72	2,106.48	1,919.15
Return before operating charges and after direct portfolio transaction costs	(56.76)	316.81	263.32
Operating charges	(21.97)	(43.58)	(38.60)
Return after operating charges	(78.73)	273.23	224.72
Distributions	(4.75)	(35.99)	(37.39)
Return to shareholder as a result of share class closure	(2,260.24)	n/a	n/a
Closing NAV	0.00	2,343.72	2,106.48
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.29	0.60	1.05
Dilution adjustments ^[a]	(0.15)	(0.33)	(0.49)
Total direct portfolio transaction costs	0.14	0.27	0.56
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.02	0.03
Operating charges	1.91	1.91	1.91
Return after operating charges	-3.36	+12.97	+11.71
Historic yield	1.59	1.58	1.78
Effect on yield of charges offset against capital	1.90	1.90	1.90
Other information			
Closing NAV (\$'000)	0	389	350
Closing NAV percentage of total fund NAV (%)	0.00	0.04	0.03
Number of shares	0	16,595	16,595
Highest share price (US ¢)	2,370.76	2,468.09	2,192.35
Lowest share price (US ¢)	2,106.38	2,092.72	1,823.71

US dollar Class 'A' Accumulation share performance

The share class was launched on 19 December 2008.

	Six months to 28.02.19 US ¢	Year to 31.08.18 US ¢	Year to 31.08.17 US ¢
Change in NAV per share			
Opening NAV	2,442.88	2,162.22	1,935.59
Return before operating charges and after direct portfolio transaction costs	(59.56)	325.40	265.59
Operating charges	(22.00)	(44.74)	(38.96)
Return after operating charges	(81.56)	280.66	226.63
Distributions	0.00	0.00	0.00
Retained distributions	0.00	0.00	0.00
Return to shareholder as a result of share class closure	(2,361.32)	n/a	n/a
Closing NAV	0.00	2,442.88	2,162.22
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.29	0.62	1.06
Dilution adjustments ^[a]	(0.15)	(0.33)	(0.49)
Total direct portfolio transaction costs	0.14	0.29	0.57
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.02	0.03
Operating charges	1.91	1.91	1.91
Return after operating charges	-3.34	+12.98	+11.71
Historic yield	0.00	0.00	0.00
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	0	2,228	1,969
Closing NAV percentage of total fund NAV (%)	0.00	0.23	0.19
Number of shares	0	91,185	91,041
Highest share price (US ¢)	2,472.18	2,533.62	2,211.12
Lowest share price (US ¢)	2,196.48	2,148.29	1,839.33

US dollar Class 'C' Income share performance

The share class was launched on 8 August 2014.

	Six months to 28.02.19 US ¢	Year to 31.08.18 US ¢	Year to 31.08.17 US ¢
Change in NAV per share			
Opening NAV	2,514.27	2,237.41	2,017.65
Return before operating charges and after direct portfolio transaction costs	(68.65)	337.86	278.21
Operating charges	(10.73)	(22.34)	(18.73)
Return after operating charges	(79.38)	315.52	259.48
Distributions	(5.50)	(38.66)	(39.72)
Return to shareholder as a result of share class closure	(2,429.39)	n/a	n/a
Closing NAV	0.00	2,514.27	2,237.41
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.30	0.65	0.98
Dilution adjustments ^[a]	(0.16)	(0.35)	(0.46)
Total direct portfolio transaction costs	0.14	0.30	0.52
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.02	0.03
Operating charges	0.91	0.91	0.88
Return after operating charges	-3.16	+14.10	+12.86
Historic yield	1.59	1.58	1.78
Effect on yield of charges offset against capital	0.90	0.90	0.90
Other information			
Closing NAV (\$'000)	0	32	6
Closing NAV percentage of total fund NAV (%)	0.00	0.00	0.00
Number of shares	0	1,259	259
Highest share price (US ¢)	2,544.78	2,632.47	2,325.87
Lowest share price (US ¢)	2,263.10	2,223.17	1,920.72

M&G Global Select Fund

Financial highlights

Specific share class performance

US dollar Class 'C' Accumulation share performance

The share class was launched on 19 December 2008.

	Six months to 28.02.19 US ¢	Year to 31.08.18 US ¢	Year to 31.08.17 US ¢
Change in NAV per share			
Opening NAV	2,682.22	2,350.45	2,083.13
Return before operating charges and after direct portfolio transaction costs	(71.44)	355.11	288.49
Operating charges	(11.50)	(23.34)	(21.17)
Return after operating charges	(82.94)	331.77	267.32
Distributions	(1.48)	(17.40)	(20.99)
Retained distributions	1.48	17.40	20.99
Return to shareholder as a result of share class closure	(2,599.28)	n/a	n/a
Closing NAV	0.00	2,682.22	2,350.45
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.32	0.68	1.21
Dilution adjustments ^[a]	(0.17)	(0.37)	(0.56)
Total direct portfolio transaction costs	0.15	0.31	0.65
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.02	0.03
Operating charges	0.91	0.91	0.91
Return after operating charges	-3.09	+14.12	+12.83
Historic yield	0.67	0.69	0.90
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	0	134,830	118,933
Closing NAV percentage of total fund NAV (%)	0.00	13.88	11.59
Number of shares	0	5,026,806	5,060,031
Highest share price (US ¢)	2,715.95	2,765.58	2,400.91
Lowest share price (US ¢)	2,415.33	2,335.69	1,983.09

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

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

M&G Global Select Fund

Financial statements and notes

Financial statements

Statement of total return

for the six months to 28 February	2019		2018	
	\$'000	\$'000	\$'000	\$'000
Income				
Net capital gains / (losses)		(35,516)		100,113
Revenue	5,839		6,813	
Expenses	(5,368)		(7,654)	
Net revenue / (expense) before taxation	471		(841)	
Taxation	(447)		(1,518)	
Net revenue / (expense) after taxation		24		(2,359)
Total return before distributions		(35,492)		97,754
Distributions		(457)		17
Change in net assets attributable to shareholders from investment activities		(35,949)		97,771

Statement of change in net assets attributable to shareholders

for the six months to 28 February	2019		2018	
	\$'000	\$'000	\$'000	\$'000
Opening net assets attributable to shareholders		971,265		1,025,973
Amounts received on issue of shares	131,456		52,360	
Amounts paid on cancellation of shares	(296,305)		(103,654)	
Transferred to M&G (Lux) Global Select Fund	(85,056)		0	
		(249,905)		(51,294)
Dilution adjustments		139		90
Change in net assets attributable to shareholders from investment activities (see above)		(35,949)		97,771
Retained distributions on Accumulation shares		17		0
Unclaimed distributions		5		13
Closing net assets attributable to shareholders		685,572		1,072,553

The opening net assets attributable to shareholders for 2019 differs to the closing position in 2018 by the change in net assets attributable to shareholders for the second half of the comparative financial year.

Balance sheet

as at	28 February 2019	31 August 2018
	\$'000	\$'000
Assets		
Fixed assets		
Investments	678,560	968,907
Current assets		
Debtors	3,797	22,530
Cash and bank balances	1,622	965
Cash equivalents	3,414	4,828
Total assets	687,393	997,230
Liabilities		
Creditors		
Bank overdrafts	(196)	(2,116)
Distribution payable	0	(7,454)
Other creditors	(1,625)	(16,395)
Total liabilities	(1,821)	(25,965)
Net assets attributable to shareholders	685,572	971,265

Notes to the financial statements

Accounting policies

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

Distribution policy

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

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

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

M&G Global Select Fund

Financial statements and notes

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M&G Global Themes Fund

Authorised Corporate Director's Report

Investment objective

The fund aims to provide a higher total return (the combination of capital growth and income) than that of the MSCI ACWI Index over any five-year period.

Investment policy

The fund will invest at least 80% of its net asset value in the equity securities of companies across any sectors and market capitalisations that are domiciled in any country, including emerging markets. The fund may also invest in collective investment schemes, other transferable securities and may hold cash for liquidity purposes. Derivatives may be used for efficient portfolio management.

Investment approach

The investment process of the fund combines top-down and bottom-up analysis. The fund manager aims to identify themes arising from long-term structural shifts, changes or trends. Stocks that can benefit from these themes are then selected on the basis of their quality, growth and valuation.

Themes are identified through the analysis of global macroeconomics, demographics, government policies and spending, and technological innovation, among other considerations.

The bottom-up stock selection process is designed to identify well-run companies which can benefit from those themes and which are trading on attractive valuations with good, sustainable growth prospects.

The fund is invested across the market-cap spectrum and is geographically diversified.

Risk profile

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

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

However, the fund is mainly invested in the shares of large and medium-sized companies, which are normally traded with relative ease. Moreover, the fund is diversified across countries, industries and market capitalisation, which is key in managing liquidity risk and reducing market risk. The fund's risks are measured and managed as an integral part of the investment process.

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



The above number:

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

Investment review

As at 1 March 2019, for the six months ended 28 February 2019

Performance against objective

Between 3 September 2018 (the start of the review period) and 1 March 2019, the fund delivered a negative total return (the combination of income and growth of capital) for all its share classes.* The fund lagged the MSCI ACWI Index, its comparative index, which returned -4.7% in sterling, -0.0% in euros and -2.1% in US dollars. Consequently, over this review period, the fund did not meet its objective, which was introduced on 17 November 2017, of providing a higher total return than that of the MSCI ACWI Index.

Over a longer timeframe of five years, the fund has generated a positive total return across all its share classes, but underperformed its comparative index which was the FTSE Global Basics Composite Index (comprising all sub-sectors of the FTSE World Index except media, IT, telecommunications, financials and healthcare) until 16 November 2017 and MSCI ACWI Index thereafter. The fund therefore did not meet the current objective over its specified timeframe of five years.

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

Investment performance

The six-month period was characterised by increased volatility (or market turbulence) in stockmarkets worldwide, which saw the MSCI ACWI Index peak in September before falling almost 20% in December. The global index recovered most of its losses in the first two months of 2019, but still ended the review period lower. Japan was among the worst-performing markets, but the US and Europe also played their part in dragging down returns. Emerging markets and Asia Pacific ex Japan held up best in a difficult environment.

Fears of an economic slowdown led to cyclical stocks being out of favour, while defensives held up best in a difficult environment. (Cyclicals are companies which tend to be more sensitive to the economic cycle; defensive stocks are companies that tend to have stable earnings and are less affected by peaks and troughs in the economy.) Energy was the worst-performing sector against the backdrop of a weaker oil price, while technology was another casualty of the market sell-off. The share price of Apple declined more than 20% during the period. By contrast, the utilities sector was one of the few areas which delivered a positive return as investors sought the comfort of safety.

M&G Global Themes Fund

Authorised Corporate Director's Report

Investment review

Investment performance (continued)

Against this background, the fund trailed the MSCI ACWI Index, with market timing differences influencing the shortfall. The fund is priced at midday in London, while the MSCI ACWI Index is priced at the end of the trading day.

Looking at the drivers of performance, Schlumberger and Suncor Energy were among the leading detractors in an underperforming energy sector. Both stocks were sold during the review period. Other stocks came under pressure for stock-specific reasons. Henkel, the owner of household brands such as Persil and Loctite, struggled after the German company cut its guidance for 2019. Bunge fell after the US agribusiness and food company missed expectations with its results and gave a cautious outlook for the year ahead.

On the positive side, Roche made the biggest positive contribution to performance. The Swiss pharmaceutical stock rose amid a falling market as investors favoured defensive qualities. Its resilience was also backed by solid fundamentals as the company reported better-than-expected results and its growth forecasts for 2019 were well received.

Strong operating performance helped Motorola Solutions to buck the trend in a weak technology sector. Not owning shares in Apple and Amazon.com also helped.

Stock selection added value in financials where AIA, the Hong Kong-listed insurer, and US-based First Republic Bank continued to deliver growth.

Regional allocation benefited from a relatively small exposure to Japan and sector allocation added value through a large weighting in consumer staples.

Investment activities

There were 34 new purchases and 29 complete sales during the review period, a level of turnover exaggerated by the appointment of a new fund manager on 10 January 2019. On completion of the fund's transition, we expect portfolio turnover to be consistent with our long-term investment horizon of three to five years.

Prior to the fund manager change, four stocks were added to the portfolio: IPG Photonics and TravelSky Technology (both technology) as well as Eprioc (industrials) and Danone (consumer staples). There were 13 sales during this period, six of which were from the materials sector (Symrise, Bonterra Resources, IAMGOLD, Randgold Resources, Roxgold and SEMAFO), three from consumer discretionary (BYD, Honda Motor and Porsche) and two from industrials (Nidec and GEA). National Oilwell Varco and Xperi were also sold from energy and technology, respectively.

The fund currently focuses on four themes: demographics, environment, infrastructure and innovation – with each theme split into two sub-themes. Companies that are not beneficiaries of these themes are in the process of being sold and 16 stocks have already exited the portfolio. The disposals included another six from the materials sector (Trevali Mining, Agnico Eagle Mines, Compass Minerals, Avery Dennison, Newmont Mining and Polymetal International) and three from industrials (Raytheon, Parker Hannifin

and Booz Allen Hamilton), as well as two each from energy (Suncor and Schlumberger), healthcare (MD Medical and Ansell) and technology (Amadeus IT and Scout24). Japan Tobacco in consumer staples also exited the portfolio.

The fund's repositioning saw 30 new stocks being added, 14 of which have reached their target weightings: two belong to the 'demographics' theme (Comcast and Visa) and seven are categorised as 'environment' (Orsted, Air Products & Chemicals, Enel, NextEra Energy, Atmos Energy, Naturgy Energy and American Water Works). 'Infrastructure' has two new stocks at their desired exposure (Edison International and National Grid), while 'innovation' has three (Crown Castle, American Tower and Equinix).

Following these transactions, the number of holdings increased from 62 to 67 during the review period, although this is expected to fall to 40-60 over time.

The fund's exposure to the US increased at the expense of Europe as we made a conscious decision to redress the imbalance in regional positioning. We felt uncomfortable with the significant underweight position in the US, the largest country in the MSCI ACWI Index, especially as the growth characteristics of the US market provide a wide array of thematic opportunities.

Sector weightings saw some major changes, starting with consumer staples. The sector is home to a variety of exciting opportunities, but we found the historic exposure of almost 20% difficult to justify given the long-term growth prospects of the underlying holdings. The above index stance in materials was reduced. The proceeds were recycled into new areas, including utilities, which are beneficiaries of structural themes, as well as growth companies classified as real estate investment trusts (REITs). These new holdings have also served to reduce the volatility of the portfolio.

Outlook

The abrupt reversal in stockmarkets towards the end of 2018 caught many investors by surprise and the pickup in volatility led to increasing discomfort among those who identify themselves as risk averse. Many have since watched the markets rebound in 2019, while looking for a new direction. Volatility is not synonymous with risk, however, and it is our strong belief that short-term swings in sentiment can present excellent opportunities for long-term investors.

What has surprised us is not so much the return of volatility but the fact that the market downturn occurred at a time when little has changed on a fundamental basis. We see excellent opportunities across a variety of countries and sectors for companies with robust cashflows and solid growth prospects. Growth is available at attractive prices, and in many cases at bargain prices, which gives us great confidence for the fund's performance in the years ahead. We look forward to the future with optimism.

Alex Araujo

Fund manager

An employee of M&G Limited which is an associate of M&G Securities Limited. At the start of the review period Jamie Horvat was the 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.

M&G Global Themes Fund

Authorised Corporate Director's Report

Investments

Portfolio statement

as at Holding	28.02.19 \$'000	28.02.19 %	31.08.18 %
EQUITIES	2,815,422	99.05	98.81
United Kingdom	229,522	8.08	10.04
728,478 AstraZeneca	59,502	2.10	
1,428,677 Genus	41,166	1.45	
599,701 London Stock Exchange	36,148	1.27	
2,240,625 National Grid	25,217	0.89	
5,031,743 PZ Cussons	12,839	0.45	
1,030,374 Unilever	54,650	1.92	
Austria	46,459	1.63	1.66
1,273,684 Erste Group Bank	46,459	1.63	
Belgium	38,174	1.34	1.21
520,667 KBC	38,174	1.34	
Denmark	39,494	1.39	0.00
545,115 Orsted	39,494	1.39	
France	51,841	1.82	0.00
123,473 Danone	9,345	0.33	
446,005 Vinci	42,496	1.49	
Germany	194,241	6.83	11.74
502,758 Henkel Preference Shares	50,372	1.77	
561,579 Infineon Technologies	12,338	0.43	
347,974 Linde	61,199	2.15	
641,659 Siemens	70,332	2.48	
Ireland	49,678	1.75	3.15
480,027 Kerry	49,678	1.75	
Italy	34,072	1.20	0.00
5,633,129 Enel	34,072	1.20	
Netherlands	39,803	1.40	3.84
304,308 NXP Semiconductors	27,939	0.98	
377,766 Royal Dutch Shell 'A'	11,864	0.42	
Spain	63,434	2.23	1.81
1,797,398 Ferrovial	41,307	1.45	
811,630 Naturgy Energy	22,127	0.78	
Sweden	38,707	1.36	0.00
3,888,746 Epiroc	38,707	1.36	
Switzerland	71,068	2.50	3.69
183,061 Garmin	15,406	0.54	
200,079 Roche	55,662	1.96	
United States	1,368,496	48.15	40.76
322,449 Air Products & Chemicals	58,547	2.06	
29,427 Alphabet	32,843	1.16	
158,815 American Tower REIT	27,507	0.97	
307,595 American Water Works	31,079	1.09	
274,345 Atmos Energy	27,108	0.95	
241,868 Becton Dickinson	60,530	2.13	
726,206 Bunge	38,511	1.35	
1,576,333 Comcast	60,736	2.14	
371,412 CoreSite Realty REIT	38,029	1.34	
338,097 Crown Castle International REIT	40,000	1.41	
700,095 CSX	50,869	1.79	
989,154 Edison International	59,943	2.11	
73,515 Equinix REIT	30,740	1.08	
968,403 First Republic Bank	101,605	3.57	
254,270 Honeywell International	39,310	1.38	
1,206,618 Hutchison China MedTech ADR	31,119	1.09	
20,543 IPG Photonics	3,243	0.11	
415,539 Johnson & Johnson	56,463	1.99	

Portfolio statement (continued)

as at Holding	28.02.19 \$'000	28.02.19 %	31.08.18 %
United States (continued)			
1,431,337 Microsoft	160,567	5.65	
327,381 Motorola Solutions	46,799	1.65	
311,793 NextEra Energy	58,230	2.05	
688,310 Nomad Foods	12,975	0.46	
545,508 ONEOK	35,534	1.25	
445,097 PepsiCo	51,346	1.81	
448,764 Republic Services	35,008	1.23	
225,972 ResMed	23,009	0.81	
194,621 Visa	28,654	1.01	
325,998 Walt Disney	36,753	1.29	
982,154 Yum! Brands	91,439	3.22	
Canada	129,334	4.55	4.67
995,712 Franco Nevada	74,839	2.63	
2,350,206 PrairieSky Royalty	34,304	1.21	
450,795 TransCanada	20,191	0.71	
Japan	81,844	2.88	3.98
179,500 Shimano	27,363	0.96	
902,000 Toyota Motor	54,481	1.92	
Australia	64,271	2.26	2.82
326,423 Erin Barr ^[a]	0	0.00	
45,186,512 Starpharma	34,690	1.22	
3,324,361 Transurban	29,581	1.04	
China	17,695	0.62	0.00
6,119,000 TravelSky Technology	17,695	0.62	
Hong Kong	87,994	3.10	2.14
8,804,568 AIA	87,994	3.10	
Singapore	83,009	2.92	2.66
4,504,833 DBS	83,009	2.92	
South Korea	75,272	2.65	2.65
1,877,134 Samsung Electronics	75,272	2.65	
United Arab Emirates	11,014	0.39	1.99
696,629 DP World	11,014	0.39	
Portfolio of investments	2,815,422	99.05	98.81
CASH EQUIVALENTS	0	0.00	0.00
'AAA' rated money market funds ^[b]	0	0.00	0.00
Total portfolio	2,815,422	99.05	98.81
Net other assets / (liabilities)	26,962	0.95	1.19
Net assets attributable to shareholders	2,842,384	100.00	100.00

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

^[a] Unlisted.

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

M&G Global Themes Fund

Authorised Corporate Director's Report

Investments

Top ten portfolio transactions	
for the six months to 28 February 2019	
Largest purchases	\$'000
Danone	103,261
Toyota Motor	56,681
Edison International	56,650
Comcast	56,274
NextEra Energy	54,338
Air Products & Chemicals	51,276
PepsiCo	48,327
Epiroc	46,152
CSX	45,783
Ferrovial	39,195
Other purchases	896,520
Total purchases	1,454,457
Largest sales	\$'000
Alphabet	93,164
Danone	88,039
Raytheon	70,721
Honda Motor	67,459
Roche	66,000
Royal Dutch Shell 'A'	64,525
Porsche Automobil Preference Shares	63,155
Avery Dennison	60,954
Parker Hannifin	52,431
Suncor Energy	50,430
Other sales	884,050
Total sales	1,560,928

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

M&G Global Themes Fund

Financial highlights

Fund performance

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

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

We show performance for these two share classes because:

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

The fund is available for investment in different share classes, each with varying levels of charges and minimum investments; please refer to the Prospectus for M&G Investment Funds (1), 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	28.02.19 \$'000	31.08.18 \$'000	31.08.17 \$'000
Fund net asset value (NAV)	2,842,384	3,077,684	2,680,467

Performance since launch

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



When the fund's objective changed, the comparable index of the fund also changed, and to make a fair comparison the chart above shows performance since the fund's change of objective.

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

M&G Global Themes Fund

Financial highlights

Fund performance

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

Long-term performance by share class				
	Six months 03.09.18 % ^[a]	Three years 01.03.16 % p.a.	Five years 03.03.14 % p.a.	Since launch % p.a.
Euro ^[b]				
Class 'A'	-1.0	+8.5	+6.3	+7.0 ^[c]
Class 'C'	-0.5	+9.6	+7.4	+8.1 ^[c]
Sterling ^[d]				
Class 'A'	-5.3	+12.5	+7.6	+7.6 ^[e]
Class 'I'	-5.0	+13.4	+8.4	+7.4 ^[f]
Class 'R'	-5.1	+13.1	+8.1	+7.2 ^[f]
Class 'X'	-5.3	+12.5	+7.6	+13.6 ^[g]
US dollar ^[b]				
Class 'A'	-3.0	+10.2	+2.4	+2.2 ^[h]
Class 'C'	-2.5	+11.3	+3.4	+3.2 ^[h]

^[a] Absolute basis.

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

^[c] 28 November 2001, the launch date of the share class.

^[d] Price to price with income reinvested.

^[e] 28 February 1973, the end of the initial offer period of the predecessor unit trust.

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

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

^[h] 9 March 2007, the launch date of the share class.

Operating charges and portfolio transaction costs

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

Operating charges

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

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

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

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

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

M&G Global Themes Fund

Financial highlights

Fund performance

Operating charges and portfolio transaction costs

Portfolio transaction costs

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

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

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

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

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

Portfolio transaction costs				
	Six months to 28.02.19	Year to 31.08.18	Year to 31.08.17	Average ^[a]
Direct portfolio transaction costs ^[b]	%	%	%	%
Broker commission	0.10	0.04	0.02	0.05
Taxes	0.06	0.02	0.01	0.03
Costs before dilution adjustments	0.16	0.06	0.03	0.08
Dilution adjustments ^[c]	(0.01)	(0.01)	(0.01)	(0.01)
Total direct portfolio transaction costs	0.15	0.05	0.02	0.07
as at	28.02.19	31.08.18	31.08.17	Average ^[a]
Indirect portfolio transaction costs	%	%	%	%
Average portfolio dealing spread	0.05	0.17	0.27	0.16

^[a] Average of first three columns.

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

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

Specific share class performance

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

Historic yields for the current period are calculated as at 8 March 2019.

Euro Class 'A' Income share performance

The share class was launched on 12 July 2013.

	Six months to 28.02.19 Euro €	Year to 31.08.18 Euro €	Year to 31.08.17 Euro €
Change in NAV per share			
Opening NAV	3,119.11	2,922.01	2,824.63
Return before operating charges and after direct portfolio transaction costs	(27.15)	314.66	209.47
Operating charges	(28.37)	(59.73)	(57.25)
Return after operating charges	(55.52)	254.93	152.22
Distributions	n/a	(57.83)	(54.84)
Closing NAV	3,063.59	3,119.11	2,922.01
Direct portfolio transaction costs	Euro €	Euro €	Euro €
Costs before dilution adjustments	2.30	1.89	0.99
Dilution adjustments ^[a]	(0.10)	(0.27)	(0.26)
Total direct portfolio transaction costs	2.20	1.62	0.73
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.15	0.05	0.02
Operating charges	1.92	1.92	1.92
Return after operating charges	-1.78	+8.72	+5.39
Historic yield	1.88	1.86	1.85
Effect on yield of charges offset against capital	1.90	1.90	1.90
Other information			
Closing NAV (\$'000)	5,685	5,968	4,990
Closing NAV percentage of total fund NAV (%)	0.20	0.19	0.19
Number of shares	162,527	163,979	144,009
Highest share price (Euro €)	3,129.49	3,268.60	3,145.52
Lowest share price (Euro €)	2,729.51	2,928.48	2,720.14

M&G Global Themes Fund

Financial highlights

Specific share class performance

Euro Class 'A' Accumulation share performance

The share class was launched on 28 November 2001.

	Six months to 28.02.19 Euro ¢	Year to 31.08.18 Euro ¢	Year to 31.08.17 Euro ¢
Change in NAV per share			
Opening NAV	3,265.29	3,003.89	2,850.14
Return before operating charges and after direct portfolio transaction costs	(28.23)	322.62	211.27
Operating charges	(29.69)	(61.22)	(57.52)
Return after operating charges	(57.92)	261.40	153.75
Distributions	n/a	0.00	(2.55)
Retained distributions	n/a	0.00	2.55
Closing NAV	3,207.37	3,265.29	3,003.89
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	2.41	1.93	0.99
Dilution adjustments ^[a]	(0.11)	(0.28)	(0.26)
Total direct portfolio transaction costs	2.30	1.65	0.73
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.15	0.05	0.02
Operating charges	1.92	1.92	1.92
Return after operating charges	-1.77	+8.70	+5.39
Historic yield	0.00	0.00	0.09
Effect on yield of charges offset against capital	0.00	0.00	0.00

Other information

Closing NAV (\$'000)	1,883,586	2,027,137	1,816,848
Closing NAV percentage of total fund NAV (%)	66.27	65.88	67.78
Number of shares	51,440,309	53,204,357	51,008,408
Highest share price (Euro ¢)	3,276.36	3,359.41	3,173.93
Lowest share price (Euro ¢)	2,857.61	3,009.84	2,744.71

Euro Class 'C' Income share performance

The share class was launched on 8 August 2014.

	Six months to 28.02.19 Euro ¢	Year to 31.08.18 Euro ¢	Year to 31.08.17 Euro ¢
Change in NAV per share			
Opening NAV	3,566.16	3,307.75	3,165.27
Return before operating charges and after direct portfolio transaction costs	(30.43)	357.05	235.29
Operating charges	(15.63)	(32.55)	(30.97)
Return after operating charges	(46.06)	324.50	204.32
Distributions	n/a	(66.09)	(61.84)
Closing NAV	3,520.10	3,566.16	3,307.75
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	2.64	2.15	1.11
Dilution adjustments ^[a]	(0.12)	(0.31)	(0.29)
Total direct portfolio transaction costs	2.52	1.84	0.82
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.15	0.05	0.02
Operating charges	0.92	0.92	0.92
Return after operating charges	-1.29	+9.81	+6.46
Historic yield	1.87	1.86	1.84
Effect on yield of charges offset against capital	0.90	0.90	0.90
Other information			
Closing NAV (\$'000)	1,316	1,485	1,290
Closing NAV percentage of total fund NAV (%)	0.05	0.05	0.05
Number of shares	32,755	35,695	32,892
Highest share price (Euro ¢)	3,578.42	3,713.16	3,546.63
Lowest share price (Euro ¢)	3,130.84	3,317.13	3,054.11

Euro Class 'C' Accumulation share performance

The share class was launched on 28 November 2001.

	Six months to 28.02.19 Euro ¢	Year to 31.08.18 Euro ¢	Year to 31.08.17 Euro ¢
Change in NAV per share			
Opening NAV	3,834.19	3,492.19	3,280.53
Return before operating charges and after direct portfolio transaction costs	(32.47)	376.32	243.52
Operating charges	(16.79)	(34.32)	(31.86)
Return after operating charges	(49.26)	342.00	211.66
Distributions	n/a	(35.11)	(35.10)
Retained distributions	n/a	35.11	35.10
Closing NAV	3,784.93	3,834.19	3,492.19
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	2.84	2.26	1.15
Dilution adjustments ^[a]	(0.13)	(0.32)	(0.30)
Total direct portfolio transaction costs	2.71	1.94	0.85
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.15	0.05	0.02
Operating charges	0.92	0.92	0.92
Return after operating charges	-1.28	+9.79	+6.45
Historic yield	0.93	0.92	0.99
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	14,903	16,151	14,125
Closing NAV percentage of total fund NAV (%)	0.53	0.52	0.53
Number of shares	344,884	361,002	341,119
Highest share price (Euro ¢)	3,847.63	3,919.55	3,675.70
Lowest share price (Euro ¢)	3,366.37	3,501.73	3,165.26

Sterling Class 'A' Income share performance

The share class was launched on 28 February 1973.

	Six months to 28.02.19 UK p	Year to 31.08.18 UK p	Year to 31.08.17 UK p
Change in NAV per share			
Opening NAV	911.11	873.84	776.01
Return before operating charges and after direct portfolio transaction costs	(46.95)	68.93	128.12
Operating charges	(7.12)	(14.79)	(13.91)
Return after operating charges	(54.07)	54.14	114.21
Distributions	n/a	(16.87)	(16.38)
Closing NAV	857.04	911.11	873.84
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.66	0.54	0.28
Dilution adjustments ^[a]	(0.03)	(0.08)	(0.07)
Total direct portfolio transaction costs	0.63	0.46	0.21
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.15	0.05	0.02
Operating charges	1.67	1.67	1.67
Return after operating charges	-5.93	+6.20	+14.72
Historic yield	1.96	1.85	1.85
Effect on yield of charges offset against capital	1.65	1.65	1.65
Other information			
Closing NAV (\$'000)	143,624	156,489	93,968
Closing NAV percentage of total fund NAV (%)	5.05	5.08	3.51
Number of shares	12,597,208	13,206,458	8,351,587
Highest share price (UK p)	918.56	944.06	894.27
Lowest share price (UK p)	802.05	833.29	755.91

M&G Global Themes Fund

Financial highlights

Specific share class performance

Sterling Class 'A' Accumulation share performance

The share class was launched on 28 February 1973.

	Six months to 28.02.19 UK p	Year to 31.08.18 UK p	Year to 31.08.17 UK p
Change in NAV per share			
Opening NAV	1,442.51	1,358.67	1,184.36
Return before operating charges and after direct portfolio transaction costs	(74.24)	106.95	195.57
Operating charges	(11.27)	(23.11)	(21.26)
Return after operating charges	(85.51)	83.84	174.31
Distributions	n/a	(2.45)	(4.29)
Retained distributions	n/a	2.45	4.29
Closing NAV	1,357.00	1,442.51	1,358.67
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	1.05	0.84	0.42
Dilution adjustments ^[a]	(0.05)	(0.12)	(0.11)
Total direct portfolio transaction costs	1.00	0.72	0.31
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.15	0.05	0.02
Operating charges	1.67	1.67	1.67
Return after operating charges	-5.93	+6.17	+14.72
Historic yield	0.18	0.17	0.31
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	293,989	322,760	271,142
Closing NAV percentage of total fund NAV (%)	10.34	10.50	10.12
Number of shares	16,285,484	17,204,174	15,498,977
Highest share price (UK p)	1,454.41	1,467.51	1,364.86
Lowest share price (UK p)	1,269.93	1,295.40	1,153.67

Sterling Class 'I' Income share performance

The share class was launched on 3 August 2012.

	Six months to 28.02.19 UK p	Year to 31.08.18 UK p	Year to 31.08.17 UK p
Change in NAV per share			
Opening NAV	1,536.70	1,462.82	1,289.26
Return before operating charges and after direct portfolio transaction costs	(79.14)	115.98	213.70
Operating charges	(6.65)	(13.74)	(12.81)
Return after operating charges	(85.79)	102.24	200.89
Distributions	n/a	(28.36)	(27.33)
Closing NAV	1,450.91	1,536.70	1,462.82
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	1.12	0.91	0.46
Dilution adjustments ^[a]	(0.05)	(0.13)	(0.12)
Total direct portfolio transaction costs	1.07	0.78	0.34
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.15	0.05	0.02
Operating charges	0.92	0.92	0.92
Return after operating charges	-5.58	+6.99	+15.58
Historic yield	1.95	1.84	1.84
Effect on yield of charges offset against capital	0.90	0.90	0.90
Other information			
Closing NAV (\$'000)	62,109	68,915	49,792
Closing NAV percentage of total fund NAV (%)	2.19	2.24	1.86
Number of shares	3,217,852	3,448,246	2,643,572
Highest share price (UK p)	1,549.40	1,591.42	1,496.94
Lowest share price (UK p)	1,356.06	1,401.16	1,256.20

Sterling Class 'I' Accumulation share performance

The share class was launched on 3 August 2012.

	Six months to 28.02.19 UK p	Year to 31.08.18 UK p	Year to 31.08.17 UK p
Change in NAV per share			
Opening NAV	1,679.67	1,570.26	1,358.59
Return before operating charges and after direct portfolio transaction costs	(86.42)	124.19	225.15
Operating charges	(7.26)	(14.78)	(13.48)
Return after operating charges	(93.68)	109.41	211.67
Distributions	n/a	(15.38)	(15.79)
Retained distributions	n/a	15.38	15.79
Closing NAV	1,585.99	1,679.67	1,570.26
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	1.23	0.97	0.48
Dilution adjustments ^[a]	(0.06)	(0.14)	(0.13)
Total direct portfolio transaction costs	1.17	0.83	0.35
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.15	0.05	0.02
Operating charges	0.92	0.92	0.92
Return after operating charges	-5.58	+6.97	+15.58
Historic yield	0.97	0.91	0.99
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	257,215	283,442	258,543
Closing NAV percentage of total fund NAV (%)	9.05	9.21	9.64
Number of shares	12,191,210	12,975,200	12,787,325
Highest share price (UK p)	1,693.65	1,707.96	1,577.42
Lowest share price (UK p)	1,482.31	1,503.81	1,323.72

Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012.

	Six months to 28.02.19 UK p	Year to 31.08.18 UK p	Year to 31.08.17 UK p
Change in NAV per share			
Opening NAV	153.00	146.02	129.01
Return before operating charges and after direct portfolio transaction costs	(7.88)	11.55	21.36
Operating charges	(0.84)	(1.74)	(1.62)
Return after operating charges	(8.72)	9.81	19.74
Distributions	n/a	(2.83)	(2.73)
Closing NAV	144.28	153.00	146.02
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.11	0.09	0.05
Dilution adjustments ^[a]	(0.01)	(0.01)	(0.01)
Total direct portfolio transaction costs	0.10	0.08	0.04
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.15	0.05	0.02
Operating charges	1.17	1.17	1.17
Return after operating charges	-5.70	+6.72	+15.30
Historic yield	1.95	1.84	1.84
Effect on yield of charges offset against capital	1.15	1.15	1.15
Other information			
Closing NAV (\$'000)	3,701	3,913	654
Closing NAV percentage of total fund NAV (%)	0.13	0.13	0.02
Number of shares	1,928,456	1,966,484	348,053
Highest share price (UK p)	154.27	158.48	149.42
Lowest share price (UK p)	134.91	139.65	125.69

M&G Global Themes Fund

Financial highlights

Specific share class performance

Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012.

	Six months to 28.02.19 UK p	Year to 31.08.18 UK p	Year to 31.08.17 UK p
Change in NAV per share			
Opening NAV	165.47	155.07	134.50
Return before operating charges and after direct portfolio transaction costs	(8.51)	12.26	22.27
Operating charges	(0.91)	(1.86)	(1.70)
Return after operating charges	(9.42)	10.40	20.57
Distributions	n/a	(1.11)	(1.20)
Retained distributions	n/a	1.11	1.20
Closing NAV	156.05	165.47	155.07
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.12	0.10	0.05
Dilution adjustments ^[a]	(0.01)	(0.01)	(0.01)
Total direct portfolio transaction costs	0.11	0.09	0.04
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.15	0.05	0.02
Operating charges	1.17	1.17	1.17
Return after operating charges	-5.69	+6.71	+15.29
Historic yield	0.71	0.67	0.77
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	16,909	16,709	222
Closing NAV percentage of total fund NAV (%)	0.59	0.54	0.01
Number of shares	8,145,378	7,764,839	110,924
Highest share price (UK p)	166.84	168.28	155.78
Lowest share price (UK p)	145.90	148.29	131.04

Sterling Class 'X' Income share performance

The share class was launched on 1 October 2002.

	Six months to 28.02.19 UK p	Year to 31.08.18 UK p	Year to 31.08.17 UK p
Change in NAV per share			
Opening NAV	914.07	876.72	778.58
Return before operating charges and after direct portfolio transaction costs	(47.08)	69.20	128.55
Operating charges	(7.15)	(14.92)	(13.98)
Return after operating charges	(54.23)	54.28	114.57
Distributions	n/a	(16.93)	(16.43)
Closing NAV	859.84	914.07	876.72
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.67	0.54	0.28
Dilution adjustments ^[a]	(0.03)	(0.08)	(0.07)
Total direct portfolio transaction costs	0.64	0.46	0.21
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.15	0.05	0.02
Operating charges	1.67	1.67	1.67
Return after operating charges	-5.93	+6.19	+14.72
Historic yield	1.96	1.85	1.85
Effect on yield of charges offset against capital	1.65	1.65	1.65
Other information			
Closing NAV (\$'000)	44,585	47,744	49,153
Closing NAV percentage of total fund NAV (%)	1.57	1.55	1.83
Number of shares	3,897,838	4,016,128	4,354,184
Highest share price (UK p)	921.55	947.14	897.24
Lowest share price (UK p)	804.66	836.06	758.41

Sterling Class 'X' Accumulation share performance

The share class was launched on 1 October 2002.

	Six months to 28.02.19 UK p	Year to 31.08.18 UK p	Year to 31.08.17 UK p
Change in NAV per share			
Opening NAV	1,428.35	1,345.33	1,172.74
Return before operating charges and after direct portfolio transaction costs	(73.51)	105.91	193.63
Operating charges	(11.16)	(22.89)	(21.04)
Return after operating charges	(84.67)	83.02	172.59
Distributions	n/a	(2.41)	(4.25)
Retained distributions	n/a	2.41	4.25
Closing NAV	1,343.68	1,428.35	1,345.33
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	1.04	0.83	0.42
Dilution adjustments ^[a]	(0.05)	(0.12)	(0.11)
Total direct portfolio transaction costs	0.99	0.71	0.31
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.15	0.05	0.02
Operating charges	1.67	1.67	1.67
Return after operating charges	-5.93	+6.17	+14.72
Historic yield	0.18	0.17	0.31
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	92,364	102,920	94,910
Closing NAV percentage of total fund NAV (%)	3.25	3.34	3.54
Number of shares	5,167,207	5,540,367	5,479,002
Highest share price (UK p)	1,440.13	1,453.10	1,351.47
Lowest share price (UK p)	1,257.47	1,282.70	1,142.35

US dollar Class 'A' Income share performance

The share class was launched on 8 August 2014.

	Six months to 28.02.19 US ¢	Year to 31.08.18 US ¢	Year to 31.08.17 US ¢
Change in NAV per share			
Opening NAV	1,294.54	1,232.44	1,119.41
Return before operating charges and after direct portfolio transaction costs	(38.96)	111.54	158.81
Operating charges	(11.54)	(25.43)	(22.64)
Return after operating charges	(50.50)	86.11	136.17
Distributions	n/a	(24.01)	(23.14)
Closing NAV	1,244.04	1,294.54	1,232.44
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.94	0.80	0.39
Dilution adjustments ^[a]	(0.04)	(0.11)	(0.10)
Total direct portfolio transaction costs	0.90	0.69	0.29
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.15	0.05	0.02
Operating charges	1.92	1.92	1.92
Return after operating charges	-3.90	+6.99	+12.16
Historic yield	1.94	1.88	1.84
Effect on yield of charges offset against capital	1.90	1.90	1.90
Other information			
Closing NAV (\$'000)	86	89	108
Closing NAV percentage of total fund NAV (%)	0.00	0.00	0.00
Number of shares	6,874	6,874	8,774
Highest share price (US ¢)	1,294.68	1,426.87	1,265.15
Lowest share price (US ¢)	1,105.71	1,242.08	1,065.61

M&G Global Themes Fund

Financial highlights

Specific share class performance

US dollar Class 'A' Accumulation share performance

The share class was launched on 9 March 2007.

	Six months to 28.02.19 US ¢	Year to 31.08.18 US ¢	Year to 31.08.17 US ¢
Change in NAV per share			
Opening NAV	1,351.12	1,263.06	1,126.12
Return before operating charges and after direct portfolio transaction costs	(40.57)	113.98	158.94
Operating charges	(12.05)	(25.92)	(22.00)
Return after operating charges	(52.62)	88.06	136.94
Distributions	n/a	0.00	(1.07)
Retained distributions	n/a	0.00	1.07
Closing NAV	1,298.50	1,351.12	1,263.06
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.98	0.82	0.38
Dilution adjustments ^[a]	(0.04)	(0.12)	(0.10)
Total direct portfolio transaction costs	0.94	0.70	0.28
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.15	0.05	0.02
Operating charges	1.92	1.92	1.92
Return after operating charges	-3.89	+6.97	+12.16
Historic yield	0.00	0.00	0.09
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	21,144	23,215	24,681
Closing NAV percentage of total fund NAV (%)	0.74	0.75	0.92
Number of shares	1,628,341	1,718,205	1,954,068
Highest share price (US ¢)	1,351.36	1,462.09	1,272.71
Lowest share price (US ¢)	1,154.11	1,272.76	1,071.99

US dollar Class 'C' Income share performance

The share class was launched on 8 August 2014.

	Six months to 28.02.19 US ¢	Year to 31.08.18 US ¢	Year to 31.08.17 US ¢
Change in NAV per share			
Opening NAV	1,405.70	1,324.82	1,191.41
Return before operating charges and after direct portfolio transaction costs	(42.22)	119.70	169.55
Operating charges	(5.94)	(12.80)	(11.26)
Return after operating charges	(48.16)	106.90	158.29
Distributions	n/a	(26.02)	(24.88)
Closing NAV	1,357.54	1,405.70	1,324.82
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	1.02	0.87	0.40
Dilution adjustments ^[a]	(0.05)	(0.12)	(0.10)
Total direct portfolio transaction costs	0.97	0.75	0.30
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.15	0.05	0.02
Operating charges	0.91	0.90	0.91
Return after operating charges	-3.43	+8.07	+13.29
Historic yield	1.93	1.87	1.84
Effect on yield of charges offset against capital	0.90	0.90	0.90
Other information			
Closing NAV (\$'000)	5	6	5
Closing NAV percentage of total fund NAV (%)	0.00	0.00	0.00
Number of shares	401	401	401
Highest share price (US ¢)	1,406.67	1,540.18	1,359.12
Lowest share price (US ¢)	1,204.50	1,335.35	1,136.53

US dollar Class 'C' Accumulation share performance

The share class was launched on 9 March 2007.

	Six months to 28.02.19 US ¢	Year to 31.08.18 US ¢	Year to 31.08.17 US ¢
Change in NAV per share			
Opening NAV	1,511.73	1,394.18	1,235.00
Return before operating charges and after direct portfolio transaction costs	(45.19)	131.23	170.87
Operating charges	(6.48)	(13.68)	(11.69)
Return after operating charges	(51.67)	117.55	159.18
Distributions	n/a	(13.85)	(14.04)
Retained distributions	n/a	13.85	14.04
Closing NAV	1,460.06	1,511.73	1,394.18
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	1.09	0.90	0.42
Dilution adjustments ^[a]	(0.05)	(0.13)	(0.11)
Total direct portfolio transaction costs	1.04	0.77	0.31
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.15	0.05	0.02
Operating charges	0.92	0.92	0.92
Return after operating charges	-3.42	+8.43	+12.89
Historic yield	0.95	0.93	0.99
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	1,163	741	36
Closing NAV percentage of total fund NAV (%)	0.04	0.02	0.00
Number of shares	79,681	48,995	2,544
Highest share price (US ¢)	1,512.86	1,626.31	1,408.97
Lowest share price (US ¢)	1,295.48	1,410.11	1,178.19

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

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

M&G Global Themes Fund

Financial statements and notes

Financial statements

Statement of total return

for the six months to 28 February	2019 \$'000	2018 \$'000
Income		
Net capital gains / (losses)	(120,160)	243,724
Revenue	25,017	25,053
Expenses	(24,520)	(24,460)
Net revenue / (expense) before taxation	497	593
Taxation	(2,104)	(3,620)
Net revenue / (expense) after taxation	(1,607)	(3,027)
Total return before equalisation	(121,767)	240,697
Equalisation	62	243
Change in net assets attributable to shareholders from investment activities	(121,705)	240,940

Statement of change in net assets attributable to shareholders

for the six months to 28 February	2019 \$'000	2018 \$'000
Opening net assets attributable to shareholders	3,077,684	2,680,467
Amounts received on issue of shares	23,460	28,515
Amounts paid on cancellation of shares	(137,213)	(183,638)
	(113,753)	(155,123)
Dilution adjustments	148	239
Change in net assets attributable to shareholders from investment activities (see above)	(121,705)	240,940
Unclaimed distributions	10	0
Closing net assets attributable to shareholders	2,842,384	2,766,523

The opening net assets attributable to shareholders for 2019 differs to the closing position in 2018 by the change in net assets attributable to shareholders for the second half of the comparative financial year.

Balance sheet

as at	28 February 2019 \$'000	31 August 2018 \$'000
Assets		
Fixed assets		
Investments	2,815,422	3,040,955
Current assets		
Debtors	13,695	22,436
Cash and bank balances	22,325	26,017
Cash equivalents	0	17
Total assets	2,851,442	3,089,425
Liabilities		
Creditors		
Distribution payable	0	(5,266)
Other creditors	(9,058)	(6,475)
Total liabilities	(9,058)	(11,741)
Net assets attributable to shareholders	2,842,384	3,077,684

Notes to the financial statements

Accounting policies

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

Distribution policy

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

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

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

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Investment objective and policy up to 28 February 2019

The fund invests in a wide range of securities of Japanese issuers, covering most aspects of the economy. Its sole objective is long term capital growth. Income is not a consideration when investments are selected.

Investment approach up to 28 February 2019

The M&G Japan Fund screens a wide investment universe to form a concentrated portfolio of Japanese companies that are trading on low valuations relative to their history and the market. The fund aims to achieve sound capital growth over the long term.

The fund manager applies disciplined and rigorous fundamental analysis during the selection process to ensure a high level of conviction around the valuation for each of the companies held in the fund. The portfolio maintains diversification by typically holding between 30 and 50 stocks.

The fund holds shares in companies that have attractive valuations relative to the earnings they are likely to generate over the medium to long term. These companies are quite often out of favour with the market for one reason or another. The fund's investment strategy therefore tends to be contrarian in nature.

The fund manager sees investing as a price-sensitive process that takes advantage of the mis-pricing of a company's shares by the market. Whilst recognising that markets are generally efficient, the fund manager believes that market mis-pricings can and often do occur because human characteristics (such as fear and greed) may prevent investors from always assessing investments rationally.

As a result, market prices do not always reflect fundamental values since they may over-shoot and under-shoot. For example, shares in companies become mis-priced when investors are willing to pay a high price for the 'comfort' of strong near-term earnings momentum and to be associated with success, whilst they will sell 'unfashionable' securities regardless of inherent attractiveness, such as healthy balance sheets and the likely level of longer term earnings.

Such behavioural biases are evident in Japan's equity markets today and can be systemically exploited. The fund manager aims to take advantage of these biases by adopting a disciplined, long-term investment approach.

Investment objective from 1 March 2019

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 MSCI Japan Index over any five-year period.

Investment policy from 1 March 2019

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, or do most of their business in Japan.

The fund usually holds a concentrated portfolio of fewer than 50 companies.

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 from 1 March 2019

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

The investment approach aims to exploit price volatility.

The fund manager believes that stockmarket mispricing can often occur because psychological factors (i.e. behavioural biases) prevent investors from always assessing investments rationally. As a result, market prices do not always reflect the fundamental value of companies. The fund seeks to profit from such behavioural biases.

The investment approach filters the fund's investment universe down to a focused list of companies whose shares trade on low valuations relative to their history and the market. These companies are then subject to rigorous fundamental analysis to attain an understanding of a company's sustainable earnings. This fundamental analysis leads to a high level of conviction for each of the companies held in the fund.

The fund manager expects stock selection to be the main driver of performance.

M&G Japan Fund

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Risk profile

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

The fund's focus is on companies that are deemed to be undervalued, 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 companies, which can be more unpredictable and difficult to buy and sell. Diversification across industries and market capitalisation is therefore key in managing liquidity risk and reducing market risk. The fund's risks are measured and managed as an integral part of the investment process.

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



The above number:

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

Investment review

As at 1 March 2019, for the six months ended 28 February 2019

Performance against objective

Between 3 September 2018 (the start of the review period) and 1 March 2019, the sterling share classes of the M&G Japan Fund delivered a negative total return (the combination of income and growth of capital).*

The fund's returns lagged a comparative index, the MSCI Japan Index. Over the six months, returns for the index in sterling terms were -7.8%.

Between 3 September 2018 and 26 October 2018, the fund's euro and US dollar share classes delivered negative returns that were ahead of the MSCI Japan Index. On 26 October 2018, the fund's non-sterling share classes merged into the M&G (Lux) Japan Fund, a Luxembourg-listed SICAV that launched on that date.

Over five years and since launch, the fund has achieved its objective of long-term capital growth.

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

Investment performance

The Japanese stockmarket made a solid start to the period under review; however, in common with stockmarkets globally, Japanese company shares suffered from sharp falls in the final quarter of 2018. Encouragingly, the stockmarket has begun 2019 in an upbeat fashion, but for the six months as whole, the MSCI Japan Index recorded a negative return.

Throughout the review period, investor sentiment was swayed by the potential impact of a trade war between the US and China, and the timing of US interest rate increases.

In our view, the market fall in the final quarter of 2018 was a clear sign that investors had become too optimistic about the growth prospects of some companies. Once investors began to assess the fundamentals of these companies more rationally, their share prices fell. Japanese corporate profitability in aggregate is still robust, and this was demonstrated by the quarterly results companies posted for the period ending September 2018. Whilst some recent company results (for the quarter ending December 2018) have come in below forecast, investors seem to be largely unconcerned, as a softening in the business environment was expected.

While many stocks recovered from oversold positions in January and February, the rally is increasingly more sentiment driven, as hopes of a positive outcome to trade talks between the US and China increased and leading central banks became either less inclined to increase interest rates further (the US Federal Reserve) or signal that interest rates would stay at record lows for longer (the European Central Bank).

Against this background, the fund lagged the MSCI Japan Index, with Leopalace21 its biggest detractor. Leopalace21 is a real estate developer. Although the company has had problems with the installation of defective partition walls at some of its properties, we believed it was making progress remedying the situation. However, towards the end of the review period, Leopalace21 announced the discovery of further serious issues with some of its buildings and its shares sold off heavily. We believe in the short term this is an emotionally driven overreaction, however, we recognise the company has demonstrated some serious governance issues. As such, we are engaging with the company on these issues.

Other holdings that held back returns included LIXIL and Mitsui Engineering and Shipbuilding (Mitsui E&S). LIXIL has seen a damaging boardroom battle, whereby the founding family who has a controlling stake has ousted the chief executive who had been brought in to implement changes at the company. We are engaging with the company to reassess the implications for future earnings depending on the outcome of the management struggle.

Mitsui E&S's share price fell sharply after the company announced significant and costly problems with one of its construction contracts. This was despite the fact management has been saying the project was going smoothly. In view of the impact this will have on its balance sheet, we now see less opportunity for earnings growth for the firm and have scaled back our position.

Elsewhere, the fund's holding in Nikon detracted, following news that one of its customers had announced a delay in building a factory, which is expected to lead to a drop in orders. However, the announcement is not completely unexpected, given where we are in

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Investment review

Investment performance (continued)

the technology cycle. Furthermore, there is no indication that the plan to build a factory has been permanently shelved. Given Nikon's unique products and market positioning, we believe the company is still an attractive investment.

On a positive note, technology company NEC reported better-than-expected earnings and sales, and was the fund's top contributor. This performance reflects the changes the company has made in the recent years and the market has rewarded the stock with a re-rating.

Another of the fund's top contributors was NTT Urban Development. During the review period, NTT Corp (the parent company of NTT Urban) announced a tender offer for the shares of NTT Urban. Accordingly, the latter's shares rose sharply. This event was one of the possible outcomes we envisaged when we originally invested in NTT Urban.

Mitsubishi Heavy Industries and Bridgestone also added value. Mitsubishi Heavy Industries is a multinational engineering, electrical equipment and electronics company. Investors reacted positively to news that the restructuring of the company's power business had been completed. When we first invested in Mitsubishi, we believed investors had become too aggressive in their assumptions about a decline in revenues. In our view, the company had the flexibility to offset the impact from lower sales through sensible reductions in fixed costs. As the restructuring of the power business demonstrates, this has indeed been the case.

Shares in Bridgestone outperformed, despite some investors' fears that the company would not be able to pass on higher raw material costs to its customers. We disagree with this thesis, as most of Bridgestone's revenues come from the sale of speciality tyres, where the company has significant market share and pricing power.

Investment activities

Investment activity during the review period focused on the recycling of cash out of holdings where we believed share prices better reflected fundamentals. We also added to holdings where an 'episode' was still apparent. We define 'episode' as an occasion when investors allow emotions to drive their investment decisions, so that a company's share price moves away from its underlying value over the short term.

New positions were initiated in Ajinomoto and Shimamura. Ajinomoto is one of Japan's major packaged food producers. The company's shares have been de-rated because of market concerns over weakness in its overseas businesses. However, we anticipate a positive outcome from the restructuring of its production base. At the current share price, we see this as a good opportunity to gain exposure to a quality business that diversifies the portfolio.

We also identified domestic apparel retailer, Shimamura, which is out of favour with the market due to temporary weakness in its profitability. However, we believe investors are displaying the tell-tale signs of excessive pessimism.

At the same time, we took profits and closed the position in steel manufacturer JFE and exited the holding in Fuji Media, a terrestrial television broadcaster. Fuji Media's earnings are heavily dependent on advertising revenue, which is under pressure as companies shift their advertising effort from traditional to digital media.

NTT Urban also left the portfolio following a tender offer for its shares by NTT Corp, the parent company of NTT Urban.

Outlook

After the shock of the global financial crisis, corporate Japan has been quietly spending the past decade restructuring its still very inefficient businesses and improving corporate governance.

We have seen many policies implemented which address some of the long-term structural problems Japan has been facing. Encouragingly, these are now bearing fruit: improved economic growth, increasing real wages (wages growing faster than inflation), and consumers are finally abandoning their long-held deflationary mindset (the view that the prices of goods will continue to fall).

Many of these positive developments have been overlooked by investors because of Japan's long history of economic malaise. We believe this is short-sighted and now Japan's fortunes have reached an inflection point.

2018 was a turbulent year for the Japanese stockmarket, with shares bearing the brunt of US-China trade war concerns and worries over prospects for global growth. While the 'risk-off' environment was a headwind for the Japanese equity market, corporate Japan continued to report largely positive quarterly numbers.

On a macro level, we are seeing a continuous flow of data that points to a healthy economy, with sustained growth in gross domestic product (GDP) and rising wages. We are also finally seeing inflation taking hold after decades of falling prices. There has also been a record amount of capital expenditure by corporate Japan, which should give a further boost to economic growth.

Japanese equity valuations are now looking very attractive in our view. It is one of the cheapest markets globally, when measured on a real earnings yield basis. Return on equity is back to levels seen in 2007 and profit margins (which are approaching 10%) are at an all-time high. Dividends payments have become more generous too and, share buy backs are still increasing. It is also worth noting that going into 2019, Japan has one of the most stable political environments, out of all the major economies and has a healthy economy, with the unemployment rate at an all time low.

Johan du Preez

Fund manager

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

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

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Investments

Portfolio statement				
as at Holding		28.02.19 ¥'000	28.02.19 %	31.08.18 %
EQUITIES				
	Chemicals	3,248,374	7.09	7.32
462,600	DIC	1,635,291	3.57	
874,300	JSR	1,613,083	3.52	
	Metals & mining	0	0.00	1.94
	Building products	1,312,714	2.86	3.77
870,500	LIXIL	1,312,714	2.86	
	Machinery	4,864,237	10.61	11.84
4,026,500	Hitachi Zosen	1,385,116	3.02	
349,100	Mitsubishi Heavy Industries	1,580,725	3.45	
615,700	Mitsui Engineering & Shipbuilding	754,233	1.64	
300,700	Sumitomo Heavy Industries	1,144,163	2.50	
	Marine	1,478,859	3.23	3.34
567,700	Mitsui O.S.K. Lines	1,478,859	3.23	
	Auto components	1,982,524	4.33	3.19
451,600	Bridgestone	1,982,524	4.33	
	Automobiles	4,454,382	9.72	8.60
809,300	Honda Motor	2,547,676	5.56	
1,459,400	Mazda Motor	1,906,706	4.16	
	Household durables	2,821,048	6.15	6.63
755,100	Nikon	1,270,078	2.77	
1,516,100	Panasonic	1,550,970	3.38	
	Textiles, apparel & luxury goods	1,265,359	2.76	3.90
1,155,000	Onward	723,030	1.58	
199,900	Seiko	542,329	1.18	
	Internet & direct marketing retail	487,804	1.06	2.04
284,600	DeNA	487,804	1.06	
	Specialty retail	1,743,290	3.80	1.67
109,000	Shimamura	1,025,690	2.24	
195,000	United Arrows	717,600	1.56	
	Food & staples retailing	1,775,316	3.87	3.09
263,400	Lawson	1,775,316	3.87	
	Food products	1,270,751	2.77	0.00
755,500	Ajinomoto	1,270,751	2.77	
	Health care providers & services	1,880,082	4.10	3.07
630,900	Miraca	1,880,082	4.10	
	Banks	5,809,711	12.67	12.56
4,433,100	Mitsubishi UFJ Financial	2,554,796	5.57	
530,800	Sumitomo Mitsui Financial	2,091,883	4.56	
276,058	Sumitomo Mitsui Trust	1,163,032	2.54	
	Capital markets	1,608,987	3.51	3.74
3,742,700	Nomura	1,608,987	3.51	
	Insurance	1,079,081	2.35	2.50
808,300	T&D	1,079,081	2.35	
	Technology hardware, storage & peripherals	4,059,557	8.85	9.08
637,400	NEC	2,358,380	5.14	
1,506,800	Ricoh	1,701,177	3.71	
	Electronic equipment, instruments & components	1,836,816	4.01	3.99
551,100	Hitachi	1,836,816	4.01	
	Media	0	0.00	1.54

Portfolio statement (continued)

as at Holding	28.02.19 ¥'000	28.02.19 %	31.08.18 %
Real estate management & development	2,141,775	4.67	6.72
3,991,400 Leoplace21	961,927	2.10	
559,700 Nomura Real Estate	1,179,848	2.57	
EQUITY DERIVATIVES	409	0.00	0.00
Equity futures contracts	409	0.00	0.00
31 Topix Index Future March 2019	409	0.00	
Portfolio of investments	45,121,076	98.41	100.53
Net other assets / (liabilities)	726,884	1.59	(0.53)
Net assets attributable to shareholders	45,847,960	100.00	100.00

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

Top ten portfolio transactions

for the six months to 28 February 2019

Largest purchases	¥'000
Ajinomoto	1,394,289
Shimamura	1,013,254
Hitachi Zosen	884,543
Leoplace21	670,023
Panasonic	658,704
Miraca	472,127
Bridgestone	340,222
Nomura Real Estate	250,704
Lawson	229,898
T&D	177,324
Other purchases	1,009,108
Total purchases	7,100,196
Largest sales	¥'000
JFE	1,344,975
NTT Urban Development	1,315,084
Mitsui Engineering & Shipbuilding	998,781
Ricoh	696,847
Mitsubishi Heavy Industries	692,322
Fuji Media	692,186
Nikon	561,304
DeNA	480,335
NEC	455,044
Seiko	346,650
Other sales	2,133,603
Total sales	9,717,131

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

M&G Japan Fund

Financial highlights

Fund performance

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

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

We show performance for these two share classes because:

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

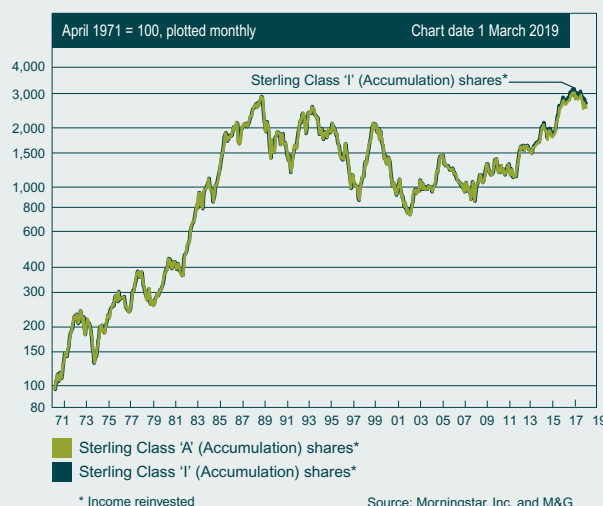
The fund is available for investment in different share classes, each with varying levels of charges and minimum investments; please refer to the Prospectus for M&G Investment Funds (1), which is available free of charge either from our website at www.mandg.co.uk/prospectuses or by calling M&G Customer Relations.

Fund level performance

Fund net asset value			
as at	28.02.19 ¥'000	31.08.18 ¥'000	31.08.17 ¥'000
Fund net asset value (NAV)	45,847,960	69,230,521	74,245,713

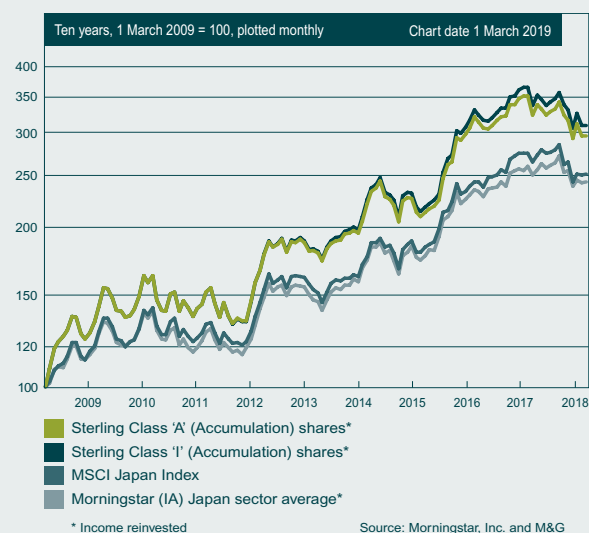
Performance since launch

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



Ten-year performance

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



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

M&G Japan Fund

Financial highlights

Fund performance

To give an indication of the performance of the fund, the following table shows the compound rate of return, over the period to 26 October 2018 for non-sterling share classes and 1 March 2019 for sterling share classes. Calculated on a price to price basis with income reinvested.

Long-term performance by share class				
	From 03.09.18 % ^[a]	From 01.03.16 % p.a.	From 03.03.14 % p.a.	Since launch % p.a.
Euro ^[b]				
Class 'A'	-1.8	+12.3	+11.4	+3.4 ^[c]
Class 'C'	-1.7	+13.2	+12.2	+4.1 ^[c]
Sterling ^[d]				
Class 'A'	-10.6	+12.8	+10.5	+7.0 ^[e]
Class 'I'	-10.3	+13.7	+11.3	+13.4 ^[f]
Class 'R'	-10.4	+13.4	+11.1	+13.1 ^[f]
Class 'X'	-10.6	+12.8	+10.5	+7.4 ^[g]
US dollar ^[b]				
Class 'A'	-4.1	+14.1	n/a	+6.0 ^[h]
Class 'C'	-4.0	+15.0	n/a	+6.8 ^[h]

^[a] Absolute basis.

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

^[c] 28 November 2001, the launch date of the share class.

^[d] Price to price with income reinvested.

^[e] 6 April 1971, the end of the initial offer period of the predecessor unit trust.

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

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

^[h] 9 October 2015, the launch date of the share class.

Operating charges and portfolio transaction costs

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

Operating charges

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

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

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

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

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

M&G Japan Fund

Financial highlights

Fund performance

Operating charges and portfolio transaction costs

Portfolio transaction costs

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

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

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

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

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

Portfolio transaction costs				
	Six months to 28.02.19	Year to 31.08.18	Year to 31.08.17	Average ^[a]
Direct portfolio transaction costs ^[b]	%	%	%	%
Broker commission	0.03	0.05	0.03	0.04
Taxes	0.00	0.00	0.00	0.00
Costs before dilution adjustments	0.03	0.05	0.03	0.04
Dilution adjustments ^[c]	(0.01)	(0.03)	(0.03)	(0.02)
Total direct portfolio transaction costs	0.02	0.02	0.00	0.02
as at	28.02.19	31.08.18	31.08.17	Average ^[a]
Indirect portfolio transaction costs	%	%	%	%
Average portfolio dealing spread	0.22	0.18	0.17	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.

The non-sterling share classes were merged into the M&G (Lux) Japan Fund on 26 October 2018. The current period historic yields for the non-sterling share classes were calculated at the merger date.

Historic yields for the sterling share classes for the current period are calculated as at 8 March 2019.

Euro Class 'A' Accumulation share performance

The share class was launched on 28 November 2001.

	Six months to 28.02.19 Euro €	Year to 31.08.18 Euro €	Year to 31.08.17 Euro €
Change in NAV per share			
Opening NAV	1,810.77	1,700.97	1,501.74
Return before operating charges and after direct portfolio transaction costs	(43.28)	140.74	228.00
Operating charges	(4.67)	(30.94)	(28.77)
Return after operating charges	(47.95)	109.80	199.23
Distributions	(11.92)	(6.76)	(6.34)
Retained distributions	11.92	6.76	6.34
Return to shareholder as a result of share class closure	(1,762.82)	n/a	n/a
Closing NAV	0.00	1,810.77	1,700.97
Direct portfolio transaction costs	Euro €	Euro €	Euro €
Costs before dilution adjustments	0.09	0.93	0.58
Dilution adjustments ^[a]	(0.04)	(0.55)	(0.58)
Total direct portfolio transaction costs	0.05	0.38	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.02	0.02	0.00
Operating charges	1.67	1.67	1.67
Return after operating charges	-2.65	+6.46	+13.27
Historic yield	0.40	0.37	0.38
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (¥'000)	0	6,055,974	5,539,879
Closing NAV percentage of total fund NAV (%)	0.00	8.75	7.46
Number of shares	0	2,587,636	2,483,667
Highest share price (Euro €)	1,898.86	2,024.90	1,886.66
Lowest share price (Euro €)	1,757.49	1,686.06	1,441.19

M&G Japan Fund

Financial highlights

Specific share class performance

Euro Class 'C' Accumulation share performance

The share class was launched on 28 November 2001.

	Six months to 28.02.19 Euro €	Year to 31.08.18 Euro €	Year to 31.08.17 Euro €
Change in NAV per share			
Opening NAV	2,039.83	1,901.84	1,666.54
Return before operating charges and after direct portfolio transaction costs	(48.80)	157.21	252.96
Operating charges	(2.92)	(19.22)	(17.66)
Return after operating charges	(51.72)	137.99	235.30
Distributions	(15.86)	(23.37)	(20.23)
Retained distributions	15.86	23.37	20.23
Return to shareholder as a result of share class closure	(1,988.11)	n/a	n/a
Closing NAV	0.00	2,039.83	1,901.84
Direct portfolio transaction costs	Euro €	Euro €	Euro €
Costs before dilution adjustments	0.11	1.05	0.64
Dilution adjustments ^[a]	(0.04)	(0.62)	(0.64)
Total direct portfolio transaction costs	0.07	0.43	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.02	0.02	0.00
Operating charges	0.91	0.92	0.92
Return after operating charges	-2.54	+7.26	+14.12
Historic yield	1.21	1.14	1.09
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (¥'000)	0	7,446,312	15,840,973
Closing NAV percentage of total fund NAV (%)	0.00	10.76	21.34
Number of shares	0	2,824,418	6,351,835
Highest share price (Euro €)	2,140.73	2,270.20	2,101.22
Lowest share price (Euro €)	1,980.31	1,885.43	1,599.84

Sterling Class 'A' Income share performance

The share class was launched on 9 May 1977.

	Six months to 28.02.19 UK p	Year to 31.08.18 UK p	Year to 31.08.17 UK p
Change in NAV per share			
Opening NAV	59.26	58.35	48.37
Return before operating charges and after direct portfolio transaction costs	(6.25)	3.19	12.07
Operating charges	(0.47)	(1.02)	(0.96)
Return after operating charges	(6.72)	2.17	11.11
Distributions	n/a	(1.26)	(1.13)
Closing NAV	52.54	59.26	58.35
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.01	0.03	0.02
Dilution adjustments ^[a]	0.00	(0.02)	(0.02)
Total direct portfolio transaction costs	0.01	0.01	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.02	0.02	0.00
Operating charges	1.67	1.67	1.67
Return after operating charges	-11.34	+3.72	+22.97
Historic yield	2.49	2.12	1.98
Effect on yield of charges offset against capital	1.65	1.65	1.65
Other information			
Closing NAV (¥'000)	29,362,772	36,540,625	33,435,964
Closing NAV percentage of total fund NAV (%)	64.04	52.78	45.03
Number of shares	379,150,213	428,024,896	402,398,895
Highest share price (UK p)	61.36	66.93	61.23
Lowest share price (UK p)	51.28	56.17	46.49

Sterling Class 'A' Accumulation share performance

The share class was launched on 6 April 1971.

	Six months to 28.02.19 UK p	Year to 31.08.18 UK p	Year to 31.08.17 UK p
Change in NAV per share			
Opening NAV	67.65	65.24	53.05
Return before operating charges and after direct portfolio transaction costs	(7.12)	3.50	13.23
Operating charges	(0.53)	(1.09)	(1.04)
Return after operating charges	(7.65)	2.41	12.19
Distributions	n/a	(0.25)	(0.24)
Retained distributions	n/a	0.25	0.24
Closing NAV	60.00	67.65	65.24
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.01	0.03	0.02
Dilution adjustments ^[a]	0.00	(0.02)	(0.02)
Total direct portfolio transaction costs	0.01	0.01	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.02	0.02	0.00
Operating charges	1.67	1.68	1.67
Return after operating charges	-11.31	+3.69	+22.98
Historic yield	0.44	0.37	0.38
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (¥'000)	1,135,625	1,290,198	14,268,486
Closing NAV percentage of total fund NAV (%)	2.48	1.86	19.22
Number of shares	12,842,451	13,238,470	153,581,430
Highest share price (UK p)	70.07	74.82	67.16
Lowest share price (UK p)	58.55	62.80	50.99

Sterling Class 'I' Income share performance

The share class was launched on 3 August 2012.

	Six months to 28.02.19 UK p	Year to 31.08.18 UK p	Year to 31.08.17 UK p
Change in NAV per share			
Opening NAV	2,370.67	2,316.61	1,905.66
Return before operating charges and after direct portfolio transaction costs	(250.68)	126.68	476.51
Operating charges	(10.28)	(22.35)	(20.77)
Return after operating charges	(260.96)	104.33	455.74
Distributions	n/a	(50.27)	(44.79)
Closing NAV	2,109.71	2,370.67	2,316.61
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.38	1.22	0.76
Dilution adjustments ^[a]	(0.15)	(0.72)	(0.76)
Total direct portfolio transaction costs	0.23	0.50	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.02	0.02	0.00
Operating charges	0.92	0.92	0.92
Return after operating charges	-11.01	+4.50	+23.92
Historic yield	2.46	2.11	1.97
Effect on yield of charges offset against capital	0.90	0.90	0.90
Other information			
Closing NAV (¥'000)	354,920	441,753	438,115
Closing NAV percentage of total fund NAV (%)	0.77	0.64	0.59
Number of shares	114,140	129,354	132,812
Highest share price (UK p)	2,456.36	2,664.55	2,422.10
Lowest share price (UK p)	2,056.27	2,230.54	1,832.21

M&G Japan Fund

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Specific share class performance

Sterling Class 'I' Accumulation share performance

The share class was launched on 3 August 2012.

	Six months to 28.02.19 UK p	Year to 31.08.18 UK p	Year to 31.08.17 UK p
Change in NAV per share			
Opening NAV	2,558.57	2,448.49	1,976.12
Return before operating charges and after direct portfolio transaction costs	(270.23)	133.67	494.13
Operating charges	(10.92)	(23.59)	(21.76)
Return after operating charges	(281.15)	110.08	472.37
Distributions	n/a	(29.31)	(26.05)
Retained distributions	n/a	29.31	26.05
Closing NAV	2,277.42	2,558.57	2,448.49
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.40	1.29	0.79
Dilution adjustments ^[a]	(0.16)	(0.76)	(0.79)
Total direct portfolio transaction costs	0.24	0.53	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.02	0.02	0.00
Operating charges	0.92	0.92	0.92
Return after operating charges	-10.99	+4.50	+23.90
Historic yield	1.33	1.14	1.09
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (¥'000)	14,506,471	5,749,878	4,277,828
Closing NAV percentage of total fund NAV (%)	31.64	8.30	5.76
Number of shares	4,321,646	1,560,025	1,226,954
Highest share price (UK p)	2,651.62	2,816.03	2,511.43
Lowest share price (UK p)	2,219.72	2,357.39	1,899.79

Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012.

	Six months to 28.02.19 UK p	Year to 31.08.18 UK p	Year to 31.08.17 UK p
Change in NAV per share			
Opening NAV	235.48	230.70	190.25
Return before operating charges and after direct portfolio transaction costs	(24.89)	12.59	47.51
Operating charges	(1.29)	(2.81)	(2.59)
Return after operating charges	(26.18)	9.78	44.92
Distributions	n/a	(5.00)	(4.47)
Closing NAV	209.30	235.48	230.70
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.04	0.12	0.07
Dilution adjustments ^[a]	(0.02)	(0.07)	(0.07)
Total direct portfolio transaction costs	0.02	0.05	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.02	0.02	0.00
Operating charges	1.17	1.17	1.17
Return after operating charges	-11.12	+4.24	+23.61
Historic yield	2.47	2.11	1.98
Effect on yield of charges offset against capital	1.15	1.15	1.15
Other information			
Closing NAV (¥'000)	32,411	30,336	6,758
Closing NAV percentage of total fund NAV (%)	0.07	0.04	0.01
Number of shares	105,064	89,428	20,573
Highest share price (UK p)	243.94	265.10	241.49
Lowest share price (UK p)	204.09	222.10	182.90

Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012.

	Six months to 28.02.19 UK p	Year to 31.08.18 UK p	Year to 31.08.17 UK p
Change in NAV per share			
Opening NAV	252.12	241.88	195.72
Return before operating charges and after direct portfolio transaction costs	(26.59)	13.22	48.51
Operating charges	(1.39)	(2.98)	(2.35)
Return after operating charges	(27.98)	10.24	46.16
Distributions	n/a	(2.24)	(2.02)
Retained distributions	n/a	2.24	2.02
Closing NAV	224.14	252.12	241.88
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.04	0.13	0.07
Dilution adjustments ^[a]	(0.02)	(0.08)	(0.07)
Total direct portfolio transaction costs	0.02	0.05	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.02	0.02	0.00
Operating charges	1.17	1.17	1.18
Return after operating charges	-11.10	+4.23	+23.58
Historic yield	1.03	0.88	0.85
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (¥'000)	208,846	207,493	12,153
Closing NAV percentage of total fund NAV (%)	0.46	0.30	0.02
Number of shares	632,168	571,291	35,283
Highest share price (UK p)	261.24	277.94	248.39
Lowest share price (UK p)	218.56	232.86	188.14

Sterling Class 'X' Income share performance

The share class was launched on 1 October 2002.

	Six months to 28.02.19 UK p	Year to 31.08.18 UK p	Year to 31.08.17 UK p
Change in NAV per share			
Opening NAV	58.42	57.53	47.68
Return before operating charges and after direct portfolio transaction costs	(6.16)	3.13	11.90
Operating charges	(0.46)	(1.00)	(0.93)
Return after operating charges	(6.62)	2.13	10.97
Distributions	n/a	(1.24)	(1.12)
Closing NAV	51.80	58.42	57.53
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.01	0.03	0.02
Dilution adjustments ^[a]	0.00	(0.02)	(0.02)
Total direct portfolio transaction costs	0.01	0.01	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.02	0.02	0.00
Operating charges	1.67	1.67	1.67
Return after operating charges	-11.33	+3.70	+23.01
Historic yield	2.49	2.12	1.98
Effect on yield of charges offset against capital	1.65	1.65	1.65
Other information			
Closing NAV (¥'000)	107,255	125,640	196,286
Closing NAV percentage of total fund NAV (%)	0.23	0.18	0.26
Number of shares	1,404,850	1,492,862	2,396,266
Highest share price (UK p)	60.49	65.99	60.37
Lowest share price (UK p)	50.56	55.37	45.83

M&G Japan Fund

Financial highlights

Specific share class performance

Sterling Class 'X' Accumulation share performance

The share class was launched on 1 October 2002.

	Six months to 28.02.19 UK p	Year to 31.08.18 UK p	Year to 31.08.17 UK p
Change in NAV per share			
Opening NAV	66.75	64.36	52.33
Return before operating charges and after direct portfolio transaction costs	(7.03)	3.51	13.05
Operating charges	(0.52)	(1.12)	(1.02)
Return after operating charges	(7.55)	2.39	12.03
Distributions	n/a	(0.25)	(0.24)
Retained distributions	n/a	0.25	0.24
Closing NAV	59.20	66.75	64.36
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.01	0.03	0.02
Dilution adjustments ^[a]	0.00	(0.02)	(0.02)
Total direct portfolio transaction costs	0.01	0.01	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.02	0.02	0.00
Operating charges	1.67	1.67	1.67
Return after operating charges	-11.31	+3.71	+22.99
Historic yield	0.44	0.37	0.38
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (¥000)	139,660	163,612	182,166
Closing NAV percentage of total fund NAV (%)	0.31	0.24	0.25
Number of shares	1,600,719	1,701,486	1,987,713
Highest share price (UK p)	69.14	73.82	66.26
Lowest share price (UK p)	57.77	61.95	50.30

US dollar Class 'A' Accumulation share performance

The share class was launched on 9 October 2015.

	Six months to 28.02.19 US ¢	Year to 31.08.18 US ¢	Year to 31.08.17 US ¢
Change in NAV per share			
Opening NAV	1,262.51	1,205.10	999.74
Return before operating charges and after direct portfolio transaction costs	(64.14)	79.43	225.01
Operating charges	(3.23)	(22.02)	(19.65)
Return after operating charges	(67.37)	57.41	205.36
Distributions	(8.08)	(4.71)	(4.49)
Retained distributions	8.08	4.71	4.49
Return to shareholder as a result of share class closure	(1,195.14)	n/a	n/a
Closing NAV	0.00	1,262.51	1,205.10
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.07	0.66	0.39
Dilution adjustments ^[a]	(0.03)	(0.39)	(0.39)
Total direct portfolio transaction costs	0.04	0.27	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.02	0.02	0.00
Operating charges	1.67	1.67	1.67
Return after operating charges	-5.34	+4.76	+20.54
Historic yield	0.40	0.38	0.38
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (¥000)	0	53,723	43,643
Closing NAV percentage of total fund NAV (%)	0.00	0.08	0.06
Number of shares	0	38,417	32,748
Highest share price (US ¢)	1,307.22	1,476.27	1,221.64
Lowest share price (US ¢)	1,193.46	1,194.56	968.00

US dollar Class 'C' Accumulation share performance

The share class was launched on 9 October 2015.

	Six months to 28.02.19 US ¢	Year to 31.08.18 US ¢	Year to 31.08.17 US ¢
Change in NAV per share			
Opening NAV	1,290.07	1,222.27	1,006.41
Return before operating charges and after direct portfolio transaction costs	(65.48)	80.26	226.55
Operating charges	(1.84)	(12.46)	(10.69)
Return after operating charges	(67.32)	67.80	215.86
Distributions	(9.75)	(14.78)	(13.00)
Retained distributions	9.75	14.78	13.00
Return to shareholder as a result of share class closure	(1,222.75)	n/a	n/a
Closing NAV	0.00	1,290.07	1,222.27
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.07	0.68	0.39
Dilution adjustments ^[a]	(0.03)	(0.40)	(0.39)
Total direct portfolio transaction costs	0.04	0.28	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.02	0.02	0.00
Operating charges	0.92	0.92	0.92
Return after operating charges	-5.22	+5.55	+21.45
Historic yield	1.23	1.15	1.08
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (¥000)	0	11,124,977	3,462
Closing NAV percentage of total fund NAV (%)	0.00	16.07	0.00
Number of shares	0	7,785,439	2,561
Highest share price (US ¢)	1,336.55	1,501.96	1,238.37
Lowest share price (US ¢)	1,221.03	1,217.21	974.75

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

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

M&G Japan Fund

Financial statements and notes

Financial statements

Statement of total return				
for the six months to 28 February	2019		2018	
	¥'000	¥'000	¥'000	¥'000
Income				
Net capital gains / (losses)		(5,670,877)		9,972,882
Revenue	795,214		759,153	
Expenses	(375,507)		(577,419)	
Net revenue / (expense) before taxation	419,707		181,734	
Taxation	(79,006)		(79,354)	
Net revenue / (expense) after taxation		340,701		102,380
Total return before distributions		(5,330,176)		10,075,262
Distributions		(127,095)		33,082
Change in net assets attributable to shareholders from investment activities		(5,457,271)		10,108,344

Statement of change in net assets attributable to shareholders				
for the six months to 28 February	2019		2018	
	¥'000	¥'000	¥'000	¥'000
Opening net assets attributable to shareholders		69,230,521		74,245,713
Amounts received on issue of shares	18,262,442		24,678,612	
Amounts paid on cancellation of shares	(19,391,886)		(18,821,273)	
Transfer to M&G (Lux) Japan Fund	(16,935,827)		0	
		(18,065,271)		5,857,339
Dilution adjustments		11,213		24,234
Change in net assets attributable to shareholders from investment activities (see above)		(5,457,271)		10,108,344
Retained distributions on Accumulation shares		128,662		0
Unclaimed distributions		106		245
Closing net assets attributable to shareholders		45,847,960		90,235,875

The opening net assets attributable to shareholders for 2019 differs to the closing position in 2018 by the change in net assets attributable to shareholders for the second half of the comparative financial year.

Balance sheet		
as at	28 February 2019	31 August 2018
	¥'000	¥'000
Assets		
Fixed assets		
Investments	45,121,076	69,595,786
Current assets		
Debtors	172,400	119,162
Cash and bank balances	802,596	709,187
Total assets	46,096,072	70,424,135
Liabilities		
Creditors		
Bank overdrafts	(8,132)	0
Distribution payable	0	(791,013)
Other creditors	(239,980)	(402,601)
Total liabilities	(248,112)	(1,193,614)
Net assets attributable to shareholders	45,847,960	69,230,521

Notes to the financial statements

Accounting policies

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

Distribution policy

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

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

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

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M&G Japan Smaller Companies Fund

Authorised Corporate Director's Report

Investment objective and policy up to 23 April 2019

The fund invests wholly or predominantly in securities of smaller Japanese companies, the universe for which is the bottom third in terms of total market capitalisation of all publicly listed equity in Japan. When not wholly invested as above, the fund may also invest in medium sized and larger companies in order to enhance its liquidity. Its sole objective is long term capital growth.

Investment objective from 24 April 2019

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 Russell/Nomura Mid-Small Cap Index over any five-year period.

Investment policy from 24 April 2019

At least 80% of the fund is invested in equity securities and equity-related securities of smaller companies that are incorporated, domiciled or do most of their business in Japan.

Smaller companies are defined as the bottom half in terms of total market capitalisation of all publicly listed companies in Japan. The fund usually holds a concentrated portfolio of fewer than 50 companies.

The fund may also invest in other transferable securities directly or 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.

The investment approach aims to take advantage of price volatility.

The fund manager believes that stockmarket mispricing can often occur because psychological factors (i.e. behavioural biases) prevent investors from always assessing investments rationally. As a result, market prices do not always reflect the fundamental value of companies. The fund seeks to profit from such behavioural biases.

The investment approach filters the fund's investment universe down to a focused list of companies whose shares trade on low valuations relative to their history and the market. These companies are then subject to rigorous fundamental analysis to attain an understanding of a company's sustainable earnings. This fundamental analysis leads to a high level of conviction for each of the companies held in the fund.

The fund manager expects stock selection to be the main driver of performance.

Risk profile

The fund invests in the shares of smaller Japan-listed companies and is, therefore, subject to the price volatility of the Japanese stockmarket and the performance of individual companies. The fund may also be subject to fluctuations in currency exchange rates. The fund's focus is on smaller companies where the share price movement can be more unpredictable and the shares more difficult to buy and sell compared to those of larger companies. Diversification is therefore key in managing liquidity risk and reducing market risk. The fund's risks are measured and managed as an integral part of the investment process.

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



The above number:

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

Investment review

As at 1 March 2019, for the six months ended 28 February 2019

Performance against objective

Between 3 September 2018 (the start of the review period) and 1 March 2019, the sterling share classes of the M&G Japan Smaller Companies Fund delivered a negative total return (the combination of income and growth of capital).

The fund lagged a comparative index, the Russell/Nomura Mid-Small Index. Over the six months, returns for the index in sterling terms were -8.6%.

Between 3 September 2018 and 26 October 2018, the fund's euro and US dollar share classes delivered negative returns, but were ahead of the Russell/Nomura Mid-Small Index (-5.4% and -7.5% in euros and US dollars, respectively).^{*} On 26 October 2018, the fund's non-sterling share classes merged into the M&G (Lux) Japan Smaller Companies Fund, a Luxembourg-listed SICAV that launched on that date.

Over five years and since launch, the fund has achieved its objective of long-term capital growth.

Subsequent to the end of the review period, the fund's objective and policy changed.

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

M&G Japan Smaller Companies Fund

Authorised Corporate Director's Report

Investment review

Investment performance

The Japanese stockmarket made a solid start to the period under review; however, in common with stockmarkets globally, Japanese company shares suffered from sharp falls in the final quarter of 2018. Encouragingly, the stockmarket has begun 2019 in an upbeat fashion, but for the six months as whole, the Russell/Nomura Mid-Small Index recorded a negative return.

Throughout the review period, investor sentiment was swayed by the potential impact of a trade war between the US and China, and the timing of US interest rate increases.

In our view, the market fall in the final quarter of 2018 was a clear sign that investors had become too optimistic about the growth prospects of some companies. Once investors began to assess the fundamentals of these companies more rationally, their share prices fell. Japanese corporate profitability in aggregate is still robust, and this was demonstrated by the quarterly results companies posted for the period ending September 2018. Whilst some recent company results (for the quarter ending December 2018) have come in below forecast, investors seem to be largely unconcerned, as a softening in the business environment was expected.

While many stocks recovered from oversold positions in January and February, the rally is increasingly sentiment driven. Hopes of a positive outcome to trade talks between the US and China increased and leading central banks became either less inclined to increase interest rates further (the US Federal Reserve) or signalled that interest rates would stay at record lows for longer (the European Central Bank).

Against this background, the fund lagged the Russell/Nomura Mid-Small Index, with Leopalace21 its biggest detractor. Leopalace21 is a real estate developer. Although the company has had problems with the installation of defective partition walls at some of its properties, we believed it was making progress remedying the situation. However, towards the end of the review period, Leopalace21 announced the discovery of further serious issues with some of its buildings, and its shares sold off heavily. We believe in the short term this is an emotionally driven overreaction, however, we recognised the company has demonstrated some serious governance issues. As such, we are engaging with the company on these issues.

Another holding that detracted was KYB, a hydraulic machinery maker. Late last year, the company admitted to fabricating data on the quality of its shock absorbers, which are installed in around 1,000 buildings in Japan. After an initial steep setback, KYB's share price has recovered some of its losses. Following extensive fundamental analysis, we have decided the company may struggle with the costs associated with remedying the situation, as the problem is widespread. Given this view, we have gradually sold the fund's position into share price strength.

On a positive note, NTT Urban Development and Dowa Holdings added value. During the review period, NTT Corp (the parent company of NTT Urban) announced a tender offer for the shares of NTT Urban. Accordingly, the latter's shares rose sharply. This event was one of the possible outcomes we envisaged when we originally invested in NTT Urban. Meanwhile, non-ferrous metal manufacturer Dowa's shares were re-rated upwards on the back of solid quarterly results.

Other significant contributors included Hamakyorex and Asahi. Hamakyorex is a trucking company with warehouses and related logistics services. The company has re-rated as the worry over a slowdown in global trade has subsided somewhat. Hamakyorex also announced healthy quarterly figures at the end of January 2019, which were well received by investors.

Asahi is a bicycle manufacturer with good distribution channels in the domestic market. While it has traditionally focused on the mass market, it is leveraging its current stores to place more focus on the high-end market. We believe demand for high-end bikes, such as those manufactured from carbon fibre and electric bikes, should be strong, given the ageing demographic. The firm also has a solid business model for its cheaper range of bikes, where demand is still solid.

Investment activities

Investment activity during the review period focused on the recycling of cash out of holdings where we believed share prices better reflected fundamentals. We also added to holdings where an 'episode' was still apparent. We define 'episode' as an occasion when investors allow emotions to drive their investment decisions, so that a company's share price moves away from its underlying value over the short term.

We also initiated several new positions. One of them is Lawson, one of the largest 24-hour convenience store chains. The company is restructuring its back office operations, as well as investing in its stores, in an attempt to improve profitability. The market is unhappy with the slow progress and we saw an opportunity to gain exposure to a solid business that is a household name and has a nationwide reach.

Other new holdings were Ebara and Cosel. Ebara is a stock we have previously held and the company's share price has de-rated since we took profits, due to concerns about global growth and declining demand for machinery equipment. However, we believe the share price fall has been overdone and we see upside from here, since Ebara is a profitable business that can weather the business cycle.

Cosel is a company which makes switch power supplies used in, amongst other applications, semiconductor equipment. Shares in the company were sold off on pessimism over global capex and a downturn in the semiconductor cycle. However, we believe Cosel's shares have been oversold. Cosel has a solid balance sheet, which we believe will support its core business during the semiconductor down cycle, as well as potentially rewarding its shareholders in general.

In terms of sales, in addition to KYB (as mentioned earlier), NTT Urban also left the portfolio following a tender offer for its shares by NTT Corp, the parent company of NTT Urban.

M&G Japan Smaller Companies Fund

Authorised Corporate Director's Report

Investment review

Outlook

After the shock of the global financial crisis, corporate Japan has been quietly spending the past decade restructuring its still very inefficient businesses and improving corporate governance.

We have seen many policies implemented that address some of the long-term structural problems Japan has been facing. Encouragingly, these are now bearing fruit: improved economic growth, increasing real wages (wages growing faster than inflation) and very low unemployment, and consumers are finally abandoning their long-held deflationary mindset (the view that the prices of goods will continue to fall).

Many of these positive developments have been overlooked by investors because of Japan's long history of economic malaise. We believe this is short-sighted and now Japan's fortunes have reached an inflection point.

2018 was a turbulent year for the Japanese stockmarket, with shares bearing the brunt of US-China trade war concerns and worries over prospects for global growth. While the 'risk-off' environment was a headwind for the Japanese equity market, corporate Japan continued to report largely positive quarterly numbers.

On a macro level, we are seeing a continuous flow of data that points to a healthy economy, with sustained growth in gross domestic product (GDP) and rising wages. We are also finally seeing signs of inflation taking hold after decades of falling prices. There has also been a record amount of capital expenditure by corporate Japan, which should give a further boost to economic growth.

Japanese equity valuations are now looking very attractive in our view. It is one of the cheapest markets globally, when measured on a real earnings yield basis. Return on equity is back to levels seen in 2007 and profit margins (which are approaching 10%) are at an all-time high. Dividends payments have become more generous too and share buy backs are still increasing. It is also worth noting that going into 2019, Japan has one of the most stable political environments, out of all the major economies and has a healthy economy with the unemployment rate at an all time low.

Johan du Preez

Fund manager

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

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

Investments

Portfolio statement

as at Holding	28.02.19 ¥'000	28.02.19 %	31.08.18 %
EQUITIES	14,130,917	98.97	99.35
Technology hardware & equipment	1,092,315	7.65	6.83
108,500 Denki Kogyo	317,796	2.22	
391,700 OKI Electric Industry	513,519	3.60	
562,500 Wacom	261,000	1.83	
Pharmaceuticals & biotechnology	618,350	4.33	3.03
207,500 Miraca	618,350	4.33	
Banks	292,627	2.05	3.12
180,300 Tokyo Kiraboshi	292,627	2.05	
Finance & credit services	901,268	6.31	7.36
355,100 Credit Saison	572,776	4.01	
119,800 IBJ Leasing Company	328,492	2.30	
Real estate investment & services	336,508	2.36	7.71
1,396,300 Leoplace21	336,508	2.36	
Real estate investment trusts	0	0.00	3.62
Automobiles & parts	1,507,410	10.56	11.74 ^[a]
533,600 Mazda Motor	697,148	4.88	
47,000 Riken	246,280	1.73	
555,100 Sumitomo Riko	563,982	3.95	
Household goods & home construction	665,599	4.66	0.88
251,500 Iida	511,300	3.58	
318,800 Janome Sewing Machine	154,299	1.08	
Leisure goods	412,931	2.89	4.06
245,500 Nikon	412,931	2.89	
Personal goods	576,585	4.04	2.80
689,200 Onward	431,439	3.02	
53,500 Seiko	145,146	1.02	
Media	331,208	2.32	1.81
341,100 Relia	331,208	2.32	
Retailers	1,204,163	8.43	9.85
336,500 Asahi	508,451	3.56	
915,200 Cookpad	263,578	1.85	
41,600 DeNA	71,302	0.50	
16,400 Escrit	10,496	0.07	
95,200 United Arrows	350,336	2.45	
Travel & leisure	60,020	0.42	0.00
27,800 Mars Engineering	60,020	0.42	
Food producers	210,024	1.47	0.00
77,300 Megmilk Snow Brand	210,024	1.47	
Personal care, drug & grocery stores	590,424	4.14	0.00
87,600 Lawson	590,424	4.14	
Construction & materials	836,917	5.86	0.00
190,200 LIXIL	286,822	2.01	
227,500 Sankyo Tateyama	332,150	2.32	
239,500 Sanyo Housing Nagoya	217,945	1.53	
Electronic & electrical equipment	297,102	2.08	4.15
253,500 Cosel	297,102	2.08	
Industrial engineering	1,257,985	8.82	9.54
75,100 Ebara	236,565	1.66	
1,297,200 Hitachi Zosen	446,237	3.13	
181,600 Mitsui Engineering & Shipbuilding	222,460	1.56	
92,700 Sumitomo Heavy Industries	352,723	2.47	

M&G Japan Smaller Companies Fund

Authorised Corporate Director's Report

Investments

Portfolio statement (continued)			
as at Holding	28.02.19 ¥'000	28.02.19 %	31.08.18 %
Industrial support services	849,943	5.95	5.15
95,300 Hamakyorex	431,709	3.02	
252,100 Yamatane	418,234	2.93	
Industrial transportation	436,077	3.05	3.47
167,400 Mitsui O.S.K. Lines	436,077	3.05	
Industrial metals & mining	638,725	4.47	6.52
176,200 Dowa	638,725	4.47	
Chemicals	1,014,736	7.11	7.71
146,500 DIC	517,877	3.63	
269,300 JSR	496,859	3.48	
EQUITY DERIVATIVES	2,245	0.02	0.00
Equity futures contracts	2,245	0.02	0.00
9 Topix Index Future March 2019	2,245	0.02	
Portfolio of investments	14,133,162	98.99	99.35
Net other assets / (liabilities)	143,662	1.01	0.65
Net assets attributable to shareholders	14,276,824	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.

Top ten portfolio transactions

for the six months to 28 February 2019

Largest purchases	¥'000
Lawson	1,351,720
LIXIL	913,725
Onward	563,990
Miraca	433,759
Leopalace21	430,612
Hitachi Zosen	401,160
KYB	393,686
Cosel	283,319
Sumitomo Riko	270,263
Yamatane	264,899
Other purchases	2,747,584
Total purchases	8,054,717
Largest sales	¥'000
NTT Urban Development	922,852
Mitsui Engineering & Shipbuilding	562,926
Seiko	357,811
DeNA	313,169
KYB	292,880
Sankyo Tateyama	269,945
Nikon	230,356
IBJ Leasing Company	205,967
Onward	205,159
Hamakyorex	198,988
Other sales	2,269,187
Total sales	5,829,240

M&G Japan Smaller Companies Fund

Financial highlights

Fund performance

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

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

We show performance for these two share classes because:

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

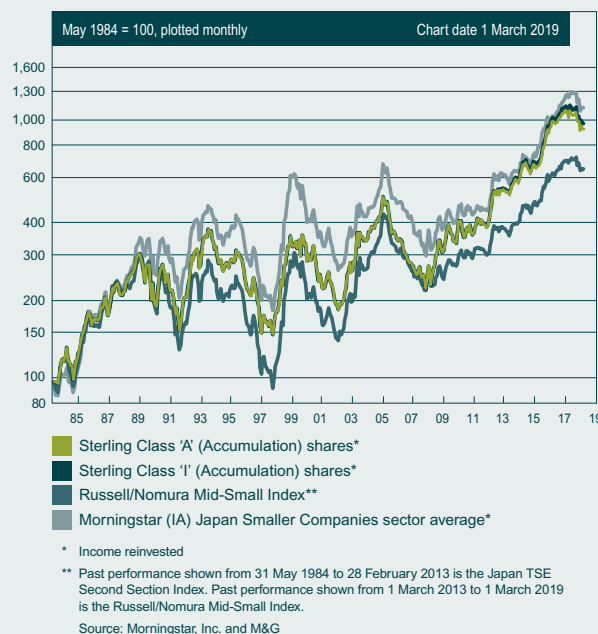
The fund is available for investment in different share classes, each with varying levels of charges and minimum investments; please refer to the Prospectus for M&G Investment Funds (1), which is available free of charge either from our website at www.mandg.co.uk/prospectuses or by calling M&G Customer Relations.

Fund level performance

Fund net asset value			
as at	28.02.19 ¥'000	31.08.18 ¥'000	31.08.17 ¥'000
Fund net asset value (NAV)	14,276,824	34,438,426	36,437,340

Performance since launch

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



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

M&G Japan Smaller Companies Fund

Financial highlights

Fund performance

To give an indication of the performance of the fund, the following table shows the compound rate of return, per annum, over the period to 26 October 2018 for non-sterling share classes and 1 March 2019 for sterling share classes. Calculated on a price to price basis with income reinvested.

Long-term performance by share class				
	From 03.09.18 % ^[a]	From 01.03.16 % p.a.	From 03.03.14 % p.a.	Since launch % p.a.
Euro ^[b]				
Class 'A'	-4.9	+12.2	+13.7	+6.6 ^[c]
Class 'C'	-4.8	+13.0	+14.6	+7.4 ^[c]
Sterling ^[d]				
Class 'A'	-12.1	+13.2	+13.0	+7.1 ^[e]
Class 'I'	-11.8	+14.1	+13.8	+15.5 ^[f]
Class 'R'	-11.9	+13.8	+13.6	+15.2 ^[f]
Class 'X'	-12.1	+13.2	+13.0	+10.1 ^[g]
US dollar ^[b]				
Class 'A'	-7.1	+14.0	n/a	+8.7 ^[h]
Class 'C'	-7.0	+14.8	n/a	+9.5 ^[h]

^[a] Absolute basis.

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

^[c] 28 November 2001, the launch date of the share class.

^[d] Price to price with income reinvested.

^[e] 15 May 1984, the end of the initial offer period of the predecessor unit trust.

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

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

^[h] 9 October 2015, the launch date of the share class.

Operating charges and portfolio transaction costs

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

Operating charges

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

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

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

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

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

Portfolio transaction costs

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

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

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

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

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

Portfolio transaction costs				
	Six months to 28.02.19 %	Year to 31.08.18 %	Year to 31.08.17 %	Average ^[a] %
Direct portfolio transaction costs ^[b]				
Broker commission	0.03	0.05	0.06	0.05
Taxes	0.00	0.00	0.00	0.00
Costs before dilution adjustments	0.03	0.05	0.06	0.05
Dilution adjustments ^[c]	(0.03)	(0.02)	(0.06)	(0.04)
Total direct portfolio transaction costs	0.00	0.03	0.00	0.01
as at				
Indirect portfolio transaction costs	28.02.19	31.08.18	31.08.17	Average ^[a]
	%	%	%	%
Average portfolio dealing spread	0.27	0.25	0.22	0.25

^[a] Average of first three columns.

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

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

M&G Japan Smaller Companies Fund

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Specific share class performance

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

The non-sterling share classes were merged into the M&G (Lux) Japan Smaller Companies on 26 October 2018. The current period historic yields for the non-sterling share classes were calculated at the merger date.

Historic yields for the sterling share classes for the current period are calculated as at 8 March 2019.

Euro Class 'A' Accumulation share performance

The share class was launched on 28 November 2001.

	Six months to 28.02.19 Euro €	Year to 31.08.18 Euro €	Year to 31.08.17 Euro €
Change in NAV per share			
Opening NAV	3,156.63	2,976.86	2,490.82
Return before operating charges and after direct portfolio transaction costs	(182.75)	233.54	535.81
Operating charges	(8.05)	(53.77)	(49.77)
Return after operating charges	(190.80)	179.77	486.04
Distributions	(10.51)	(5.22)	(4.09)
Retained distributions	10.51	5.22	4.09
Return to shareholder as a result of share class closure	(2,965.83)	n/a	n/a
Closing NAV	0.00	3,156.63	2,976.86

	Euro €	Euro €	Euro €
Direct portfolio transaction costs			
Costs before dilution adjustments	0.22	1.50	1.70
Dilution adjustments ^[a]	(0.22)	(0.79)	(1.70)
Total direct portfolio transaction costs	0.00	0.71	0.00

	%	%	%
Performance and charges			
Direct portfolio transaction costs ^[b]	0.00	0.03	0.00
Operating charges	1.67	1.68	1.68
Return after operating charges	-6.04	+6.04	+19.51
Historic yield	0.18	0.17	0.14
Effect on yield of charges offset against capital	0.00	0.00	0.00

Other information			
Closing NAV (€'000)	0	8,347,747	8,923,194
Closing NAV percentage of total fund NAV (%)	0.00	24.24	24.49
Number of shares	0	2,046,062	2,285,881
Highest share price (Euro €)	3,258.15	3,428.53	3,150.10
Lowest share price (Euro €)	2,960.48	2,935.91	2,462.48

Euro Class 'C' Accumulation share performance

The share class was launched on 28 November 2001.

	Six months to 28.02.19 Euro €	Year to 31.08.18 Euro €	Year to 31.08.17 Euro €
Change in NAV per share			
Opening NAV	3,573.97	3,345.25	2,778.17
Return before operating charges and after direct portfolio transaction costs	(207.11)	262.32	598.69
Operating charges	(5.03)	(33.60)	(31.61)
Return after operating charges	(212.14)	228.72	567.08
Distributions	(16.10)	(33.44)	(27.28)
Retained distributions	16.10	33.44	27.28
Return to shareholder as a result of share class closure	(3,361.83)	n/a	n/a
Closing NAV	0.00	3,573.97	3,345.25

	Euro €	Euro €	Euro €
Direct portfolio transaction costs			
Costs before dilution adjustments	0.25	1.70	1.96
Dilution adjustments ^[a]	(0.25)	(0.89)	(1.96)
Total direct portfolio transaction costs	0.00	0.81	0.00

	%	%	%
Performance and charges			
Direct portfolio transaction costs ^[b]	0.00	0.03	0.00
Operating charges	0.92	0.93	0.93
Return after operating charges	-5.94	+6.84	+20.41
Historic yield	1.03	0.94	0.83
Effect on yield of charges offset against capital	0.00	0.00	0.00

Other information			
Closing NAV (€'000)	0	7,206,781	7,577,102
Closing NAV percentage of total fund NAV (%)	0.00	20.93	20.79
Number of shares	0	1,560,137	1,727,293
Highest share price (Euro €)	3,691.03	3,863.35	3,526.72
Lowest share price (Euro €)	3,355.76	3,299.71	2,747.41

Sterling Class 'A' Income share performance

The share class was launched on 15 May 1984.

	Six months to 28.02.19 UK p	Year to 31.08.18 UK p	Year to 31.08.17 UK p
Change in NAV per share			
Opening NAV	551.72	544.14	426.32
Return before operating charges and after direct portfolio transaction costs	(65.88)	27.54	135.93
Operating charges	(4.26)	(9.44)	(9.04)
Return after operating charges	(70.14)	18.10	126.89
Distributions	n/a	(10.52)	(9.07)
Closing NAV	481.58	551.72	544.14

	UK p	UK p	UK p
Direct portfolio transaction costs			
Costs before dilution adjustments	0.11	0.26	0.31
Dilution adjustments ^[a]	(0.11)	(0.14)	(0.31)
Total direct portfolio transaction costs	0.00	0.12	0.00

	%	%	%
Performance and charges			
Direct portfolio transaction costs ^[b]	0.00	0.03	0.00
Operating charges	1.69	1.68	1.68
Return after operating charges	-12.71	+3.33	+29.76
Historic yield	2.26	1.92	1.70
Effect on yield of charges offset against capital	1.65	1.65	1.65

Other information			
Closing NAV (€'000)	3,037,179	3,407,122	3,530,197
Closing NAV percentage of total fund NAV (%)	21.27	9.89	9.69
Number of shares	4,278,899	4,286,995	4,556,080
Highest share price (UK p)	563.71	603.88	557.63
Lowest share price (UK p)	455.73	519.30	422.09

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Specific share class performance

Sterling Class 'A' Accumulation share performance

The share class was launched on 15 May 1984.

	Six months to 28.02.19 UK p	Year to 31.08.18 UK p	Year to 31.08.17 UK p
Change in NAV per share			
Opening NAV	602.18	582.86	449.18
Return before operating charges and after direct portfolio transaction costs	(71.75)	29.43	142.78
Operating charges	(4.65)	(10.11)	(9.10)
Return after operating charges	(76.40)	19.32	133.68
Distributions	n/a	(0.99)	(0.80)
Retained distributions	n/a	0.99	0.80
Closing NAV	525.78	602.18	582.86
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.12	0.28	0.31
Dilution adjustments ^[a]	(0.12)	(0.15)	(0.31)
Total direct portfolio transaction costs	0.00	0.13	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.03	0.00
Operating charges	1.69	1.68	1.68
Return after operating charges	-12.69	+3.31	+29.76
Historic yield	0.20	0.17	0.14
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (¥'000)	1,258,416	1,500,595	1,761,313
Closing NAV percentage of total fund NAV (%)	8.82	4.36	4.83
Number of shares	1,623,880	1,729,898	2,122,149
Highest share price (UK p)	615.44	646.78	587.52
Lowest share price (UK p)	497.54	556.19	444.71

Sterling Class 'I' Income share performance

The share class was launched on 3 August 2012.

	Six months to 28.02.19 UK p	Year to 31.08.18 UK p	Year to 31.08.17 UK p
Change in NAV per share			
Opening NAV	2,739.70	2,681.63	2,085.10
Return before operating charges and after direct portfolio transaction costs	(327.61)	135.92	664.83
Operating charges	(11.77)	(25.85)	(23.83)
Return after operating charges	(339.38)	110.07	641.00
Distributions	n/a	(52.00)	(44.47)
Closing NAV	2,400.32	2,739.70	2,681.63
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.57	1.31	1.47
Dilution adjustments ^[a]	(0.57)	(0.69)	(1.47)
Total direct portfolio transaction costs	0.00	0.62	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.03	0.00
Operating charges	0.94	0.93	0.93
Return after operating charges	-12.39	+4.10	+30.74
Historic yield	2.24	1.91	1.69
Effect on yield of charges offset against capital	0.90	0.90	0.90
Other information			
Closing NAV (¥'000)	1,650,569	1,801,695	1,916,121
Closing NAV percentage of total fund NAV (%)	11.56	5.23	5.26
Number of shares	466,546	456,523	501,797
Highest share price (UK p)	2,801.10	2,984.21	2,747.82
Lowest share price (UK p)	2,268.39	2,560.94	2,065.12

Sterling Class 'I' Accumulation share performance

The share class was launched on 3 August 2012.

	Six months to 28.02.19 UK p	Year to 31.08.18 UK p	Year to 31.08.17 UK p
Change in NAV per share			
Opening NAV	2,949.28	2,833.31	2,167.19
Return before operating charges and after direct portfolio transaction costs	(351.95)	143.28	690.98
Operating charges	(12.69)	(27.31)	(24.86)
Return after operating charges	(364.64)	115.97	666.12
Distributions	n/a	(27.60)	(23.11)
Retained distributions	n/a	27.60	23.11
Closing NAV	2,584.64	2,949.28	2,833.31
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.61	1.38	1.54
Dilution adjustments ^[a]	(0.61)	(0.73)	(1.54)
Total direct portfolio transaction costs	0.00	0.65	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.03	0.00
Operating charges	0.94	0.93	0.93
Return after operating charges	-12.36	+4.09	+30.74
Historic yield	1.11	0.94	0.83
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (¥'000)	6,993,309	9,187,415	10,906,843
Closing NAV percentage of total fund NAV (%)	48.98	26.68	29.94
Number of shares	1,835,747	2,162,527	2,703,387
Highest share price (UK p)	3,016.20	3,152.66	2,855.86
Lowest share price (UK p)	2,442.58	2,705.55	2,146.32

Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012.

	Six months to 28.02.19 UK p	Year to 31.08.18 UK p	Year to 31.08.17 UK p
Change in NAV per share			
Opening NAV	272.50	267.40	208.44
Return before operating charges and after direct portfolio transaction costs	(32.57)	13.56	66.41
Operating charges	(1.48)	(3.28)	(3.01)
Return after operating charges	(34.05)	10.28	63.40
Distributions	n/a	(5.18)	(4.44)
Closing NAV	238.45	272.50	267.40
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.06	0.13	0.15
Dilution adjustments ^[a]	(0.06)	(0.07)	(0.15)
Total direct portfolio transaction costs	0.00	0.06	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.03	0.00
Operating charges	1.19	1.18	1.18
Return after operating charges	-12.50	+3.84	+30.42
Historic yield	2.25	1.91	1.70
Effect on yield of charges offset against capital	1.15	1.15	1.15
Other information			
Closing NAV (¥'000)	50,453	59,898	22,164
Closing NAV percentage of total fund NAV (%)	0.35	0.17	0.06
Number of shares	143,557	152,590	58,209
Highest share price (UK p)	278.55	297.30	274.01
Lowest share price (UK p)	225.44	255.34	206.42

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Specific share class performance

Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012.

	Six months to 28.02.19 UK p	Year to 31.08.18 UK p	Year to 31.08.17 UK p
Change in NAV per share			
Opening NAV	290.41	279.69	214.47
Return before operating charges and after direct portfolio transaction costs	(34.64)	14.15	68.11
Operating charges	(1.58)	(3.43)	(2.89)
Return after operating charges	(36.22)	10.72	65.22
Distributions	n/a	(1.97)	(1.65)
Retained distributions	n/a	1.97	1.65
Closing NAV	254.19	290.41	279.69
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.06	0.14	0.14
Dilution adjustments ^[a]	(0.06)	(0.07)	(0.14)
Total direct portfolio transaction costs	0.00	0.07	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.03	0.00
Operating charges	1.19	1.18	1.19
Return after operating charges	-12.47	+3.83	+30.41
Historic yield	0.80	0.68	0.60
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (¥000)	290,116	324,130	58,748
Closing NAV percentage of total fund NAV (%)	2.03	0.94	0.16
Number of shares	774,357	774,798	147,508
Highest share price (UK p)	296.94	310.93	281.92
Lowest share price (UK p)	240.33	267.05	212.38

Sterling Class 'X' Income share performance

The share class was launched on 1 October 2002.

	Six months to 28.02.19 UK p	Year to 31.08.18 UK p	Year to 31.08.17 UK p
Change in NAV per share			
Opening NAV	548.32	540.79	423.69
Return before operating charges and after direct portfolio transaction costs	(65.47)	27.37	134.68
Operating charges	(4.24)	(9.38)	(8.57)
Return after operating charges	(69.71)	17.99	126.11
Distributions	n/a	(10.46)	(9.01)
Closing NAV	478.61	548.32	540.79
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.11	0.26	0.29
Dilution adjustments ^[a]	(0.11)	(0.14)	(0.29)
Total direct portfolio transaction costs	0.00	0.12	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.03	0.00
Operating charges	1.69	1.68	1.68
Return after operating charges	-12.71	+3.33	+29.76
Historic yield	2.26	1.92	1.70
Effect on yield of charges offset against capital	1.65	1.65	1.65
Other information			
Closing NAV (¥000)	200,584	241,369	324,739
Closing NAV percentage of total fund NAV (%)	1.41	0.70	0.89
Number of shares	284,342	305,584	421,706
Highest share price (UK p)	560.24	600.16	554.19
Lowest share price (UK p)	452.92	516.10	419.49

Sterling Class 'X' Accumulation share performance

The share class was launched on 1 October 2002.

	Six months to 28.02.19 UK p	Year to 31.08.18 UK p	Year to 31.08.17 UK p
Change in NAV per share			
Opening NAV	597.62	578.44	445.77
Return before operating charges and after direct portfolio transaction costs	(71.21)	29.22	141.69
Operating charges	(4.62)	(10.04)	(9.02)
Return after operating charges	(75.83)	19.18	132.67
Distributions	n/a	(0.99)	(0.80)
Retained distributions	n/a	0.99	0.80
Closing NAV	521.79	597.62	578.44
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.12	0.28	0.31
Dilution adjustments ^[a]	(0.12)	(0.15)	(0.31)
Total direct portfolio transaction costs	0.00	0.13	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.03	0.00
Operating charges	1.69	1.68	1.68
Return after operating charges	-12.69	+3.32	+29.76
Historic yield	0.20	0.17	0.14
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (¥000)	796,198	974,723	1,021,227
Closing NAV percentage of total fund NAV (%)	5.58	2.83	2.80
Number of shares	1,035,282	1,132,246	1,239,840
Highest share price (UK p)	610.78	641.88	583.07
Lowest share price (UK p)	493.77	551.98	441.34

US dollar Class 'A' Accumulation share performance

The share class was launched on 9 October 2015.

	Six months to 28.02.19 US ¢	Year to 31.08.18 US ¢	Year to 31.08.17 US ¢
Change in NAV per share			
Opening NAV	1,413.53	1,354.61	1,065.05
Return before operating charges and after direct portfolio transaction costs	(118.55)	83.51	311.35
Operating charges	(3.50)	(24.59)	(21.79)
Return after operating charges	(122.05)	58.92	289.56
Distributions	(4.58)	(2.34)	(1.86)
Retained distributions	4.58	2.34	1.86
Return to shareholder as a result of share class closure	(1,291.48)	n/a	n/a
Closing NAV	0.00	1,413.53	1,354.61
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.10	0.69	0.75
Dilution adjustments ^[a]	(0.10)	(0.36)	(0.75)
Total direct portfolio transaction costs	0.00	0.33	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.03	0.00
Operating charges	1.67	1.68	1.68
Return after operating charges	-8.63	+4.35	+27.19
Historic yield	0.18	0.17	0.14
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (¥000)	0	924,037	96,911
Closing NAV percentage of total fund NAV (%)	0.00	2.68	0.27
Number of shares	0	590,169	64,691
Highest share price (US ¢)	1,457.78	1,615.10	1,373.97
Lowest share price (US ¢)	1,289.15	1,324.96	1,062.33

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Specific share class performance

US dollar Class 'C' Accumulation share performance

The share class was launched on 9 October 2015.

	Six months to 28.02.19 US ¢	Year to 31.08.18 US ¢	Year to 31.08.17 US ¢
Change in NAV per share			
Opening NAV	1,444.45	1,373.89	1,072.15
Return before operating charges and after direct portfolio transaction costs	(121.13)	84.53	314.21
Operating charges	(2.06)	(13.97)	(12.47)
Return after operating charges	(123.19)	70.56	301.74
Distributions	(6.33)	(13.52)	(11.20)
Retained distributions	6.33	13.52	11.20
Return to shareholder as a result of share class closure	(1,321.26)	n/a	n/a
Closing NAV	0.00	1,444.45	1,373.89
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.10	0.71	0.77
Dilution adjustments ^[a]	(0.10)	(0.37)	(0.77)
Total direct portfolio transaction costs	0.00	0.34	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.03	0.00
Operating charges	0.92	0.93	0.93
Return after operating charges	-8.53	+5.14	+28.14
Historic yield	1.04	0.95	0.83
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (¥000)	0	462,914	298,781
Closing NAV percentage of total fund NAV (%)	0.00	1.35	0.82
Number of shares	0	289,328	196,646
Highest share price (US ¢)	1,490.46	1,643.18	1,392.86
Lowest share price (US ¢)	1,318.87	1,352.55	1,069.75

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

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

M&G Japan Smaller Companies Fund

Financial statements and notes

Financial statements

Statement of total return

for the six months to 28 February	2019 ¥'000	2018 ¥'000
Income		
Net capital gains / (losses)	(3,814,509)	3,633,289
Revenue	245,603	353,156
Expenses	(134,463)	(257,726)
Net revenue / (expense) before taxation	111,140	95,430
Taxation	(24,707)	(35,818)
Net revenue / (expense) after taxation	86,433	59,612
Total return before distributions	(3,728,076)	3,692,901
Distributions	(57,296)	14,785
Change in net assets attributable to shareholders from investment activities	(3,785,372)	3,707,686

Statement of change in net assets attributable to shareholders

for the six months to 28 February	2019 ¥'000	2018 ¥'000
Opening net assets attributable to shareholders	34,438,426	36,437,340
Amounts received on issue of shares	7,423,093	8,255,045
Amounts paid on cancellation of shares	(5,167,963)	(5,426,665)
Transfer to M&G (Lux) Japan Smaller Companies Fund	(18,724,626)	0
	(16,469,496)	2,828,380
Dilution adjustments	19,319	13,895
Change in net assets attributable to shareholders from investment activities (see above)	(3,785,372)	3,707,686
Retained distributions on Accumulation shares	73,934	0
Unclaimed distributions	13	0
Closing net assets attributable to shareholders	14,276,824	42,987,301

The opening net assets attributable to shareholders for 2019 differs to the closing position in 2018 by the change in net assets attributable to shareholders for the second half of the comparative financial year.

Balance sheet

as at	28 February 2019 ¥'000	31 August 2018 ¥'000
Assets		
Fixed assets		
Investments	14,133,162	34,215,257
Current assets		
Debtors	127,345	97,749
Cash and bank balances	207,310	333,927
Total assets	14,467,817	34,646,933
Liabilities		
Creditors		
Bank overdrafts	(13,026)	0
Distribution payable	0	(104,902)
Other creditors	(177,967)	(103,605)
Total liabilities	(190,993)	(208,507)
Net assets attributable to shareholders	14,276,824	34,438,426

Notes to the financial statements

Accounting policies

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

Distribution policy

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

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

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

M&G Japan Smaller Companies Fund

Financial statements and notes

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M&G North American Dividend Fund

Authorised Corporate Director's Report

Investment objective

The fund aims to maximise total return (the combination of capital growth and income) whilst aiming to grow distributions over the long term.

Investment policy

The fund will invest mainly in North American equities and may invest across all sectors and market capitalisations. The fund may also invest in transferable securities issued by companies which are listed, registered or trading within North America and in collective investment schemes. 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 M&G North American Dividend Fund employs a bottom-up stockpicking approach, driven by the fundamental analysis of individual companies. The fund manager seeks to invest in companies with excellent capital discipline and long-term dividend growth potential. The fund manager believes rising dividends create upward pressure on the value of shares. Dividend yield is not the primary consideration for stock selection. The fund manager aims to create a diversified portfolio with exposure to a broad range of sectors. He selects stocks with different drivers of dividend growth to construct a portfolio that has the potential to cope in a variety of market conditions. The fund will usually hold around 40 to 50 stocks, with a long-term investment view and a typical holding period of three to five years.

Risk profile

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

The fund's focus is on shares of companies that have the potential to grow their dividends over the long term. Income distributions from the fund's holdings, however, are not guaranteed and may vary. Diversification across industries and market capitalisation is key in managing liquidity risk and reducing market risk. The fund's risks are measured and managed as an integral part of the investment process.

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



The above number:

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

Investment review

As at 1 March 2019, for the six months ended 28 February 2019

Distribution summary

Over the six-month review period, the fund distributed income of 16.0000 pence per Sterling Class 'A' (Income) share, compared to 12.1829 pence in the same period in the previous financial year. This represents an increase of 31.3%, but this rise in dividend is distorted by the fact that in the financial year ended 31 August 2018, US dividends were taxed at 30% rather than the 15% applied previously. (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.) The fund expects to pay the more favourable tax rate in the current financial year. Compared to two years ago when US dividends were taxed at 15%, the distribution for the six-month period is 8.6% higher.

The fund's US dollar Class 'A' (Income) share, which pays distributions in US dollars, was merged from 9 November 2018 together with all the non-sterling share classes into the M&G (Lux) North American Dividend Fund, a Luxembourg-authorised SICAV, which was launched on that date. Ahead of the migration, the US dollar Class 'A' (Income) share paid a first interim dividend of 7.3526 cents, up 22.5% on the 6.0000 cents distributed last year. Combined with the second interim dividend, the US dollar Class 'A' (Income) share distributed income of 12.0000 cents during the equivalent six-month period last year.

Regardless of the fund's tax status, we are pleased with the level of dividend growth from our holdings. The majority, once again, reported dividend increases in the 5% to 15% range, including many of our largest positions such as Comcast (media) and Anthem (healthcare).

The fund's holdings in the technology sector delivered some of the fastest dividend growth. Broadcom, the semiconductor company, led the pack with a 51% hike, followed by MasterCard and Visa in global payments. Microsoft and FIS reported solid increases in the software industry.

M&G North American Dividend Fund

Authorised Corporate Director's Report

Investment review

Distribution summary (continued)

Elsewhere, Yum China, the restaurant chain which is expanding quickly in China with KFC, Pizza Hut and Taco Bell, raised its dividend by 20%, while Union Pacific, the railroads company, announced a 15% uplift for the year ahead. American Express, Blackrock and Intercontinental Exchange delivered double-digit growth in financials.

However, it was not all good news. A handful of holdings including Cognizant Technology Solutions and PrairieSky Royalty (energy) held their dividends flat, but we are hopeful that growth can resume in the future. L Brands was responsible for the only dividend cut during the period under review. The retail stock was subsequently sold.

Performance against objective

Between 3 September 2018 (the start of the review period) and 1 March 2019, the fund's sterling share classes delivered a negative total return (the combination of income and growth of capital). Consequently, the fund did not meet the objective of maximising total return, although the declines were less pronounced than the loss of 5% in sterling on the S&P 500 Index, a comparative index.

Between 3 September 2018 and 9 November 2018, when the non-sterling share classes merged into the Luxembourg-authorised SICAV, the euro share classes delivered mixed returns, while the US dollar share classes generated negative returns*. Returns on the S&P 500 Index were also negative over this period (-1.5% and -3.8% in euros and US dollars, respectively).

The fund has met its objective to maximise total return (the combination of capital growth and income) since the objective was introduced in April 2015.

The fund also delivered on its objective of growing the distribution during the review period. The fund benefited from a combination of continued dividend growth from its underlying holdings and the significant boost from a lower tax rate on US dividends. Growing distributions has been part of the objective since April 2015; it is therefore not possible to assess this aspect of the fund's performance over five years, which is the timeline implied by the objective.

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

Investment performance

The six-month period was characterised by increased volatility (or market turbulence) in the US market, which saw the S&P 500 Index reach a record high in September before falling as much as 20% in December. The index recovered most of its losses in the first two months of 2019, but still ended the review period lower. Fears of an economic slowdown led to cyclical stocks being out of favour, while defensives held up best in a difficult environment. (Cyclicals are companies which tend to be more sensitive to the economic cycle; defensive stocks are companies that tend to have stable earnings and

are less affected by peaks and troughs in the economy.) Energy was the worst performing sector against the backdrop of a weaker oil price, while technology was another casualty of the market sell-off. Apple declined more than 20% during the period. By contrast, the utilities sector was one of the few areas which delivered a positive return, as investors sought the comfort of safety.

Against this background, the fund limited the downside through positive stock selection, most notably in technology and consumer discretionary. Sector allocation detracted, however, as the zero exposure to utilities and the relatively large weightings in energy and materials held back returns.

Broadcom in the technology sector was the standout performer during the review period. The stock returned almost 30% after the semiconductor company provided a positive outlook for 2019. We trimmed the holding into strength to manage the stock's weighting in the fund. MasterCard was another top contributor as the leader in digital payments continued to beat expectations. Not owning Apple also helped.

Starbucks and Comcast made the biggest positive contributions in consumer discretionary. Starbucks shares rose more than 30% after the coffee chain surprised the market with its operational progress. Comcast delivered a positive return on the back of a strong showing from its broadband business. We also had zero exposure to Amazon.com, because the online retailer does not pay a dividend and is therefore not a candidate for our dividend growth strategy. The stock price of Amazon dropped 18%.

However, the fund was not immune to the falling market. Methanex, the methanol producer, was the leading detractor in an adverse environment for cyclicals and energy-related stocks. The shares reached an all-time high during the first week of October, but retreated thereafter as sentiment weighed on share price movements. Still, the business remains highly cash generative and the valuation looks out of kilter with its strong fundamentals. We see significant upside and the stock remains a core holding.

PrairieSky Royalty, Keyera and Halliburton were among the top detractors in a weak energy sector, although their underperformance was partly offset by the positive returns from Gibson Energy and Pembina Pipeline.

Constellation Brands was an outlier in a resilient consumer staples sector. The shares drifted lower amid concerns about pressure on the beer business, and investors remain unconvinced about the company's growth strategy. The beverage company has potential to increase the penetration of its most popular products, including the Mexican beer brands Corona, Modelo and Pacifico, and we believe the share price weakness has been unwarranted. We have been adding to the holding.

The weakness of Constellation Brands was compensated by the strong performance of Mondelēz International, which delivered a double-digit return during the period. Mondelēz International, whose brands include Oreo and Cadbury, continues to deliver growth with a robust contribution from emerging markets.

M&G North American Dividend Fund

Authorised Corporate Director's Report

Investment review

Investment activities

There were five new purchases and six complete sales during the review period, a level of turnover consistent with our long-term investment horizon of three to five years. The number of holdings reduced to 44.

The energy sector saw the most activity with two new holdings and two disposals. We bought EOG Resources, an exploration company, and ONEOK, an infrastructure business, at the expense of service providers Helmerich & Payne and Halliburton. We also added to PrairieSky Royalty on weakness and took profits in Pembina Pipeline.

We started a new holding in Air Products & Chemicals in December following a timely visit to the company's premises in Allentown, Pennsylvania. The meeting cemented our conviction in the industrial gas company's long-term growth prospects. With net cash on the balance sheet, we are excited about the strategy that Air Products & Chemicals is embarked upon and we are pleased that the market downturn provided a buying opportunity.

S&P Global in financials was the fund's first new purchase in 2019 and another instance where market movements prompted action. The company has leading market positions with high barriers to entry, high recurring revenue and zero debt, and there are growth opportunities for each business unit. S&P Global has increased its dividend for 41 consecutive years and is therefore an ideal candidate for the fund's dividend growth strategy. The market's gloom provided an attractive entry point.

Broadridge Financial Solutions, a software company which serves the financial services industry, was the final purchase during the review period. Analog Devices, a semiconductor business, was sold as a source of cash, but the technology weighting was higher at the end of the six-month period.

Elsewhere, the healthcare exposure declined following the sale of Allergan and Medtronic. L Brands was sold after the retail stock outperformed in the wake of its dividend cut.

Outlook

The return of volatility to stockmarkets has caused much discomfort among onlookers and the shifting sands of market leadership have left many investors seeking direction. It is our strong belief that short-term swings in sentiment can present excellent opportunities for long-term investors, and the downturns in October and December did little to change our conviction.

Looking at fundamentals, we see many attractive opportunities across different sectors for companies with robust cashflows and solid growth prospects. With fortuitous timing, we spent much of December on the east coast of the USA meeting corporates from a variety of industries. Meetings with Comcast, the media group based in Philadelphia, and FIS, the software company based in Jacksonville, Florida – both existing holdings in the fund – reinforced our view that whilst their share prices may have changed, their long-term potential has not. Air Products & Chemicals, another company we visited, was a new holding for the fund soon after.

The importance of being selective cannot be emphasised enough. There are many areas of the market where we see a wide disparity between valuations and fundamentals, and we strongly believe that a valuation discipline is essential to generate excellent returns over the long term.

We are pleased with the progress of our holdings in the current reporting season and we are encouraged by their robust operating performance, which is manifested in continued dividend growth. Dividends should not be taken for granted. As the recent dividend cut from Kraft Heinz demonstrated, there are pitfalls to be avoided. The shock announcement from a company considered as defensive by many investors was strongly influenced by high levels of debt that needed servicing ahead of cash returns to shareholders. The burden of debt was equally influential in the dividend cuts from General Electric, Kinder Morgan and PG&E that preceded it. Balance sheet strength is a key area of focus in our fundamental analysis, especially at a time when rising interest rates will increase the cost of debt as companies refinance their debt in two- to five-year cycles. This is a crucial exercise to ensure that dividend growth is sustainable.

Dividends are the ultimate sign of management confidence. The dividend increases we are seeing from the fund's holdings reflect well on the long-term potential and the financial health of the companies we are invested in. We continue to believe that the combination of strong dividend growth and attractive valuation stands us in good stead to generate competitive returns over the long term.

John Weavers

Fund manager

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

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

Investments

Portfolio statement

as at Holding	28.02.19 \$'000	28.02.19 %	31.08.18 %
EQUITIES	647,194	97.33	99.43
Energy equipment & services	0	0.00	1.81
Oil, gas & consumable fuels	57,257	8.61	7.66
77,510 EOG Resources	7,366	1.11	
536,140 Gibson Energy	8,661	1.30	
140,917 Keyera	3,441	0.52	
214,836 ONEOK	13,994	2.10	
291,773 Pembina Pipeline	10,686	1.61	
898,133 PrairieSky Royalty	13,109	1.97	
Chemicals	53,299	8.02	8.60
83,412 Air Products & Chemicals	15,145	2.28	
632,949 Methanex	36,148	5.44	
30,877 Sensient Technologies	2,006	0.30	
Electrical equipment	8,209	1.23	1.41
119,773 Emerson Electric	8,209	1.23	

M&G North American Dividend Fund

Authorised Corporate Director's Report

Investments

Portfolio statement (continued)				
as at Holding	28.02.19 \$'000	28.02.19 %	31.08.18 %	
Road & rail	19,094	2.87	3.07	
112,967 Union Pacific	19,094	2.87		
Hotels, restaurants & leisure	40,898	6.15	6.30	
282,488 Las Vegas Sands	17,350	2.61		
154,588 Six Flags Entertainment	8,804	1.32		
108,653 Starbucks	7,621	1.15		
171,423 Yum China	7,123	1.07		
Specialty retail	17,100	2.57	1.25	
158,892 Lowe's	17,100	2.57		
Beverages	27,420	4.12	2.65	
162,083 Constellation Brands	27,420	4.12		
Food products	23,331	3.51	3.68	
495,243 Mondelēz International	23,331	3.51		
Tobacco	6,681	1.00	1.49	
127,722 Altria	6,681	1.00		
Health care equipment & supplies	6,963	1.05	2.68	
27,823 Becton Dickinson	6,963	1.05		
Health care providers & services	58,613	8.81	10.08	
93,800 Anthem	28,712	4.32		
119,543 UnitedHealth	29,901	4.49		
Pharmaceuticals	10,103	1.52	2.63	
74,353 Johnson & Johnson	10,103	1.52		
Banks	44,121	6.64	7.28	
126,639 First Republic Bank	13,287	2.00		
112,386 JPMorgan Chase	11,817	1.78		
17,038 M&T Bank	2,939	0.44		
322,330 Wells Fargo	16,078	2.42		
Consumer finance	16,622	2.50	2.52	
154,740 American Express	16,622	2.50		
Capital markets	30,696	4.62	4.17	
19,095 Blackrock	8,440	1.27		
246,763 Intercontinental Exchange	18,808	2.83		
17,090 S&P Global	3,448	0.52		
Insurance	16,628	2.50	2.04	
49,670 Arthur J. Gallagher & Co.	3,998	0.60		
136,094 Marsh & McLennan	12,630	1.90		
IT services	83,162	12.51	10.51	
98,895 Broadridge Financial Solutions	10,095	1.52		
196,263 Cognizant Technology Solutions	13,993	2.10		
213,998 FIS	22,943	3.45		
98,812 MasterCard	22,188	3.34		
94,699 Visa	13,943	2.10		
Software	39,106	5.88	5.91	
348,603 Microsoft	39,106	5.88		
Semiconductors & semiconductor equipment	31,134	4.68	6.26	
86,266 Broadcom	23,421	3.52		
43,528 Lam Research	7,713	1.16		
Media	27,335	4.11	2.81	
709,449 Comcast	27,335	4.11		

Portfolio statement (continued)

as at Holding	28.02.19 \$'000	28.02.19 %	31.08.18 %
Equity real estate investment trusts (REITs)	29,422	4.43	4.62
105,395 Crown Castle International	12,469	1.88	
40,542 Equinix	16,953	2.55	
Portfolio of investments	647,194	97.33	99.43
CASH EQUIVALENTS	18,085	2.72	1.51
'AAA' rated money market funds ^[a]	18,085	2.72	1.51
18,085,255 Northern Trust Global Fund - US dollar	18,085	2.72	
SHARE CLASS HEDGING	0	0.00	0.08
Forward currency contracts for share class hedging	0	0.00	0.08
Total portfolio	665,279	100.05	101.02
Net other assets / (liabilities)	(346)	(0.05)	(1.02)
Net assets attributable to shareholders	664,933	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.

Top ten portfolio transactions

for the six months to 28 February 2019

Largest purchases	\$'000
ONEOK	16,374
Constellation Brands	14,277
Air Products & Chemicals	13,357
Lowe's	10,507
Comcast	10,236
Broadridge Financial Solutions	9,962
EOG Resources	9,568
Las Vegas Sands	7,787
Visa	6,694
PrairieSky Royalty	3,816
Other purchases	30,939
Total purchases	133,517
Largest sales	\$'000
Pembina Pipeline	11,920
Medtronic	11,826
Broadcom	11,818
Analog Devices	10,428
UnitedHealth	10,254
Allergan	8,290
Starbucks	7,041
Keyera	6,009
Halliburton	5,694
Mondelēz International	5,596
Other sales	72,780
Total sales	161,656

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

M&G North American Dividend Fund

Financial highlights

Fund performance

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

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

We show performance for these two share classes because:

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

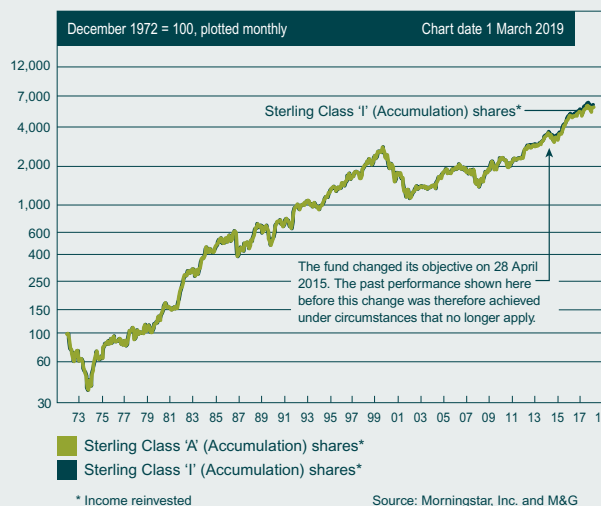
The fund is available for investment in different share classes, each with varying levels of charges and minimum investments; please refer to the Prospectus for M&G Investment Funds (1), which is available free of charge either from our website at www.mandg.co.uk/prospectuses or by calling M&G Customer Relations.

Fund level performance

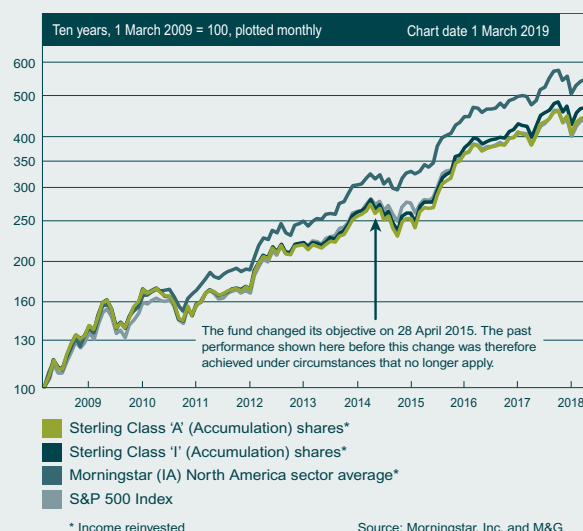
Fund net asset value			
as at	28.02.19 \$'000	31.08.18 \$'000	31.08.17 \$'000
Fund net asset value (NAV)	664,933	827,633	748,191

Performance since launch

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



Ten-year performance



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

M&G North American Dividend Fund

Financial highlights

Fund performance

To give an indication of the performance of the fund, the following table shows the compound rate of return, per annum, over the period to 9 November 2018 for non-sterling share classes and 1 March 2019 for sterling share classes. Calculated on a price to price basis with income reinvested.

Long-term performance by share class				
	From 03.09.18 % ^[a]	From 01.03.16 % p.a.	From 03.03.14 % p.a.	Since launch % p.a.
Euro ^[b]				
Class 'A'	+0.6	+16.4	+14.5	+5.0 ^[c]
Class 'A-H'	-2.2	+16.0	+8.6	+7.2 ^[d]
Class 'C'	+0.7	+17.3	+15.4	+5.7 ^[c]
Class 'C-H'	-2.1	+16.8	+9.4	+9.9 ^[e]
Sterling ^[f]				
Class 'A'	-3.6	+18.7	+14.7	+9.2 ^[g]
Class 'I'	-3.2	+19.6	+15.5	+16.0 ^[h]
Class 'R'	-3.3	+19.3	+15.3	+15.7 ^[h]
Class 'X'	-3.6	+18.7	+14.7	+11.9 ^[i]
US dollar ^[b]				
Class 'A'	-1.7	+18.3	+9.9	+6.3 ^[j]
Class 'C'	-1.6	+19.2	+10.7	+7.1 ^[j]

^[a] Absolute basis.

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

^[c] 28 November 2001, the launch date of the share class.

^[d] 12 September 2008, the launch date of the share class.

^[e] 1 October 2010, the launch date of the share class.

^[f] Price to price with income reinvested.

^[g] 18 December 1972, the end of the initial offer period of the predecessor unit trust.

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

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

^[j] 9 March 2007, the launch date of the share class.

Operating charges and portfolio transaction costs

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

Operating charges

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

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

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

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

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

M&G North American Dividend Fund

Financial highlights

Fund performance

Operating charges and portfolio transaction costs

Portfolio transaction costs

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

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

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

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

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

Portfolio transaction costs				
	Six months to 28.02.19	Year to 31.08.18	Year to 31.08.17	Average ^[a]
Direct portfolio transaction costs ^[b]	%	%	%	%
Broker commission	0.03	0.02	0.04	0.03
Taxes	0.00	0.00	0.00	0.00
Costs before dilution adjustments	0.03	0.02	0.04	0.03
Dilution adjustments ^[c]	(0.02)	(0.02)	(0.03)	(0.02)
Total direct portfolio transaction costs	0.01	0.00	0.01	0.01
as at	28.02.19	31.08.18	31.08.17	Average ^[a]
Indirect portfolio transaction costs	%	%	%	%
Average portfolio dealing spread	0.03	0.03	0.05	0.04

^[a] Average of first three columns.

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

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

Specific share class performance

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

The non-sterling share classes were merged into the M&G (Lux) North American Dividend Fund on 9 November 2018. The current period historic yields for the non-sterling share classes were calculated at the merger date.

Historic yields for the sterling share classes for the current period are calculated as at 8 March 2019.

Euro Class 'A' Income share performance

The share class was launched on 8 August 2014.

	Six months to 28.02.19 Euro ¢	Year to 31.08.18 Euro ¢	Year to 31.08.17 Euro ¢
Change in NAV per share			
Opening NAV	2,104.88	1,758.25	1,615.71
Return before operating charges and after direct portfolio transaction costs	31.13	411.94	212.05
Operating charges	(6.72)	(32.17)	(30.39)
Return after operating charges	24.41	379.77	181.66
Distributions	(8.25)	(33.14)	(39.12)
Return to shareholder as a result of share class closure	(2,121.04)	n/a	n/a
Closing NAV	0.00	2,104.88	1,758.25
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.12	0.38	0.81
Dilution adjustments ^[a]	(0.12)	(0.38)	(0.52)
Total direct portfolio transaction costs	0.00	0.00	0.29
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.00	0.01
Operating charges	1.66	1.66	1.66
Return after operating charges	+1.16	+21.60	+11.24
Historic yield	1.57	1.55	2.21
Effect on yield of charges offset against capital	1.66	1.66	1.66
Other information			
Closing NAV (\$'000)	0	753	642
Closing NAV percentage of total fund NAV (%)	0.00	0.09	0.09
Number of shares	0	30,655	30,780
Highest share price (Euro ¢)	2,175.47	2,154.70	1,960.26
Lowest share price (Euro ¢)	2,002.27	1,744.19	1,563.45

M&G North American Dividend Fund

Financial highlights

Specific share class performance

Euro Class 'A' Accumulation share performance

The share class was launched on 28 November 2001.

	Six months to 28.02.19 Euro ¢	Year to 31.08.18 Euro ¢	Year to 31.08.17 Euro ¢
Change in NAV per share			
Opening NAV	2,255.60	1,853.49	1,666.94
Return before operating charges and after direct portfolio transaction costs	44.44	436.27	217.61
Operating charges	(18.35)	(34.16)	(31.06)
Return after operating charges	26.09	402.11	186.55
Distributions	(1.60)	(0.93)	(10.41)
Retained distributions	1.60	0.93	10.41
Return to shareholder as a result of share class closure	(2,281.69)	n/a	n/a
Closing NAV	0.00	2,255.60	1,853.49
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.33	0.40	0.83
Dilution adjustments ^[a]	(0.32)	(0.40)	(0.53)
Total direct portfolio transaction costs	0.01	0.00	0.30
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.00	0.01
Operating charges	1.66	1.66	1.66
Return after operating charges	+1.16	+21.69	+11.19
Historic yield	0.04	0.04	0.56
Effect on yield of charges offset against capital	0.01	0.01	0.01
Other information			
Closing NAV (\$'000)	0	40,764	44,674
Closing NAV percentage of total fund NAV (%)	0.00	4.93	5.97
Number of shares	0	1,548,796	2,032,663
Highest share price (Euro ¢)	2,331.17	2,294.47	2,039.64
Lowest share price (Euro ¢)	2,145.57	1,838.51	1,613.06

Euro Class 'A-H' Accumulation share performance

The share class was launched on 12 September 2008.

	Six months to 28.02.19 Euro ¢	Year to 31.08.18 Euro ¢	Year to 31.08.17 Euro ¢
Change in NAV per share			
Opening NAV	2,073.11	1,773.26	1,523.34
Return before operating charges and after direct portfolio transaction costs	(35.69)	332.83	277.78
Operating charges	(6.64)	(32.98)	(27.86)
Return after operating charges	(42.33)	299.85	249.92
Distributions	(1.32)	(0.38)	(9.35)
Retained distributions	1.32	0.38	9.35
Return to shareholder as a result of share class closure	(2,030.78)	n/a	n/a
Closing NAV	0.00	2,073.11	1,773.26
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.12	0.38	0.74
Dilution adjustments ^[a]	(0.11)	(0.38)	(0.47)
Total direct portfolio transaction costs	0.01	0.00	0.27
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.00	0.01
Operating charges	1.68	1.68	1.68
Return after operating charges	-2.04	+16.91	+16.41
Historic yield	0.02	0.02	0.52
Effect on yield of charges offset against capital	0.01	0.01	0.01
Other information			
Closing NAV (\$'000)	0	10,983	6,566
Closing NAV percentage of total fund NAV (%)	0.00	1.33	0.88
Number of shares	0	454,019	312,271
Highest share price (Euro ¢)	2,123.00	2,080.11	1,809.06
Lowest share price (Euro ¢)	1,910.34	1,777.35	1,487.27

Euro Class 'C' Income share performance

The share class was launched on 8 August 2014.

	Six months to 28.02.19 Euro ¢	Year to 31.08.18 Euro ¢	Year to 31.08.17 Euro ¢
Change in NAV per share			
Opening NAV	2,324.18	1,926.87	1,757.37
Return before operating charges and after direct portfolio transaction costs	40.71	453.29	230.15
Operating charges	(10.42)	(19.51)	(17.95)
Return after operating charges	30.29	433.78	212.20
Distributions	(9.12)	(36.47)	(42.70)
Return to shareholder as a result of share class closure	(2,345.35)	n/a	n/a
Closing NAV	0.00	2,324.18	1,926.87
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.34	0.42	0.87
Dilution adjustments ^[a]	(0.33)	(0.42)	(0.56)
Total direct portfolio transaction costs	0.01	0.00	0.31
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.00	0.01
Operating charges	0.91	0.91	0.91
Return after operating charges	+1.30	+22.51	+12.07
Historic yield	1.56	1.54	2.20
Effect on yield of charges offset against capital	0.91	0.91	0.91
Other information			
Closing NAV (\$'000)	0	634	534
Closing NAV percentage of total fund NAV (%)	0.00	0.08	0.07
Number of shares	0	23,371	23,371
Highest share price (Euro ¢)	2,403.74	2,378.34	2,140.18
Lowest share price (Euro ¢)	2,213.32	1,911.77	1,701.05

M&G North American Dividend Fund

Financial highlights

Specific share class performance

Euro Class 'C' Accumulation share performance

The share class was launched on 28 November 2001.

	Six months to 28.02.19 Euro ¢	Year to 31.08.18 Euro ¢	Year to 31.08.17 Euro ¢
Change in NAV per share			
Opening NAV	2,519.24	2,054.69	1,833.85
Return before operating charges and after direct portfolio transaction costs	44.12	485.45	239.93
Operating charges	(11.31)	(20.90)	(19.09)
Return after operating charges	32.81	464.55	220.84
Distributions	(5.47)	(18.29)	(26.72)
Retained distributions	5.47	18.29	26.72
Return to shareholder as a result of share class closure	(2,552.05)	n/a	n/a
Closing NAV	0.00	2,519.24	2,054.69

	Euro ¢	Euro ¢	Euro ¢
Direct portfolio transaction costs			
Costs before dilution adjustments	0.37	0.45	0.93
Dilution adjustments ^[a]	(0.35)	(0.45)	(0.59)
Total direct portfolio transaction costs	0.02	0.00	0.34

	%	%	%
Performance and charges			
Direct portfolio transaction costs ^[b]	0.01	0.00	0.01
Operating charges	0.91	0.91	0.91
Return after operating charges	+1.30	+22.61	+12.04
Historic yield	0.72	0.71	1.29
Effect on yield of charges offset against capital	0.01	0.01	0.01

Other information

Closing NAV (\$'000)	0	10,338	8,948
Closing NAV percentage of total fund NAV (%)	0.00	1.25	1.20
Number of shares	0	351,679	367,262
Highest share price (Euro ¢)	2,605.45	2,561.82	2,252.60
Lowest share price (Euro ¢)	2,399.06	2,038.41	1,775.18

Euro Class 'C-H' Accumulation share performance

The share class was launched on 1 October 2010.

	Six months to 28.02.19 Euro ¢	Year to 31.08.18 Euro ¢	Year to 31.08.17 Euro ¢
Change in NAV per share			
Opening NAV	2,186.09	1,854.52	1,582.97
Return before operating charges and after direct portfolio transaction costs	(37.25)	350.63	287.90
Operating charges	(3.89)	(19.06)	(16.35)
Return after operating charges	(41.14)	331.57	271.55
Distributions	(4.46)	(15.85)	(22.78)
Retained distributions	4.46	15.85	22.78
Return to shareholder as a result of share class closure	(2,144.95)	n/a	n/a
Closing NAV	0.00	2,186.09	1,854.52

	Euro ¢	Euro ¢	Euro ¢
Direct portfolio transaction costs			
Costs before dilution adjustments	0.12	0.40	0.78
Dilution adjustments ^[a]	(0.12)	(0.40)	(0.50)
Total direct portfolio transaction costs	0.00	0.00	0.28

	%	%	%
Performance and charges			
Direct portfolio transaction costs ^[b]	0.01	0.00	0.01
Operating charges	0.93	0.93	0.93
Return after operating charges	-1.88	+17.88	+17.15
Historic yield	0.74	0.71	1.21
Effect on yield of charges offset against capital	0.01	0.01	0.01

Other information

Closing NAV (\$'000)	0	15,336	24,964
Closing NAV percentage of total fund NAV (%)	0.00	1.85	3.34
Number of shares	0	601,204	1,135,240
Highest share price (Euro ¢)	2,239.76	2,193.26	1,890.45
Lowest share price (Euro ¢)	2,017.48	1,858.97	1,545.93

Sterling Class 'A' Income share performance

The share class was launched on 28 March 1977.

	Six months to 28.02.19 UK p	Year to 31.08.18 UK p	Year to 31.08.17 UK p
Change in NAV per share			
Opening NAV	2,063.65	1,769.36	1,497.51
Return before operating charges and after direct portfolio transaction costs	(44.49)	357.60	338.16
Operating charges	(16.41)	(31.12)	(28.51)
Return after operating charges	(60.90)	326.48	309.65
Distributions	(16.00)	(32.19)	(37.80)
Closing NAV	1,986.75	2,063.65	1,769.36

	UK p	UK p	UK p
Direct portfolio transaction costs			
Costs before dilution adjustments	0.30	0.37	0.76
Dilution adjustments ^[a]	(0.28)	(0.37)	(0.49)
Total direct portfolio transaction costs	0.02	0.00	0.27

	%	%	%
Performance and charges			
Direct portfolio transaction costs ^[b]	0.01	0.00	0.01
Operating charges	1.66	1.66	1.66
Return after operating charges	-2.95	+18.45	+20.68
Historic yield	1.82	1.53	2.13
Effect on yield of charges offset against capital	1.66	1.66	1.66

Other information

Closing NAV (\$'000)	84,428	89,128	110,940
Closing NAV percentage of total fund NAV (%)	12.70	10.77	14.82
Number of shares	3,194,427	3,320,870	4,869,596
Highest share price (UK p)	2,106.39	2,097.21	1,836.49
Lowest share price (UK p)	1,803.87	1,722.95	1,451.18

M&G North American Dividend Fund

Financial highlights

Specific share class performance

Sterling Class 'A' Accumulation share performance

The share class was launched on 18 December 1972.

	Six months to 28.02.19 UK p	Year to 31.08.18 UK p	Year to 31.08.17 UK p
Change in NAV per share			
Opening NAV	2,842.81	2,397.74	1,985.92
Return before operating charges and after direct portfolio transaction costs	(61.63)	487.50	449.53
Operating charges	(22.64)	(42.43)	(37.71)
Return after operating charges	(84.27)	445.07	411.82
Distributions	(4.17)	(1.13)	(12.94)
Retained distributions	4.17	1.13	12.94
Closing NAV	2,758.54	2,842.81	2,397.74
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.41	0.50	1.01
Dilution adjustments ^[a]	(0.39)	(0.50)	(0.64)
Total direct portfolio transaction costs	0.02	0.00	0.37
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.00	0.01
Operating charges	1.66	1.66	1.66
Return after operating charges	-2.96	+18.56	+20.74
Historic yield	0.19	0.04	0.54
Effect on yield of charges offset against capital	0.01	0.01	0.01
Other information			
Closing NAV (\$'000)	103,778	109,569	110,756
Closing NAV percentage of total fund NAV (%)	15.61	13.23	14.80
Number of shares	2,827,987	2,963,566	3,587,428
Highest share price (UK p)	2,901.68	2,870.80	2,456.41
Lowest share price (UK p)	2,494.58	2,334.63	1,924.53

Sterling Class 'I' Income share performance

The share class was launched on 3 August 2012.

	Six months to 28.02.19 UK p	Year to 31.08.18 UK p	Year to 31.08.17 UK p
Change in NAV per share			
Opening NAV	2,485.40	2,114.95	1,776.58
Return before operating charges and after direct portfolio transaction costs	(53.49)	429.58	402.00
Operating charges	(10.88)	(20.60)	(18.63)
Return after operating charges	(64.37)	408.98	383.37
Distributions	(19.30)	(38.53)	(45.00)
Closing NAV	2,401.73	2,485.40	2,114.95
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.36	0.44	0.91
Dilution adjustments ^[a]	(0.34)	(0.44)	(0.58)
Total direct portfolio transaction costs	0.02	0.00	0.33
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.00	0.01
Operating charges	0.91	0.91	0.91
Return after operating charges	-2.59	+19.34	+21.58
Historic yield	1.81	1.52	2.12
Effect on yield of charges offset against capital	0.91	0.91	0.91
Other information			
Closing NAV (\$'000)	156,848	129,164	98,924
Closing NAV percentage of total fund NAV (%)	23.59	15.61	13.22
Number of shares	4,909,132	3,995,939	3,632,653
Highest share price (UK p)	2,538.56	2,525.61	2,187.48
Lowest share price (UK p)	2,177.71	2,060.11	1,722.15

Sterling Class 'I' Accumulation share performance

The share class was launched on 3 August 2012.

	Six months to 28.02.19 UK p	Year to 31.08.18 UK p	Year to 31.08.17 UK p
Change in NAV per share			
Opening NAV	2,716.56	2,274.15	1,869.47
Return before operating charges and after direct portfolio transaction costs	(58.79)	464.65	424.33
Operating charges	(11.92)	(22.24)	(19.65)
Return after operating charges	(70.71)	442.41	404.68
Distributions	(11.78)	(19.49)	(28.34)
Retained distributions	11.78	19.49	28.34
Closing NAV	2,645.85	2,716.56	2,274.15
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.39	0.48	0.96
Dilution adjustments ^[a]	(0.38)	(0.48)	(0.61)
Total direct portfolio transaction costs	0.01	0.00	0.35
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.00	0.01
Operating charges	0.91	0.91	0.91
Return after operating charges	-2.60	+19.45	+21.65
Historic yield	0.92	0.70	1.24
Effect on yield of charges offset against capital	0.01	0.01	0.01
Other information			
Closing NAV (\$'000)	251,502	206,692	169,127
Closing NAV percentage of total fund NAV (%)	37.82	24.96	22.60
Number of shares	7,145,432	5,850,298	5,775,827
Highest share price (UK p)	2,774.63	2,743.19	2,321.68
Lowest share price (UK p)	2,389.45	2,214.98	1,812.26

Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012.

	Six months to 28.02.19 UK p	Year to 31.08.18 UK p	Year to 31.08.17 UK p
Change in NAV per share			
Opening NAV	246.46	210.24	177.06
Return before operating charges and after direct portfolio transaction costs	(5.31)	42.69	40.01
Operating charges	(1.37)	(2.65)	(2.35)
Return after operating charges	(6.68)	40.04	37.66
Distributions	(1.91)	(3.82)	(4.48)
Closing NAV	237.87	246.46	210.24
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.04	0.04	0.09
Dilution adjustments ^[a]	(0.03)	(0.04)	(0.06)
Total direct portfolio transaction costs	0.01	0.00	0.03
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.00	0.01
Operating charges	1.16	1.16	1.16
Return after operating charges	-2.71	+19.04	+21.27
Historic yield	1.81	1.52	2.12
Effect on yield of charges offset against capital	1.16	1.16	1.16
Other information			
Closing NAV (\$'000)	1,870	1,993	285
Closing NAV percentage of total fund NAV (%)	0.28	0.24	0.04
Number of shares	590,829	621,722	105,373
Highest share price (UK p)	251.68	250.45	217.71
Lowest share price (UK p)	215.78	204.78	171.61

M&G North American Dividend Fund

Financial highlights

Specific share class performance

Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012.

	Six months to 28.02.19 UK p	Year to 31.08.18 UK p	Year to 31.08.17 UK p
Change in NAV per share			
Opening NAV	267.49	224.50	185.01
Return before operating charges and after direct portfolio transaction costs	(5.79)	45.85	41.93
Operating charges	(1.49)	(2.86)	(2.44)
Return after operating charges	(7.28)	42.99	39.49
Distributions	(0.90)	(1.31)	(2.27)
Retained distributions	0.90	1.31	2.27
Closing NAV	260.21	267.49	224.50
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.04	0.05	0.09
Dilution adjustments ^[a]	(0.04)	(0.05)	(0.06)
Total direct portfolio transaction costs	0.00	0.00	0.03
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.00	0.01
Operating charges	1.16	1.16	1.16
Return after operating charges	-2.72	+19.15	+21.34
Historic yield	0.68	0.48	1.01
Effect on yield of charges offset against capital	0.01	0.01	0.01
Other information			
Closing NAV (\$'000)	7,996	7,499	138
Closing NAV percentage of total fund NAV (%)	1.20	0.91	0.02
Number of shares	2,309,888	2,155,539	47,572
Highest share price (UK p)	273.15	270.13	229.45
Lowest share price (UK p)	235.10	218.63	179.33

Sterling Class 'X' Income share performance

The share class was launched on 1 October 2002.

	Six months to 28.02.19 UK p	Year to 31.08.18 UK p	Year to 31.08.17 UK p
Change in NAV per share			
Opening NAV	2,060.68	1,766.79	1,495.33
Return before operating charges and after direct portfolio transaction costs	(44.42)	357.08	337.50
Operating charges	(16.38)	(31.10)	(28.30)
Return after operating charges	(60.80)	325.98	309.20
Distributions	(15.98)	(32.09)	(37.74)
Closing NAV	1,983.90	2,060.68	1,766.79
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.30	0.37	0.76
Dilution adjustments ^[a]	(0.28)	(0.37)	(0.48)
Total direct portfolio transaction costs	0.02	0.00	0.28
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.00	0.01
Operating charges	1.66	1.66	1.66
Return after operating charges	-2.95	+18.45	+20.68
Historic yield	1.82	1.52	2.13
Effect on yield of charges offset against capital	1.66	1.66	1.66
Other information			
Closing NAV (\$'000)	10,975	11,771	12,339
Closing NAV percentage of total fund NAV (%)	1.65	1.42	1.65
Number of shares	415,868	439,209	542,391
Highest share price (UK p)	2,103.38	2,094.15	1,833.82
Lowest share price (UK p)	1,801.30	1,720.44	1,449.07

Sterling Class 'X' Accumulation share performance

The share class was launched on 1 October 2002.

	Six months to 28.02.19 UK p	Year to 31.08.18 UK p	Year to 31.08.17 UK p
Change in NAV per share			
Opening NAV	2,801.41	2,362.82	1,956.98
Return before operating charges and after direct portfolio transaction costs	(60.74)	480.46	443.10
Operating charges	(22.31)	(41.87)	(37.26)
Return after operating charges	(83.05)	438.59	405.84
Distributions	(4.11)	(1.10)	(12.77)
Retained distributions	4.11	1.10	12.77
Closing NAV	2,718.36	2,801.41	2,362.82
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.40	0.49	1.00
Dilution adjustments ^[a]	(0.39)	(0.49)	(0.64)
Total direct portfolio transaction costs	0.01	0.00	0.36
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.00	0.01
Operating charges	1.66	1.66	1.66
Return after operating charges	-2.96	+18.56	+20.74
Historic yield	0.19	0.04	0.54
Effect on yield of charges offset against capital	0.01	0.01	0.01
Other information			
Closing NAV (\$'000)	47,536	47,567	44,083
Closing NAV percentage of total fund NAV (%)	7.15	5.75	5.89
Number of shares	1,314,506	1,305,579	1,448,962
Highest share price (UK p)	2,859.42	2,828.99	2,420.64
Lowest share price (UK p)	2,458.25	2,300.64	1,896.51

US dollar Class 'A' Income share performance

The share class was launched on 8 August 2014.

	Six months to 28.02.19 US ¢	Year to 31.08.18 US ¢	Year to 31.08.17 US ¢
Change in NAV per share			
Opening NAV	1,927.01	1,635.72	1,412.31
Return before operating charges and after direct portfolio transaction costs	(24.26)	352.46	281.22
Operating charges	(6.11)	(30.43)	(23.50)
Return after operating charges	(30.37)	322.03	257.72
Distributions	(7.35)	(30.74)	(34.31)
Return to shareholder as a result of share class closure	(1,889.29)	n/a	n/a
Closing NAV	0.00	1,927.01	1,635.72
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.11	0.36	0.63
Dilution adjustments ^[a]	(0.11)	(0.36)	(0.40)
Total direct portfolio transaction costs	0.00	0.00	0.23
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.00	0.01
Operating charges	1.66	1.67	1.66
Return after operating charges	-1.58	+19.69	+18.25
Historic yield	1.62	1.58	2.08
Effect on yield of charges offset against capital	1.66	1.67	1.66
Other information			
Closing NAV (\$'000)	0	1,222	1,245
Closing NAV percentage of total fund NAV (%)	0.00	0.15	0.17
Number of shares	0	63,422	76,102
Highest share price (US ¢)	1,977.11	1,946.73	1,682.50
Lowest share price (US ¢)	1,784.05	1,643.41	1,378.83

M&G North American Dividend Fund

Financial highlights

Specific share class performance

US dollar Class 'A' Accumulation share performance

The share class was launched on 9 March 2007.

	Six months to 28.02.19 US ¢	Year to 31.08.18 US ¢	Year to 31.08.17 US ¢
Change in NAV per share			
Opening NAV	2,066.12	1,725.29	1,458.09
Return before operating charges and after direct portfolio transaction costs	(15.83)	372.85	294.32
Operating charges	(16.71)	(32.02)	(27.12)
Return after operating charges	(32.54)	340.83	267.20
Distributions	(1.42)	(0.80)	(9.20)
Retained distributions	1.42	0.80	9.20
Return to shareholder as a result of share class closure	(2,033.58)	n/a	n/a
Closing NAV	0.00	2,066.12	1,725.29
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.30	0.38	0.73
Dilution adjustments ^[a]	(0.29)	(0.38)	(0.46)
Total direct portfolio transaction costs	0.01	0.00	0.27
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.00	0.01
Operating charges	1.66	1.66	1.66
Return after operating charges	-1.57	+19.75	+18.33
Historic yield	0.04	0.04	0.53
Effect on yield of charges offset against capital	0.01	0.01	0.01
Other information			
Closing NAV (\$'000)	0	94,152	76,684
Closing NAV percentage of total fund NAV (%)	0.00	11.38	10.25
Number of shares	0	4,556,977	4,444,680
Highest share price (US ¢)	2,119.85	2,074.13	1,759.25
Lowest share price (US ¢)	1,912.86	1,733.25	1,423.57

US dollar Class 'C' Income share performance

The share class was launched on 8 August 2014.

	Six months to 28.02.19 US ¢	Year to 31.08.18 US ¢	Year to 31.08.17 US ¢
Change in NAV per share			
Opening NAV	2,076.99	1,749.74	1,499.33
Return before operating charges and after direct portfolio transaction costs	(26.10)	378.53	302.06
Operating charges	(3.63)	(18.38)	(14.91)
Return after operating charges	(29.73)	360.15	287.15
Distributions	(7.93)	(32.90)	(36.74)
Return to shareholder as a result of share class closure	(2,039.33)	n/a	n/a
Closing NAV	0.00	2,076.99	1,749.74
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.12	0.39	0.73
Dilution adjustments ^[a]	(0.11)	(0.39)	(0.46)
Total direct portfolio transaction costs	0.01	0.00	0.27
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.00	0.01
Operating charges	0.91	0.91	0.90
Return after operating charges	-1.43	+20.58	+19.15
Historic yield	1.61	1.57	2.08
Effect on yield of charges offset against capital	0.91	0.91	0.90
Other information			
Closing NAV (\$'000)	0	3,156	20
Closing NAV percentage of total fund NAV (%)	0.00	0.38	0.00
Number of shares	0	151,971	1,171
Highest share price (US ¢)	2,132.08	2,098.12	1,798.37
Lowest share price (US ¢)	1,925.33	1,758.18	1,464.25

US dollar Class 'C' Accumulation share performance

The share class was launched on 9 March 2007.

	Six months to 28.02.19 US ¢	Year to 31.08.18 US ¢	Year to 31.08.17 US ¢
Change in NAV per share			
Opening NAV	2,250.51	1,865.24	1,564.34
Return before operating charges and after direct portfolio transaction costs	(22.28)	404.31	316.71
Operating charges	(9.96)	(19.04)	(15.81)
Return after operating charges	(32.24)	385.27	300.90
Distributions	(4.75)	(16.54)	(22.93)
Retained distributions	4.75	16.54	22.93
Return to shareholder as a result of share class closure	(2,218.27)	n/a	n/a
Closing NAV	0.00	2,250.51	1,865.24
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.32	0.41	0.77
Dilution adjustments ^[a]	(0.31)	(0.41)	(0.49)
Total direct portfolio transaction costs	0.01	0.00	0.28
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.00	0.01
Operating charges	0.91	0.91	0.91
Return after operating charges	-1.43	+20.66	+19.23
Historic yield	0.75	0.73	1.22
Effect on yield of charges offset against capital	0.01	0.01	0.01
Other information			
Closing NAV (\$'000)	0	46,912	37,322
Closing NAV percentage of total fund NAV (%)	0.00	5.67	4.99
Number of shares	0	2,084,503	2,000,941
Highest share price (US ¢)	2,310.18	2,259.19	1,900.55
Lowest share price (US ¢)	2,086.16	1,874.08	1,527.79

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

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

M&G North American Dividend Fund

Financial statements and notes

Financial statements

Statement of total return

for the six months to 28 February	2019		2018	
	\$'000	\$'000	\$'000	\$'000
Income				
Net capital gains / (losses)		(7,395)		96,580
Revenue	7,937		8,661	
Expenses	(4,092)		(5,163)	
Net revenue / (expense) before taxation	3,845		3,498	
Taxation	(993)		(2,229)	
Net revenue / (expense) after taxation		2,852		1,269
Total return before distributions		(4,543)		97,849
Distributions		(3,308)		(2,384)
Change in net assets attributable to shareholders from investment activities		(7,851)		95,465

Statement of change in net assets attributable to shareholders

for the six months to 28 February	2019		2018	
	\$'000	\$'000	\$'000	\$'000
Opening net assets attributable to shareholders		827,633		748,191
Amounts received on issue of shares	108,202		81,694	
Amounts paid on cancellation of shares	(122,458)		(118,670)	
Transfer to M&G (Lux) North American Dividend Fund	(142,139)		0	
		(156,395)		(36,976)
Dilution adjustments		124		99
Change in net assets attributable to shareholders from investment activities (see above)		(7,851)		95,465
Retained distributions on Accumulation shares		1,422		742
Unclaimed distributions		0		1
Closing net assets attributable to shareholders		664,933		807,522

The opening net assets attributable to shareholders for 2019 differs to the closing position in 2018 by the change in net assets attributable to shareholders for the second half of the comparative financial year.

Balance sheet

as at	28 February 2019	31 August 2018
	\$'000	\$'000
Assets		
Fixed assets		
Investments	647,194	823,642
Current assets		
Debtors	3,200	1,755
Cash and bank balances	1,504	231
Cash equivalents	18,085	12,480
Total assets	669,983	838,108
Liabilities		
Investment liabilities	0	(23)
Creditors		
Bank overdrafts	(28)	(6,933)
Distribution payable	(1,022)	(1,505)
Other creditors	(4,000)	(2,014)
Total liabilities	(5,050)	(10,475)
Net assets attributable to shareholders	664,933	827,633

Notes to the financial statements

Accounting policies

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

Distribution policy

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

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

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

M&G North American Dividend Fund

Financial statements and notes

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M&G North American Value Fund

Authorised Corporate Director's Report

Investment objective and policy up to 28 February 2019

The fund aims to achieve long-term capital growth through investment in North American securities of North American companies using a value based investment philosophy.

Investment approach up to 28 February 2019

The M&G North American Value Fund employs a bottom-up stockpicking approach to identify shares of North American companies that the fund manager believes are undervalued. He seeks to identify companies that are mispriced, while trying to avoid firms that are cheap for a reason and whose share prices are unlikely to improve over time.

The fund's approach combines strict value-focused screening with rigorous qualitative analysis to ensure the fund has a consistent and disciplined value bias, without compromising on the robustness of the companies in the portfolio. Stock selection involves three stages: screening, fundamental analysis and portfolio construction. The screening process is used to find the cheapest 25% of companies in each sector. The manager then undertakes fundamental analysis of these companies to identify and exclude those with structural and financial problems that could prevent the share price recovering. The final stage is portfolio construction where the aim is to create a diversified portfolio of 60-100 companies whose true value the manager believes is being mispriced. The main driver of returns is expected to be the value style rather than any individual sector or stock.

The fund has a long-term investment horizon (stocks are typically held for three to five years) to give time for share prices to reach a valuation that reflects the true value of the business.

Investment objective from 1 March 2019

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 S&P 500 Index, over any five-year period.

Investment policy from 1 March 2019

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, or do most of their business activity in the United States of America and Canada.

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 from 1 March 2019

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

The investment approach identifies shares of North American companies which, in the fund manager's opinion at the time of investment, are undervalued.

When analysing companies, the fund manager seeks to identify companies that are mispriced, while trying to avoid companies that are cheap for a reason and whose share prices are unlikely to improve over time.

The investment approach combines strict value-focused screening with rigorous qualitative analysis to ensure the fund has a consistent and disciplined value bias without compromising on the robustness of the companies in the portfolio.

The fund manager expects the overall stock selection and value style to be the main drivers of performance rather than any individual sector or stock.

Risk profile

The fund invests in the shares of North American companies and is, therefore, subject to the price volatility of the North American stockmarkets and the performance of individual companies. The fund may also be subject to fluctuations in currency exchange rates.

The fund's focus is on companies that are deemed to be undervalued or out of favour with the market, and whose potential value, in the fund manager's view, is yet to be reflected in the share price. 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 companies, which can be more unpredictable and difficult to buy and sell. Diversification across industries and market capitalisation is therefore key in managing liquidity risk and reducing market risk. The fund's risks are measured and managed as an integral part of the investment process.

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



1	2	3	4	5	6	7
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The above number:

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

M&G North American Value Fund

Authorised Corporate Director's Report

Investment review

As at 1 March 2019, for the six months ended 28 February 2019

Performance against objective

Between 3 September 2018 (the start of the review period) and 1 March 2019, the sterling share classes of the M&G North American Value Fund produced a negative total return (the combination of income and growth of capital).

The fund's returns were behind a comparative index, the S&P 500 Index, which declined around 5.0% in sterling terms.

Between 3 September 2018 and 9 November 2018, the fund's euro and US dollar share classes delivered negative returns, but were ahead of the returns from the S&P 500 Index (-1.5 and -3.8% in euros and US dollars, respectively)*. On 9 November 2018, the fund's non-sterling share classes merged into the M&G (Lux) North American Value Fund, a Luxembourg-authorised SICAV that launched on that date.

Over the longer term of five years, the fund's sterling share classes produced positive returns and were behind the S&P 500. The non-sterling share classes had produced positive returns over the period from 3 March 2014 until 9 November 2018 when they merged into the SICAV.

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

Investment performance

After a period of steady gains since early 2016, the US stockmarkets experienced a dramatic increase in turbulence during the six months under review. The S&P 500 Index climbed to a record high in September before declining nearly 20% over the next three months. This was followed by a powerful rebound in the first two months of 2019, although the S&P still ended the period lower.

The steep fall in company share prices, or equities, was driven by investors' anxiety about the trade war between the US and China and the impact billions of dollars of tariffs might have on global economic growth. (Equities, or shares, offer investors stakes of ownership in the companies that issue them.) Investors were also concerned about higher interest rates in the US. In 2018, the Federal Reserve (Fed) raised interest rates four times as it continued to remove stimulus measures from the US economy, which appeared to be in robust health.

At the start of 2019, investor sentiment improved amid optimism that the US and China would resolve their trade dispute. Investors also welcomed indications that the Fed would be patient before raising rates again. In addition, many companies reported better than expected corporate results, which helped support share prices.

Given the concerns about the economic outlook, the weakest stocks were in 'cyclical' sectors, which are generally considered to be closely linked to economic activity. These included consumer discretionary, financials and materials. Energy stocks declined as oil prices retreated amid concerns about a global supply glut and weaker demand. This led major producers to agree cuts in output in 2019 to support prices. Information technology stocks were also weak, dragged down by fears about slowing demand for smartphones and a downturn in the memory chip market. Apple's share price fell more than 20% over the period.

In contrast, 'defensives' were more resilient. These are stocks perceived to be less sensitive to the economic cycle and able to deliver stable earnings. Consumer staples, healthcare and utilities were the stand-out performers.

During the period, cheaper 'value' stocks, as represented by the Russell 1000 Value Index, were also relatively resilient and outperformed the broader market. This marked a notable style shift, as value stocks had struggled to keep up in the previous couple of years, when investors favoured more expensive 'growth' companies offering attractive earnings increases.

Against this background, stock selection and asset allocation in several sectors detracted from the fund's relative performance. Our relatively large allocation to energy was a drag on performance as the share prices of Kosmos Energy, an oil & gas explorer, and offshore drilling company Rowan declined on weaker oil prices. Encouragingly, Kosmos ended the period on a positive note as it announced its first dividend payout, in a sign of the management team's confidence in the company's future. (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.)

Stock selection in the industrial sector also cost performance, with delivery company FedEx and business process services provider Conduent notable detractors. Conduent's share price fell to its lowest ever level after the company reported a drop in revenues and lowered its forecasts for the year. Meanwhile, FedEx's stock price declined when the company cut its profit forecasts on account of a challenging macroeconomic environment. The package delivery business said the trade war between the US and China and weaker economic activity in Europe were putting pressure on global trade.

In financials, our holdings in investment firm Affiliated Managers and insurance company American International Group (known as AIG) were weak, while in consumer staples battery maker Energizer was a drag on performance. Investors were disappointed by the news that Energizer was planning to buy an auto care business and the shares fell.

On the other hand, our allocation to healthcare was helpful, as the sector avoided the worst of the market decline. Our holding in drug maker Merck was a notable contributor as the stock continued the impressive rally since the beginning of 2018. During the period, investors were impressed by the company's better than expected quarterly profits, driven by robust sales for its successful lung cancer treatment Keytruda.

Two other drug makers, Eli Lilly and Pfizer, and Anthem, a health insurer, also outperformed. Investors welcomed Anthem's decision to launch its own in-house pharmacy benefits business sooner than expected as well as the company's robust earnings forecast.

Beyond the healthcare sector, our holding in footwear retailer Foot Locker was a positive contributor. The company reported encouraging results driven by robust sales of Nike shoes. Investors were impressed by the improved performance after a period of declining sales, and the shares rose.

In addition, not holding any shares in Apple and e-commerce business Amazon.com was helpful, as both stocks suffered significant falls during the period. This marked a notable reversal from their impressive gains over the past couple of years.

M&G North American Value Fund

Authorised Corporate Director's Report

Investment review

Investment activities

During the review period we added three new holdings and sold five stocks entirely. In the healthcare sector we started positions in pharmaceutical company Bristol-Myers Squibb and pharmacy chain Walgreens Boots Alliance (WBA).

WBA's share price has been weak lately amid worries about the perceived threat from Amazon.com moving into the healthcare sector. However, we believe investors' concerns are overblown. The drug store sector is consolidating and, in our view, WBA should benefit from its leading market position as well as new partnership arrangements.

Meanwhile, investors have been disappointed that Bristol-Myers Squibb's main lung cancer drug has not been as successful as a similar product from rival Merck. However, the market for hard-to-treat cancer is expected to grow and in our view Bristol-Myers Squibb's prospects are being undervalued.

We funded these purchases by taking some profits from other drugs companies – Merck, Pfizer and Eli Lilly – which have performed well recently. In addition, we sold our shares in healthcare provider LifePoint Health after it was taken over. At the end of the review period, we had a slight above-index position in healthcare.

Rowan, a provider of offshore drilling services for the oil and gas sector, was the other newcomer. In our view, the company is trading on close to a 50% discount to the replacement value of its assets and it has a strong balance sheet relative to its peers.

Other notable trades included selling our entire position in potato products firm Lamb Weston Holdings on valuation grounds. The company was originally spun out of another portfolio holding a couple of years ago. Since then, Lamb Weston has delivered solid revenue growth and margin improvement, which has seen the shares significantly re-rate.

Corning, a manufacturer of innovative glass products, business process services firm Conduent, and IT services company Perspecta also left the portfolio.

Outlook

During the review period, markets were driven by risk aversion as well as optimism and hope. Investor sentiment currently appears to be relatively positive on account of a possible trade deal between the US and China and a pause in interest rate rises by the Fed. However, given the uncertain macroeconomic and geopolitical backdrop, it is likely that markets will remain turbulent as investors' attitudes veer from one extreme to the other.

Looking ahead, we recognise that risks exist. The US economy is arguably closer to the end of its current growth cycle than the beginning, while corporate earnings growth has slowed. There is evidence that more companies are experiencing pressure on margins, while the outlook from many companies has become cloudier.

In our view, the tailwinds that have supported earnings growth across many sectors have run their course. Even though we still expect earnings growth across the market, we believe it will be more company specific going forward.

This represents a challenge, particularly for companies on high valuations and with high embedded expectations. On a risk/reward basis, we currently believe cheap companies with low expectations represent an appealing prospect. At present we see a wide range of value opportunities right across the market, not just in certain areas.

As dedicated value investors, we focus on finding attractive investments among the cheapest stocks in the market. However, we are mindful of avoiding stocks that might be cheap for a good reason, so-called 'value traps'. By paying close attention to factors such as financial health and business models, we believe that we can identify cheap stocks that are fundamentally sound and are more likely to re-rate.

We think this combination of cheap valuations and robust fundamentals puts the fund in a good position to withstand further market turbulence, as well as ensuring that it can participate in any potential recovery in value stocks.

Daniel White

Fund manager

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

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

M&G North American Value Fund

Authorised Corporate Director's Report

Investments

Portfolio statement

as at Holding	28.02.19 \$'000	28.02.19 %	31.08.18 %
EQUITIES	382,457	94.02	95.79
Energy equipment & services	3,929	0.97	0.54
34,191 Helmerich & Payne	1,851	0.46	
181,659 Rowan	2,078	0.51	
Oil, gas & consumable fuels	36,722	9.03	9.35
90,731 Chevron	10,896	2.68	
41,594 Cobalt International Energy ^[a]	0	0.00	
74,548 ConocoPhillips	5,160	1.27	
291,791 Euronav	2,311	0.57	
72,944 Hess	4,240	1.04	
553,782 Kosmos Energy	3,738	0.92	
78,044 Occidental Petroleum	5,200	1.28	
149,756 Suncor Energy	5,177	1.27	
Construction materials	4,338	1.07	0.94
55,588 Eagle Materials	4,338	1.07	
Containers & packaging	3,519	0.87	1.08
91,177 WestRock	3,519	0.87	
Metals & mining	9,160	2.25	2.04
138,338 Newmont Mining	4,705	1.16	
117,428 Steel Dynamics	4,455	1.09	
Paper & forest products	1,515	0.37	0.55
29,184 Domtar	1,515	0.37	
Aerospace & defence	4,212	1.04	0.99
43,094 Spirit AeroSystems	4,212	1.04	
Machinery	7,107	1.75	2.10
61,987 Oshkosh	4,857	1.20	
64,534 SPX FLOW	2,250	0.55	
Commercial services & supplies	994	0.24	0.46
133,043 Pitney Bowes	994	0.24	
Professional services	4,289	1.05	1.15
50,831 ManpowerGroup	4,289	1.05	
Air freight & logistics	6,342	1.56	1.66
34,880 FedEx	6,342	1.56	
Auto components	2,373	0.58	1.20
44,811 Magna International	2,373	0.58	
Automobiles	3,228	0.79	0.94
80,712 General Motors	3,228	0.79	
Textiles, apparel & luxury goods	7,068	1.74	1.92
28,595 Columbia Sportswear	2,999	0.74	
114,806 Tapestry	4,069	1.00	
Hotels, restaurants & leisure	9,491	2.33	2.17
90,895 Carnival	5,242	1.29	
237,368 Extended Stay America	4,249	1.04	
Multiline retail	4,033	0.99	1.34
55,224 Target	4,033	0.99	
Specialty retail	4,192	1.03	1.04
70,638 Foot Locker	4,192	1.03	
Food & staples retailing	15,959	3.92	2.56
269,143 Kroger	8,020	1.97	
86,262 Walgreens Boots Alliance	6,157	1.51	
35,424 Weis Markets	1,782	0.44	
Beverages	13,847	3.40	2.89
119,736 Coca-Cola European Partners	5,611	1.38	
134,820 Molson Coors Brewing	8,236	2.02	

Portfolio statement (continued)

as at Holding	28.02.19 \$'000	28.02.19 %	31.08.18 %
Food products	5,800	1.43	1.82
94,096 Tyson Foods	5,800	1.43	
Household products	6,845	1.68	1.27
77,376 Energizer	3,610	0.89	
27,731 Kimberly-Clark	3,235	0.79	
Health care providers & services	12,311	3.03	3.35
40,218 Anthem	12,311	3.03	
Pharmaceuticals	50,457	12.41	11.59
220,766 Bristol-Myers Squibb	11,248	2.77	
47,652 Eli Lilly	5,988	1.47	
119,014 Johnson & Johnson	16,172	3.98	
36,247 Merck	2,922	0.72	
329,083 Pfizer	14,127	3.47	
Banks	34,885	8.58	8.29
139,553 Citigroup	8,986	2.21	
108,967 JPMorgan Chase	11,458	2.82	
52,725 PNC Financial Services	6,628	1.63	
156,639 Wells Fargo	7,813	1.92	
Thriffs & mortgage finance	1,931	0.47	0.50
145,084 Capitol Federal Financial	1,931	0.47	
Diversified financial services	4,903	1.21	0.68
97,596 Voya Financial	4,903	1.21	
Capital markets	7,522	1.85	2.66
21,810 Affiliated Managers	2,403	0.59	
25,842 Goldman Sachs	5,119	1.26	
Insurance	15,151	3.72	4.45
68,226 American International	2,965	0.73	
51,536 BrightHouse Financial	2,110	0.52	
60,942 Hartford Financial Services	2,989	0.73	
84,090 Loews	4,000	0.98	
68,612 MetLife	3,087	0.76	
IT services	5,133	1.26	2.86
76,697 DXC Technology	5,133	1.26	
Communications equipment	9,968	2.45	1.67
193,207 Cisco Systems	9,968	2.45	
Technology hardware, storage & peripherals	12,826	3.15	3.61
475,867 Hewlett Packard Enterprise	7,947	1.95	
49,442 Western Digital	2,398	0.59	
79,002 Xerox	2,481	0.61	
Electronic equipment, instruments & components	9,325	2.29	3.40
198,463 AVX	3,630	0.89	
237,551 Celestica	2,222	0.55	
158,029 Vishay Intertechnology	3,473	0.85	
Semiconductors & semiconductor equipment	17,846	4.39	4.20
199,549 Intel	10,624	2.61	
21,920 Mellanox Technologies	2,351	0.58	
65,670 Micron Technology	2,712	0.67	
31,146 Qorvo	2,159	0.53	
Diversified telecommunication services	10,898	2.68	2.45
266,802 AT&T	8,287	2.04	
199,350 CenturyLink	2,611	0.64	
Wireless telecommunication services	2,274	0.56	0.77
37,490 Telephone and Data Systems	1,202	0.30	
23,018 U.S. Cellular	1,072	0.26	

M&G North American Value Fund

Authorised Corporate Director's Report

Investments

Portfolio statement (continued)				
as at		28.02.19	28.02.19	31.08.18
Holding		\$'000	%	%
Media				
		16,527	4.06	3.27
330,083	Comcast	12,718	3.12	
186,762	Gannett	2,107	0.52	
130,545	News Corporation	1,702	0.42	
Interactive media & services				
		6,211	1.53	2.11
5,532	Alphabet	6,211	1.53	
Electric utilities				
		9,326	2.29	1.92
193,081	Exelon	9,326	2.29	
Portfolio of investments		382,457	94.02	95.79
CASH EQUIVALENTS		18,418	4.53	4.51
'AAA' rated money market funds ^[b]		18,418	4.53	
18,418,108	Northern Trust Global Fund - US dollar	18,418	4.53	
Total portfolio		400,875	98.55	100.30
Net other assets / (liabilities)		5,904	1.45	(0.30)
Net assets attributable to shareholders		406,779	100.00	100.00

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

^[a] Delisted.

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

Top ten portfolio transactions

for the six months to 28 February 2019

Largest purchases	\$'000
Bristol-Myers Squibb	12,083
Walgreens Boots Alliance	11,218
Intel	5,257
Rowan	5,003
Comcast	4,320
Molson Coors Brewing	4,069
Cisco Systems	2,748
Chevron	2,720
FedEx	2,544
Anthem	2,394
Other purchases	46,973
Total purchases	99,329
Largest sales	\$'000
Merck	10,768
LifePoint Health	6,708
Alphabet	4,520
Corning	4,412
Eli Lilly	3,996
Magna International	3,736
Lamb Weston Holdings	3,639
Mellanox Technologies	3,573
Johnson & Johnson	3,525
ConocoPhillips	3,359
Other sales	62,875
Total sales	111,111

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

M&G North American Value Fund

Financial highlights

Fund performance

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

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

We show performance for these two share classes because:

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

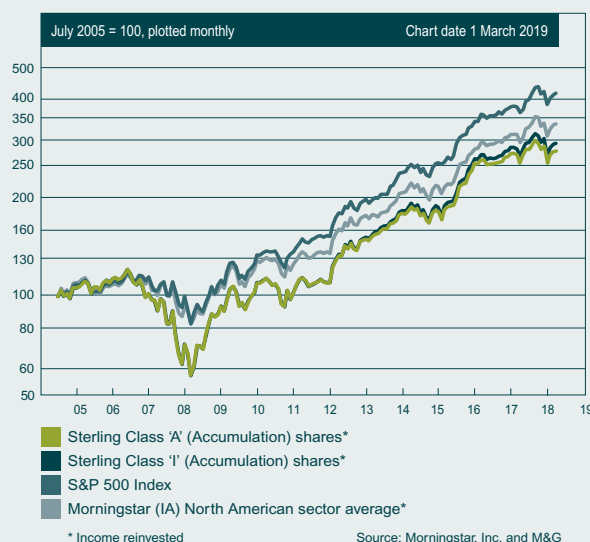
The fund is available for investment in different share classes, each with varying levels of charges and minimum investments; please refer to the Prospectus for M&G Investment Funds (1), which is available free of charge either from our website at www.mandg.co.uk/prospectuses or by calling M&G Customer Relations.

Fund level performance

Fund net asset value			
as at	28.02.19 \$'000	31.08.18 \$'000	31.08.17 \$'000
Fund net asset value (NAV)	406,779	790,900	841,330

Performance since launch

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



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

To give an indication of the performance of the fund, the following table shows the compound rate of return, per annum, over the period to 9 November 2018 for non-sterling share classes and 1 March 2019 for sterling share classes. Calculated on a price to price basis with income reinvested.

Long-term performance by share class				
	From 03.09.18 % [a]	From 01.03.16 % p.a.	From 03.03.14 % p.a.	Since launch % p.a.
Euro [b]				
Class 'A'	-1.3	+13.9	+13.5	+6.2 [c]
Class 'C'	-1.2	+14.7	+14.4	+7.0 [c]
Sterling [d]				
Class 'A'	-7.7	+15.4	+13.2	+7.8 [c]
Class 'I'	-7.3	+16.3	+14.0	+16.2 [e]
Class 'R'	-7.4	+16.0	+13.7	+15.9 [e]
Class 'X'	-7.7	+15.4	+13.2	+7.8 [c]
US dollar [b]				
Class 'A'	-3.5	+15.7	+9.0	+4.7 [f]
Class 'C'	-3.4	+16.6	+9.8	+5.4 [f]

[a] Absolute basis.

[b] Price to price with net income reinvested.

[c] 1 July 2005, the launch date of the fund.

[d] Price to price with income reinvested.

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

[f] 9 March 2007, the launch date of the share class.

M&G North American Value Fund

Financial highlights

Fund performance

Operating charges and portfolio transaction costs

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

Operating charges

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

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

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

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

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

Portfolio transaction costs

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

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

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

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

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

Portfolio transaction costs

	Six months to 28.02.19	Year to 31.08.18	Year to 31.08.17	Average ^[a]
Direct portfolio transaction costs ^[b]	%	%	%	%
Broker commission	0.02	0.02	0.02	0.02
Taxes	0.00	0.00	0.00	0.00
Costs before dilution adjustments	0.02	0.02	0.02	0.02
Dilution adjustments ^[c]	(0.01)	(0.02)	(0.02)	(0.02)
Total direct portfolio transaction costs	0.01	0.00	0.00	0.00
as at	28.02.19	31.08.18	31.08.17	Average ^[a]
Indirect portfolio transaction costs	%	%	%	%
Average portfolio dealing spread	0.03	0.03	0.03	0.03

^[a] Average of first three columns.

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

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

M&G North American Value Fund

Financial highlights

Specific share class performance

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

The non-sterling share classes were merged into the M&G (Lux) North American Value Fund on 9 November 2018. The current period historic yields for the non-sterling share classes were calculated at the merger date.

Historic yields for the sterling share classes for the current period are calculated as at 8 March 2019.

Euro Class 'A' Accumulation share performance

The share class was launched on 1 July 2005.

	Six months to 28.02.19 Euro €	Year to 31.08.18 Euro €	Year to 31.08.17 Euro €
Change in NAV per share			
Opening NAV	2,262.35	1,900.98	1,766.85
Return before operating charges and after direct portfolio transaction costs	(12.47)	396.15	167.11
Operating charges	(7.12)	(34.78)	(32.98)
Return after operating charges	(19.59)	361.37	134.13
Distributions	(1.46)	0.00	(4.76)
Retained distributions	1.46	0.00	4.76
Return to shareholder as a result of share class closure	(2,242.76)	n/a	n/a
Closing NAV	0.00	2,262.35	1,900.98
Direct portfolio transaction costs	Euro €	Euro €	Euro €
Costs before dilution adjustments	0.11	0.44	0.46
Dilution adjustments ^[a]	(0.09)	(0.44)	(0.46)
Total direct portfolio transaction costs	0.02	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.00	0.00
Operating charges	1.66	1.66	1.66
Return after operating charges	-0.87	+19.01	+7.59
Historic yield	0.00	0.00	0.25
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	0	196,039	190,378
Closing NAV percentage of total fund NAV (%)	0.00	24.78	22.63
Number of shares	0	7,426,227	8,445,903
Highest share price (Euro €)	2,287.82	2,300.93	2,112.48
Lowest share price (Euro €)	2,093.01	1,872.57	1,705.61

Euro Class 'C' Accumulation share performance

The share class was launched on 1 July 2005.

	Six months to 28.02.19 Euro €	Year to 31.08.18 Euro €	Year to 31.08.17 Euro €
Change in NAV per share			
Opening NAV	2,498.90	2,084.06	1,922.55
Return before operating charges and after direct portfolio transaction costs	(13.75)	435.88	181.20
Operating charges	(4.32)	(21.04)	(19.69)
Return after operating charges	(18.07)	414.84	161.51
Distributions	(5.20)	(16.30)	(19.99)
Retained distributions	5.20	16.30	19.99
Return to shareholder as a result of share class closure	(2,480.83)	n/a	n/a
Closing NAV	0.00	2,498.90	2,084.06
Direct portfolio transaction costs	Euro €	Euro €	Euro €
Costs before dilution adjustments	0.12	0.48	0.50
Dilution adjustments ^[a]	(0.09)	(0.48)	(0.50)
Total direct portfolio transaction costs	0.03	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.00	0.00
Operating charges	0.91	0.91	0.91
Return after operating charges	-0.72	+19.91	+8.40
Historic yield	0.66	0.65	0.96
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	0	82,066	108,331
Closing NAV percentage of total fund NAV (%)	0.00	10.38	12.88
Number of shares	0	2,814,461	4,383,771
Highest share price (Euro €)	2,528.79	2,540.67	2,307.29
Lowest share price (Euro €)	2,314.46	2,053.25	1,856.49

Sterling Class 'A' Income share performance

The share class was launched on 1 July 2005.

	Six months to 28.02.19 UK p	Year to 31.08.18 UK p	Year to 31.08.17 UK p
Change in NAV per share			
Opening NAV	140.72	123.21	107.43
Return before operating charges and after direct portfolio transaction costs	(8.98)	21.82	20.07
Operating charges	(1.09)	(2.16)	(2.01)
Return after operating charges	(10.07)	19.66	18.06
Distributions	n/a	(2.15)	(2.28)
Closing NAV	130.65	140.72	123.21
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.02	0.03	0.03
Dilution adjustments ^[a]	(0.01)	(0.03)	(0.03)
Total direct portfolio transaction costs	0.01	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.00	0.00
Operating charges	1.66	1.66	1.66
Return after operating charges	-7.16	+15.96	+16.81
Historic yield	1.67	1.52	1.86
Effect on yield of charges offset against capital	1.65	1.65	1.65
Other information			
Closing NAV (\$'000)	143,937	165,099	216,092
Closing NAV percentage of total fund NAV (%)	35.38	20.87	25.68
Number of shares	82,817,007	90,207,146	136,207,062
Highest share price (UK p)	142.58	144.59	129.77
Lowest share price (UK p)	119.15	119.17	103.86

M&G North American Value Fund

Financial highlights

Specific share class performance

Sterling Class 'A' Accumulation share performance

The share class was launched on 1 July 2005.

	Six months to 28.02.19 UK p	Year to 31.08.18 UK p	Year to 31.08.17 UK p
Change in NAV per share			
Opening NAV	149.58	129.02	110.44
Return before operating charges and after direct portfolio transaction costs	(9.54)	22.83	20.65
Operating charges	(1.16)	(2.27)	(2.07)
Return after operating charges	(10.70)	20.56	18.58
Distributions	n/a	0.00	(0.32)
Retained distributions	n/a	0.00	0.32
Closing NAV	138.88	149.58	129.02
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.02	0.03	0.03
Dilution adjustments ^[a]	(0.01)	(0.03)	(0.03)
Total direct portfolio transaction costs	0.01	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.00	0.00
Operating charges	1.66	1.66	1.66
Return after operating charges	-7.15	+15.94	+16.82
Historic yield	0.00	0.00	0.25
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	2,488	2,659	2,664
Closing NAV percentage of total fund NAV (%)	0.61	0.34	0.32
Number of shares	1,346,811	1,366,825	1,603,509
Highest share price (UK p)	151.56	151.38	133.42
Lowest share price (UK p)	126.65	124.76	106.77

Sterling Class 'I' Income share performance

The share class was launched on 3 August 2012.

	Six months to 28.02.19 UK p	Year to 31.08.18 UK p	Year to 31.08.17 UK p
Change in NAV per share			
Opening NAV	2,671.02	2,321.06	2,008.50
Return before operating charges and after direct portfolio transaction costs	(170.64)	413.33	376.25
Operating charges	(11.39)	(22.67)	(20.87)
Return after operating charges	(182.03)	390.66	355.38
Distributions	n/a	(40.70)	(42.82)
Closing NAV	2,488.99	2,671.02	2,321.06
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.31	0.52	0.53
Dilution adjustments ^[a]	(0.25)	(0.52)	(0.53)
Total direct portfolio transaction costs	0.06	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.00	0.00
Operating charges	0.91	0.91	0.91
Return after operating charges	-6.81	+16.83	+17.69
Historic yield	1.66	1.52	1.85
Effect on yield of charges offset against capital	0.90	0.90	0.90
Other information			
Closing NAV (\$'000)	57,827	46,677	27,612
Closing NAV percentage of total fund NAV (%)	14.22	5.90	3.28
Number of shares	1,746,454	1,343,686	923,916
Highest share price (UK p)	2,706.35	2,744.03	2,435.98
Lowest share price (UK p)	2,267.01	2,245.58	1,942.26

Sterling Class 'I' Accumulation share performance

The share class was launched on 3 August 2012.

	Six months to 28.02.19 UK p	Year to 31.08.18 UK p	Year to 31.08.17 UK p
Change in NAV per share			
Opening NAV	2,879.86	2,465.25	2,094.58
Return before operating charges and after direct portfolio transaction costs	(184.00)	438.60	392.68
Operating charges	(12.23)	(23.99)	(22.01)
Return after operating charges	(196.23)	414.61	370.67
Distributions	n/a	(18.79)	(23.65)
Retained distributions	n/a	18.79	23.65
Closing NAV	2,683.63	2,879.86	2,465.25
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.34	0.55	0.55
Dilution adjustments ^[a]	(0.27)	(0.55)	(0.55)
Total direct portfolio transaction costs	0.07	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.00	0.00
Operating charges	0.91	0.91	0.91
Return after operating charges	-6.81	+16.82	+17.70
Historic yield	0.71	0.65	0.96
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	195,361	64,104	51,616
Closing NAV percentage of total fund NAV (%)	48.03	8.11	6.13
Number of shares	5,472,225	1,711,549	1,626,085
Highest share price (UK p)	2,918.01	2,914.16	2,540.45
Lowest share price (UK p)	2,444.30	2,384.81	2,025.56

Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012.

	Six months to 28.02.19 UK p	Year to 31.08.18 UK p	Year to 31.08.17 UK p
Change in NAV per share			
Opening NAV	265.66	231.44	200.78
Return before operating charges and after direct portfolio transaction costs	(16.97)	41.14	37.58
Operating charges	(1.44)	(2.87)	(2.64)
Return after operating charges	(18.41)	38.27	34.94
Distributions	n/a	(4.05)	(4.28)
Closing NAV	247.25	265.66	231.44
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.03	0.05	0.05
Dilution adjustments ^[a]	(0.02)	(0.05)	(0.05)
Total direct portfolio transaction costs	0.01	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.00	0.00
Operating charges	1.16	1.16	1.16
Return after operating charges	-6.93	+16.54	+17.40
Historic yield	1.66	1.52	1.85
Effect on yield of charges offset against capital	1.15	1.15	1.15
Other information			
Closing NAV (\$'000)	408	445	241
Closing NAV percentage of total fund NAV (%)	0.10	0.06	0.03
Number of shares	123,970	128,829	80,772
Highest share price (UK p)	269.17	272.93	243.18
Lowest share price (UK p)	225.30	223.88	194.14

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Financial highlights

Specific share class performance

Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012.

	Six months to 28.02.19 UK p	Year to 31.08.18 UK p	Year to 31.08.17 UK p
Change in NAV per share			
Opening NAV	283.46	243.26	207.20
Return before operating charges and after direct portfolio transaction costs	(18.09)	43.26	38.79
Operating charges	(1.54)	(3.06)	(2.73)
Return after operating charges	(19.63)	40.20	36.06
Distributions	n/a	(1.18)	(1.76)
Retained distributions	n/a	1.18	1.76
Closing NAV	263.83	283.46	243.26
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.03	0.06	0.05
Dilution adjustments ^[a]	(0.03)	(0.06)	(0.05)
Total direct portfolio transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.00	0.00
Operating charges	1.16	1.16	1.16
Return after operating charges	-6.93	+16.53	+17.40
Historic yield	0.45	0.42	0.73
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	3,004	3,005	321
Closing NAV percentage of total fund NAV (%)	0.74	0.38	0.04
Number of shares	855,794	815,033	102,542
Highest share price (UK p)	287.21	286.85	250.97
Lowest share price (UK p)	240.40	235.30	200.36

Sterling Class 'X' Income share performance

The share class was launched on 1 July 2005.

	Six months to 28.02.19 UK p	Year to 31.08.18 UK p	Year to 31.08.17 UK p
Change in NAV per share			
Opening NAV	140.76	123.25	107.46
Return before operating charges and after direct portfolio transaction costs	(8.99)	21.82	20.09
Operating charges	(1.09)	(2.16)	(2.02)
Return after operating charges	(10.08)	19.66	18.07
Distributions	n/a	(2.15)	(2.28)
Closing NAV	130.68	140.76	123.25
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.02	0.03	0.03
Dilution adjustments ^[a]	(0.01)	(0.03)	(0.03)
Total direct portfolio transaction costs	0.01	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.00	0.00
Operating charges	1.66	1.66	1.66
Return after operating charges	-7.16	+15.95	+16.82
Historic yield	1.67	1.52	1.86
Effect on yield of charges offset against capital	1.65	1.65	1.65
Other information			
Closing NAV (\$'000)	1,704	1,922	2,740
Closing NAV percentage of total fund NAV (%)	0.42	0.24	0.33
Number of shares	980,202	1,049,940	1,726,740
Highest share price (UK p)	142.62	144.63	129.82
Lowest share price (UK p)	119.19	119.20	103.89

Sterling Class 'X' Accumulation share performance

The share class was launched on 1 July 2005.

	Six months to 28.02.19 UK p	Year to 31.08.18 UK p	Year to 31.08.17 UK p
Change in NAV per share			
Opening NAV	150.00	129.27	110.66
Return before operating charges and after direct portfolio transaction costs	(9.58)	22.78	20.69
Operating charges	(1.16)	(2.05)	(2.08)
Return after operating charges	(10.74)	20.73	18.61
Distributions	n/a	0.00	(0.32)
Retained distributions	n/a	0.00	0.32
Closing NAV	139.26	150.00	129.27
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.02	0.03	0.03
Dilution adjustments ^[a]	(0.01)	(0.03)	(0.03)
Total direct portfolio transaction costs	0.01	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.00	0.00
Operating charges	1.66	1.63*	1.66
Return after operating charges	-7.16	+16.04	+16.82
Historic yield	0.00	0.00	0.25
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	2,050	2,527	180,838
Closing NAV percentage of total fund NAV (%)	0.50	0.32	21.49
Number of shares	1,106,737	1,295,556	108,644,159
Highest share price (UK p)	151.97	151.79	133.68
Lowest share price (UK p)	127.01	125.01	106.98

* Restated.

US dollar Class 'A' Accumulation share performance

The share class was launched on 9 March 2007.

	Six months to 28.02.19 US ¢	Year to 31.08.18 US ¢	Year to 31.08.17 US ¢
Change in NAV per share			
Opening NAV	1,764.00	1,506.24	1,315.48
Return before operating charges and after direct portfolio transaction costs	(56.99)	285.55	214.52
Operating charges	(5.48)	(27.79)	(23.76)
Return after operating charges	(62.47)	257.76	190.76
Distributions	(1.11)	0.00	(3.77)
Retained distributions	1.11	0.00	3.77
Return to shareholder as a result of share class closure	(1,701.53)	n/a	n/a
Closing NAV	0.00	1,764.00	1,506.24
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.08	0.35	0.33
Dilution adjustments ^[a]	(0.07)	(0.35)	(0.33)
Total direct portfolio transaction costs	0.01	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.00	0.00
Operating charges	1.66	1.66	1.66
Return after operating charges	-3.54	+17.11	+14.50
Historic yield	0.00	0.00	0.25
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	0	33,224	23,437
Closing NAV percentage of total fund NAV (%)	0.00	4.20	2.79
Number of shares	0	1,883,439	1,555,966
Highest share price (US ¢)	1,783.61	1,787.74	1,526.94
Lowest share price (US ¢)	1,595.04	1,510.13	1,278.24

M&G North American Value Fund

Financial highlights

Specific share class performance

US dollar Class 'C' Accumulation share performance

The share class was launched on 9 March 2007.

	Six months to 28.02.19 US ¢	Year to 31.08.18 US ¢	Year to 31.08.17 US ¢
Change in NAV per share			
Opening NAV	1,923.21	1,629.93	1,412.87
Return before operating charges and after direct portfolio transaction costs	(62.16)	309.95	231.31
Operating charges	(3.28)	(16.67)	(14.25)
Return after operating charges	(65.44)	293.28	217.06
Distributions	(3.89)	(12.55)	(15.64)
Retained distributions	3.89	12.55	15.64
Return to shareholder as a result of share class closure	(1,857.77)	n/a	n/a
Closing NAV	0.00	1,923.21	1,629.93
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.09	0.38	0.36
Dilution adjustments ^[a]	(0.07)	(0.38)	(0.36)
Total direct portfolio transaction costs	0.02	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.00	0.00
Operating charges	0.91	0.91*	0.91
Return after operating charges	-3.40	+17.99	+15.36
Historic yield	0.68	0.66	0.96
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (\$'000)	0	193,133	37,060
Closing NAV percentage of total fund NAV (%)	0.00	24.42	4.40
Number of shares	0	10,042,232	2,273,737
Highest share price (US ¢)	1,945.54	1,940.55	1,651.11
Lowest share price (US ¢)	1,740.97	1,634.41	1,374.84

* Restated.

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

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

M&G North American Value Fund

Financial statements and notes

Financial statements

Statement of total return

for the six months to 28 February	2019 \$'000	2018 \$'000
Income		
Net capital gains / (losses)	(36,780)	106,447
Revenue	6,224	8,942
Expenses	(3,314)	(5,781)
Net revenue / (expense) before taxation	2,910	3,161
Taxation	(587)	(2,849)
Net revenue / (expense) after taxation	2,323	312
Total return before distributions	(34,457)	106,759
Distributions	(463)	108
Change in net assets attributable to shareholders from investment activities	(34,920)	106,867

Statement of change in net assets attributable to shareholders

for the six months to 28 February	2019 \$'000	2018 \$'000
Opening net assets attributable to shareholders	790,900	841,330
Amounts received on issue of shares	199,070	223,033
Amounts paid on cancellation of shares	(203,838)	(288,763)
Transfer to M&G (Lux) North American Value Fund	(344,937)	0
	(349,705)	(65,730)
Dilution adjustments	76	121
Change in net assets attributable to shareholders from investment activities (see above)	(34,920)	106,867
Retained distributions on Accumulation shares	428	0
Closing net assets attributable to shareholders	406,779	882,588

The opening net assets attributable to shareholders for 2019 differs to the closing position in 2018 by the change in net assets attributable to shareholders for the second half of the comparative financial year.

Balance sheet

as at	28 February 2019 \$'000	31 August 2018 \$'000
Assets		
Fixed assets		
Investments	382,457	757,585
Current assets		
Debtors	6,444	2,766
Cash and bank balances	5,617	1,206
Cash equivalents	18,418	35,664
Total assets	412,936	797,221
Liabilities		
Creditors		
Bank overdrafts	(22)	0
Distribution payable	0	(3,272)
Other creditors	(6,135)	(3,049)
Total liabilities	(6,157)	(6,321)
Net assets attributable to shareholders	406,779	790,900

Notes to the financial statements

Accounting policies

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

Distribution policy

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

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

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

M&G Pan European Select Fund

Authorised Corporate Director's Report

Investment objective

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

Investment policy

The fund will invest at least 80% in equity securities of companies that are domiciled in, or conducting the major part of their economic activity in any European country. The fund has a concentrated portfolio and usually holds fewer than 35 stocks.

The fund is based on an investment process that uses fundamental analysis to identify competitively advantaged companies with sustainable business models.

Sustainability considerations play an important role in determining the investment universe and assessing business models. Companies that are assessed to be in breach of the United Nations Global Compact principles on human rights, labour, environment and anti-corruption are excluded from the investment universe. Industries such as tobacco and controversial weapons are also excluded.

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

Derivatives may be used for efficient portfolio management.

Investment approach

The fund is a focused European equity fund, making long-term investments in companies with sustainable business models and competitively advantageous characteristics to protect their profitability. Importantly, the fund manager invests in these businesses where short-term issues have provided a clear valuation opportunity.

Sustainability considerations are fully integrated into the investment process.

The fund manager believes that this approach offers a powerful combination, providing the long-term compounded value of quality businesses, as well as the potential boost to a company's share price when a short-term issue has been resolved.

Risk profile

The fund invests in the shares of companies listed in Europe, including the UK. It is, therefore, subject to the price volatility of the European and UK stockmarkets and the performance of individual companies. The fund may also be subject to fluctuations in currency exchange rates.

The fund's focus is on quality businesses where an element of change is helping to drive their value, and these stocks could potentially experience a degree of illiquidity in times of market distress. The fund is a concentrated portfolio of between 25 and 35 holdings, but is mainly invested in the shares of large and medium-sized companies, which are normally traded with relative ease. Diversification across

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

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



The above number:

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

Investment review

As at 1 March 2019, for the six months ended 28 February 2019

Performance against objective

Between 3 September 2018 (the start of the review period) and 1 March 2019, the sterling share classes of the M&G Pan European Select Fund delivered negative total returns (the combination of income and growth of capital). The fund's sterling returns lagged a comparative index, the MSCI Europe Index, which declined by 5.7% for the period in sterling terms.

Between 3 September 2018 and 9 November 2018, the fund's euro and US dollar share classes delivered negative returns that were behind the returns of the MSCI Europe Index (-3.8% and -6.1% in euros and US dollars, respectively)*. On 9 November 2018, the fund's non-sterling share classes merged into the M&G (Lux) Pan European Select Fund, a Luxembourg-authorised SICAV that launched on that date.

Over five years and since launch, the fund has delivered positive total returns, and has remained invested in a diversified portfolio of company shares from across Europe, including the UK, thus meeting its investment objective.

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

Investment performance

European stockmarkets delivered negative returns for the six months under review, with the end of 2018 witnessing levels of market turbulence not seen since the previous February's market rout, before recovering to a degree in the new year. There were several driving forces that hit sentiment over the period, one of the most destabilising of which was the ongoing 'trade war' between the US and China. Concerns about on-again / off-again trade negotiations drove waves of risk aversion, for fear of the overall effects wide-ranging import tariffs could have on global growth. Other sources of disillusionment included an apparent slowdown in China and signs of weakness in the US economy, political difficulties in Europe, exacerbated by the looming

M&G Pan European Select Fund

Authorised Corporate Director's Report

Investment review

Investment performance (continued)

presence of Brexit casting an ever-lengthening shadow, and weakness in the oil price, amid potential declining demand in the face of reduced economic activity.

As we moved through the end of the period under review, the mood changed for the better. We saw fresh, robust US economic data and well-received comments on interest rate stabilisation from the US Federal Reserve, moves in China to stimulate the country's economy and a defeat on Prime Minister Theresa May's Brexit plans (and the potential of a Brexit delay), all of which had a buoying effect on markets. Investors were also enlivened by encouraging signs in the trade talks between the US and China, with US President Trump eventually announcing a delay to US tariff hikes that had been due to hit at the beginning of March. In this latter part of the review period markets rose strongly, but not by enough to counter the previous declines.

Overall, European stocks did not keep up with the wider global market, which was aided by better performance out of emerging markets and Asia. Among the larger European constituents, Italy, Switzerland and Spain all outpaced the wider European market and the fund's below-index positions in all three countries weighed on relative returns. At the other end of the spectrum, Germany delivered poor performance for the period, as Europe's biggest economy barely avoided slipping into recession, having reported an ongoing decline in industrial production; this hit sentiment in the German stockmarket, and our above-index position in that market was detrimental (although good stock selection in Germany helped to counterbalance this).

Against this background, some of the more defensive sectors (that is, those that have relatively predictable and stable earnings regardless of the state of the overall economy) including utilities, healthcare and consumer staples outperformed, as risk-averse investors tend to favour this part of the market in periods of uncertainty. Meanwhile, real estate, information technology and industrials all underperformed. For the fund, stockpicking within the healthcare sector led to the largest drag on returns, while selection among information technology (and the above-index position in the sector) and industrials also weighed on relative performance, as did the below-index position in utilities. On the upside, stock selection within the consumer discretionary and materials sectors was supportive.

At an individual stock level, the fund's largest detractor was German dialysis group Fresenius Medical Care. In October the company cut its earnings target for the year, citing slower growth in dialysis services in North America, its largest market. It also quoted higher patient and occupancy costs, as well as challenges in select emerging markets, including Argentina. Subsequently, in December the company stated that it did not believe its 2020 outlook was achievable, given its revised expectations for 2018 and 2019, and its shares fell sharply. As we continued through the review period, its share price recovered ground, but not enough to counteract the previous losses.

Also within healthcare, UK-listed addiction cessation drug maker Indivior dragged on returns as well. Indivior's share price had been under pressure following news that Indian drug maker Dr Reddy's was set to launch its own generic version of Indivior's best-selling opioid addiction drug Suboxone Film. Indivior subsequently blocked the launch, as US courts granted a temporary restraining order on Dr Reddy's. In November, though, Indivior lost its case in the US Court of Appeals and its shares fell sharply. We had reduced our position in the company in the run-up to the decision.

Other laggards included Irish bank AIB, which announced that its chief financial officer would be stepping down, and Spanish IT outsourcing business Amadeus. Investors reacted badly to news that the EU had opened an antitrust investigation into Amadeus and rival Sabre over contract terms that it said could prevent airlines and travel agents from switching to rival ticket agents. We are continuing to monitor the situation closely.

On the upside, the fund's largest contributor for the period was UK pet specialist Pets at Home. The company's shares rose strongly on news that the retailer would be overhauling dozens of its veterinary practices, an area that had been a source of contention for some months with questions over profitability of the joint ventures. Pets at Home subsequently reported a solid rise in like-for-like revenues for both its retail and veterinary divisions. This was aided by strong performance from its omnichannel business, which benefited from investments made last year, including a new mobile website. Positive sentiment in the company was further supported on news that it was likely to be promoted into the FTSE 250 Index.

Other top performers for the period included German industrial gases producer Linde and UK-listed retailer WH Smith.

Linde's planned US\$42 billion merger with US rival Praxair had met with difficulties for several years, as regulatory scrutiny placed ongoing demands on both companies, including various divestitures, before approvals would be given. In October the companies agreed to the final regulatory conditions and subsequently announced that the business combination had been successfully completed, thus drawing the saga to a close. Investors were pleased, and Linde's shares rose accordingly. Its share price was then further supported on the back of its announcement of a US\$1 billion share repurchase programme.

WH Smith posted a solid rise in sales, with robust performance from its travel business – including concessions in airports and train stations – offsetting more lacklustre high street trading. It also reported that the integration of US travel retailer InMotion, acquired by WH Smith in October 2018, was progressing well, with good growth prospects both in the US and internationally.

Investment activities

We run a concentrated portfolio of between 25 and 35 holdings, maintaining a watchlist of around 120 quality 'moated' companies that we would like to own when the timing and price are right (moated companies are those where we feel the business model is well protected from competition). We monitor our watchlist closely, waiting patiently for short-term issues to create buying opportunities.

In light of the fund's long-term, low-turnover approach, the period under review saw no new purchases or complete sales.

Outlook

We think that valuations in some parts of the market are currently looking very attractive, particularly in Europe, but in the long term we have slightly lower expectations for company shares in general over the next 10 years. This is because we are getting closer to the end of the current economic cycle, with companies on high earnings being somewhat overvalued in some parts of the market. After the setback at the end of 2018, and with sustained earnings growth, we believe 10-year equity returns will likely be closer to normal, and hopefully with a more consistent return of volatility (i.e. market turbulence). It is these conditions that can benefit long-term, fundamental stockpickers.

M&G Pan European Select Fund

Authorised Corporate Director's Report

Investment review

Outlook (continued)

We also think that valuations of growth stocks are currently looking more reasonable while valuations of more cyclical companies (i.e. those more closely tied to the economic cycle) are increasingly pricing in a US recession. All in all, we think investors are getting a better margin of safety, even if we are at the end of the cycle.

We believe the main risks for the next couple of years will be a deep setback in China, which we think seems unlikely in the short term, or a credit led blow-up / recession in the US, which we also think seems unlikely in the short term.

In terms of the fund, we remain confident in the quality of the stocks within the current portfolio. As long-term investors, our focus is on the ability of our holdings to generate long-term value for the fund and for our investors, and we continue to be optimistic about their prospects.

John William Olsen Fund manager

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

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

Investments

Portfolio statement				
as at Holding	28.02.19 €'000	28.02.19 %	31.08.18 %	
EQUITIES	151,064	97.51	99.67	
Oil, gas & consumable fuels	5,951	3.84	4.84	
299,930 Equinor	5,951	3.84		
Chemicals	11,946	7.71	8.63	
76,897 Akzo Nobel	6,140	3.96		
37,688 Linde	5,806	3.75		
Construction materials	4,367	2.82	2.87	
100,210 LafargeHolcim	4,367	2.82		
Electrical equipment	5,972	3.85	3.57	
87,972 Schneider Electric	5,972	3.85		
Machinery	2,665	1.72	1.75	
96,689 Jungheinrich Preference Shares	2,665	1.72		
Commercial services & supplies	9,705	6.27	6.30	
231,102 ISS	6,347	4.10		
40,659 Société BIC	3,358	2.17		
Road & rail	8,797	5.68	6.55	
120,791 DSV	8,797	5.68		
Textiles, apparel & luxury goods	5,064	3.27	3.12	
48,727 HUGO BOSS	3,181	2.05		
40,768 Pandora	1,883	1.22		
Specialty retail	14,511	9.37	8.15	
2,464,536 Pets at Home	4,271	2.76		
423,726 WH Smith	10,240	6.61		
Food products	6,848	4.42	4.40	
85,930 Nestlé	6,848	4.42		

Portfolio statement (continued)				
as at Holding	28.02.19 €'000	28.02.19 %	31.08.18 %	
Household products	5,269	3.40	3.32	
78,266 Reckitt Benckiser	5,269	3.40		
Personal products	6,111	3.94	3.88	
129,232 Unilever	6,111	3.94		
Health care providers & services	7,490	4.83	4.18	
110,015 Fresenius Medical Care	7,490	4.83		
Pharmaceuticals	17,266	11.15	11.54	
19,324 ALK-Abelló	2,657	1.72		
177,934 GlaxoSmithKline	3,132	2.02		
803,953 Indivior	1,008	0.65		
243,870 Novo-Nordisk	10,469	6.76		
Banks	13,145	8.49	7.91	
1,316,336 AIB	5,331	3.44		
93,008 Bank of Georgia	1,824	1.18		
515,754 ING	5,990	3.87		
Capital markets	2,433	1.57	1.24	
188,564 Georgia Capital	2,433	1.57		
Insurance	3,787	2.44	2.25	
206,060 Hiscox	3,787	2.44		
IT services	6,567	4.24	6.30	
97,901 Amadeus	6,567	4.24		
Software	6,691	4.32	6.04	
71,223 SAP	6,691	4.32		
Media	6,479	4.18	2.83	
163,938 CTS Eventim	6,479	4.18		
Portfolio of investments	151,064	97.51	99.67	
CASH EQUIVALENTS	3,214	2.07	1.16	
'AAA' rated money market funds [a]	3,214	2.07	1.16	
3,276,893 Northern Trust Global Fund - Euro	3,214	2.07		
Total portfolio	154,278	99.58	100.83	
Net other assets / (liabilities)	658	0.42	(0.83)	
Net assets attributable to shareholders	154,936	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.

Top portfolio transactions

for the six months to 28 February 2019

Purchases	€'000
Fresenius Medical Care	3,620
CTS Eventim	2,285
ING	765
ISS	757
Akzo Nobel	52
Total purchases	7,479
Largest sales	€'000
Linde	6,482
SAP	5,269
Amadeus IT	5,132
Equinor	3,255
DSV	2,784
Nestlé	2,108
Société BIC	2,065
Pets at Home	1,364
LafargeHolcim	1,344
GlaxoSmithKline	1,123
Other sales	3,082
Total sales	34,008

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

M&G Pan European Select Fund

Financial highlights

Fund performance

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

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

We show performance for these two share classes because:

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

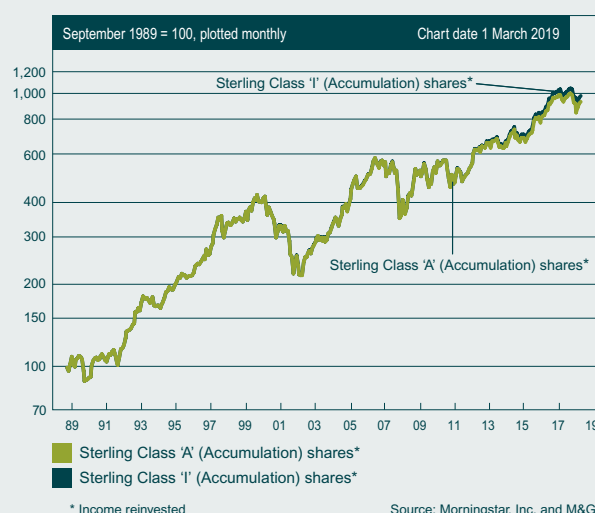
The fund is available for investment in different share classes, each with varying levels of charges and minimum investments; please refer to the Prospectus for M&G Investment Funds (1), which is available free of charge either from our website at www.mandg.co.uk/prospectuses or by calling M&G Customer Relations.

Fund level performance

Fund net asset value			
as at	28.02.19 €'000	31.08.18 €'000	31.08.17 €'000
Fund net asset value (NAV)	154,936	313,063	343,454

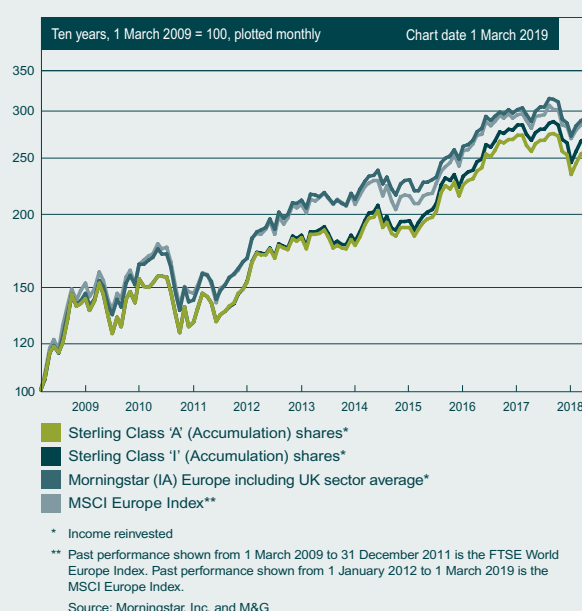
Performance since launch

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



Ten-year performance

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



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

M&G Pan European Select Fund

Financial highlights

Fund performance

To give an indication of the performance of the fund, the following table shows the compound rate of return, per annum, over the period to 9 November 2018 for non-sterling share classes and 1 March 2019 for sterling share classes. Calculated on a price to price basis with income reinvested.

Long-term performance by share class				
	From 03.09.18 % ^[a]	From 01.03.16 % p.a.	From 03.03.14 % p.a.	Since launch % p.a.
Euro ^[b]				
Class 'A'	-4.8	+7.0	+6.2	+4.1 ^[c]
Class 'B'	-4.9	n/a	n/a	+5.9 ^[d]
Class 'C'	-4.6	+7.8	+7.0	+4.9 ^[c]
Sterling ^[e]				
Class 'A'	-7.1	+10.7	+7.2	+7.9 ^[f]
Class 'I'	-6.8	+11.5	+8.0	+10.8 ^[g]
Class 'R'	-6.9	+11.2	+7.7	+10.5 ^[g]
Class 'X'	-7.1	+10.7	+7.2	+11.7 ^[h]
US dollar ^[b]				
Class 'A'	-6.9	+8.7	n/a	+3.6 ^[i]
Class 'C'	-6.8	+9.5	n/a	+4.4 ^[i]

^[a] Absolute basis.

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

^[c] 28 November 2001, the launch date of the share class.

^[d] 18 March 2016, the launch date of the share class.

^[e] Price to price with income reinvested.

^[f] 29 September 1989, the end of the initial offer period of the predecessor unit trust.

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

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

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

Operating charges and portfolio transaction costs

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

Operating charges

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

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

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

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

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

M&G Pan European Select Fund

Financial highlights

Fund performance

Operating charges and portfolio transaction costs

Portfolio transaction costs

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

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

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

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

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

Portfolio transaction costs				
	Six months to 28.02.19	Year to 31.08.18	Year to 31.08.17	Average ^[a]
Direct portfolio transaction costs ^[b]	%	%	%	%
Broker commission	0.01	0.02	0.04	0.02
Taxes	0.00	0.04	0.08	0.04
Costs before dilution adjustments	0.01	0.06	0.12	0.06
Dilution adjustments ^[c]	(0.01)	(0.03)	(0.10)	(0.05)
Total direct portfolio transaction costs	0.00	0.03	0.02	0.01
as at	28.02.19	31.08.18	31.08.17	Average ^[a]
Indirect portfolio transaction costs	%	%	%	%
Average portfolio dealing spread	0.08	0.07	0.05	0.07

^[a] Average of first three columns.

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

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

Specific share class performance

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

The non-sterling share classes were merged into the M&G (Lux) Pan European Select Fund on 9 November 2018. The current period historic yields for the non-sterling share classes were calculated at the merger date.

Historic yields for the sterling share classes for the current period are calculated as at 8 March 2019.

Euro Class 'A' Accumulation share performance

The share class was launched on 28 November 2001.

	Six months to 28.02.19 Euro ¢	Year to 31.08.18 Euro ¢	Year to 31.08.17 Euro ¢
Change in NAV per share			
Opening NAV	2,086.19	1,961.49	1,791.43
Return before operating charges and after direct portfolio transaction costs	(95.27)	158.99	202.01
Operating charges	(6.49)	(34.29)	(31.95)
Return after operating charges	(101.76)	124.70	170.06
Distributions	0.00	(16.95)	(13.71)
Retained distributions	0.00	16.95	13.71
Return to shareholder as a result of share class closure	(1,984.43)	n/a	n/a
Closing NAV	0.00	2,086.19	1,961.49
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.06	1.20	2.34
Dilution adjustments ^[a]	(0.05)	(0.52)	(1.83)
Total direct portfolio transaction costs	0.01	0.68	0.51
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.03	0.02
Operating charges	1.67	1.67	1.68
Return after operating charges	-4.88	+6.36	+9.49
Historic yield	0.85	0.82	0.70
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€'000)	0	111,661	121,387
Closing NAV percentage of total fund NAV (%)	0.00	35.67	35.35
Number of shares	0	5,352,378	6,188,518
Highest share price (Euro ¢)	2,095.84	2,146.87	1,999.46
Lowest share price (Euro ¢)	1,908.49	1,936.77	1,668.64

M&G Pan European Select Fund

Financial highlights

Specific share class performance

Euro Class 'B' Accumulation share performance

The share class was launched on 18 March 2016.

	Six months to 28.02.19 Euro ¢	Year to 31.08.18 Euro ¢	Year to 31.08.17 Euro ¢
Change in NAV per share			
Opening NAV	1,227.29	1,159.70	1,064.43
Return before operating charges and after direct portfolio transaction costs	(56.03)	94.01	118.94
Operating charges	(4.95)	(26.42)	(23.67)
Return after operating charges	(60.98)	67.59	95.27
Distributions	0.00	(3.94)	(2.88)
Retained distributions	0.00	3.94	2.88
Return to shareholder as a result of share class closure	(1,166.31)	n/a	n/a
Closing NAV	0.00	1,227.29	1,159.70
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.03	0.71	1.33
Dilution adjustments ^[a]	(0.03)	(0.31)	(1.04)
Total direct portfolio transaction costs	0.00	0.40	0.29
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.03	0.02
Operating charges	2.17	2.17	2.17
Return after operating charges	-4.97	+5.83	+8.95
Historic yield	0.34	0.32	0.25
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€'000)	0	770	57
Closing NAV percentage of total fund NAV (%)	0.00	0.25	0.02
Number of shares	0	62,733	4,880
Highest share price (Euro ¢)	1,232.44	1,266.80	1,183.59
Lowest share price (Euro ¢)	1,121.89	1,144.99	990.59

Euro Class 'C' Accumulation share performance

The share class was launched on 28 November 2001.

	Six months to 28.02.19 Euro ¢	Year to 31.08.18 Euro ¢	Year to 31.08.17 Euro ¢
Change in NAV per share			
Opening NAV	2,372.72	2,214.23	2,007.15
Return before operating charges and after direct portfolio transaction costs	(108.39)	179.96	226.13
Operating charges	(4.09)	(21.47)	(19.05)
Return after operating charges	(112.48)	158.49	207.08
Distributions	0.00	(36.69)	(31.69)
Retained distributions	0.00	36.69	31.69
Return to shareholder as a result of share class closure	(2,260.24)	n/a	n/a
Closing NAV	0.00	2,372.72	2,214.23
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.07	1.36	2.53
Dilution adjustments ^[a]	(0.05)	(0.59)	(1.97)
Total direct portfolio transaction costs	0.02	0.77	0.56
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.03	0.02
Operating charges	0.92	0.92	0.93
Return after operating charges	-4.74	+7.16	+10.32
Historic yield	1.62	1.56	1.44
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€'000)	0	36,784	23,764
Closing NAV percentage of total fund NAV (%)	0.00	11.75	6.92
Number of shares	0	1,550,300	1,073,257
Highest share price (Euro ¢)	2,385.21	2,430.72	2,252.92
Lowest share price (Euro ¢)	2,173.12	2,186.59	1,872.08

Sterling Class 'A' Income share performance

The share class was launched on 29 September 1989.

	Six months to 28.02.19 UK p	Year to 31.08.18 UK p	Year to 31.08.17 UK p
Change in NAV per share			
Opening NAV	224.64	222.26	191.32
Return before operating charges and after direct portfolio transaction costs	(16.35)	11.68	39.39
Operating charges	(1.72)	(3.73)	(3.38)
Return after operating charges	(18.07)	7.95	36.01
Distributions	(0.90)	(5.57)	(5.07)
Closing NAV	205.67	224.64	222.26
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.02	0.13	0.25
Dilution adjustments ^[a]	(0.01)	(0.06)	(0.19)
Total direct portfolio transaction costs	0.01	0.07	0.06
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.03	0.02
Operating charges	1.68	1.67	1.68
Return after operating charges	-8.04	+3.58	+18.82
Historic yield	2.64	2.49	2.30
Effect on yield of charges offset against capital	1.65	1.65	1.65
Other information			
Closing NAV (€'000)	75,952	80,239	86,655
Closing NAV percentage of total fund NAV (%)	49.02	25.63	25.23
Number of shares	31,693,024	32,047,244	35,903,665
Highest share price (UK p)	225.24	232.36	227.97
Lowest share price (UK p)	190.14	208.38	178.92

M&G Pan European Select Fund

Financial highlights

Specific share class performance

Sterling Class 'A' Accumulation share performance

The share class was launched on 29 September 1989.

	Six months to 28.02.19 UK p	Year to 31.08.18 UK p	Year to 31.08.17 UK p
Change in NAV per share			
Opening NAV	475.69	459.06	386.16
Return before operating charges and after direct portfolio transaction costs	(34.62)	24.34	79.74
Operating charges	(3.64)	(7.71)	(6.84)
Return after operating charges	(38.26)	16.63	72.90
Distributions	0.00	(3.87)	(3.29)
Retained distributions	0.00	3.87	3.29
Closing NAV	437.43	475.69	459.06
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.03	0.27	0.50
Dilution adjustments ^[a]	(0.03)	(0.12)	(0.39)
Total direct portfolio transaction costs	0.00	0.15	0.11
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.03	0.02
Operating charges	1.68	1.67	1.68
Return after operating charges	-8.04	+3.62	+18.88
Historic yield	0.89	0.82	0.72
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€'000)	47,545	51,071	63,483
Closing NAV percentage of total fund NAV (%)	30.69	16.31	18.48
Number of shares	9,327,975	9,632,302	12,735,111
Highest share price (UK p)	477.00	482.11	462.20
Lowest share price (UK p)	402.66	432.56	361.08

Sterling Class 'I' Income share performance

The share class was launched on 3 August 2012.

	Six months to 28.02.19 UK p	Year to 31.08.18 UK p	Year to 31.08.17 UK p
Change in NAV per share			
Opening NAV	1,781.09	1,749.00	1,494.22
Return before operating charges and after direct portfolio transaction costs	(129.67)	92.34	309.25
Operating charges	(7.58)	(16.24)	(14.64)
Return after operating charges	(137.25)	76.10	294.61
Distributions	(7.13)	(44.01)	(39.83)
Closing NAV	1,636.71	1,781.09	1,749.00
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.12	1.03	1.94
Dilution adjustments ^[a]	(0.10)	(0.45)	(1.51)
Total direct portfolio transaction costs	0.02	0.58	0.43
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.03	0.02
Operating charges	0.93	0.92	0.93
Return after operating charges	-7.71	+4.35	+19.72
Historic yield	2.63	2.49	2.29
Effect on yield of charges offset against capital	0.90	0.90	0.90
Other information			
Closing NAV (€'000)	11,199	12,397	11,861
Closing NAV percentage of total fund NAV (%)	7.23	3.96	3.45
Number of shares	587,229	624,464	624,535
Highest share price (UK p)	1,786.03	1,841.23	1,793.53
Lowest share price (UK p)	1,511.21	1,646.62	1,399.96

Sterling Class 'I' Accumulation share performance

The share class was launched on 3 August 2012.

	Six months to 28.02.19 UK p	Year to 31.08.18 UK p	Year to 31.08.17 UK p
Change in NAV per share			
Opening NAV	2,101.77	2,013.19	1,680.78
Return before operating charges and after direct portfolio transaction costs	(153.00)	107.31	348.92
Operating charges	(8.91)	(18.73)	(16.51)
Return after operating charges	(161.91)	88.58	332.41
Distributions	(0.27)	(32.49)	(28.55)
Retained distributions	0.27	32.49	28.55
Closing NAV	1,939.86	2,101.77	2,013.19
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.14	1.19	2.19
Dilution adjustments ^[a]	(0.12)	(0.52)	(1.71)
Total direct portfolio transaction costs	0.02	0.67	0.48
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.03	0.02
Operating charges	0.93	0.92	0.93
Return after operating charges	-7.70	+4.40	+19.78
Historic yield	1.66	1.56	1.43
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€'000)	10,768	9,735	8,393
Closing NAV percentage of total fund NAV (%)	6.95	3.11	2.44
Number of shares	476,357	415,546	383,917
Highest share price (UK p)	2,107.63	2,129.97	2,026.56
Lowest share price (UK p)	1,783.35	1,904.83	1,574.61

Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012.

	Six months to 28.02.19 UK p	Year to 31.08.18 UK p	Year to 31.08.17 UK p
Change in NAV per share			
Opening NAV	175.04	172.33	147.60
Return before operating charges and after direct portfolio transaction costs	(12.74)	9.08	30.50
Operating charges	(0.94)	(2.04)	(1.84)
Return after operating charges	(13.68)	7.04	28.66
Distributions	(0.70)	(4.33)	(3.93)
Closing NAV	160.66	175.04	172.33
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.01	0.10	0.19
Dilution adjustments ^[a]	(0.01)	(0.04)	(0.15)
Total direct portfolio transaction costs	0.00	0.06	0.04
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.03	0.02
Operating charges	1.18	1.17	1.18
Return after operating charges	-7.82	+4.09	+19.42
Historic yield	2.63	2.49	2.29
Effect on yield of charges offset against capital	1.15	1.15	1.15
Other information			
Closing NAV (€'000)	1,981	1,617	238
Closing NAV percentage of total fund NAV (%)	1.28	0.52	0.07
Number of shares	1,058,180	828,522	126,927
Highest share price (UK p)	175.53	180.96	176.72
Lowest share price (UK p)	148.40	162.01	138.20

M&G Pan European Select Fund

Financial highlights

Specific share class performance

Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012.

	Six months to 28.02.19 UK p	Year to 31.08.18 UK p	Year to 31.08.17 UK p
Change in NAV per share			
Opening NAV	206.84	198.62	166.24
Return before operating charges and after direct portfolio transaction costs	(15.07)	10.58	34.41
Operating charges	(1.11)	(2.36)	(2.03)
Return after operating charges	(16.18)	8.22	32.38
Distributions	0.00	(2.69)	(2.36)
Retained distributions	0.00	2.69	2.36
Closing NAV	190.66	206.84	198.62
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.01	0.12	0.21
Dilution adjustments ^[a]	(0.01)	(0.05)	(0.17)
Total direct portfolio transaction costs	0.00	0.07	0.04
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.03	0.02
Operating charges	1.18	1.17	1.18
Return after operating charges	-7.82	+4.14	+19.48
Historic yield	1.42	1.31	1.19
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€'000)	5,861	4,919	69
Closing NAV percentage of total fund NAV (%)	3.78	1.57	0.02
Number of shares	2,637,924	2,133,825	32,120
Highest share price (UK p)	207.41	209.62	199.95
Lowest share price (UK p)	175.36	187.67	155.64

Sterling Class 'X' Income share performance

The share class was launched on 1 October 2002.

	Six months to 28.02.19 UK p	Year to 31.08.18 UK p	Year to 31.08.17 UK p
Change in NAV per share			
Opening NAV	222.18	219.84	189.24
Return before operating charges and after direct portfolio transaction costs	(16.17)	11.53	38.96
Operating charges	(1.70)	(3.68)	(3.34)
Return after operating charges	(17.87)	7.85	35.62
Distributions	(0.89)	(5.51)	(5.02)
Closing NAV	203.42	222.18	219.84
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.01	0.13	0.24
Dilution adjustments ^[a]	(0.01)	(0.06)	(0.19)
Total direct portfolio transaction costs	0.00	0.07	0.05
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.03	0.02
Operating charges	1.68	1.67	1.68
Return after operating charges	-8.04	+3.57	+18.82
Historic yield	2.64	2.49	2.30
Effect on yield of charges offset against capital	1.65	1.65	1.65
Other information			
Closing NAV (€'000)	922	1,084	1,396
Closing NAV percentage of total fund NAV (%)	0.59	0.35	0.41
Number of shares	389,115	437,874	584,780
Highest share price (UK p)	222.78	229.82	225.48
Lowest share price (UK p)	188.06	206.10	176.96

Sterling Class 'X' Accumulation share performance

The share class was launched on 1 October 2002.

	Six months to 28.02.19 UK p	Year to 31.08.18 UK p	Year to 31.08.17 UK p
Change in NAV per share			
Opening NAV	470.10	453.67	381.62
Return before operating charges and after direct portfolio transaction costs	(34.23)	24.05	78.80
Operating charges	(3.59)	(7.62)	(6.75)
Return after operating charges	(37.82)	16.43	72.05
Distributions	0.00	(3.82)	(3.25)
Retained distributions	0.00	3.82	3.25
Closing NAV	432.28	470.10	453.67
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.03	0.27	0.49
Dilution adjustments ^[a]	(0.03)	(0.12)	(0.39)
Total direct portfolio transaction costs	0.00	0.15	0.10
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.03	0.02
Operating charges	1.68	1.67	1.68
Return after operating charges	-8.05	+3.62	+18.88
Historic yield	0.89	0.82	0.72
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€'000)	708	796	928
Closing NAV percentage of total fund NAV (%)	0.46	0.25	0.27
Number of shares	140,504	151,966	188,287
Highest share price (UK p)	471.39	476.44	456.77
Lowest share price (UK p)	397.92	427.47	356.83

US dollar Class 'A' Accumulation share performance

The share class was launched on 8 August 2014.

	Six months to 28.02.19 US ¢	Year to 31.08.18 US ¢	Year to 31.08.17 US ¢
Change in NAV per share			
Opening NAV	1,256.65	1,200.68	1,030.40
Return before operating charges and after direct portfolio transaction costs	(89.69)	77.20	187.41
Operating charges	(3.87)	(21.23)	(17.13)
Return after operating charges	(93.56)	55.97	170.28
Distributions	0.00	(10.21)	(9.26)
Retained distributions	0.00	10.21	9.26
Return to shareholder as a result of share class closure	(1,163.09)	n/a	n/a
Closing NAV	0.00	1,256.65	1,200.68
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.03	0.74	1.26
Dilution adjustments ^[a]	(0.03)	(0.32)	(0.98)
Total direct portfolio transaction costs	0.00	0.42	0.28
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.03	0.02
Operating charges	1.67	1.67	1.68
Return after operating charges	-7.45	+4.66	+16.53
Historic yield	0.87	0.83	0.77
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€'000)	0	535	350
Closing NAV percentage of total fund NAV (%)	0.00	0.17	0.10
Number of shares	0	49,680	34,537
Highest share price (US ¢)	1,266.07	1,376.08	1,209.66
Lowest share price (US ¢)	1,117.94	1,192.75	925.60

M&G Pan European Select Fund

Financial highlights

Specific share class performance

US dollar Class 'C' Accumulation share performance

The share class was launched on 8 August 2014.

	Six months to 28.02.19 US ¢	Year to 31.08.18 US ¢	Year to 31.08.17 US ¢
Change in NAV per share			
Opening NAV	1,295.57	1,228.94	1,046.67
Return before operating charges and after direct portfolio transaction costs	(92.54)	78.35	192.46
Operating charges	(2.20)	(11.72)	(10.19)
Return after operating charges	(94.74)	66.63	182.27
Distributions	0.00	(20.06)	(17.41)
Retained distributions	0.00	20.06	17.41
Return to shareholder as a result of share class closure	(1,200.83)	n/a	n/a
Closing NAV	0.00	1,295.57	1,228.94
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.03	0.74	1.35
Dilution adjustments ^[a]	(0.03)	(0.32)	(1.05)
Total direct portfolio transaction costs	0.00	0.42	0.30
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.00	0.03	0.02
Operating charges	0.92	0.92	0.93
Return after operating charges	-7.31	+5.42	+17.41
Historic yield	1.66	1.58	1.42
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€'000)	0	1,455	24,873
Closing NAV percentage of total fund NAV (%)	0.00	0.46	7.24
Number of shares	0	131,067	2,399,906
Highest share price (US ¢)	1,305.83	1,412.38	1,237.37
Lowest share price (US ¢)	1,153.89	1,220.83	941.99

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

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

M&G Pan European Select Fund

Financial statements and notes

Financial statements

Statement of total return

for the six months to 28 February	2019		2018	
	€'000	€'000	€'000	€'000
Income				
Net capital gains / (losses)		(12,668)		10,508
Revenue	811		1,668	
Expenses	(1,568)		(2,566)	
Net revenue / (expense) before taxation	(757)		(898)	
Taxation	(21)		(31)	
Net revenue / (expense) after taxation		(778)		(929)
Total return before distributions		(13,446)		9,579
Distributions		(369)		(485)
Change in net assets attributable to shareholders from investment activities		(13,815)		9,094

Statement of change in net assets attributable to shareholders

for the six months to 28 February	2019		2018	
	€'000	€'000	€'000	€'000
Opening net assets attributable to shareholders		313,063		343,454
Amounts received on issue of shares	6,777		30,258	
Amounts paid on cancellation of shares	(28,046)		(47,182)	
Transfer to M&G (Lux) Pan European Select Fund	(123,081)		0	
		(144,350)		(16,924)
Dilution adjustments		29		73
Change in net assets attributable to shareholders from investment activities (see above)		(13,815)		9,094
Retained distributions on Accumulation shares		1		17
Unclaimed distributions		8		8
Closing net assets attributable to shareholders		154,936		335,722

The opening net assets attributable to shareholders for 2019 differs to the closing position in 2018 by the change in net assets attributable to shareholders for the second half of the comparative financial year.

Balance sheet

as at	28 February 2019	31 August 2018
	€'000	€'000
Assets		
Fixed assets		
Investments	151,064	312,017
Current assets		
Debtors	1,498	1,614
Cash and bank balances	396	135
Cash equivalents	3,214	3,640
Total assets	156,172	317,406
Liabilities		
Creditors		
Bank overdrafts	(484)	(1,983)
Distribution payable	(393)	(1,918)
Other creditors	(359)	(442)
Total liabilities	(1,236)	(4,343)
Net assets attributable to shareholders	154,936	313,063

Notes to the financial statements

Accounting policies

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

Distribution policy

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

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

M&G Pan European Select Fund

Financial statements and notes

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M&G Pan European Select Smaller Companies Fund

Authorised Corporate Director's Report

Investment objective

The fund aims to provide a higher total return (the combination of capital growth and income) than that of the EMIX Smaller European Companies Index, net of the ongoing charges figure, over any five-year period.

Investment policy

The fund will invest at least 80% in the equities of European smaller companies, from the bottom third (by total market capitalisation) of all publicly listed equities in Europe including the UK.

The fund has a concentrated portfolio and usually holds fewer than 45 stocks.

The fund uses an investment process that is based on the fundamental analysis of competitively advantaged companies with sustainable business models.

Sustainability considerations play an important role in determining the investment universe and assessing business models. Companies that are assessed to be in breach of the United Nations Global Compact principles on human rights, labour, environment and anti-corruption are excluded from the investment universe. Companies involved in the production of tobacco and controversial weapons are also excluded.

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

Investment approach

The fund makes long-term investments in smaller companies with sustainable business models and competitively advantageous characteristics to protect their profitability. Importantly, the fund manager invests in businesses where short-term issues have provided a clear valuation opportunity.

Sustainability considerations are fully integrated into the investment process.

The fund manager believes that this approach offers a powerful combination, providing the long-term compounded value of quality businesses, as well as the potential boost to a company's share price when a short-term issue has been resolved.

Risk profile

The fund invests in the shares of smaller Europe-listed companies and is, therefore, subject to the price volatility of the European stockmarket and the performance of individual companies. The fund may also be subject to fluctuations in currency exchange rates. The fund's focus is on smaller companies where the share price movement can be more unpredictable and the shares more difficult to buy and sell compared to those of larger companies. Diversification across countries, industries and market capitalisation is therefore key in managing liquidity risk and reducing market risk. The fund's risks are measured and managed as an integral part of the investment process.

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



The above number:

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

Investment review

As at 1 March 2019, for the six months ended 28 February 2019

Performance against objective

Between 3 September 2018 (the start of the review period) and 1 March 2019, the M&G Pan European Select Smaller Companies Fund delivered negative total returns (the combination of income and growth of capital) across all of its share classes.* All share classes finished behind a comparable index, the EMIX Smaller European Companies Index. Over the six months, returns from the index were -9.5%, -5.0% and -6.9% in sterling, euros and US dollars, respectively.

Over five years the fund has delivered positive total returns, but has lagged the EMIX Smaller European Companies Index.

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

Investment performance

European stockmarkets delivered negative returns for the six months under review, with the end of 2018 witnessing levels of market turbulence not seen since the previous February's market rout, before recovering to a degree in the new year. There were several driving forces that hit sentiment over the period, one of the most destabilising of which was the ongoing 'trade war' between the US and China. Concerns about on-again / off-again trade negotiations drove waves of risk aversion, for fear of the overall effects wide-ranging import tariffs could have on global growth. Other sources of disillusionment included an apparent slowdown in China and signs of weakness in the US economy, political difficulties in Europe, exacerbated by the looming presence of Brexit casting an ever-lengthening shadow, and weakness in the oil price, amid potential declining demand in the face of reduced economic activity.

As we moved through the end of the period under review, the mood changed for the better. We saw fresh, robust US economic data and well-received comments on interest rate stabilisation from the US Federal Reserve, moves in China to stimulate the country's economy and a defeat on Prime Minister Theresa May's Brexit plans (and the potential of a Brexit delay), all of which had a buoying effect on markets. Investors were also enlivened by encouraging signs in the trade talks between the US and China, with US President Trump

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Investment review

Investment performance (continued)

eventually announcing a delay to US tariff hikes that had been due to hit at the beginning of March. In this latter part of the review period markets rose strongly, but not by enough to counter the previous declines.

Overall, smaller European companies declined further than the broader European market and the wider global indices, with smaller companies tending to fall out of favour with risk-averse investors. Among the larger European country constituents, smaller companies in Sweden, Italy and the UK proved the most resilient (but still declined for the period). The fund's below-index position in Italy weighed on relative returns, while above-index positions in Sweden and the UK were marginally beneficial (with stock selection in both countries, particularly the UK, being helpful). At the other end of the spectrum, Germany delivered poor performance for the period, as Europe's biggest economy barely avoided slipping into recession, having reported an ongoing decline in industrial production; this hit sentiment in the German stockmarket, and our above-index position in that market was detrimental. Our above-index position in Denmark, another underperforming market for the period, also dragged on relative returns.

Against this background, within the smaller companies space, utilities (a so-called 'defensive' sector, favoured by risk averse investors) proved the most resilient for the period under review, with financials and consumer services also declining less than the wider market. The fund's below-index positions in both utilities and financials hit relative returns, although stock selection within the former, namely our holding in French energy storage and transportation company Rubis, was beneficial. On the other hand, the oil & gas and basic materials sectors delivered the worst performance for the period, and our below-index positions in both sectors was supportive.

At an individual stock level, the fund's largest detractor was Austrian high-performance sensor maker ams. The company's shares fell sharply in October after its profit outlook for the coming months failed to meet investor expectations, despite having posted strong quarterly results. Its shares fell further in November, after the company further cut its forecasts, indicating poor demand for Apple's iPhone (an issue that affected swathes of Apple suppliers). At the same time, management had been quiet about guidance (where in past they were very open), which did not help investor perceptions. Having lost faith in the investment case for the business, we closed our position in the company.

UK-listed addiction cessation drug maker Indivior dragged on returns as well. Indivior's share price had been under pressure following news that Indian drug maker Dr Reddy's was set to launch its own generic version of Indivior's best-selling opioid addiction drug Suboxone Film. Indivior subsequently blocked the launch, as US courts granted a temporary restraining order on Dr Reddy's. In November, though, Indivior lost its case in the US Court of Appeals and its shares fell sharply. We had reduced our position in the company in the run-up to the decision.

Other detractors included French technology services group Sopra Steria, which delivered results that fell below expectations due to stronger 'seasonal effects' (ie the annual sales cycle) than the previous

year, and German online brokerage leader FinTech Group. FinTech's shares drifted downward in difficult market conditions in Germany.

On the upside, the fund's largest contributor was international payments specialist Earthport. The company's payments solution connects international payment with local infrastructures to provide clients access to global payment options through a managed service. During the review period its shares rose strongly, as US credit card businesses sought to acquire the company. Visa made an initial offer for some £198 million, which was subsequently raised by Mastercard and again countered by Visa. As at the close of the period under review, the situation remained open, but Earthport's shares had risen by nearly 350%.

Other supportive holdings included pet specialist Pets at Home and retailer WH Smith, both UK-listed companies. Pets at Home's shares rose strongly on news that the retailer would be overhauling dozens of its veterinary practices, an area that had been a source of contention for some months with questions over profitability of the joint ventures. Pets at Home subsequently reported a solid rise in like-for-like revenues for both its retail and veterinary divisions. This was aided by strong performance from its omnichannel business, which benefited from investments made last year, including a new mobile website. Positive sentiment in the company was further supported on news that it was likely to be promoted into the FTSE 250 Index.

WH Smith, meanwhile, posted a solid rise in sales, with robust performance from its travel business – including concessions in airports and train stations – offsetting more lacklustre high street trading. It also reported that the integration of US travel retailer InMotion, acquired by WH Smith in October 2018, was progressing well, with good growth prospects both in the US and internationally.

Investment activities

We run a concentrated portfolio of fewer than 50 holdings, maintaining a watchlist of around 200 quality 'moated' companies that we would like to own when the timing and price are right (moated companies are those where we feel the business model is well protected from competition). We monitor our watchlist closely, waiting patiently for short-term issues to create buying opportunities.

During the period under review market turbulence created a number of these opportunities, and we added nine new holdings to the portfolio. One such holding was French energy storage and transportation company Rubis, mentioned above. This is a very cash-generative, quality business, benefiting from its ability to source and integrate assets, as well as its terminals, which effectively operate as local monopolies. There were a number of factors that led to the short-term share price disruption that provided our entry point, including expectations of a falling oil price (meaning less incentive to store energy), issues to do with conflict-related supply disruption in Turkey, and the reinstatement of sanctions in Iran (where the company had bought an asset that subsequently needed to be sold).

To start reducing our below-index position within financials, we established a holding in Avanza, the largest online stock broker in Sweden – with more than 600,000 customers and the highest number of deals on the Stockholm Stock Exchange, holding around 3% of Swedish savings on deposit. The company benefits from its technology – which is not based on legacy banking infrastructure, so has much lower costs which are passed on to customers – as well as

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Investment review

Investment activities (continued)

its strong brand. This is the cheapest platform and the simplest to use. The company is now growing beyond commission brokerage into mortgages, private wealth, mutual funds and structured products, able to attract service providers that want to list products on its platform. (Also within financials, we bought shares in Belgian bank holding company KBC Ancora.)

As a final example, we added a holding in Spanish pharmaceutical distribution company Laboratorios Farmaceuticos Rovi, which specialises in blood thinner Heparin. The company began life as a third-party pharma distributor in Spain and is now moving into Europe-wide distribution, while also selling its own products. As Heparin is off-patent, the company's manufacturing and distribution capabilities are key to the quality and growth of the business.

Conversely, we closed four positions during the period under review, three of which resulted from a loss of faith in the investment case. This included sensor maker ams, mentioned above, services and solutions provider Indra Sistemas, where our investment thesis had transitioned from a successful internal restructuring to a less palatable growth story, and German household goods manufacturer Leifheit. For Leifheit, a new chief executive had begun to change the strategic direction of the company to focus on mass produced goods (rather than quality, branded goods). We think this will expose the business to low-end competitors, and contravened our original investment case.

Financial services business Jardine Lloyd Thompson also left the portfolio, having been bought out by US insurance broker and consultancy Marsh & McLennan.

Outlook

It was a difficult period for smaller companies, as the return of volatility (or market turbulence) in the face of slower growth and economic trade wars led to declines across markets, most acutely felt by the smaller universe. Smaller companies are inherently more volatile than their larger counterparts and, more recently, stocks reporting earnings downgrades have been hit particularly hard, irrespective of the longer term prospects for the businesses.

We continue to search for opportunities for the fund in quality, sustainable companies with protected business models, while remaining firm in the face of extreme short-term market volatility. That volatility is what allows us to buy these companies when their valuations become more attractive, as investors abandon fundamentals in the face of extreme risk aversion.

During the review period we found value across several sectors, boosting our financials exposure in light of our underweight position in the sector and departure of Jardine Lloyd Thompson. We are currently exploring adding more basic materials exposure, where we are finding value, as we are in the semiconductor space. For the former, 'trade wars' have created the impression that we as a society will no longer be building anything, which we think is clearly not the case.

In terms of the current portfolio, we remain confident in the quality of our holdings, and firmly believe that they will generate long-term value for the fund. As long-term investors, this is our focus, and we continue to be optimistic about their prospects.

Michael Oliveros

Fund manager

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

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

Investments

Portfolio statement

as at Holding	28.02.19 €'000	28.02.19 %	31.08.18 %
EQUITIES	223,773	99.39	97.14
Software & computer services	18,910	8.40	9.46
160,144 Criteo ADR	3,841	1.71	
14,839,832 Earthport	7,851	3.49	
443,353 EMIS	4,897	2.17	
22,805 Sopra Steria	2,321	1.03	
Technology hardware & equipment	0	0.00	2.60
Health care providers	4,990	2.22	2.16
695,735 Medicover	4,990	2.22	
Pharmaceuticals & biotechnology	12,351	5.49	5.63
28,780 ALK-Abelló	3,957	1.76	
1,037,683 Indivior	1,301	0.58	
215,814 Laboratorios Farmaceuticos Rovi	3,928	1.74	
575,413 MagForce	3,165	1.41	
Banks	10,963	4.87	2.78
911,922 Bank of Ireland	5,066	2.25	
141,341 KBC Ancora	5,897	2.62	
Investment banking & brokerage services	14,938	6.63	6.04
118,461 Avanza Bank	4,523	2.01	
188,468 FinTech	3,754	1.67	
476,980 Georgia Capital	6,155	2.73	
123,417 MyBucks	506	0.22	
Non-life insurance	0	0.00	1.99
Automobiles & parts	3,566	1.58	2.36
66,505 KTM Industries	3,566	1.58	
Household goods & home construction	12,926	5.74	7.63
346,127 Arbonia	3,504	1.56	
1,396,262 Cairn Homes (Ireland)	1,879	0.83	
2,225,839 Cairn Homes (UK)	2,996	1.33	
55,042 Société BIC	4,547	2.02	
Leisure goods	4,142	1.84	2.73
211,156 Thule	4,142	1.84	
Personal goods	3,381	1.50	1.77
51,787 HUGO BOSS	3,381	1.50	
Media	9,057	4.02	2.30
229,181 CTS Eventim	9,057	4.02	

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Investments

Portfolio statement (continued)				
as at Holding	28.02.19 €'000	28.02.19 %	31.08.18 %	
Retailers	28,234	12.54	9.79	
1,161,878 AcadeMedia	5,937	2.64		
357,513 Dignity	3,072	1.36		
3,484,316 Pets at Home	6,037	2.68		
545,687 WH Smith	13,188	5.86		
Travel & leisure	3,064	1.36	0.00	
622,349 On the Beach	3,064	1.36		
Food producers	5,539	2.46	2.87	
1,045,004 Origin Enterprises	5,539	2.46		
Personal care, drug & grocery stores	4,922	2.19	3.12	
122,575 Galenica	4,922	2.19		
Construction & materials	6,210	2.76	0.00	
149,544 Boskalis Westminster	3,668	1.63		
5,218,089 SigmaRoc	2,542	1.13		
Electronic & electrical equipment	2,664	1.18	1.55	
136,774 EVS Broadcast Equipment	2,664	1.18		
General industrials	4,343	1.93	0.00	
1,110,185 DS Smith	4,343	1.93		
Industrial engineering	18,542	8.24	11.71	
159,502 Aalberts Industries	5,161	2.30		
11,306 Cargotec	357	0.16		
660,525 Deutz	4,171	1.85		
488,762 OC Oerlikon	5,719	2.54		
34,010 VAT	3,134	1.39		
Industrial support services	32,106	14.26	13.99	
126,516 DCC	9,575	4.25		
2,220,711 Equiniti	5,266	2.34		
248,388 ISS	6,821	3.03		
206,327 Loomis	6,534	2.90		
267,790 TAKKT	3,910	1.74		
Industrial transportation	9,989	4.44	4.31	
33,427 ID Logistics	4,894	2.18		
231,622 Logista	5,095	2.26		
Chemicals	3,704	1.64	0.00	
1,683,475 AlzChem	3,704	1.64		
Non-renewable energy	3,451	1.53	2.35	
50,790 Schoeller-Bleckmann Oilfield Equipment	3,451	1.53		
Gas, water & multi-utilities	5,781	2.57	0.00	
111,715 Rubis	5,781	2.57		
Portfolio of investments	223,773	99.39	97.14	
CASH EQUIVALENTS	949	0.42	3.51	
'AAA' rated money market funds [a]	949	0.42	3.51	
967,380 Northern Trust Global Fund - Euro	949	0.42		
Total portfolio	224,722	99.81	100.65	
Net other assets / (liabilities)	418	0.19	(0.65)	
Net assets attributable to shareholders	225,140	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.

Top ten portfolio transactions

for the six months to 28 February 2019

	€'000
Largest purchases	
KBC Ancora	6,077
Rubis	5,133
Avanza Bank	5,124
DS Smith	4,469
WH Smith	4,358
Boskalis Westminster	4,185
CTS Eventim	4,046
AlzChem	3,708
DCC	3,672
Laboratorios Farmaceuticos Rovi	3,179
Other purchases	28,575
Total purchases	72,526
Largest sales	
Jardine Lloyd Thompson	5,105
Cargotec	3,922
Indra Sistemas	3,328
Leifheit	2,497
ams	1,994
Sopra Steria	1,901
Schoeller-Bleckmann Oilfield Equipment	1,336
Equiniti	1,245
VAT	1,004
Thule	1,003
Other sales	2,856
Total sales	26,191

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

M&G Pan European Select Smaller Companies Fund

Financial highlights

Fund performance

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

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

We show performance for these two share classes because:

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

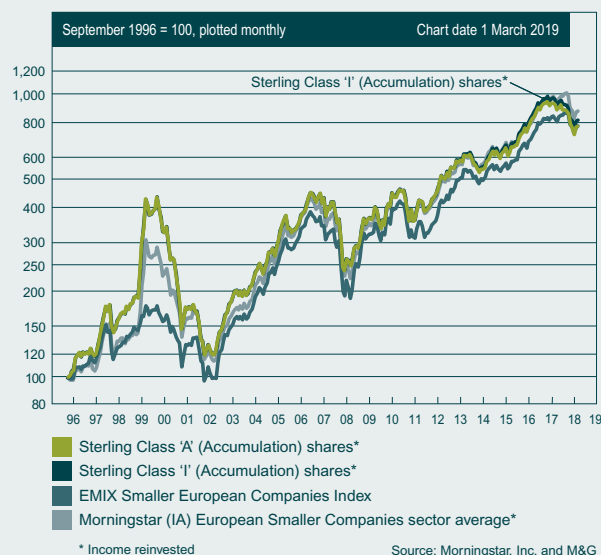
The fund is available for investment in different share classes, each with varying levels of charges and minimum investments; please refer to the Prospectus for M&G Investment Funds (1), which is available free of charge either from our website at www.mandg.co.uk/prospectuses or by calling M&G Customer Relations.

Fund level performance

Fund net asset value			
as at	28.02.19 €'000	31.08.18 €'000	31.08.17 €'000
Fund net asset value (NAV)	225,140	195,641	180,695

Performance since launch

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



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

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

Long-term performance by share class				
	Six months 03.09.18 % [a]	Three years 01.03.16 % p.a.	Five years 03.03.14 % p.a.	Since launch % p.a.
Euro [b]				
Class 'A'	-6.7	+3.9	+4.6	+6.9 [c]
Class 'C'	-6.3	+4.7	+5.4	+7.7 [c]
Sterling [d]				
Class 'A'	-10.9	+7.4	+5.6	+9.6 [e]
Class 'I'	-10.6	+8.3	+6.4	+11.7 [f]
Class 'R'	-10.7	+8.0	+6.1	+11.4 [f]
Class 'X'	-10.9	+7.4	+5.6	+12.1 [g]
US dollar [b]				
Class 'A'	-8.6	+5.5	n/a	+2.7 [h]
Class 'C'	-8.2	+6.3	n/a	+3.5 [h]

[a] Absolute basis.

[b] Price to price with net income reinvested.

[c] 28 November 2001, the launch date of the share class.

[d] Price to price with income reinvested.

[e] 30 September 1996, the end of the initial offer period of the predecessor unit trust.

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

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

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

M&G Pan European Select Smaller Companies Fund

Financial highlights

Fund performance

Operating charges and portfolio transaction costs

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

Operating charges

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

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

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

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

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

Portfolio transaction costs

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

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

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

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

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

Portfolio transaction costs

	Six months to 28.02.19	Year to 31.08.18	Year to 31.08.17	Average ^[a]
Direct portfolio transaction costs ^[b]	%	%	%	%
Broker commission	0.04	0.04	0.03	0.04
Taxes	0.15	0.09	0.05	0.10
Costs before dilution adjustments	0.19	0.13	0.08	0.14
Dilution adjustments ^[c]	(0.14)	(0.04)	(0.03)	(0.07)
Total direct portfolio transaction costs	0.05	0.09	0.05	0.07
as at	28.02.19	31.08.18	31.08.17	Average ^[a]
Indirect portfolio transaction costs	%	%	%	%
Average portfolio dealing spread	0.31	0.31	0.25	0.29

^[a] Average of first three columns.

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

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

M&G Pan European Select Smaller Companies Fund

Financial highlights

Specific share class performance

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

Historic yields for the current period are calculated as at 8 March 2019.

Euro Class 'A' Accumulation share performance

The share class was launched on 28 November 2001.

	Six months to 28.02.19 Euro ¢	Year to 31.03.18 Euro ¢	Year to 31.03.17 Euro ¢
Change in NAV per share			
Opening NAV	3,399.39	3,525.70	2,986.95
Return before operating charges and after direct portfolio transaction costs	(210.27)	(65.45)	594.80
Operating charges	(25.74)	(60.86)	(56.05)
Return after operating charges	(236.01)	(126.31)	538.75
Distributions	n/a	(2.50)	(6.84)
Retained distributions	n/a	2.50	6.84
Closing NAV	3,163.38	3,399.39	3,525.70
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	2.97	4.69	2.65
Dilution adjustments ^[a]	(2.09)	(1.32)	(0.99)
Total direct portfolio transaction costs	0.88	3.37	1.66
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.05	0.09	0.05
Operating charges	1.68	1.68	1.68
Return after operating charges	-6.94	-3.58	+18.04
Historic yield	0.08	0.07	0.19
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€'000)	8,380	11,504	18,461
Closing NAV percentage of total fund NAV (%)	3.72	5.88	10.22
Number of shares	264,909	338,426	523,605
Highest share price (Euro ¢)	3,423.56	3,808.35	3,639.00
Lowest share price (Euro ¢)	2,737.12	3,380.49	2,918.05

Euro Class 'C' Accumulation share performance

The share class was launched on 28 November 2001.

	Six months to 28.02.19 Euro ¢	Year to 31.03.18 Euro ¢	Year to 31.03.17 Euro ¢
Change in NAV per share			
Opening NAV	3,844.70	3,957.93	3,327.96
Return before operating charges and after direct portfolio transaction costs	(237.94)	(75.31)	664.45
Operating charges	(15.63)	(37.92)	(34.48)
Return after operating charges	(253.57)	(113.23)	629.97
Distributions	n/a	(33.41)	(35.49)
Retained distributions	n/a	33.41	35.49
Closing NAV	3,591.13	3,844.70	3,957.93
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	3.27	5.28	2.94
Dilution adjustments ^[a]	(2.30)	(1.49)	(1.10)
Total direct portfolio transaction costs	0.97	3.79	1.84
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.05	0.09	0.05
Operating charges	0.93	0.93	0.93
Return after operating charges	-6.60	-2.86	+18.93
Historic yield	0.94	0.88	0.89
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€'000)	16,067	544	727
Closing NAV percentage of total fund NAV (%)	7.14	0.28	0.40
Number of shares	447,417	14,152	18,372
Highest share price (Euro ¢)	3,873.72	4,287.80	4,075.65
Lowest share price (Euro ¢)	3,103.03	3,822.24	3,255.55

Sterling Class 'A' Income share performance

The share class was launched on 30 September 1996.

	Six months to 28.02.19 UK p	Year to 31.03.18 UK p	Year to 31.03.17 UK p
Change in NAV per share			
Opening NAV	381.77	414.01	328.76
Return before operating charges and after direct portfolio transaction costs	(39.09)	(18.29)	98.88
Operating charges	(2.85)	(6.85)	(6.28)
Return after operating charges	(41.94)	(25.14)	92.60
Distributions	n/a	(7.10)	(7.35)
Closing NAV	339.83	381.77	414.01
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.33	0.53	0.30
Dilution adjustments ^[a]	(0.23)	(0.15)	(0.11)
Total direct portfolio transaction costs	0.10	0.38	0.19
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.05	0.09	0.05
Operating charges	1.68	1.68	1.68
Return after operating charges	-10.99	-6.07	+28.17
Historic yield	2.11	1.87	1.78
Effect on yield of charges offset against capital	1.65	1.65	1.65
Other information			
Closing NAV (€'000)	75,703	82,301	94,287
Closing NAV percentage of total fund NAV (%)	33.62	42.07	52.18
Number of shares	19,117,686	19,341,487	20,972,892
Highest share price (UK p)	385.58	431.14	423.28
Lowest share price (UK p)	308.71	386.22	326.86

M&G Pan European Select Smaller Companies Fund

Financial highlights

Specific share class performance

Sterling Class 'A' Accumulation share performance

The share class was launched on 30 September 1996.

	Six months to 28.02.19 UK p	Year to 31.03.18 UK p	Year to 31.03.17 UK p
Change in NAV per share			
Opening NAV	416.18	443.04	345.71
Return before operating charges and after direct portfolio transaction costs	(42.62)	(19.53)	103.94
Operating charges	(3.11)	(7.33)	(6.61)
Return after operating charges	(45.73)	(26.86)	97.33
Distributions	n/a	(0.31)	(0.86)
Retained distributions	n/a	0.31	0.86
Closing NAV	370.45	416.18	443.04
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.36	0.57	0.31
Dilution adjustments ^[a]	(0.25)	(0.16)	(0.12)
Total direct portfolio transaction costs	0.11	0.41	0.19
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.05	0.09	0.05
Operating charges	1.68	1.68	1.68
Return after operating charges	-10.99	-6.06	+28.15
Historic yield	0.08	0.07	0.19
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€'000)	18,685	21,118	30,550
Closing NAV percentage of total fund NAV (%)	8.30	10.79	16.91
Number of shares	4,328,564	4,552,703	6,349,972
Highest share price (UK p)	420.32	461.41	445.08
Lowest share price (UK p)	336.53	413.34	343.71

Sterling Class 'I' Income share performance

The share class was launched on 3 August 2012.

	Six months to 28.02.19 UK p	Year to 31.03.18 UK p	Year to 31.03.17 UK p
Change in NAV per share			
Opening NAV	2,102.00	2,262.32	1,782.92
Return before operating charges and after direct portfolio transaction costs	(215.24)	(100.49)	538.44
Operating charges	(8.71)	(20.82)	(18.96)
Return after operating charges	(223.95)	(121.31)	519.48
Distributions	n/a	(39.01)	(40.08)
Closing NAV	1,878.05	2,102.00	2,262.32
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	1.82	2.90	1.62
Dilution adjustments ^[a]	(1.27)	(0.82)	(0.61)
Total direct portfolio transaction costs	0.55	2.08	1.01
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.05	0.09	0.05
Operating charges	0.93	0.93	0.93
Return after operating charges	-10.65	-5.36	+29.14
Historic yield	2.09	1.87	1.77
Effect on yield of charges offset against capital	0.90	0.90	0.90
Other information			
Closing NAV (€'000)	6,351	6,777	7,230
Closing NAV percentage of total fund NAV (%)	2.82	3.46	4.00
Number of shares	290,235	289,278	294,308
Highest share price (UK p)	2,123.07	2,357.99	2,312.90
Lowest share price (UK p)	1,703.77	2,121.78	1,773.17

Sterling Class 'I' Accumulation share performance

The share class was launched on 3 August 2012.

	Six months to 28.02.19 UK p	Year to 31.03.18 UK p	Year to 31.03.17 UK p
Change in NAV per share			
Opening NAV	2,289.68	2,419.27	1,873.64
Return before operating charges and after direct portfolio transaction costs	(234.60)	(107.38)	565.69
Operating charges	(9.40)	(22.21)	(20.06)
Return after operating charges	(244.00)	(129.59)	545.63
Distributions	n/a	(19.90)	(21.71)
Retained distributions	n/a	19.90	21.71
Closing NAV	2,045.68	2,289.68	2,419.27
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	1.96	3.09	1.71
Dilution adjustments ^[a]	(1.37)	(0.87)	(0.64)
Total direct portfolio transaction costs	0.59	2.22	1.07
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.05	0.09	0.05
Operating charges	0.93	0.93	0.93
Return after operating charges	-10.66	-5.36	+29.12
Historic yield	0.98	0.88	0.90
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€'000)	44,137	17,337	8,745
Closing NAV percentage of total fund NAV (%)	19.60	8.86	4.84
Number of shares	1,851,610	679,327	332,881
Highest share price (UK p)	2,312.58	2,521.75	2,430.38
Lowest share price (UK p)	1,855.85	2,269.13	1,863.26

Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012.

	Six months to 28.02.19 UK p	Year to 31.03.18 UK p	Year to 31.03.17 UK p
Change in NAV per share			
Opening NAV	208.76	225.27	177.97
Return before operating charges and after direct portfolio transaction costs	(21.37)	(10.00)	53.68
Operating charges	(1.10)	(2.63)	(2.38)
Return after operating charges	(22.47)	(12.63)	51.30
Distributions	n/a	(3.88)	(4.00)
Closing NAV	186.29	208.76	225.27
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.18	0.29	0.16
Dilution adjustments ^[a]	(0.13)	(0.08)	(0.06)
Total direct portfolio transaction costs	0.05	0.21	0.10
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.05	0.09	0.05
Operating charges	1.18	1.18	1.18
Return after operating charges	-10.76	-5.61	+28.83
Historic yield	2.10	1.87	1.77
Effect on yield of charges offset against capital	1.15	1.15	1.15
Other information			
Closing NAV (€'000)	566	625	103
Closing NAV percentage of total fund NAV (%)	0.25	0.32	0.06
Number of shares	260,616	268,705	42,204
Highest share price (UK p)	210.85	234.70	230.29
Lowest share price (UK p)	169.08	210.94	176.98

M&G Pan European Select Smaller Companies Fund

Financial highlights

Specific share class performance

Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012.

	Six months to 28.02.19 UK p	Year to 31.03.18 UK p	Year to 31.03.17 UK p
Change in NAV per share			
Opening NAV	225.56	238.94	185.50
Return before operating charges and after direct portfolio transaction costs	(23.10)	(10.60)	55.94
Operating charges	(1.18)	(2.78)	(2.50)
Return after operating charges	(24.28)	(13.38)	53.44
Distributions	n/a	(1.36)	(1.59)
Retained distributions	n/a	1.36	1.59
Closing NAV	201.28	225.56	238.94
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.19	0.31	0.17
Dilution adjustments ^[a]	(0.14)	(0.09)	(0.06)
Total direct portfolio transaction costs	0.05	0.22	0.11
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.05	0.09	0.05
Operating charges	1.18	1.18	1.18
Return after operating charges	-10.76	-5.60	+28.81
Historic yield	0.68	0.61	0.66
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€'000)	6,570	6,908	225
Closing NAV percentage of total fund NAV (%)	2.92	3.53	0.13
Number of shares	2,801,100	2,747,673	86,793
Highest share price (UK p)	227.81	248.98	240.02
Lowest share price (UK p)	182.68	223.77	184.46

Sterling Class 'X' Income share performance

The share class was launched on 1 October 2002.

	Six months to 28.02.19 UK p	Year to 31.03.18 UK p	Year to 31.03.17 UK p
Change in NAV per share			
Opening NAV	377.64	409.52	325.20
Return before operating charges and after direct portfolio transaction costs	(38.67)	(18.07)	97.81
Operating charges	(2.82)	(6.78)	(6.21)
Return after operating charges	(41.49)	(24.85)	91.60
Distributions	n/a	(7.03)	(7.28)
Closing NAV	336.15	377.64	409.52
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.33	0.52	0.29
Dilution adjustments ^[a]	(0.23)	(0.15)	(0.11)
Total direct portfolio transaction costs	0.10	0.37	0.18
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.05	0.09	0.05
Operating charges	1.68	1.68	1.68
Return after operating charges	-10.99	-6.07	+28.17
Historic yield	2.11	1.87	1.78
Effect on yield of charges offset against capital	1.65	1.65	1.65
Other information			
Closing NAV (€'000)	2,464	2,777	3,999
Closing NAV percentage of total fund NAV (%)	1.09	1.42	2.21
Number of shares	629,035	659,859	899,299
Highest share price (UK p)	381.40	426.47	418.70
Lowest share price (UK p)	305.37	382.04	323.33

Sterling Class 'X' Accumulation share performance

The share class was launched on 1 October 2002.

	Six months to 28.02.19 UK p	Year to 31.03.18 UK p	Year to 31.03.17 UK p
Change in NAV per share			
Opening NAV	411.14	437.73	341.52
Return before operating charges and after direct portfolio transaction costs	(42.10)	(19.34)	102.72
Operating charges	(3.07)	(7.25)	(6.51)
Return after operating charges	(45.17)	(26.59)	96.21
Distributions	n/a	(0.30)	(0.85)
Retained distributions	n/a	0.30	0.85
Closing NAV	365.97	411.14	437.73
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.35	0.56	0.31
Dilution adjustments ^[a]	(0.25)	(0.16)	(0.12)
Total direct portfolio transaction costs	0.10	0.40	0.19
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.05	0.09	0.05
Operating charges	1.68	1.68	1.68
Return after operating charges	-10.99	-6.07	+28.17
Historic yield	0.08	0.07	0.19
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€'000)	1,250	1,408	1,707
Closing NAV percentage of total fund NAV (%)	0.56	0.72	0.94
Number of shares	293,124	307,168	359,007
Highest share price (UK p)	415.23	455.83	439.69
Lowest share price (UK p)	332.46	408.34	339.54

US dollar Class 'A' Accumulation share performance

The share class was launched on 8 August 2014.

	Six months to 28.02.19 US ¢	Year to 31.03.18 US ¢	Year to 31.03.17 US ¢
Change in NAV per share			
Opening NAV	1,236.53	1,303.07	1,037.49
Return before operating charges and after direct portfolio transaction costs	(101.51)	(43.75)	285.24
Operating charges	(9.18)	(22.79)	(19.66)
Return after operating charges	(110.69)	(66.54)	265.58
Distributions	n/a	(0.91)	(2.54)
Retained distributions	n/a	0.91	2.54
Closing NAV	1,125.84	1,236.53	1,303.07
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	1.06	1.76	0.93
Dilution adjustments ^[a]	(0.74)	(0.50)	(0.35)
Total direct portfolio transaction costs	0.32	1.26	0.58
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.05	0.09	0.05
Operating charges	1.68	1.67	1.68
Return after operating charges	-8.95	-5.11	+25.60
Historic yield	0.08	0.08	0.19
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€'000)	350	442	777
Closing NAV percentage of total fund NAV (%)	0.16	0.23	0.43
Number of shares	35,509	41,714	70,679
Highest share price (US ¢)	1,255.52	1,467.90	1,325.32
Lowest share price (US ¢)	972.43	1,200.10	995.35

M&G Pan European Select Smaller Companies Fund

Financial highlights

Specific share class performance

US dollar Class 'C' Accumulation share performance

The share class was launched on 8 August 2014.

Change in NAV per share	Six months to 28.02.19 US ¢	Year to 31.03.18 US ¢	Year to 31.03.17 US ¢
Opening NAV	1,275.61	1,334.15	1,054.09
Return before operating charges and after direct portfolio transaction costs	(104.61)	(45.69)	291.33
Operating charges	(5.25)	(12.85)	(11.27)
Return after operating charges	(109.86)	(58.54)	280.06
Distributions	n/a	(11.09)	(12.20)
Retained distributions	n/a	11.09	12.20
Closing NAV	1,165.75	1,275.61	1,334.15
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	1.09	1.79	0.97
Dilution adjustments ^[a]	(0.77)	(0.50)	(0.36)
Total direct portfolio transaction costs	0.32	1.29	0.61
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.05	0.09	0.05
Operating charges	0.93	0.93	0.93
Return after operating charges	-8.61	-4.39	+26.57
Historic yield	0.97	0.89	0.91
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (€'000)	44,617	43,900	13,884
Closing NAV percentage of total fund NAV (%)	19.82	22.44	7.68
Number of shares	4,369,472	4,015,639	1,234,000
Highest share price (US ¢)	1,295.76	1,507.55	1,356.18
Lowest share price (US ¢)	1,005.54	1,237.67	1,013.22

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

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

M&G Pan European Select Smaller Companies Fund

Financial statements and notes

Financial statements

Statement of total return

for the six months to 28 February	2019		2018	
	€'000	€'000	€'000	€'000
Income				
Net capital gains / (losses)		(12,644)		6,816
Revenue	1,190		625	
Expenses	(1,328)		(1,479)	
Net revenue / (expense) before taxation	(138)		(854)	
Taxation	(35)		(7)	
Net revenue / (expense) after taxation		(173)		(861)
Total return before equalisation		(12,817)		5,955
Equalisation		31		(8)
Change in net assets attributable to shareholders from investment activities		(12,786)		5,947

Statement of change in net assets attributable to shareholders

for the six months to 28 February	2019		2018	
	€'000	€'000	€'000	€'000
Opening net assets attributable to shareholders		195,641		180,695
Amounts received on issue of shares	48,219		40,037	
Amounts paid on cancellation of shares	(6,122)		(21,510)	
		42,097		18,527
Dilution adjustments		188		103
Change in net assets attributable to shareholders from investment activities (see above)		(12,786)		5,947
Closing net assets attributable to shareholders		225,140		205,272

The opening net assets attributable to shareholders for 2019 differs to the closing position in 2018 by the change in net assets attributable to shareholders for the second half of the comparative financial year.

Balance sheet

as at	28 February 2019	31 August 2018
	€'000	€'000
Assets		
Fixed assets		
Investments	223,773	190,041
Current assets		
Debtors	409	476
Cash and bank balances	313	150
Cash equivalents	949	6,871
Total assets	225,444	197,538
Liabilities		
Creditors		
Distribution payable	0	(1,721)
Other creditors	(304)	(176)
Total liabilities	(304)	(1,897)
Net assets attributable to shareholders	225,140	195,641

Notes to the financial statements

Accounting policies

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

Distribution policy

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

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

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

M&G Investment Funds (1)

Other regulatory disclosures

Swiss investor information

For funds registered in Switzerland we are required by FINMA to disclose the Total Expense Ratio (TER).

For these funds the TERs are the same as the operating charges disclosed in each fund's financial highlights section under 'Performance and charges'.

Glossary

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

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

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

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

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

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

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

Bunds: Fixed income securities issued by the German government.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Glossary

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

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

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

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

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

Equities: Shares of ownership in a company.

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

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

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

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

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

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

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

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

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

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

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

Gilts: Fixed income securities issued by the UK government.

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

Hedging: A method of reducing unnecessary or unintended risk.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Glossary

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

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

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

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

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

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

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

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

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

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

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

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

Morningstar™: A provider of independent investment research, including performance statistics and independent fund ratings.

Near cash: Deposits or investments with similar characteristics to cash.

Net asset value (NAV): A fund's net asset value is calculated by taking the current value of the fund's assets and subtracting its liabilities.

Ongoing Charge Figure: The Ongoing Charge Figure includes charges for the following items: management of the fund (also known as Annual Management Charge), administration services, services provided by external parties which include depository, custody and audit, as well as incorporating the ongoing charge figure from funds held in the portfolio (taking into account any rebates).

Open-ended investment company (OEIC): A type of managed fund, whose value is directly linked to the value of the fund's underlying investments.

Options: Financial contracts that offer the right, but not the obligation, to buy or sell an asset at a given price on or before a given date in the future.

Over-the-counter (OTC): Whereby financial assets are traded directly between two parties. This is in contrast to exchange trading, which is carried out through exchanges set up specifically for the purpose of trading. OTC is also known as off-exchange trading.

Overweight: If a fund is 'overweight' a stock, it holds a larger proportion of that stock than the comparable index or sector.

Payment date: The date on which distributions will be paid by the fund to investors, usually the last business day of the month.

Physical assets: An item of value that has tangible existence, for example, cash, equipment, inventory or real estate. Physical assets can also refer to securities, such as company shares or fixed income securities.

Portfolio transaction cost: The cost of trading, such as brokerage, clearing, exchange fees and bid-offer spread as well as taxes such as stamp duty.

Preference shares: Preference shares are a loan to a company that may be traded in the same way as ordinary shares, but generally have a higher yield and pay dividends on fixed dates. Preference shares have varying characteristics as to the treatment of the principal and the dividend payment, which includes ranking them above ordinary shares when it comes to dividend payments.

Principal: The face value of a fixed income security, which is the amount due back to the investor by the borrower when the security reaches the end of its life.

Private placement: An offer of sale of securities to a relatively small number of investors selected by the company, generally investment banks, mutual funds, insurance companies or pension funds.

Property Expense Ratio (PER): Property expenses are the operating expenses that relate to the management of the property assets in the portfolio. These include: insurance and rates, rent review and lease renewal costs and maintenance and repairs, but not improvements. They depend on the level of activity taking place within the fund. The Property Expense Ratio is the ratio of property expenses to the fund's net asset value.

Real yield: The return of an investment, adjusted for changes in prices in an economy.

Retail Prices Index (RPI): A UK inflation index that measures the rate of change in prices for a basket of goods and services in the UK, including mortgage payments and council tax.

Risk: The chance that an investment's return will be different to what is expected. Risk includes the possibility of losing some or all of the original investment.

Risk management: The term used to describe the activities the fund manager undertakes to limit the risk of a loss in a fund.

Risk premium: The difference between the return from a risk-free asset, such as a high-quality government bond or cash, and the return from an investment in any other asset. The risk premium can be considered the 'price' or 'pay-off' for taking on increased risk. A higher risk premium implies higher risk.

Risk-free asset: An asset that notionally carries no risk of non-payment by the borrower such as a high-quality fixed income security issued by a government or cash.

Glossary

Risk/reward ratio: A ratio comparing the expected returns of an investment with the amount of risk undertaken.

Safe-haven assets: Refers to assets that investors perceive to be relatively safe from suffering a loss in times of market turmoil.

Security: Financial term for a paper asset – usually a share in a company or a fixed income security also known as a bond.

Share class: Each M&G fund has different share classes, such as A, R and I. Each has a different level of charges and minimum investment. Details on charges and minimum investments can be found in the Key Investor Information Documents.

Share class hedging: Activities undertaken in respect of hedged shares to mitigate the impact on performance of exchange rate movements between the fund's currency exposure and the investor's chosen currency.

Short position: A way for a fund manager to express his or her view that the market might fall in value.

Short selling: This often refers to the practice whereby an investor sells an asset they do not own. The investor borrows the asset from someone who does own it and pays a fee. The investor must eventually return the borrowed asset by buying it in the open market. If the asset has fallen in price, the investor buys it for less than they sold it for, thus making a profit. The contrary may also occur.

Short-dated corporate bonds: Fixed income securities issued by companies and repaid over relatively short periods.

Short-dated government bonds: Fixed income securities issued by governments and repaid over relatively short periods.

Sovereign debt: Debt of a government. Also referred to as government bonds.

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

Top-down investing: An investment approach that analyses economic factors, ie surveys the 'big picture', before selecting which companies to invest in. The top-down investor will look at which industries are likely to generate the best returns in certain economic conditions and limit the search to that area.

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

Treasuries: Fixed income securities issued by the US government.

Triple A or AAA rated: The highest possible rating a fixed income security, also called a bond, can be assigned by credit rating agencies. Bonds that are rated AAA are perceived to have the lowest risk of default. Default means that a company or government is unable to meet interest payments or repay the initial investment amount at the end of a security's life.

UCITS: Stands for Undertakings for Collective Investment in Transferable Securities. This is the European regulatory framework for an investment vehicle that can be marketed across the European Union and is designed to enhance the single market in financial assets while maintaining high levels of investor protection.

Unconstrained: The term used to describe the mandate of a fund whereby the manager has the freedom to invest according to his or her own strategy, not being obliged to allocate capital according to the weightings of any index, for example.

Underlying value: The fundamental value of a company, reflecting both tangible and intangible assets, rather than the current market value.

Underlying yield: Refers to the income received by a managed fund, and is usually expressed annually as a percentage based on the fund's current value.

Underweight: If a portfolio is 'underweight' a stock, it holds a smaller proportion of that stock than the comparable index or sector.

Unit trust: A type of managed fund, whose value is directly linked to the value of the fund's underlying investments.

Unit/share type: Type of units/shares held by investors in a trust or fund (unit/share types differ by features such as whether income is to be paid out as cash or reinvested on the payment date).

Valuation: The worth of an asset or company based on its current price.

Volatile: When the value of a particular share, market or sector swings up and down fairly frequently and/or significantly, it is considered volatile.

Volatility: The degree to which a given security, fund, or index rapidly changes. It is calculated as the degree of deviation from the norm for that type of investment over a given time period. The higher the volatility, the riskier the security tends to be.

Warrant: A security issued by a company that gives the holder the right to buy shares in that company at a specified price and within a certain timeframe.

Yield: This refers to either the interest received from a fixed income security or to the dividends received from a share. It is usually expressed as a percentage based on the investment's costs, its current market value or its face value. Dividends represent a share in the profits of the company and are paid out to a company's shareholders at set times of the year.

Yield (equity): Refers to the dividends received by a holder of company shares and is usually expressed annually as a percentage based on the investment's cost, its current market value or face value. Dividends represent a share in the profits of the company and are paid out to a company's shareholders at set times of the year.

Yield (bonds): This refers to the interest received from a fixed income security and is usually expressed annually as a percentage based on the investment's cost, its current market value or its face value.

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

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