



## **M&G Investment Funds (7)**

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

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# M&G Investment Funds (7)

## Authorised Corporate Director's Report

The Authorised Corporate Director (ACD) of M&G Investment Funds (7) presents its Annual Long Report and audited Financial Statements for the year ended 31 January 2019.

The audited financial statements of M&G Investment Funds (7) and the investment report and audited financial statements and notes of each sub-fund are presented in their individual sections of this report as set out in the contents page.

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

### Company information

M&G Investment Funds (7) is an umbrella Open-Ended Investment Company (OEIC) and contains five 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 29 June 2007. The M&G Global Convertibles Fund was launched on 13 July 2007, the M&G European Strategic Value Fund was launched on 1 February 2008, the M&G Pan European Dividend Fund was launched on 18 July 2008, the M&G Global Emerging Markets Fund was launched on 5 February 2009 and the M&G Global Floating Rate High Yield Fund was launched on 11 September 2014.

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

As at 31 January 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 European Strategic Value Fund**

Richard Halle

#### **M&G Global Convertibles Fund**

Léonard Vinville

#### **M&G Global Emerging Markets Fund**

Michael Bourke

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

#### **M&G Global Floating Rate High Yield Fund**

James Tomlins

#### **M&G Pan European Dividend Fund**

Phil Cliff

### ACD

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

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

### Directors of the ACD

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

\* Appointed 26 July 2018.

\*\* Resigned 4 January 2019.

### Investment manager

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

(Authorised and regulated by the Financial Conduct Authority)

### Registrar

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

### Depositary

NatWest Trustee and 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 (7)

## Authorised Corporate Director's Report

### Important information

Following successful extraordinary resolutions at shareholder meetings held on 4 October 2018, the mergers of the non-sterling share classes into each equivalent sub-fund in M&G (Lux) Investment Funds 1 took place on various dates. The effective date of the non-sterling share class mergers for the M&G Global Convertibles Fund into the M&G (Lux) Global Convertibles Fund Fund was 9 November 2018. The effective date of the non-sterling share class mergers for the M&G Global Emerging Markets Fund into the M&G (Lux) Global Emerging Markets Fund was 26 October 2018. The effective date of the non-sterling share class mergers for the M&G Global Floating Rate High Yield Fund into the M&G (Lux) Global Floating Rate High Yield Fund was 7 December 2018. For further details of the mergers, please refer to [www.mandg.com/brexitmergerdocumentation](http://www.mandg.com/brexitmergerdocumentation).

At the shareholder meetings, the mergers of M&G European Strategic Value Fund and M&G Pan European Dividend Fund into the equivalent sub-funds in M&G (Lux) Investment Funds 1 was approved by shareholders. The effective date of the mergers was 7 December 2018. As a result of the mergers, the financial statements for the year to 31 January 2019 have been prepared on a break-up basis. Termination of the M&G European Strategic Value Fund and M&G Pan European Dividend Fund will be completed once all of the assets and liabilities have been settled. For further details of the mergers, please refer to [www.mandg.com/brexitmergerdocumentation](http://www.mandg.com/brexitmergerdocumentation).

The investment objective and policy change for the M&G Global Convertibles Fund takes place on 1 March 2019.

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

### Investor information

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

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

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

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

Telephone: 0800 390 390 (UK only)

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

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

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

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

Telephone: +352 2605 9944

Email: [csmandg@rbc.com](mailto:csmandg@rbc.com)

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

#### Austrian paying and information agent:

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

#### Belgian financial agent:

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

#### Danish representative agent:

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

#### French centralising agent:

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

#### German information agent:

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

#### Greek paying agent and distributor:

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

#### Irish facilities agent:

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

# M&G Investment Funds (7)

## 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

### Authorised Corporate Director's Responsibilities

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

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

### Directors' statement

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

G N COTTON

L J MUMFORD

} Directors

14 March 2019

# M&G Investment Funds (7)

## Depository's Responsibilities and Report

### Statement of the Depository's Responsibilities and Report of the Depository to the Shareholders of M&G Investment Funds (7) ('the Company') for the period ended 31 January 2019

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

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

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

The Depository must ensure that:

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

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

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

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

Edinburgh  
14 March 2019

NatWest Trustee and  
Depository Services Limited

# M&G Investment Funds (7)

## Independent Auditor's Report

### Independent Auditor's Report to the shareholders of M&G Investment Funds (7) ICVC

#### Opinion

We have audited the financial statements of M&G Investment Funds (7) ("the Company") for the year ended 31 January 2019 which comprise the Statement of Total Return and Statement of Changes in Net Assets Attributable to Shareholders together with the Balance Sheet for each of the Company's sub-funds, the accounting policies of the Company, the related notes for each sub-fund and the Distribution Tables, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 'The Financial Reporting Standard applicable to the UK and Republic of Ireland'.

In our opinion, the financial statements:

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

#### Basis for opinion

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

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

#### Emphasis of Matter – Financial Statements prepared on a break-up basis

We draw attention to note 2(a) of the financial statements which explains that the ACD intends to terminate the M&G Pan European Dividend Fund and the M&G European Strategic Value Fund and therefore does not consider it to be appropriate to adopt the going concern basis of accounting in preparing the financial statements. Accordingly, the financial statements for these sub-funds only have been prepared on a break-up basis as described in note 2(a). Our opinion is not modified in respect of this matter. The financial statements for the Company as a whole continue to be prepared on a going concern basis.

#### Conclusions relating to going concern

The financial statements for the M&G Pan European Dividend Fund and M&G European Strategic Value Fund have been prepared on a break up basis as disclosed in note 2(a).

In relation to the remaining sub funds, we have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

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

#### Other information

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

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

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

We have nothing to report in this regard.

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

In our opinion:

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



# M&G Investment Funds (7)

## Independent Auditor's Report

### Independent Auditor's Report to the shareholders of M&G Investment Funds (7) ICVC

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

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

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

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

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

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

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

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

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

#### Use of our report

This report is made solely to the company's shareholders, as a body, pursuant to Paragraph 4.5.12 of the rules of the Collective Investment Schemes sourcebook of the Financial Conduct Authority. Our audit work has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Edinburgh  
14 March 2019

Ernst & Young LLP  
Statutory Auditor

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



# M&G Investment Funds (7)

## Financial statements and notes

The financial statements for M&G Investment Funds (7) comprise the individual financial statements for each fund and the notes below.

### Notes to the financial statements

#### 1 Statement of compliance

The financial statements of M&G Investment Funds (7) have been prepared in compliance with UK Financial Reporting Standard 102 (FRS 102) and in accordance with the Statement of Recommended Practice (SORP) for Authorised Funds issued by the Investment Association in May 2014.

#### 2 Summary of significant accounting policies

##### a) Basis of preparation

The financial statements of M&G Investment Funds (7) are prepared on a going concern basis, under the historical cost convention as modified by the revaluation of certain financial assets and liabilities measured at fair value through profit or loss apart from the M&G European Strategic Value Fund and M&G Pan European Dividend Fund as these funds were closed on 7 December 2018. As a result, those financial statements are not prepared on a going concern basis for the year ended 31 January 2019, but are prepared on a break-up basis. Under this basis, all assets are recorded at their estimated realisable amounts and all liabilities at their estimated settlement amounts. All liquidation costs will be borne by the ACD.

##### b) Functional and presentational currency

The functional and presentational currency of M&G Investment Funds (7) is UK sterling.

##### c) Exchange rates

Transactions in currencies other than each fund's functional currency are translated at the rate of exchange ruling on the date of the transaction and where applicable assets and liabilities are translated into the fund's functional currency at the rate of exchange ruling as at 12 noon on 31 January 2019 being the last business day of the accounting period.

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

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

At the end of the reporting period all investments have been measured at their fair value using the prices and the portfolio holdings determined at 12 noon on 31 January 2019, being the last valuation point of the accounting period, as this is not materially different from a valuation carried out at close of business on the balance sheet date.

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

- Equities and debt securities which are traded on an active market are included at the quoted price, which is normally the bid price, excluding any accrued interest in respect of bonds.
  - Equities traded on the Alternative Investment Market (AIM), whose liquidity cannot be guaranteed, are included at their quoted bid price as this represents the most objective and appropriate method of valuation.
  - Collective investment schemes operated by the ACD are included at either their cancellation price for dual priced funds or their single price for single priced funds.
  - Collective investment schemes operated by another manager are included at either their bid price for dual priced funds or their single price for single priced funds.
  - Other equities and debt securities which are unquoted or not actively traded on a quoted market are included at a value estimated by the ACD using an appropriate valuation technique, excluding any accrued interest in respect of bonds.
  - Exchange traded futures and options are included at the cost of closing out the contract at the balance sheet date.
  - Over the counter equity options, credit default swaps, interest rate swaps, asset swaps and inflation swaps are included at a value provided by Markit Valuations Limited, an independent credit derivative price provider. Their fair value excludes any accrued interest in respect of derivatives where the income is revenue in nature.
  - Forward currency contracts, for share class hedging and investment, are included at a value determined by reference to current forward exchange rates for contracts with similar maturity profiles.
- ##### e) Recognition of income and expenses
- Dividends, including ordinary stock dividends, from equity investments are recognised when the security is quoted ex-dividend.
  - Distributions from collective investment schemes are recognised when the scheme is priced ex-distribution.
  - Interest income, including coupons from debt securities and bank interest is recognised on an accruals basis.
  - Underwriting commission is recognised when the issue takes place.
  - Revenue from derivatives is recognised on an accruals basis.
  - Fee rebates from investing in other collective investment schemes are recognised on an accruals basis.
  - Expenses are recognised on an accruals basis.
- ##### f) Treatment of income and expenses
- Any increases or decreases in the fair value of investments and gains and losses realised on sales of investments are treated as capital and recognised in net capital gains / (losses).
  - The value of any enhancement to a stock dividend is treated as capital.
  - Ordinary equity dividends, including ordinary stock dividends are treated as revenue.

# M&G Investment Funds (7)

## Financial statements and notes

### Notes to the financial statements

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

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

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

##### g) Tax

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

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

Deferred tax is recognised in respect of temporary timing differences that have originated but not reversed by the balance sheet date. Deferred tax is measured on a non-discounted basis, at the average rate of tax expected to apply in the period in which

it expects the deferred tax to be realised or settled. A deferred tax asset is only recognised to the extent that it is more likely than not that the asset will be recovered.

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

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

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

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

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

### 3 Risk management policies

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

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

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

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

#### Market risk

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

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

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

# M&G Investment Funds (7)

## Financial statements and notes

### Notes to the financial statements

#### 3 Risk management policies (continued)

##### Commitment approach

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

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

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

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

##### Value at Risk approach

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

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

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

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

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

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

Fund	Global exposure approach
M&G European Strategic Value Fund	Commitment
M&G Global Convertibles Fund	VaR
M&G Global Emerging Markets Fund	Commitment
M&G Global Floating Rate High Yield Fund	VaR
M&G Pan European Dividend Fund	Commitment

##### Liquidity risk

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

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

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

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

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

##### Credit risk

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

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

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

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

# M&G Investment Funds (7)

Financial statements and notes

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# M&G European Strategic Value Fund

## Authorised Corporate Director's Report

### Investment objective up to 7 December 2018

The fund aims to maximise long term total return (the combination of income and growth of capital) to investors by investing predominantly in undervalued European equities.

### Investment policy up to 7 December 2018

The fund seeks to maximise total return to investors through investment in European equities of companies whose share prices do not, in the opinion of the Investment Manager, fully reflect their potential value. The fund will invest across a wide range of geographies, sectors and market capitalisations. The fund may also invest in other assets including other non EU transferable securities, collective investment schemes, money market instruments, cash and near cash, deposits and derivative instruments. Derivative instruments may be used in support of achieving the fund's investment objective.

### Investment approach up to 7 December 2018

The M&G European Strategic Value Fund employs a bottom-up stockpicking approach to identify shares of European (including UK) 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.

### Risk profile

The fund invests in the shares of European (including UK) companies and is, therefore, subject to the price volatility of the European stockmarkets and the performance of individual companies. 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.



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 February 2019, for the period from 1 February 2018 to 7 December 2018**

#### Performance against objective

Between 1 February 2018 (the start of the review period) and 7 December 2018\*, the M&G European Strategic Value Fund produced a negative total return (the combination of income and growth of capital) in all of its share classes.\*\*

The fund's returns in all share classes were behind a comparative index, the MSCI Europe Index. Over the review period, returns for the index were -8.9%, -7.2% and -16.8% in euros, sterling and US dollars, respectively.

Over the longer term of five years, the fund met its objective; it delivered a positive total return (the combination of income and capital growth), supported by successful stock selection of cheap, unloved European companies that the manager considered to be undervalued.

\* The fund closed on this date, and the fund's non-sterling share classes merged into the M&G (Lux) European Strategic Value Fund, a Luxembourg-authorised SICAV that launched on 18 September 2018.

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



# M&G European Strategic Value Fund

## Authorised Corporate Director's Report

### Investment review

#### Investment performance

Following a relatively calm period of steady gains in 2017, European stockmarkets experienced a significant increase in turbulence during the period under review. The prices of company shares (equities, which offer ownership stakes to shareholders) declined as a wide range of concerns unsettled investors, including worries about a potential global trade war, signs of slowing economic activity in the eurozone and political uncertainty.

The optimism that had driven financial markets higher in 2017 faded early on in 2018. Share prices fell sharply in February, amid fears about the pace of future interest rate rises in the US. The US Federal Reserve raised interest rates four times in 2018 as it continued to unwind stimulus policies introduced during the financial crisis a decade earlier.

Investor risk aversion increased further when the US announced a raft of import taxes on goods, including aluminium and steel and European vehicles. Over the next few months, the US proceeded to introduce additional tariffs on millions of dollars' worth of Chinese products, which sparked retaliatory measures from the Chinese government.

By the end of the period, the trade dispute between the world's two largest economies had escalated to such a level that investors feared it would have a damaging impact on global growth and trade.

Trade tensions arguably played a part in the slowdown in economic growth in Europe – in particular, the decline in German exports. Against this background of weaker activity, the European Central Bank (ECB) kept interest rates at historic lows.

Another source of anxiety for investors in European companies was that of political developments. The dispute between the Italian government and the European Commission over Italy's budget plans caused some stockmarket jitters. In addition, uncertainty about the terms of the UK's departure from the European Union weighed on investor confidence.

In this risk-averse environment, investors favoured defensive sectors that are deemed less sensitive to economic developments. Healthcare and utilities were among the few that delivered positive returns over the review period. Energy stocks also outperformed, supported by rising oil prices for most of the period.

In contrast, financials were notable laggards, dragged down by the Italian political crisis and the expectation that interest rates will remain low for the foreseeable future. Consumer discretionary, industrials and materials also underperformed.

Over the period, cheap, out-of-favour 'value' stocks trailed the broader market index. (Value stocks are deemed to be trading below their true worth or long-term prospects). Amid the turbulence, investors turned to companies with reliable earnings and prospects, typically known as 'growth' stocks.

This environment presented a style headwind for our value-focused approach and contributed in part to the fund's underperformance relative to a comparative index. For instance, not holding any shares in Swiss food and drink company Nestlé cost performance, as the large, stable business outperformed.

Some of our more economically sensitive, or cyclical, holdings struggled during the period. In materials, stainless steel makers Aperam and Outokumpu detracted as their shares were dragged down by concerns about US tariffs on steel imports and low prices. Italian cement firm Buzzi Unicem was another drag on relative performance, as the company's shares declined on disappointing results. Buzzi is currently investing in its US operations, which has resulted in costs rising.

Our holding in UK bookmaker William Hill also detracted. The stock has fallen amid concerns about the impact of government plans to cut the maximum stake on fixed-odds betting terminals in its stores. Investors also worried about the costs associated with the company's planned expansion in the US market, where sports gambling has recently been made legal, as well as general uncertainty about Brexit.

As financial stocks lagged the market, our holding in Irish lender Bank of Ireland was among the leading detractors. German retailers Ceconomy and Hornbach detracted after they announced profit warnings.

On a positive note, stock selection in information technology added value, with Finnish mobile network equipment firm Nokia one of the leading contributors. After disappointing performance in recent years, Nokia's shares recovered during the period amid optimism about the next cycle of investment in mobile networks, as the roll-out of new 5G networks looks likely to begin sooner than expected.

Elsewhere, our holdings in UK supermarket chain J Sainsbury and Danish telecoms firm TDC both benefited from takeover activity. TDC's share price climbed after receiving a takeover bid, while shares in J Sainsbury rose as investors welcomed the company's proposed takeover of rival grocery chain Asda. The planned merger would create the country's largest supermarket group.

UK pub company Ei Group was another notable contributor. Ei's share price showed impressive gains as investors rewarded the company for robust sales during the sunny summer and steady progress with its transformation programme.

Our holdings in pharmaceutical firms Roche and AstraZeneca added value, as healthcare stocks outperformed during the period.

Meanwhile, not holding any shares in tobacco firm British American Tobacco (BAT) was helpful; the stock fell sharply over the period as investors were concerned about the impact of US regulations and the rise of e-cigarettes.

#### Investment activities

We took advantage of the market turbulence during the review period to invest in several new holdings, as well as sell some stocks that had performed well.

The steep decline in Turkey's stockmarket over the summer provided an opportunity to invest in Koç, a diversified conglomerate with interests in finance, energy and automotive services. Some of the group's businesses are involved in exporting goods and could, in our view, benefit from the weakness in the lira. We believe the company has sound finances and is currently very attractively valued.

Dutch supermarket chain Ahold Delhaize, which has a leading position in Benelux as well as large operations in the US, also joined the portfolio. In our view, the company has shown the capability to deal with discount supermarkets and investors' fears about the potential threat from Amazon.com are excessive.

# M&G European Strategic Value Fund

## Authorised Corporate Director's Report

### Investment review

#### Investment activities (continued)

Swiss pharmaceutical firm Roche was another newcomer. The maker of cancer treatments has suffered recently from concerns about the competition to its best-selling drugs. However, we believe Roche has an attractive pipeline of new drugs that could replace any lost sales resulting from patents expiring.

We also bought some more shares in existing positions, including William Hill and AP Moller-Maersk, a Danish logistics firm specialising in container ships. We believe Maersk should benefit from recent corporate restructuring as well as industry changes.

In contrast, we sold our holdings in LivaNova, a UK medical devices firm, UK housebuilder Bovis Homes, and Wolters Kluwer, a publisher of information for legal and tax professionals, on valuation grounds after good share price performance.

A number of holdings left the portfolio after being involved in corporate activity, including TDC, a Danish telecoms firm, and Technopolis, a Finnish provider of office space, which both received takeover bids during the period. German renewable energy firm Innogy was acquired by German energy company E.ON.

Other notable trades during the period included taking some profits by selling shares in several holdings that had performed well, notably oil company BP, J Sainsbury and Nokia.

#### Outlook

On 7 December 2018 the M&G European Strategic Value Fund closed and its non-sterling assets merged into the M&G (Lux) European Strategic Value Fund, a Luxembourg-domiciled SICAV, which launched on 18 September 2018. The fund manager continues to apply the same disciplined stock-picking approach, focused on identifying cheap, unloved stocks that he considers to be mispriced.

**Richard Halle**  
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

The fund had no holdings at year end.

#### Top ten portfolio transactions

for the year to 31 January 2019

Largest purchases	€'000
Roche Holding 'Gennusscheine'	75,768
Bayer	39,956
Koninklijke Ahold Delhaize	37,332
William Hill	29,703
AP Moller - Maersk	29,165
Total	27,862
CaixaBank	23,797
Deutsche Telekom	23,763
Deutsche Lufthansa	20,410
Spire Healthcare	19,187
Other purchases	396,233
<b>Total purchases</b>	<b>723,176</b>
Largest sales	€'000
J Sainsbury	44,992
TDC	37,954
Aviva	35,313
Volkswagen Pref. (non voting)	29,557
Novartis (Regd.)	28,460
BP	27,304
Wereldhave	27,043
Nokia	26,295
UBS Group	25,313
Technopolis	25,161
Other sales	823,195
<b>Total sales</b>	<b>1,130,587</b>

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



# M&G European Strategic 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 (7), which is available free of charge either from our website at [www.mandg.co.uk/prospectuses](http://www.mandg.co.uk/prospectuses) or by calling M&G Customer Relations.

### Fund level performance

Fund net asset value			
	2019	2018	2017
as at 31 January	€'000	€'000	€'000
Fund net asset value (NAV)	0	2,589,772	1,778,904

### Performance since launch

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



To give an indication of the performance of the fund, the following table shows the compound rate of return, over the period to 7 December 2018 when the fund closed and merged into a SICAV. Calculated on a price to price basis with income reinvested.

### Long-term performance by share class

	From 01.02.18 % [a]	From 01.02.16 % p.a.	From 03.02.14 % p.a.	Since launch % p.a.
<b>Euro [b]</b>				
Class 'A'	-12.4	+3.2	+4.1	+4.0 [c]
Class 'C'	-11.9	+4.0	+4.9	+4.9 [c]
<b>Sterling [d]</b>				
Class 'A'	-10.7	+9.1	+5.7	+5.7 [c]
Class 'I'	-10.1	+9.9	+6.5	+6.6 [c]
Class 'R'	-10.3	+9.6	+6.3	+10.5 [e]
<b>US dollar [b]</b>				
Class 'A'	-19.9	+4.9	n/a	+0.3 [f]
Class 'C'	-19.4	+5.7	n/a	+1.0 [f]

[a] Absolute basis.

[b] Price to price with net income reinvested.

[c] 1 February 2008, 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] 8 August 2014, the launch date of the share class.

# M&G European Strategic 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](http://www.mandg.co.uk/prospectuses) or by calling M&G Customer Relations.

### Portfolio transaction costs

for the year to 31 January	2019	2018	2017	Average <sup>[a]</sup>
Direct portfolio transaction costs <sup>[b]</sup>	%	%	%	%
Broker commission	0.03	0.03	0.04	0.03
Taxes	0.05	0.11	0.09	0.09
Costs before dilution adjustments	0.08	0.14	0.13	0.12
Dilution adjustments <sup>[c]</sup>	(0.07)	(0.07)	(0.07)	(0.07)
Total direct portfolio transaction costs	0.01	0.07	0.06	0.05
as at 31 January	2019	2018	2017	Average <sup>[d]</sup>
Indirect portfolio transaction costs	%	%	%	%
Average portfolio dealing spread	0.00 <sup>[e]</sup>	0.11	0.16	0.14

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

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

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

<sup>[d]</sup> Average of the last two columns.

<sup>[e]</sup> The average figure for 2019 is not a true representation, as the fund has not been in existence for the full 2019 financial year.

# M&G European Strategic 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 sterling share classes were closed on the effective date on 6 December 2018. The historic yields for the current year non-sterling share classes were calculated at the effective date.

The non-sterling share classes were merged into the M&G (Lux) European Strategic Value Fund on 7 December 2018. The current year historic yields for the non-sterling share classes were calculated at the merger date.

#### Euro Class 'A' Accumulation share performance

The share class was launched on 1 February 2008.

for the year to 31 January Change in NAV per share	2019 Euro €	2018 Euro €	2017 Euro €
Opening NAV	1,742.83	1,557.57	1,384.98
Return before operating charges and after direct portfolio transaction costs	(184.87)	213.02	198.04
Operating charges	(23.90)	(27.76)	(25.45)
Return after operating charges	(208.77)	185.26	172.59
Distributions	(26.71)	(16.14)	(18.04)
Retained distributions	26.71	16.14	18.04
Return to shareholder as a result of share class closure	(1,534.06)	n/a	n/a
Closing NAV	0.00	1,742.83	1,557.57
<b>Direct portfolio transaction costs</b>	<b>Euro €</b>	<b>Euro €</b>	<b>Euro €</b>
Costs before dilution adjustments	1.21	2.27	2.02
Dilution adjustments <sup>[a]</sup>	(1.07)	(1.20)	(1.06)
Total direct portfolio transaction costs	0.14	1.07	0.96
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.01	0.07	0.06
Operating charges	1.66	1.67	1.72*
Return after operating charges	-11.98	+11.89	+12.46
Historic yield	1.05	0.99	1.15
Effect on yield of charges offset against capital	0.00	0.00	0.00
<b>Other information</b>			
Closing NAV (€'000)	0	345,788	229,666
Closing NAV percentage of total fund NAV (%)	0.00	13.35	12.91
Number of shares	0	19,840,664	14,745,125
Highest share price (Euro €)	1,789.56	1,789.86	1,590.13
Lowest share price (Euro €)	1,532.51	1,565.21	1,247.65

\* Due to inflows, the share class NAV increased significantly towards the end of the year, therefore 1.67% is a more reliable estimate of the year to 31.01.17 ongoing charges.

#### Euro Class 'C' Accumulation share performance

The share class was launched on 1 February 2008.

for the year to 31 January Change in NAV per share	2019 Euro €	2018 Euro €	2017 Euro €
Opening NAV	1,894.33	1,679.47	1,482.93
Return before operating charges and after direct portfolio transaction costs	(201.91)	231.47	210.74
Operating charges	(14.34)	(16.61)	(14.20)
Return after operating charges	(216.25)	214.86	196.54
Distributions	(40.83)	(30.95)	(30.92)
Retained distributions	40.83	30.95	30.92
Return to shareholder as a result of share class closure	(1,678.08)	n/a	n/a
Closing NAV	0.00	1,894.33	1,679.47
<b>Direct portfolio transaction costs</b>	<b>Euro €</b>	<b>Euro €</b>	<b>Euro €</b>
Costs before dilution adjustments	1.33	2.47	2.05
Dilution adjustments <sup>[a]</sup>	(1.16)	(1.30)	(1.07)
Total direct portfolio transaction costs	0.17	1.17	0.98
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.01	0.07	0.06
Operating charges	0.91	0.92	0.92
Return after operating charges	-11.42	+12.79	+13.25
Historic yield	1.84	1.74	1.82
Effect on yield of charges offset against capital	0.00	0.00	0.00
<b>Other information</b>			
Closing NAV (€'000)	0	2,160,324	1,542,462
Closing NAV percentage of total fund NAV (%)	0.00	83.42	86.71
Number of shares	0	114,041,264	91,842,316
Highest share price (Euro €)	1,949.57	1,945.25	1,714.55
Lowest share price (Euro €)	1,676.38	1,688.62	1,336.25

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

The share class was launched on 1 February 2008.

for the year to 31 January Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	172.82	155.32	124.65
Return before operating charges and after direct portfolio transaction costs	(16.28)	24.76	36.10
Operating charges	(2.39)	(2.82)	(2.34)
Return after operating charges	(18.67)	21.94	33.76
Distributions	(5.07)	(4.44)	(3.09)
Return to shareholder as a result of share class closure	(149.08)	n/a	n/a
Closing NAV	0.00	172.82	155.32
<b>Direct portfolio transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.12	0.23	0.19
Dilution adjustments <sup>[a]</sup>	(0.11)	(0.12)	(0.10)
Total direct portfolio transaction costs	0.01	0.11	0.09
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.01	0.07	0.06
Operating charges	1.66	1.67	1.68
Return after operating charges	-10.80	+14.13	+27.08
Historic yield	2.92	2.74	1.97
Effect on yield of charges offset against capital	1.65	1.65	1.65
<b>Other information</b>			
Closing NAV (€'000)	0	1,357	1,335
Closing NAV percentage of total fund NAV (%)	0.00	0.05	0.08
Number of shares	0	690,599	741,545
Highest share price (UK p)	178.34	182.81	162.19
Lowest share price (UK p)	153.71	154.56	115.72

# M&G European Strategic Value Fund

## Financial highlights

### Specific share class performance

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

The share class was launched on 1 February 2008.

for the year to 31 January Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	204.73	179.39	141.17
Return before operating charges and after direct portfolio transaction costs	(19.26)	28.54	40.87
Operating charges	(2.84)	(3.20)	(2.65)
Return after operating charges	(22.10)	25.34	38.22
Distributions	(3.18)	(1.90)	(2.08)
Retained distributions	3.18	1.90	2.08
Return to shareholder as a result of share class closure	(182.63)	n/a	n/a
Closing NAV	0.00	204.73	179.39
<b>Direct portfolio transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.14	0.26	0.21
Dilution adjustments <sup>[a]</sup>	(0.13)	(0.14)	(0.11)
Total direct portfolio transaction costs	0.01	0.12	0.10
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.01	0.07	0.06
Operating charges	1.66	1.67	1.68
Return after operating charges	-10.79	+14.13	+27.07
Historic yield	1.05	0.99	1.15
Effect on yield of charges offset against capital	0.00	0.00	0.00
<b>Other information</b>			
Closing NAV (€'000)	0	1,053	943
Closing NAV percentage of total fund NAV (%)	0.00	0.04	0.05
Number of shares	0	452,407	453,424
Highest share price (UK p)	211.28	211.18	183.68
Lowest share price (UK p)	182.11	178.50	131.05

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

The share class was launched on 1 February 2008.

for the year to 31 January Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	174.90	156.01	124.65
Return before operating charges and after direct portfolio transaction costs	(16.56)	24.93	36.28
Operating charges	(1.33)	(1.57)	(1.29)
Return after operating charges	(17.89)	23.36	34.99
Distributions	(5.14)	(4.47)	(3.63)
Return to shareholder as a result of share class closure	(151.87)	n/a	n/a
Closing NAV	0.00	174.90	156.01
<b>Direct portfolio transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.12	0.23	0.19
Dilution adjustments <sup>[a]</sup>	(0.11)	(0.12)	(0.10)
Total direct portfolio transaction costs	0.01	0.11	0.09
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.01	0.07	0.06
Operating charges	0.91	0.92	0.92
Return after operating charges	-10.23	+14.97	+28.07
Historic yield	2.89	2.73	2.31
Effect on yield of charges offset against capital	0.90	0.90	0.90
<b>Other information</b>			
Closing NAV (€'000)	0	1,023	615
Closing NAV percentage of total fund NAV (%)	0.00	0.04	0.03
Number of shares	0	514,566	340,215
Highest share price (UK p)	181.19	184.93	163.39
Lowest share price (UK p)	156.56	155.23	115.76

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

The share class was launched on 1 February 2008.

for the year to 31 January Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	222.60	193.59	151.21
Return before operating charges and after direct portfolio transaction costs	(21.10)	30.96	43.94
Operating charges	(1.69)	(1.95)	(1.56)
Return after operating charges	(22.79)	29.01	42.38
Distributions	(4.86)	(3.64)	(3.56)
Retained distributions	4.86	3.64	3.56
Return to shareholder as a result of share class closure	(199.81)	n/a	n/a
Closing NAV	0.00	222.60	193.59
<b>Direct portfolio transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.16	0.29	0.23
Dilution adjustments <sup>[a]</sup>	(0.14)	(0.15)	(0.12)
Total direct portfolio transaction costs	0.02	0.14	0.11
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.01	0.07	0.06
Operating charges	0.91	0.92	0.92
Return after operating charges	-10.24	+14.99	+28.03
Historic yield	1.84	1.74	1.82
Effect on yield of charges offset against capital	0.00	0.00	0.00
<b>Other information</b>			
Closing NAV (€'000)	0	5,953	3,360
Closing NAV percentage of total fund NAV (%)	0.00	0.23	0.19
Number of shares	0	2,351,848	1,497,468
Highest share price (UK p)	230.58	229.49	198.16
Lowest share price (UK p)	199.24	192.64	140.41

# M&G European Strategic Value Fund

## Financial highlights

### Specific share class performance

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

The share class was launched on 3 August 2012.

for the year to 31 January Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	190.47	170.31	136.28
Return before operating charges and after direct portfolio transaction costs	(18.00)	27.23	39.60
Operating charges	(1.85)	(2.19)	(1.78)
Return after operating charges	(19.85)	25.04	37.82
Distributions	(5.59)	(4.88)	(3.79)
Return to shareholder as a result of share class closure	(165.03)	n/a	n/a
Closing NAV	0.00	190.47	170.31
<b>Direct portfolio transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.13	0.26	0.20
Dilution adjustments <sup>[a]</sup>	(0.12)	(0.14)	(0.11)
Total direct portfolio transaction costs	0.01	0.12	0.09
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.01	0.07	0.06
Operating charges	1.16	1.16	1.16
Return after operating charges	-10.42	+14.70	+27.75
Historic yield	2.90	2.74	2.20
Effect on yield of charges offset against capital	1.15	1.15	1.15
<b>Other information</b>			
Closing NAV (€'000)	0	53	19
Closing NAV percentage of total fund NAV (%)	0.00	0.00	0.00
Number of shares	0	24,653	9,393
Highest share price (UK p)	197.06	201.43	178.22
Lowest share price (UK p)	170.13	169.47	126.55

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

The share class was launched on 3 August 2012.

for the year to 31 January Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	210.31	183.37	143.56
Return before operating charges and after direct portfolio transaction costs	(19.88)	29.32	41.69
Operating charges	(2.04)	(2.38)	(1.88)
Return after operating charges	(21.92)	26.94	39.81
Distributions	(4.15)	(2.94)	(2.96)
Retained distributions	4.15	2.94	2.96
Return to shareholder as a result of share class closure	(188.39)	n/a	n/a
Closing NAV	0.00	210.31	183.37
<b>Direct portfolio transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.15	0.28	0.21
Dilution adjustments <sup>[a]</sup>	(0.13)	(0.15)	(0.11)
Total direct portfolio transaction costs	0.02	0.13	0.10
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.01	0.07	0.06
Operating charges	1.16	1.17	1.16
Return after operating charges	-10.42	+14.69	+27.73
Historic yield	1.58	1.49	1.60
Effect on yield of charges offset against capital	0.00	0.00	0.00
<b>Other information</b>			
Closing NAV (€'000)	0	250	44
Closing NAV percentage of total fund NAV (%)	0.00	0.01	0.00
Number of shares	0	104,631	20,766
Highest share price (UK p)	217.58	216.86	187.72
Lowest share price (UK p)	187.85	182.47	133.29

# M&G European Strategic Value Fund

## Financial highlights

### Specific share class performance

#### US dollar Class 'A' Accumulation share performance

The share class was launched on 8 August 2014.

for the year to 31 January Change in NAV per share	2019 US ¢	2018 US ¢	2017 US ¢
Opening NAV	1,259.59	970.36	876.73
Return before operating charges and after direct portfolio transaction costs	(231.01)	307.77	110.35
Operating charges	(16.39)	(18.54)	(16.72)
Return after operating charges	(247.40)	289.23	93.63
Distributions	(17.62)	(11.65)	(11.13)
Retained distributions	17.62	11.65	11.13
Return to shareholder as a result of share class closure	(1,012.19)	n/a	n/a
Closing NAV	0.00	1,259.59	970.36
<b>Direct portfolio transaction costs</b>	<b>US ¢</b>	<b>US ¢</b>	<b>US ¢</b>
Costs before dilution adjustments	0.83	1.52	1.41
Dilution adjustments <sup>[a]</sup>	(0.73)	(0.80)	(0.74)
Total direct portfolio transaction costs	0.10	0.72	0.67
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.01	0.07	0.06
Operating charges	1.66	1.67	1.89*
Return after operating charges	-19.64	+29.81	+10.68
Historic yield	1.15	0.98	1.14
Effect on yield of charges offset against capital	0.00	0.00	0.00
<b>Other information</b>			
Closing NAV (€'000)	0	1,201	158
Closing NAV percentage of total fund NAV (%)	0.00	0.05	0.01
Number of shares	0	118,744	17,489
Highest share price (US ¢)	1,261.88	1,290.65	987.70
Lowest share price (US ¢)	1,007.41	970.59	820.28

\* Due to inflows, the share class NAV increased significantly towards the end of the year, therefore 1.67% is a more reliable estimate of the year to 31.01.17 ongoing charges.

#### US dollar Class 'C' Accumulation share performance

The share class was launched on 8 August 2014.

for the year to 31 January Change in NAV per share	2019 US ¢	2018 US ¢	2017 US ¢
Opening NAV	1,292.07	988.88	886.65
Return before operating charges and after direct portfolio transaction costs	(236.88)	313.72	110.74
Operating charges	(9.27)	(10.53)	(8.51)
Return after operating charges	(246.15)	303.19	102.23
Distributions	(25.45)	(21.11)	(18.21)
Retained distributions	25.45	21.11	18.21
Return to shareholder as a result of share class closure	(1,045.92)	n/a	n/a
Closing NAV	0.00	1,292.07	988.88
<b>Direct portfolio transaction costs</b>	<b>US ¢</b>	<b>US ¢</b>	<b>US ¢</b>
Costs before dilution adjustments	0.86	1.56	1.23
Dilution adjustments <sup>[a]</sup>	(0.75)	(0.82)	(0.64)
Total direct portfolio transaction costs	0.11	0.74	0.59
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.01	0.07	0.06
Operating charges	0.91	0.92	0.92
Return after operating charges	-19.05	+30.66	+11.53
Historic yield	2.02	1.74	1.83
Effect on yield of charges offset against capital	0.00	0.00	0.00
<b>Other information</b>			
Closing NAV (€'000)	0	72,770	302
Closing NAV percentage of total fund NAV (%)	0.00	2.81	0.02
Number of shares	0	7,014,462	32,868
Highest share price (US ¢)	1,295.66	1,325.04	1,006.45
Lowest share price (US ¢)	1,040.95	989.26	829.80

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

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

# M&G European Strategic Value Fund

## Financial statements and notes

### Financial statements

Statement of total return					
for the year to 31 January	Note	2019		2018	
		€'000	€'000	€'000	€'000
Income					
Net capital gains / (losses)	3		(316,290)		229,343
Revenue	5	81,775		62,986	
Expenses	6	(21,910)		(23,944)	
Net revenue / (expense) before taxation		59,865		39,042	
Taxation	7	(4,260)		(5,215)	
Net revenue / (expense) after taxation			55,605		33,827
<b>Total return before distributions</b>			<b>(260,685)</b>		<b>263,170</b>
Distributions	8		(55,629)		(33,859)
<b>Change in net assets attributable to shareholders from investment activities</b>			<b>(316,314)</b>		<b>229,311</b>

Statement of change in net assets attributable to shareholders					
for the year to 31 January		2019		2018	
		€'000	€'000	€'000	€'000
<b>Opening net assets attributable to shareholders</b>			<b>2,589,772</b>		<b>1,778,904</b>
Amounts received on issue of shares		510,209		1,072,094	
Amounts paid on cancellation of shares		(995,769)		(532,823)	
Transfer to M&G (Lux) European Strategic Value Fund		(1,833,321)		0	
			(2,318,881)		539,271
Dilution adjustments			2,408		2,481
Change in net assets attributable to shareholders from investment activities (see above)			(316,314)		229,311
Retained distributions on Accumulation shares			43,015		39,805
<b>Closing net assets attributable to shareholders</b>			<b>0</b>		<b>2,589,772</b>

Balance sheet			
as at 31 January	Note	2019	2018
		€'000	€'000
<b>Assets</b>			
<b>Fixed assets</b>			
Investments		0	2,474,131
<b>Current assets</b>			
Debtors	9	2,174	14,165
Cash and bank balances	10	132	6,956
Cash equivalents		0	102,826
<b>Total assets</b>		<b>2,306</b>	<b>2,598,078</b>
<b>Liabilities</b>			
<b>Creditors</b>			
Distribution payable		0	(63)
Other creditors	11	(2,306)	(8,243)
<b>Total liabilities</b>		<b>(2,306)</b>	<b>(8,306)</b>
<b>Net assets attributable to shareholders</b>		<b>0</b>	<b>2,589,772</b>

### Notes to the financial statements

#### 1 Accounting policies

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

#### 2 Distribution policy

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

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

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

for the year to 31 January	2019	2018
	€'000	€'000
Non-derivative securities	(314,186)	232,075
Currency gains / (losses)	(2,088)	(2,713)
Transaction charges	(16)	(19)
<b>Net capital gains / (losses)</b>	<b>(316,290)</b>	<b>229,343</b>



# M&G European Strategic Value Fund

## Financial statements and notes

### Notes to the financial statements

#### 4 Portfolio transactions and associated costs

The following tables show portfolio transactions and their associated transaction costs. For more information about the nature of the costs please see the section on 'Operating charges and portfolio transaction costs' on page 15.

for the year to 31 January	2019 €'000	% of transaction	2018 €'000	% of transaction
<b>a) Purchases</b>				
<b>Equities</b>				
Equities before transaction costs	718,877		1,111,861	
Commissions	294	0.04	429	0.04
Taxes	1,121	0.16	2,491	0.22
<b>Equities after transaction costs</b>	<b>720,292</b>		<b>1,114,781</b>	
<b>Other transaction types</b>				
Corporate actions	2,884		7,487	
<b>Total purchases after transaction costs</b>	<b>723,176</b>		<b>1,122,268</b>	
<b>b) Sales</b>				
<b>Equities</b>				
Equities before transaction costs	1,099,090		469,177	
Commissions	(392)	0.04	(198)	0.04
Taxes	(1)	0.00	(1)	0.00
<b>Equities after transaction costs</b>	<b>1,098,697</b>		<b>468,978</b>	
<b>Other transaction types</b>				
Corporate actions	31,890		0	
<b>Total sales after transaction costs</b>	<b>1,130,587</b>		<b>468,978</b>	
<b>c) Direct portfolio transaction costs</b>				
<b>Commissions paid</b>				
Equities	686	0.03	627	0.03
<b>Taxes paid</b>				
Equities	1,122	0.05	2,492	0.11
<b>Total direct portfolio transaction costs <sup>[a]</sup></b>	<b>1,808</b>	<b>0.08</b>	<b>3,119</b>	<b>0.14</b>
<b>d) Indirect portfolio transaction costs</b>				
Portfolio dealing spread <sup>[b]</sup>		0.00		0.11

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

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

#### 5 Revenue

for the year to 31 January	2019 €'000	2018 €'000
Bank interest	4	3
Dividends from equity investments: non-taxable	76,825	56,610
Dividends from equity investments: taxable	(19)	(1)
Interest distributions	571	287
Interest on debt securities	(7)	0
Stock dividends	4,401	6,045
Underwriting commission	0	42
<b>Total revenue</b>	<b>81,775</b>	<b>62,986</b>

#### 6 Expenses

for the year to 31 January	2019 €'000	2018 €'000
<b>Payable to the ACD or associate</b>		
Annual management charge	18,348	20,155
Administration charge	3,210	3,434
	<b>21,558</b>	<b>23,589</b>
<b>Payable to the Depositary or associate</b>		
Depositary's charge (including VAT)	87	96
<b>Other expenses</b>		
Audit fee (including VAT)	6	10
Interest payable	54	35
Safe custody charge	205	214
	<b>265</b>	<b>259</b>
<b>Total expenses</b>	<b>21,910</b>	<b>23,944</b>

#### 7 Taxation

for the year to 31 January	2019 €'000	2018 €'000
<b>a) Analysis of charge in the year</b>		
Corporation tax	0	0
Withholding tax	4,260	5,215
Deferred tax (note 7c)	0	0
<b>Total taxation</b>	<b>4,260</b>	<b>5,215</b>
<b>b) Factors affecting taxation charge for the year</b>		
Net revenue / (expense) before taxation	59,865	39,042
Corporation tax at 20%	11,973	7,809
Effects of:		
Dividends from equity investments: non-taxable	(15,365)	(11,322)
Stock dividends not taxable	(880)	(1,209)
Current year expenses not utilised	4,272	4,722
Withholding tax	4,260	5,215
<b>Total tax charge (note 7a)</b>	<b>4,260</b>	<b>5,215</b>
<b>c) Provision for deferred taxation</b>		
Provision at the start of the year	0	0
Deferred tax in profit and loss account (note 7a)	0	0
<b>Provision at the end of the year</b>	<b>0</b>	<b>0</b>

The fund has not recognised a deferred tax asset of €18,970,000 (2018: €14,698,000) arising as a result of having excess management expenses. We do not expect this asset to be utilised in the foreseeable future.

#### 8 Distributions

for the year to 31 January	2019		2018	
	Inc <sup>[a]</sup> €'000	Acc <sup>[b]</sup> €'000	Inc <sup>[a]</sup> €'000	Acc <sup>[b]</sup> €'000
<b>Dividend distributions</b>				
Final	38	43,015	63	39,805
Total net distributions		43,053		39,868
Income deducted on cancellation of shares		17,443		7,168
Income received on issue of shares		(4,867)		(13,177)
<b>Distributions</b>		<b>55,629</b>		<b>33,859</b>
Net revenue / (expense) per statement of total return				
		55,605		33,827
Expenses offset against capital				
		24		32
<b>Distributions</b>		<b>55,629</b>		<b>33,859</b>

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

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

# M&G European Strategic Value Fund

## Financial statements and notes

### Notes to the financial statements

#### 9 Debtors

as at 31 January	2019 €'000	2018 €'000
Amounts receivable on issues of shares	0	5,443
Currency deals outstanding	0	3,206
Debt security interest receivable	(7)	0
Distributions receivable	0	38
Dividends receivable	3	1,578
Sales awaiting settlement	0	1,669
Withholding tax recoverable	2,178	2,231
<b>Total debtors</b>	<b>2,174</b>	<b>14,165</b>

#### 10 Cash and bank balances

as at 31 January	2019 €'000	2018 €'000
Cash held as bank balances	132	6,956
<b>Total cash and bank balances</b>	<b>132</b>	<b>6,956</b>

#### 11 Other creditors

as at 31 January	2019 €'000	2018 €'000
ACD's annual management charge payable	0	988
Administration charge payable	0	175
Amounts payable on cancellation of shares	0	55
Currency deals outstanding	0	3,207
Expenses payable	28	117
Purchases awaiting settlement	0	3,701
Amounts due to M&G (Lux) European Strategic Value Fund	2,278	0
<b>Total other creditors</b>	<b>2,306</b>	<b>8,243</b>

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

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

#### 13 Shares in issue

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

Share class	Opening 01.02.18	Movements Issued	Cancelled	Closing 31.01.19
<b>Euro</b>				
Class 'A' Accumulation	19,840,664	5,349,911	(25,190,575)	0
Class 'C' Accumulation	114,041,264	21,996,612	(136,037,876)	0
<b>Sterling</b>				
Class 'A' Income	690,599	168,977	(859,576)	0
Class 'A' Accumulation	452,407	241,212	(693,619)	0
Class 'I' Income	514,566	121,932	(636,498)	0
Class 'I' Accumulation	2,351,848	611,019	(2,962,867)	0
Class 'R' Income	24,653	33,407	(58,060)	0
Class 'R' Accumulation	104,631	209,885	(314,516)	0
<b>US dollar</b>				
Class 'A' Accumulation	118,744	108,901	(227,645)	0
Class 'C' Accumulation	7,014,462	1,673,860	(8,688,322)	0

#### 14 Charging structure

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

Share class	Entry charge %	Exit charge %	Annual management charge %
<b>Euro</b>			
Class 'A'	4.00	n/a	1.50
Class 'C'	1.25	n/a	0.75
<b>Sterling</b>			
Class 'A'	nil	n/a	1.50
Class 'I'	nil	n/a	0.75
Class 'R'	nil	n/a	1.00
<b>US dollar</b>			
Class 'A'	4.00	n/a	1.50
Class 'C'	1.25	n/a	0.75

#### 15 Related parties

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

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

#### 16 Events after the balance sheet date

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

#### 17 Fair value analysis

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

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

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

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

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

# M&G European Strategic Value Fund

## Financial statements and notes

### Notes to the financial statements

#### 17 Fair value analysis (continued)

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

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

as at 31 January Basis of valuation	Assets 2019 €'000	Liabilities 2019 €'000	Assets 2018 €'000	Liabilities 2018 €'000
Level 1	0	0	2,474,131	0
Level 2	0	0	0	0
Level 3	0	0	0	0
	0	0	2,474,131	0

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

As the fund no longer has any investment assets or liabilities there is no exposure to fair value.

#### 18 Risk management policies

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

#### 19 Market risk sensitivity

As the fund no longer has any assets there is no exposure to market risk sensitivity.

#### 20 Currency risk sensitivity and exposure

A five per cent increase in the value of the fund's currency exposure would have the effect of increasing the return and net assets by €0 (2018: €129,489,000). A five per cent decrease would have an equal and opposite effect.

as at 31 January	2019 €'000	2018 €'000
Currency exposure in respect of the fund		
Danish krone	0	58,982
Euro	0	1,357,766
Norwegian krone	0	83,623
Sterling	0	789,459
Swedish krona	0	85,528
Swiss franc	0	149,757
US dollar	0	64,657
<b>Total</b>	<b>0</b>	<b>2,589,772</b>

#### 21 Dividend distribution tables

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

Annual distribution period				
	Start	End	Xd	Payment
Final <sup>[a]</sup>	01.02.18	07.12.18	07.12.18	31.01.19

<sup>[a]</sup> As a result of the merger of the non-sterling share classes of M&G European Strategic Value Fund into M&G (Lux) European Strategic Value Fund on 7 December 2018, any income available for distribution up to the effective date of the merger was paid as a final distribution to shareholders on 31 January 2019.

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

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

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

Euro Class 'A' Accumulation shares				
Ordinary distributions for the year to 31 January	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
	€	€	€	€
Final	8.3433	18.3646	26.7079	16.1419

Euro Class 'C' Accumulation shares				
Ordinary distributions for the year to 31 January	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
	€	€	€	€
Final	23.4842	17.3488	40.8330	30.9469

Sterling Class 'A' Income shares				
Ordinary distributions for the year to 31 January	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
	p	p	p	p
Final	2.6607	2.4066	5.0673	4.4388

Sterling Class 'A' Accumulation shares				
Ordinary distributions for the year to 31 January	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
	p	p	p	p
Final	1.7959	1.3837	3.1796	1.8954

# M&G European Strategic Value Fund

## Financial statements and notes

### Notes to the financial statements

#### 21 Dividend distribution tables (continued)

Sterling Class 'I' Income shares				
Ordinary distributions for the year to 31 January	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution	
	p	p	2019	2018
Final	2.3402	2.8000	5.1402	4.4687

Sterling Class 'I' Accumulation shares				
Ordinary distributions for the year to 31 January	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution	
	p	p	2019	2018
Final	2.5216	2.3405	4.8621	3.6364

Sterling Class 'R' Income shares				
Ordinary distributions for the year to 31 January	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution	
	p	p	2019	2018
Final	3.0297	2.5633	5.5930	4.8813

Sterling Class 'R' Accumulation shares				
Ordinary distributions for the year to 31 January	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution	
	p	p	2019	2018
Final	1.9360	2.2144	4.1504	2.9372

US dollar Class 'A' Accumulation shares				
Ordinary distributions for the year to 31 January	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution	
	¢	¢	2019	2018
Final	8.9305	8.6921	17.6226	11.6519

US dollar Class 'C' Accumulation shares				
Ordinary distributions for the year to 31 January	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution	
	¢	¢	2019	2018
Final	15.3575	10.0930	25.4505	21.1092

# M&G Global Convertibles Fund

## Authorised Corporate Director's Report

### Investment objective up to 28 February 2019

The fund aims to maximise long term total return (the combination of income and growth of capital) to investors by investing mainly in global convertible assets.

### Investment policy up to 28 February 2019

The fund seeks to maximise the risk-reward profile through investment in convertible assets whose issuers may be in any country, including emerging markets. Global convertible assets includes all assets that either directly or via a combination of instruments achieve exposure of a convertible bond nature. Such exposure can be achieved by investing directly or through the use of derivative instruments. Additionally, derivative instruments may be used to manage the risk characteristics of the fund. The remainder of the fund may be invested in securities in support of the fund objective, such as, equities, bonds, collective investment schemes, derivative instruments, money market instruments, cash and near cash.

### Investment approach up to 28 February 2019

Convertibles are investments that share the characteristics of both shares and fixed income securities issued by companies. They are initially issued as a fixed interest instrument, usually with regular interest payments and a fixed date when they will be repaid. Importantly, however, they also give the holder the opportunity to convert into a set number of company shares. This means that convertibles have the potential to participate when share prices are rising but can also provide a degree of protection against share price falls since they will eventually be repaid.

The fund manager aims to take advantage of the special characteristics of convertibles, which can mean they participate to a greater extent in share price rises than in share price falls. The fund manager invests in convertibles that he expects will provide the best combination of risk and reward, giving the maximum potential gains in the event of higher share prices while minimising the potential losses if share prices fall.

The fund has no set geographical or industry sector guidelines and no target return. The fund manager takes a global approach to selecting his investments, based on a thorough assessment of the individual characteristics of each convertible, rather than an overall view of the economic background. The fund is diversified in terms of region, industry and currency. At least 70% of the fund will be held in convertibles, although it can also hold company shares, fixed income investments and derivatives, which are financial instruments whose value is linked to the expected future price movements of an underlying asset.

### 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 the Thomson Reuters Global Focus Convertible Bond Index over any five-year period.

### Investment policy from 1 March 2019

At least 70% of the fund is invested in the convertible securities of companies across any sector and market capitalisations that are domiciled in any country, including emerging markets. Exposure to these securities is achieved, either directly or indirectly, through various combinations of corporate bonds, equities and derivatives.

The convertible securities may be denominated in any currency.

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 investment purposes, efficient portfolio management and hedging.

### Investment approach from 1 March 2019

The fund employs a disciplined approach to investment which concentrates on the selection of convertible securities based upon fundamental analysis of individual companies, and their bond and equity characteristics.

The fund manager focuses on convertible securities that provide the best risk-reward features in their view. For these convertible securities, the fund manager expects that the potential gain from the option on the underlying share price exceeds the potential loss from the share price falling.

## Authorised Corporate Director's Report

## Risk profile

The fund invests globally in a diversified portfolio of convertible bonds. These are a form of debt issued by companies that can be converted into shares, either of the issuer or another company. It is, therefore, subject to the price volatility of the global stocks and fixed income markets as well as the performance of individual issuers. The fund is also subject to fluctuations in currency exchange rates.

The fund may use derivatives to achieve the manager's desired exposure to convertibles. Additionally, derivative instruments may be used to manage the risk characteristics of the fund. In association with the use of derivatives, including those instruments not traded through an exchange, collateral is deposited, in order to mitigate the risk that a counterparty may default on its obligations or become insolvent.

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

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



The above number:

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

## Investment review

**As at 1 February 2019, for the year ended 31 January 2019**

### Performance against objective

Between 1 February 2018 (the start of the review period) and 1 February 2019, the unhedged and currency hedged sterling share classes of the M&G Global Convertibles Fund produced negative total returns (the combination of income and growth of capital).<sup>\*</sup> Significant strength in the US dollar during the period improved returns for the unhedged share classes, as assets denominated in US dollars make up the majority of the universe for convertible bonds (convertibles). Convertibles are fixed income securities (essentially, loans) that can be exchanged for predetermined amounts of company shares (equities) at certain times during their life. The hedged share classes are designed to minimise the effect of currency movements.

The fund's returns lagged a comparative index, the Thomson Reuters Global Focus Convertible Index. Over the 12 months, returns for the index in sterling terms were +4.2% (hedged -2.4%).

Between 1 February 2018 and 9 November 2018, the fund's euro, Swiss franc and US dollar share classes delivered negative returns that were behind the returns of the Thomson Reuters Global Focus Convertible Index. On 9 November 2018, the fund's non-sterling share classes merged into the M&G (Lux) Global Convertibles Fund, a Luxembourg-authorised SICAV that launched on that date.

During the period under review, the fund continued to invest mainly in global convertibles, with the aim of maximising long-term total return (the combination of income and growth of capital). The fund achieved this objective, with a positive performance in terms of total return across all its share classes over five years and since launch.

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

## Investment performance

Investor sentiment became increasingly negative towards the end of 2018, as the news was dominated by a variety of worrying factors, including higher US interest rates, signs of weakness in global economic growth and the imposition of trade tariffs. Brexit, as well as crises in Turkey, Argentina and Italy, also unsettled investors from time to time. Despite a substantial recovery in the first month of the new year, when some of these concerns eased and it appeared that US interest rates may have approached a ceiling, most asset classes fell during the review period, in local terms. In sterling and euro terms, however, global equities rose modestly, helped by significant strength in the US dollar, which improved the returns from US assets to sterling and euro-based investors.

One of the most notable aspects of the period was the return of significant volatility (the variability of prices), in equity markets after a period when it had been remarkably low. Indices for most major stockmarkets experienced sharp sell-offs in February, March, October and December. Some of the falls seemed to be prompted by marked setbacks in bond markets, as bond yields (measures of return that move inversely to bond prices) increased. Bonds are loans in the form of a security, usually issued by a government (government bonds) or company (corporate bonds), which normally pay a fixed rate of interest over a given period of time, at the end of which the initial amount borrowed is also repaid.

Signs of economic slowdown and concern about international trade meant that the stockmarkets of Germany and China were among the weakest in sterling and euro terms, while those of the US rose, helped by the effect of currency movements. This volatility was reflected to a lesser degree in the world's main government bond markets. Whereas yields on most US government bonds (Treasuries) rose substantially through most of 2018, they dropped sharply later in the year, meaning that US bond prices ended the period generally higher than when they began. German government bonds, which are typically considered to represent the core of the European government bond market, were among the better performing assets, despite only offering historically low yields, joined by government bonds from Spain and the UK. Meanwhile, corporate bonds generally weakened, as investors shunned assets seen as risky.



# M&G Global Convertibles Fund

## Authorised Corporate Director's Report

### Investment review

#### Investment performance (continued)

Against this background, global convertibles performed relatively well, participating in the equity market rallies that took place in the middle months of 2018 and in January 2019 but holding up better in the sell-offs in the first and final quarters of 2018.

As mentioned, the strength of the US dollar relative to most other major currencies boosted returns in sterling and euros. As most convertibles are denominated in US dollars, when the US currency strengthens or weakens significantly, it can have a meaningful impact on returns measured in other currencies. Hedged currency share classes aim to mitigate the impact of currency movements on holdings of the fund that are denominated in currencies other than the currency of the hedged share class, and therefore did not benefit from the effect of the US dollar's strength.

Lower volatility relative to shares is a basic feature of convertibles. When share prices are weak, convertibles are supported by the value of their regular interest payments and potential repayment, known as the bond value. When share prices recover, however, convertible prices increase due to the rise in value of the shares that would be received on conversion.

We have to acknowledge that the performance of the fund during the review period was very disappointing, with returns adversely affected by various challenges, including unsuccessful stock selection and a bias towards lower-valued rather than expensive convertibles.

Several convertibles from the US and Germany, particularly in the healthcare and basic materials sectors, hampered the returns of the fund. Not only was absolute performance affected by price weakness in several of our convertible holdings, but certain convertibles that we did not own weighed on performance relative to the comparative index.

NXP Semiconductors was the holding with the most significant negative impact, declining when the chip-maker's previously agreed acquisition by Qualcomm was abandoned. We believe the company continues to offer a good value opportunity, so maintain the holding in the fund. In Germany, substantial losses were incurred by holdings of bonds converting into chemical companies Evonik and Covestro. These convertibles had performed well until investors became increasingly concerned about economic activity in Europe, souring their mood towards the producers of basic goods, such as chemicals. Kidney dialysis group Fresenius Medical Care also detracted, with the shares and convertible declining after a profit warning.

While unexpected adverse developments on individual holdings are always challenging, the possibility of such events is inherent in a bottom-up stock-picking approach such as ours.

Our investment process depends on identifying good value convertibles, which we believe are those that will participate well when the underlying equity rallies, but will also deliver a degree of support when share prices fall. In our view, it is also important to avoid convertibles that we think are expensive and vulnerable to price falls. This includes issues that have risen strongly in price, become highly sensitive to moves in the underlying share price (equity-sensitive) and moved a long way from the support of their bond values.

During the review period, many such highly valued stocks rose even further in price as many investors were prepared to pay up for anticipated growth in sales and earnings. This was particularly true in the technology sector, where many convertibles appeared too expensive to satisfy our selection criteria. This included convertibles from US companies such as Workday, Atlassian and Twilio, all issued by companies whose shares traded on very high sales and earnings multiples. These convertibles are all held in the fund's comparative index and performed well during the period, which hurt our performance relative to that index. Similarly, not owning a convertible from global nutrition company Herbalife was a major detractor to relative performance.

Another aspect of keeping relatively low exposure to convertibles that have become highly equity-sensitive is that we reduce the size of holdings that have gone up and moved above their bond values, so as to minimise the risk from potential price falls. In some cases, prices continued to rally after we had trimmed our stakes, which cost some performance. In hindsight, we may have sold some of our stakes in convertibles from Citrix Systems, Red Hat and Booking Holdings a little too soon, but had become concerned they were vulnerable to changes in sentiment.

We remain convinced that our strategy of analysing the technical qualities of convertibles, along with the credit quality and equity valuation of the issuer, will enable us to identify attractively valued convertibles and help the fund's performance to recover over the coming months. Indeed, during the past 12 months, several of our holdings have performed well. Among the investments that added particular value were convertibles from software groups Citrix Systems and RingCentral and real estate investment trust Extra Space Storage, all from the US, and Japanese personal care products manufacturer Unicharm. Meanwhile, not owning a convertible from US pay-TV group Dish Network, which we ruled out since the issuer has extensive borrowings, proved correct and boosted relative performance.

#### Investment activities

As well as purchasing convertibles that we had identified as offering the required combination of likely asymmetric returns, – that is, participating more in upward share price moves than in falls – much of the portfolio activity undertaken was to adjust the risk/reward profile of the portfolio. We want the fund to maintain sufficient sensitivity to equity price moves without compromising the distance to the bond value, and so we altered technical characteristics where necessary.

For example, we reduced holdings of some convertible bonds whose prices had become too sensitive to the price of the underlying equity, such as those from Citrix Systems and Altaba, the equity investment company that has ownership stakes in Yahoo and Alibaba. Both convertibles were eventually sold completely.

At the same time, we also disposed of holdings that had become less sensitive to share price moves and were trading at or near to their bond support levels, since we believed that they would be unlikely to participate in any potential share price recovery. This included bonds convertible into German chemical companies Evonik and Covestro, as well as communications group Veon, based in the Netherlands.



# M&G Global Convertibles Fund

## Authorised Corporate Director's Report

### Investment review

#### Investment activities (continued)

Demonstrating the diversity of opportunities that are available in the convertibles market, our largest new additions to the fund during the period included convertibles from French oil and gas company Total, Japanese consumer electronics manufacturer Sony and German sportswear group Adidas. All appeared attractively valued, while offering a good combination of risk and reward as well as robust credit quality. In the US, we purchased bonds convertible into shares in two pharmaceutical developers, Supernus Pharmaceuticals and Jazz Pharmaceuticals, both of which have promising pipelines of new drugs.

#### Outlook

We remain positive on the outlook for the convertibles market as we move through 2019. Typically, convertibles benefit as volatility increases in the markets, with their bond characteristics providing some support when share prices are falling. We think that the asymmetric risk/reward profile of the asset class – participating when share prices rise but receiving some protection when shares fall – could prove worthwhile to investors if 2019 proves to be as turbulent as some fear.

With most central banks moving towards a 'normalisation' of interest rates after a long period of very low borrowing costs, it is useful to note that as interest rates increase, convertibles tend to perform better than other corporate bonds. If interest rates were to rise further in the US, or start to increase elsewhere, this should be a helpful influence on our market. Also, if interest rates are increased for the 'right reasons' – that is, because the economy is expanding – the convertibles market has the potential to deliver good returns as rising share prices more than offset any weakness in bond prices.

The pace of new convertible issuance was strong for most of the review period, and we expect this to continue, which would be a positive influence on our market. Issuance was encouraged by rising interest rates, higher stockmarket levels and increased volatility. An increase in short-term interest rates makes the issuance of convertibles appealing for companies, because they usually pay lower interest rates than conventional bonds, due to the potential benefits to investors of the link to higher equity prices. Tax incentives in the US have also pushed companies towards lower cost financing methods. Encouragingly, a high proportion of global convertible launches came from first-time visitors to the market. Most new issues are 'balanced' at launch, meaning that they provide reasonable levels of equity sensitivity – not too high and not too low – so become worthy of consideration for inclusion in the fund. We see any increase in choice and diversity within the market as a positive factor.

While we acknowledge that the recent performance of the fund has been disappointing, we believe the convertibles universe continues to offer compelling opportunities for stock picking, enabling us to gain exposure to under-researched companies in a wide variety of countries and sectors. We will continue to search for those convertibles that offer the best balance of risk and reward by rigorous analysis of the convertibles universe, focusing on the basic characteristics of the issuing companies and by developing a deep understanding of the underlying business. We believe this approach has the potential to deliver healthy returns to investors over time.

#### Léonard Vinville

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 Convertibles Fund

## Authorised Corporate Director's Report

### Investments

#### Portfolio statement

as at 31 January Holding <sup>[a]</sup>	2019 \$'000	2019 %	2018 %
<b>EQUITIES</b>	<b>18,486</b>	<b>5.04</b>	<b>9.49</b>
<b>Europe</b>	<b>6,387</b>	<b>1.74</b>	<b>3.72</b>
<b>European equities</b>	<b>6,387</b>	<b>1.74</b>	<b>3.72</b>
142,032 Eni	2,422	0.66	
20,655 Gemalto	1,201	0.33	
713,883 Koninklijke KPN	2,235	0.61	
120,681 Outokumpu	529	0.14	
<b>North America</b>	<b>6,838</b>	<b>1.86</b>	<b>2.48</b>
<b>North American equities</b>	<b>6,681</b>	<b>1.82</b>	<b>2.36</b>
5,338 Allergan	768	0.21	
308,665 Cemex ADR	1,652	0.45	
10,861 Electronic Arts	969	0.26	
22,299 Medidata Solutions	1,537	0.42	
89,118 Owens-Illinois	1,755	0.48	
<b>North American equity options</b>	<b>157</b>	<b>0.04</b>	<b>0.12</b>
835,000 Glencore Dec 2019 Call	96	0.02	
26,600 Western Digital Jan 2020 Call	61	0.02	
<b>Japan</b>	<b>2,516</b>	<b>0.69</b>	<b>0.98</b>
<b>Japanese equities</b>	<b>2,516</b>	<b>0.69</b>	<b>0.98</b>
56,600 MinebeaMitsumi	929	0.26	
105,200 Orix	1,587	0.43	
<b>Asia Pacific (ex Japan)</b>	<b>1,123</b>	<b>0.31</b>	<b>1.74</b>
<b>Asia Pacific equities</b>	<b>1,123</b>	<b>0.31</b>	<b>1.74</b>
1,120,000 CRRC	1,123	0.31	
<b>Other</b>	<b>1,622</b>	<b>0.44</b>	<b>0.57</b>
<b>Other equities</b>	<b>1,622</b>	<b>0.44</b>	<b>0.57</b>
81,085 Teva Pharmaceutical Industries ADR	1,622	0.44	
<b>FIXED INCOME</b>	<b>345,655</b>	<b>94.11</b>	<b>87.15</b>
<b>United Kingdom</b>	<b>1,018</b>	<b>0.28</b>	<b>1.41</b>
<b>UK investment grade corporate bonds</b>	<b>0</b>	<b>0.00</b>	<b>0.43</b>
<b>UK below investment grade corporate bonds</b>	<b>1,018</b>	<b>0.28</b>	<b>0.80</b>
\$1,053,000 Inmarsat Finance 6.5% 01/10/2024	1,018	0.28	
<b>UK corporate bonds with no credit rating</b>	<b>0</b>	<b>0.00</b>	<b>0.18</b>
<b>Europe</b>	<b>124,945</b>	<b>34.02</b>	<b>33.37</b>
<b>European investment grade corporate bonds</b>	<b>68,026</b>	<b>18.52</b>	<b>13.51</b>
€500,000 ADO Properties 1.25% 2023 (ADO Properties)	631	0.17	
€3,600,000 Airbus 0% 2021 (Airbus)	4,682	1.27	
\$5,200,000 Aperam 0.625% 2021 (Aperam)	5,433	1.48	
€2,800,000 Eni 0% 2022 (Eni)	3,409	0.93	
€5,400,000 Fresenius Medical Care 1.125% 2020 (Fresenius Medical Care)	6,546	1.78	
€3,300,000 Grand City Properties 0.25% 2022 (Grand City Properties)	4,068	1.11	
\$3,800,000 JPMorgan Chase Bank 0% 2021 (JPMorgan Chase Bank)	3,647	0.99	
\$812,000 NXP 4.125% 15/06/2020	818	0.22	
\$812,000 NXP 4.625% 15/06/2022	825	0.23	
\$12,750,000 Siemens Financieringsmaatschappij 1.65% 2019 (Siemens Financieringsmaatschappij)	13,201	3.60	
\$711,000 Steel Capital 5.9% 17/10/2022	738	0.20	
\$5,000,000 STMicroelectronics 0% 2022 (STMicroelectronics)	5,259	1.43	
\$9,600,000 Total 0.5% 2022 (Total)	10,094	2.75	
\$8,400,000 Vinci 0.375% 2022 (Vinci)	8,675	2.36	

#### Portfolio statement (continued)

as at 31 January Holding <sup>[a]</sup>	2019 \$'000	2019 %	2018 %
<b>European below investment grade corporate bonds</b>	<b>15,914</b>	<b>4.33</b>	<b>2.55</b>
€2,800,000 Almirall 0.25% 2021 (Almirall)	3,277	0.89	
€800,000 Bayer Capital 5.625% 2019 (Bayer Capital)	742	0.20	
\$11,518,000 NXP Semiconductors 1% 2019 (NXP Semiconductors)	11,895	3.24	
<b>European corporate bonds with no credit rating</b>	<b>41,005</b>	<b>11.17</b>	<b>17.31</b>
\$5,200,000 Abigrove 0% 2022 (Abigrove)	5,505	1.50	
€6,200,000 adidas 0.05% 2023 (adidas)	7,502	2.04	
€1,600,000 ams 0% 2025 (ams)	1,189	0.32	
\$3,200,000 ELM 3.25% 2024 (ELM)	3,186	0.87	
€3,200,000 Fugro 4% 2021 (Fugro)	3,178	0.87	
\$4,160,000 Ligand Pharmaceuticals 0.75% 2023 (Ligand Pharmaceuticals)	3,539	0.96	
\$8,000,000 Michelin 0% 2023 (Michelin)	6,816	1.86	
€3,600,000 Outokumpu 3.25% 2020 (Outokumpu)	4,139	1.13	
\$2,400,000 Qiagen 0.5% 2023 (Qiagen)	2,609	0.71	
\$3,200,000 Qiagen 1% 2024 (Qiagen)	3,342	0.91	
<b>North America</b>	<b>141,175</b>	<b>38.44</b>	<b>40.55</b>
<b>North American investment grade corporate bonds</b>	<b>22,503</b>	<b>6.13</b>	<b>16.38</b>
\$3,489,000 Ares Capital 3.5% 10/02/2023	3,312	0.90	
\$1,812,000 Ares Capital 3.75% 2022 (Ares Capital)	1,819	0.49	
\$9,208,000 Booking 0.9% 2021 (Booking)	10,383	2.83	
\$2,808,000 Citrix Systems 4.5% 01/12/2027	2,676	0.73	
\$2,500,000 Johnson Electric 1% 2021 (Johnson Electric)	2,708	0.74	
\$1,623,000 QVC 4.375% 15/03/2023	1,605	0.44	
<b>North American below investment grade corporate bonds</b>	<b>58,743</b>	<b>16.00</b>	<b>12.40</b>
\$8,195,000 Cemex 3.72% 2020 (Cemex)	8,052	2.20	
\$5,281,000 Cemex Sub. 3.72% 2020 (Cemex Sub.)	5,182	1.41	
\$3,096,000 Horizon Pharma 2.5% 2022 (Horizon Pharma)	3,209	0.88	
\$8,853,000 Jazz Investments I 1.875% 2021 (Jazz Investments I)	8,633	2.35	
\$3,165,000 Live Nation Entertainment 2.5% 2023 (Live Nation Entertainment)	3,387	0.92	
\$4,734,000 Nuance Communication 1.25% 2025 (Nuance Communication)	4,487	1.22	
\$4,227,000 Nuance Communication 1.5% 2035 (Nuance Communication)	4,120	1.12	
\$6,681,000 ON Semiconductor 1% 2020 (ON Semiconductor)	8,200	2.23	
\$7,960,000 Teva Pharmaceutical Finance 0.25% 2026 (Teva Pharmaceutical Finance)	7,334	2.00	
\$7,276,000 Western Digital 1.5% 2024 (Western Digital)	6,139	1.67	
<b>North American corporate bonds with no credit rating</b>	<b>59,929</b>	<b>16.31</b>	<b>11.77</b>
\$5,165,000 Akamai Technologies 0% 2019 (Akamai Technologies)	5,104	1.39	
\$6,550,000 Akamai Technologies 0.125% 2025 (Akamai Technologies)	6,225	1.69	
\$2,467,000 Exact Sciences 1% 2025 (Exact Sciences)	3,367	0.92	
\$9,549,000 Extra Space Storage 3.125% 2035 (Extra Space Storage)	10,725	2.92	
\$1,853,000 Guidewire Software 1.25% 2025 (Guidewire Software)	1,858	0.50	
\$2,316,000 Helix Energy Solutions 4.25% 2022 (Helix Energy Solutions)	2,240	0.61	
\$3,843,000 II-VI 0.25% 2022 (II-VI)	3,803	1.04	
\$2,819,000 Jazz Investments I 1.5% 2024 (Jazz Investments I)	2,607	0.71	

# M&G Global Convertibles Fund

## Authorised Corporate Director's Report

### Investments

Portfolio statement (continued)			
as at 31 January Holding <sup>[a]</sup>	2019 \$'000	2019 %	2018 %
<b>North American corporate bonds with no credit rating (continued)</b>			
\$7,077,000 JPMorgan Chase Financial 0.25% 2023 (JPMorgan Chase Financial)	6,658	1.81	
\$2,382,000 Oil States International 1.5% 2023 (Oil States International)	2,063	0.56	
\$1,707,000 OSI Systems 1.25% 2022 (OSI Systems)	1,718	0.47	
CAD2,913,000 Osisko Gold Royalties 4% 2022 (Osisko Gold Royalties)	2,196	0.60	
\$3,445,000 RingCentral 0% 2023 (RingCentral)	4,333	1.18	
\$7,191,000 Supernus Pharmaceuticals 0.625% 2023 (Supernus Pharmaceuticals)	7,032	1.91	
<b>Japan</b>	<b>24,260</b>	<b>6.61</b>	<b>2.92</b>
<b>Japanese investment grade corporate bonds</b>	<b>9,280</b>	<b>2.53</b>	<b>0.52</b>
¥820,000,000 Sony 0% 2022 (Sony)	9,280	2.53	
<b>Japanese corporate bonds with no credit rating</b>	<b>14,980</b>	<b>4.08</b>	<b>2.40</b>
¥140,000,000 MinebeaMitsumi 0% 2022 (MinebeaMitsumi)	1,490	0.41	
¥540,000,000 Mitsubishi Chemical Holdings 0% 2022 (Mitsubishi Chemical Holdings)	5,090	1.38	
¥650,000,000 Mitsubishi Chemical Holdings 0% 2024 (Mitsubishi Chemical Holdings)	6,211	1.69	
¥230,000,000 Ship Healthcare Holdings Inc 0% 2023 (Ship Healthcare Holdings Inc)	2,189	0.60	
<b>Asia Pacific (ex Japan)</b>	<b>42,426</b>	<b>11.54</b>	<b>6.30</b>
<b>Asia Pacific investment grade corporate bonds</b>	<b>13,382</b>	<b>3.64</b>	<b>1.84</b>
\$9,000,000 CRRG 0% 2021 (CRRG)	9,150	2.49	
\$4,200,000 LG Chemical 0% 2021 (LG Chemical)	4,232	1.15	
<b>Asia Pacific corporate bonds with no credit rating</b>	<b>29,044</b>	<b>7.90</b>	<b>4.46</b>
\$2,472,000 Lenovo Group 3.375% 2024 (Lenovo Group)	2,540	0.69	
SGD6,250,000 Suntec Real Estate Investment Trust 1.75% 2024 (Suntec Real Estate Investment Trust)	4,554	1.24	
\$7,907,000 Weibo Corporation 1.25% 2022 (Weibo Corporation)	7,107	1.93	
\$2,228,000 Xero Investments 2.375% 2023 (Xero Investments)	2,101	0.57	
€8,100,000 Zhejiang Expressway 0% 2022 (Zhejiang Expressway)	8,990	2.45	
HKD32,000,000 Zhongsheng Group 0% 2023 (Zhongsheng Group)	3,752	1.02	
<b>Other</b>	<b>11,831</b>	<b>3.22</b>	<b>2.60</b>
<b>Other corporate bonds with no credit rating</b>	<b>11,831</b>	<b>3.22</b>	<b>2.60</b>
\$12,400,000 DP World 1.75% 2024 (DP World)	11,831	3.22	

### Portfolio statement (continued)

as at 31 January Holding <sup>[a]</sup>	2019 \$'000	2019 %	2018 %
<b>CURRENCY</b>	<b>1,448</b>	<b>0.39</b>	<b>0.00</b>
<b>Forward currency contracts</b>	<b>1,448</b>	<b>0.39</b>	<b>0.00</b>
¥4,000,000,000 Bought for \$35,400,862 (expires 14.02.19)	1,448	0.39	
<b>Portfolio of investments</b>	<b>365,589</b>	<b>99.54</b>	<b>96.64</b>
<b>CASH EQUIVALENTS</b>	<b>4,680</b>	<b>1.27</b>	<b>3.80</b>
<b>'AAA' rated money market funds <sup>[b]</sup></b>	<b>4,680</b>	<b>1.27</b>	<b>3.80</b>
4,680,000 Northern Trust Global Fund - US dollar	4,680	1.27	
<b>SHARE CLASS HEDGING</b>	<b>792</b>	<b>0.21</b>	<b>0.66</b>
<b>Forward currency contracts for share class hedging</b>	<b>792</b>	<b>0.21</b>	<b>0.66</b>
CAD5,238 Bought for £3,073 (expires 13.02.19)	0	0.00	
€660,436 Bought for £580,973 (expires 13.02.19)	(4)	0.00	
HKD436,981 Bought for £43,222 (expires 13.02.19)	(1)	0.00	
¥14,115,429 Bought for £103,899 (expires 13.02.19)	(6)	0.00	
£9,717,899 Bought for \$12,257,018 (expires 13.02.19)	508	0.14	
£2,713,021 Bought for €2,999,814 (expires 13.02.19)	115	0.03	
£2,563,915 Bought for ¥347,051,002 (expires 13.02.19)	171	0.05	
£235,141 Bought for HKD2,315,714 (expires 13.02.19)	14	0.00	
£175,152 Bought for SGD300,863 (expires 13.02.19)	6	0.00	
£86,378 Bought for CAD147,518 (expires 13.02.19)	1	0.00	
£(248,262) Sold for \$314,219 (expires 13.02.19)	(12)	(0.01)	
SGD66 Bought for £38 (expires 13.02.19)	0	0.00	
CHF225 Bought for £181 (expires 13.02.19)	0	0.00	
<b>Total portfolio (notes 2c &amp; 2d on page 7)</b>	<b>371,061</b>	<b>101.02</b>	<b>101.10</b>
<b>Net other assets / (liabilities)</b>	<b>(3,731)</b>	<b>(1.02)</b>	<b>(1.10)</b>
<b>Net assets attributable to shareholders</b>	<b>367,330</b>	<b>100.00</b>	<b>100.00</b>

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

<sup>[a]</sup> The underlying stock for each convertible bond is shown in brackets.

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

# M&G Global Convertibles 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.

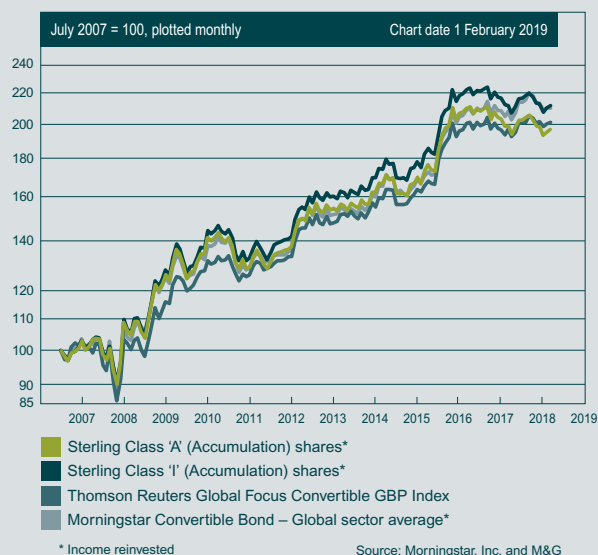
The fund is available for investment in different share classes, each with varying levels of charges and minimum investments; please refer to the Prospectus for M&G Investment Funds (7), which is available free of charge either from our website at [www.mandg.co.uk/prospectuses](http://www.mandg.co.uk/prospectuses) or by calling M&G Customer Relations.

### Fund level performance

Fund net asset value			
as at 31 January	2019 \$'000	2018 \$'000	2017 \$'000
Fund net asset value (NAV)	367,330	2,452,079	2,278,773

### 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.



# M&G Global Convertibles 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 9 November 2018 for non-sterling share classes and 1 February 2019 for sterling share classes. Calculated on a price to price basis with income reinvested.

Long-term performance by share class				
	One year 01.02.18 % <sup>[a]</sup>	Three years 01.02.16 % p.a.	Five years 03.02.14 % p.a.	Since launch % p.a.
<b>Euro <sup>[b]</sup></b>				
Class 'A'	-1.1	+1.0	+4.3	+4.1 <sup>[c]</sup>
Class 'A-H'	-7.8	+0.9	+1.1	+3.5 <sup>[d]</sup>
Class 'B'	-1.4	+0.5	+3.8	+4.0 <sup>[e]</sup>
Class 'B-H'	-8.1	+0.4	+0.6	+1.2 <sup>[e]</sup>
Class 'C'	-0.5	+1.8	+5.1	+4.9 <sup>[c]</sup>
Class 'C-H'	-7.3	+1.7	+1.9	+4.4 <sup>[d]</sup>
<b>Sterling <sup>[f]</sup></b>				
Class 'A'	-1.3	+5.6	+5.1	+6.0 <sup>[c]</sup>
Class 'A-H'	-7.7	+1.1	+1.5	+3.5 <sup>[g]</sup>
Class 'I'	-0.5	+6.3	+5.8	+6.7 <sup>[c]</sup>
Class 'I-H'	-6.9	+2.0	+2.1	+4.1 <sup>[g]</sup>
Class 'R'	-0.8	+6.1	+5.6	+6.5 <sup>[h]</sup>
Class 'R-H'	-7.4	+2.0	+2.1	+4.0 <sup>[g]</sup>
<b>Swiss franc <sup>[b]</sup></b>				
Class 'A-H'	-8.2	+0.4	+0.5	+2.6 <sup>[g]</sup>
Class 'C-H'	-7.6	+1.1	+1.2	+3.4 <sup>[g]</sup>
<b>US dollar <sup>[b]</sup></b>				
Class 'A-H'	-5.8	+3.0	+2.5	+4.2 <sup>[g]</sup>
Class 'C-H'	-5.2	+3.8	+3.3	+5.0 <sup>[g]</sup>

<sup>[a]</sup> Absolute basis.

<sup>[b]</sup> Price to price with gross income reinvested.

<sup>[c]</sup> 13 July 2007, the launch date of the fund.

<sup>[d]</sup> 21 May 2010, the launch date of the share class.

<sup>[e]</sup> 26 July 2013, the launch date of the share class.

<sup>[f]</sup> Price to price with income reinvested.

<sup>[g]</sup> 28 September 2012, the launch date of the share class.

<sup>[h]</sup> 3 August 2012, 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 Global Convertibles Fund

## Financial highlights

### Fund performance

#### Portfolio transaction costs

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

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

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

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

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

Portfolio transaction costs				
for the year to 31 January	2019	2018	2017	Average <sup>[a]</sup>
Direct portfolio transaction costs <sup>[b]</sup>	%	%	%	%
Broker commission	0.01	0.01	0.01	0.01
Taxes	0.00	0.00	0.00	0.00
Costs before dilution adjustments	0.01	0.01	0.01	0.01
Dilution adjustments <sup>[c]</sup>	0.00	0.00	0.00	0.00
Total direct portfolio transaction costs	0.01	0.01	0.01	0.01
as at 31 January	2019	2018	2017	Average <sup>[a]</sup>
Indirect portfolio transaction costs	%	%	%	%
Average portfolio dealing spread	0.71	0.54	0.63	0.63

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

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

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

### 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 Convertibles Fund on 9 November 2018. The distribution yields for the current year non-sterling share classes were calculated at the merger date.

#### Euro Class 'A' Income share performance

The share class was launched on 12 July 2013.

for the year to 31 January	2019	2018	2017
Change in NAV per share	Euro ¢	Euro ¢	Euro ¢
Opening NAV	1,465.91	1,590.58	1,474.69
Return before operating charges and after direct portfolio transaction costs	21.44	(59.21)	172.20
Operating charges	(19.22)	(26.32)	(26.25)
Return after operating charges	2.22	(85.53)	145.95
Distributions	(33.42)	(39.14)	(30.06)
Return to shareholder as a result of share class closure	(1,434.71)	n/a	n/a
Closing NAV	0.00	1,465.91	1,590.58
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.10	0.15	0.19
Dilution adjustments <sup>[a]</sup>	(0.03)	(0.05)	(0.04)
Total direct portfolio transaction costs	0.07	0.10	0.15
Performance and charges	%	%	%
Direct portfolio transaction costs <sup>[b]</sup>	0.01	0.01	0.01
Operating charges	1.66	1.67	1.68
Return after operating charges	+0.15	-5.38	+9.90
Distribution yield	2.69	2.60	2.80
Effect on yield of charges offset against capital	1.65	1.65	1.65
Other information			
Closing NAV (\$'000)	0	168,302	176,826
Closing NAV percentage of total fund NAV (%)	0.00	6.86	7.76
Number of shares	0	9,218,342	10,340,042
Highest share price (Euro ¢)	1,510.30	1,657.45	1,655.56
Lowest share price (Euro ¢)	1,428.25	1,492.48	1,415.31



# M&G Global Convertibles Fund

## Financial highlights

### Specific share class performance

#### Euro Class 'A' Accumulation share performance

The share class was launched on 13 July 2007.

for the year to 31 January Change in NAV per share	2019 Euro ¢	2018 Euro ¢	2017 Euro ¢
Opening NAV	1,585.35	1,675.63	1,524.78
Return before operating charges and after direct portfolio transaction costs	22.79	(62.62)	177.65
Operating charges	(20.54)	(27.66)	(26.80)
Return after operating charges	2.25	(90.28)	150.85
Distributions	(14.94)	(16.17)	(17.08)
Retained distributions	14.94	16.17	17.08
Return to shareholder as a result of share class closure	(1,587.60)	n/a	n/a
Closing NAV	0.00	1,585.35	1,675.63
<b>Direct portfolio transaction costs</b>	<b>Euro ¢</b>	<b>Euro ¢</b>	<b>Euro ¢</b>
Costs before dilution adjustments	0.11	0.16	0.19
Dilution adjustments <sup>[a]</sup>	(0.03)	(0.05)	(0.05)
Total direct portfolio transaction costs	0.08	0.11	0.14
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.01	0.01	0.01
Operating charges	1.66	1.67	1.67
Return after operating charges	+0.14	-5.39	+9.89
Distribution yield	1.03	0.96	1.16
Effect on yield of charges offset against capital	0.00	0.00	0.00
<b>Other information</b>			
Closing NAV (\$'000)	0	216,829	264,584
Closing NAV percentage of total fund NAV (%)	0.00	8.84	11.61
Number of shares	0	10,981,621	14,686,456
Highest share price (Euro ¢)	1,633.21	1,745.88	1,711.71
Lowest share price (Euro ¢)	1,544.48	1,572.10	1,463.33

#### Euro Class 'A-H' Income share performance

The share class was launched on 12 July 2013.

for the year to 31 January Change in NAV per share	2019 Euro ¢	2018 Euro ¢	2017 Euro ¢
Opening NAV	1,337.83	1,334.80	1,261.22
Return before operating charges and after direct portfolio transaction costs	(73.60)	61.95	121.10
Operating charges	(16.83)	(23.28)	(22.43)
Return after operating charges	(90.43)	38.67	98.67
Distributions	(28.38)	(35.64)	(25.09)
Return to shareholder as a result of share class closure	(1,219.02)	n/a	n/a
Closing NAV	0.00	1,337.83	1,334.80
<b>Direct portfolio transaction costs</b>	<b>Euro ¢</b>	<b>Euro ¢</b>	<b>Euro ¢</b>
Costs before dilution adjustments	0.09	0.14	0.16
Dilution adjustments <sup>[a]</sup>	(0.02)	(0.05)	(0.04)
Total direct portfolio transaction costs	0.07	0.09	0.12
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.01	0.01	0.01
Operating charges	1.68	1.69	1.70
Return after operating charges	-6.76	+2.90	+7.82
Distribution yield	2.70	2.58	2.78
Effect on yield of charges offset against capital	1.67	1.67	1.67
<b>Other information</b>			
Closing NAV (\$'000)	0	18,066	9,191
Closing NAV percentage of total fund NAV (%)	0.00	0.74	0.40
Number of shares	0	1,084,270	640,398
Highest share price (Euro ¢)	1,346.99	1,392.67	1,372.16
Lowest share price (Euro ¢)	1,226.37	1,335.34	1,233.12

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

The share class was launched on 21 May 2010.

for the year to 31 January Change in NAV per share	2019 Euro ¢	2018 Euro ¢	2017 Euro ¢
Opening NAV	1,443.68	1,402.60	1,301.15
Return before operating charges and after direct portfolio transaction costs	(79.53)	65.29	124.58
Operating charges	(18.37)	(24.21)	(23.13)
Return after operating charges	(97.90)	41.08	101.45
Distributions	(12.50)	(14.35)	(14.02)
Retained distributions	12.50	14.35	14.02
Return to shareholder as a result of share class closure	(1,345.78)	n/a	n/a
Closing NAV	0.00	1,443.68	1,402.60
<b>Direct portfolio transaction costs</b>	<b>Euro ¢</b>	<b>Euro ¢</b>	<b>Euro ¢</b>
Costs before dilution adjustments	0.09	0.14	0.16
Dilution adjustments <sup>[a]</sup>	(0.02)	(0.05)	(0.04)
Total direct portfolio transaction costs	0.07	0.09	0.12
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.01	0.01	0.01
Operating charges	1.68	1.69	1.69
Return after operating charges	-6.78	+2.93	+7.80
Distribution yield	1.02	0.93	1.14
Effect on yield of charges offset against capital	0.00	0.00	0.00
<b>Other information</b>			
Closing NAV (\$'000)	0	81,270	81,108
Closing NAV percentage of total fund NAV (%)	0.00	3.31	3.56
Number of shares	0	4,519,970	5,378,479
Highest share price (Euro ¢)	1,453.50	1,463.81	1,415.31
Lowest share price (Euro ¢)	1,322.91	1,402.90	1,272.35

#### Euro Class 'B' Income share performance

The share class was launched on 11 September 2015.

for the year to 31 January Change in NAV per share	2019 Euro ¢	2018 Euro ¢	2017 Euro ¢
Opening NAV	977.29	1,065.81	990.74
Return before operating charges and after direct portfolio transaction costs	14.06	(39.41)	115.20
Operating charges	(16.36)	(22.95)	(22.61)
Return after operating charges	(2.30)	(62.36)	92.59
Distributions	(22.24)	(26.16)	(17.52)
Return to shareholder as a result of share class closure	(952.75)	n/a	n/a
Closing NAV	0.00	977.29	1,065.81
<b>Direct portfolio transaction costs</b>	<b>Euro ¢</b>	<b>Euro ¢</b>	<b>Euro ¢</b>
Costs before dilution adjustments	0.07	0.10	0.12
Dilution adjustments <sup>[a]</sup>	(0.02)	(0.03)	(0.03)
Total direct portfolio transaction costs	0.05	0.07	0.09
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.01	0.01	0.01
Operating charges	2.16	2.17	2.18
Return after operating charges	-0.24	-5.85	+9.35
Distribution yield	2.69	2.60	2.80
Effect on yield of charges offset against capital	2.15	2.15	2.15
<b>Other information</b>			
Closing NAV (\$'000)	0	395	159
Closing NAV percentage of total fund NAV (%)	0.00	0.02	0.01
Number of shares	0	32,478	13,853
Highest share price (Euro ¢)	1,005.02	1,110.25	1,107.06
Lowest share price (Euro ¢)	952.01	997.18	950.65



# M&G Global Convertibles Fund

## Financial highlights

### Specific share class performance

#### Euro Class 'B' Accumulation share performance

The share class was launched on 26 July 2013.

for the year to 31 January Change in NAV per share	2019 Euro ¢	2018 Euro ¢	2017 Euro ¢
Opening NAV	1,237.11	1,314.15	1,201.82
Return before operating charges and after direct portfolio transaction costs	17.80	(48.84)	139.72
Operating charges	(20.83)	(28.20)	(27.39)
Return after operating charges	(3.03)	(77.04)	112.33
Distributions	(6.62)	(6.71)	(6.93)
Retained distributions	6.62	6.71	6.93
Return to shareholder as a result of share class closure	(1,234.08)	n/a	n/a
Closing NAV	0.00	1,237.11	1,314.15
<b>Direct portfolio transaction costs</b>	<b>Euro ¢</b>	<b>Euro ¢</b>	<b>Euro ¢</b>
Costs before dilution adjustments	0.08	0.13	0.15
Dilution adjustments <sup>[a]</sup>	(0.02)	(0.04)	(0.04)
Total direct portfolio transaction costs	0.06	0.09	0.11
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.01	0.01	0.01
Operating charges	2.16	2.17	2.17
Return after operating charges	-0.24	-5.86	+9.35
Distribution yield	0.53	0.46	0.67
Effect on yield of charges offset against capital	0.00	0.00	0.00
<b>Other information</b>			
Closing NAV (\$'000)	0	11,319	8,081
Closing NAV percentage of total fund NAV (%)	0.00	0.46	0.35
Number of shares	0	734,624	571,961
Highest share price (Euro ¢)	1,272.10	1,368.79	1,342.90
Lowest share price (Euro ¢)	1,205.01	1,229.38	1,153.19

#### Euro Class 'B-H' Income share performance

The share class was launched on 11 September 2015.

for the year to 31 January Change in NAV per share	2019 Euro ¢	2018 Euro ¢	2017 Euro ¢
Opening NAV	1,020.35	1,022.49	969.30
Return before operating charges and after direct portfolio transaction costs	(56.48)	48.33	92.22
Operating charges	(16.60)	(23.22)	(22.24)
Return after operating charges	(73.08)	25.11	69.98
Distributions	(21.63)	(27.25)	(16.79)
Return to shareholder as a result of share class closure	(925.64)	n/a	n/a
Closing NAV	0.00	1,020.35	1,022.49
<b>Direct portfolio transaction costs</b>	<b>Euro ¢</b>	<b>Euro ¢</b>	<b>Euro ¢</b>
Costs before dilution adjustments	0.07	0.10	0.12
Dilution adjustments <sup>[a]</sup>	(0.02)	(0.04)	(0.03)
Total direct portfolio transaction costs	0.05	0.06	0.09
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.01	0.01	0.01
Operating charges	2.18	2.19	2.19
Return after operating charges	-7.16	+2.46	+7.22
Distribution yield	2.71	2.58	2.79
Effect on yield of charges offset against capital	2.17	2.17	2.17
<b>Other information</b>			
Closing NAV (\$'000)	0	254	73
Closing NAV percentage of total fund NAV (%)	0.00	0.01	0.00
Number of shares	0	20,006	6,636
Highest share price (Euro ¢)	1,027.32	1,062.26	1,048.61
Lowest share price (Euro ¢)	931.61	1,020.24	947.55

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

The share class was launched on 26 July 2013.

for the year to 31 January Change in NAV per share	2019 Euro ¢	2018 Euro ¢	2017 Euro ¢
Opening NAV	1,150.38	1,123.45	1,046.66
Return before operating charges and after direct portfolio transaction costs	(62.82)	52.17	100.89
Operating charges	(18.80)	(25.24)	(24.10)
Return after operating charges	(81.62)	26.93	76.79
Distributions	(5.60)	(5.93)	(5.69)
Retained distributions	5.60	5.93	5.69
Return to shareholder as a result of share class closure	(1,068.76)	n/a	n/a
Closing NAV	0.00	1,150.38	1,123.45
<b>Direct portfolio transaction costs</b>	<b>Euro ¢</b>	<b>Euro ¢</b>	<b>Euro ¢</b>
Costs before dilution adjustments	0.07	0.11	0.13
Dilution adjustments <sup>[a]</sup>	(0.02)	(0.04)	(0.03)
Total direct portfolio transaction costs	0.05	0.07	0.10
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.01	0.01	0.01
Operating charges	2.18	2.19	2.19
Return after operating charges	-7.10	+2.40	+7.34
Distribution yield	0.51	0.44	0.64
Effect on yield of charges offset against capital	0.00	0.00	0.00
<b>Other information</b>			
Closing NAV (\$'000)	0	8,193	3,869
Closing NAV percentage of total fund NAV (%)	0.00	0.33	0.17
Number of shares	0	571,804	320,278
Highest share price (Euro ¢)	1,158.22	1,166.51	1,133.52
Lowest share price (Euro ¢)	1,050.95	1,120.53	1,023.67

#### Euro Class 'C' Income share performance

The share class was launched on 8 August 2014.

for the year to 31 January Change in NAV per share	2019 Euro ¢	2018 Euro ¢	2017 Euro ¢
Opening NAV	1,582.65	1,704.19	1,573.73
Return before operating charges and after direct portfolio transaction costs	22.88	(64.12)	184.25
Operating charges	(11.28)	(15.33)	(15.26)
Return after operating charges	11.60	(79.45)	168.99
Distributions	(36.19)	(42.09)	(38.53)
Return to shareholder as a result of share class closure	(1,558.06)	n/a	n/a
Closing NAV	0.00	1,582.65	1,704.19
<b>Direct portfolio transaction costs</b>	<b>Euro ¢</b>	<b>Euro ¢</b>	<b>Euro ¢</b>
Costs before dilution adjustments	0.11	0.16	0.20
Dilution adjustments <sup>[a]</sup>	(0.03)	(0.05)	(0.05)
Total direct portfolio transaction costs	0.08	0.11	0.15
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.01	0.01	0.01
Operating charges	0.91	0.92	0.91
Return after operating charges	+0.73	-4.66	+10.74
Distribution yield	2.69	2.60	2.80
Effect on yield of charges offset against capital	0.90	0.90	0.90
<b>Other information</b>			
Closing NAV (\$'000)	0	1,345	7,488
Closing NAV percentage of total fund NAV (%)	0.00	0.06	0.33
Number of shares	0	68,241	408,696
Highest share price (Euro ¢)	1,635.08	1,776.67	1,779.27
Lowest share price (Euro ¢)	1,542.27	1,606.01	1,510.85

# M&G Global Convertibles Fund

## Financial highlights

### Specific share class performance

#### Euro Class 'C' Accumulation share performance

The share class was launched on 13 July 2007.

for the year to 31 January Change in NAV per share	2019 Euro ¢	2018 Euro ¢	2017 Euro ¢
Opening NAV	1,715.61	1,799.80	1,625.44
Return before operating charges and after direct portfolio transaction costs	24.64	(67.76)	190.07
Operating charges	(12.22)	(16.43)	(15.71)
Return after operating charges	12.42	(84.19)	174.36
Distributions	(26.67)	(29.70)	(31.59)
Retained distributions	26.67	29.70	31.59
Return to shareholder as a result of share class closure	(1,728.03)	n/a	n/a
Closing NAV	0.00	1,715.61	1,799.80
<b>Direct portfolio transaction costs</b>	<b>Euro ¢</b>	<b>Euro ¢</b>	<b>Euro ¢</b>
Costs before dilution adjustments	0.12	0.18	0.20
Dilution adjustments <sup>[a]</sup>	(0.03)	(0.06)	(0.05)
Total direct portfolio transaction costs	0.09	0.12	0.15
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.01	0.01	0.01
Operating charges	0.91	0.92	0.91
Return after operating charges	+0.72	-4.68	+10.73
Distribution yield	1.78	1.70	1.91
Effect on yield of charges offset against capital	0.00	0.00	0.00
<b>Other information</b>			
Closing NAV (\$'000)	0	500,991	594,288
Closing NAV percentage of total fund NAV (%)	0.00	20.43	26.08
Number of shares	0	23,446,910	30,711,731
Highest share price (Euro ¢)	1,772.32	1,876.07	1,837.51
Lowest share price (Euro ¢)	1,671.72	1,695.87	1,560.35

#### Euro Class 'C-H' Income share performance

The share class was launched on 8 August 2014.

for the year to 31 January Change in NAV per share	2019 Euro ¢	2018 Euro ¢	2017 Euro ¢
Opening NAV	1,424.28	1,408.89	1,326.08
Return before operating charges and after direct portfolio transaction costs	(79.33)	66.94	127.60
Operating charges	(9.97)	(13.75)	(13.12)
Return after operating charges	(89.30)	53.19	114.48
Distributions	(30.33)	(37.80)	(31.67)
Return to shareholder as a result of share class closure	(1,304.65)	n/a	n/a
Closing NAV	0.00	1,424.28	1,408.89
<b>Direct portfolio transaction costs</b>	<b>Euro ¢</b>	<b>Euro ¢</b>	<b>Euro ¢</b>
Costs before dilution adjustments	0.09	0.14	0.17
Dilution adjustments <sup>[a]</sup>	(0.02)	(0.05)	(0.04)
Total direct portfolio transaction costs	0.07	0.09	0.13
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.01	0.01	0.01
Operating charges	0.93	0.94	0.93
Return after operating charges	-6.27	+3.78	+8.63
Distribution yield	2.70	2.58	2.78
Effect on yield of charges offset against capital	0.92	0.92	0.92
<b>Other information</b>			
Closing NAV (\$'000)	0	30,575	14,308
Closing NAV percentage of total fund NAV (%)	0.00	1.25	0.63
Number of shares	0	1,723,635	944,560
Highest share price (Euro ¢)	1,434.07	1,482.47	1,453.43
Lowest share price (Euro ¢)	1,312.24	1,409.56	1,297.03

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

The share class was launched on 21 May 2010.

for the year to 31 January Change in NAV per share	2019 Euro ¢	2018 Euro ¢	2017 Euro ¢
Opening NAV	1,544.66	1,488.74	1,370.24
Return before operating charges and after direct portfolio transaction costs	(86.23)	70.29	132.03
Operating charges	(10.78)	(14.37)	(13.53)
Return after operating charges	(97.01)	55.92	118.50
Distributions	(22.16)	(26.37)	(25.79)
Retained distributions	22.16	26.37	25.79
Return to shareholder as a result of share class closure	(1,447.65)	n/a	n/a
Closing NAV	0.00	1,544.66	1,488.74
<b>Direct portfolio transaction costs</b>	<b>Euro ¢</b>	<b>Euro ¢</b>	<b>Euro ¢</b>
Costs before dilution adjustments	0.10	0.15	0.17
Dilution adjustments <sup>[a]</sup>	(0.03)	(0.05)	(0.04)
Total direct portfolio transaction costs	0.07	0.10	0.13
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.01	0.01	0.01
Operating charges	0.93	0.94	0.93
Return after operating charges	-6.28	+3.76	+8.65
Distribution yield	1.77	1.67	1.88
Effect on yield of charges offset against capital	0.00	0.00	0.00
<b>Other information</b>			
Closing NAV (\$'000)	0	633,249	494,957
Closing NAV percentage of total fund NAV (%)	0.00	25.82	21.72
Number of shares	0	32,916,546	30,922,814
Highest share price (Euro ¢)	1,555.18	1,566.23	1,502.14
Lowest share price (Euro ¢)	1,423.01	1,489.13	1,340.21

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

The share class was launched on 13 July 2007.

for the year to 31 January Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	168.06	178.89	146.70
Return before operating charges and after direct portfolio transaction costs	(1.24)	(3.34)	38.36
Operating charges	(2.81)	(3.01)	(2.79)
Return after operating charges	(4.05)	(6.35)	35.57
Distributions	(4.86)	(4.48)	(3.38)
Closing NAV	159.15	168.06	178.89
<b>Direct portfolio transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.01	0.02	0.02
Dilution adjustments <sup>[a]</sup>	0.00	(0.01)	0.00
Total direct portfolio transaction costs	0.01	0.01	0.02
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.01	0.01	0.01
Operating charges	1.67	1.67	1.67
Return after operating charges	-2.41	-3.55	+24.25
Distribution yield	3.10	2.60	2.80
Effect on yield of charges offset against capital	1.65	1.65	1.65
<b>Other information</b>			
Closing NAV (\$'000)	211,839	198,691	185,307
Closing NAV percentage of total fund NAV (%)	57.67	8.10	8.13
Number of shares	101,378,719	83,487,897	83,126,265
Highest share price (UK p)	177.12	186.18	186.11
Lowest share price (UK p)	161.53	172.30	143.50

# M&G Global Convertibles Fund

## Financial highlights

### Specific share class performance

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

The share class was launched on 13 July 2007.

for the year to 31 January Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	199.28	206.63	166.65
Return before operating charges and after direct portfolio transaction costs	(1.46)	(3.86)	43.59
Operating charges	(3.37)	(3.49)	(3.18)
Return after operating charges	(4.83)	(7.35)	40.41
Distributions	(2.42)	(2.03)	(2.12)
Retained distributions	2.42	2.03	1.69
Closing NAV	194.45	199.28	206.63
<b>Direct portfolio transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.01	0.02	0.02
Dilution adjustments <sup>[a]</sup>	0.00	(0.01)	(0.01)
Total direct portfolio transaction costs	0.01	0.01	0.01
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.01	0.01	0.01
Operating charges	1.66	1.67	1.67
Return after operating charges	-2.42	-3.56	+24.25
Distribution yield	1.47	0.96	1.16
Effect on yield of charges offset against capital	0.00	0.00	0.00
<b>Other information</b>			
Closing NAV (\$'000)	10,623	279,136	146,667
Closing NAV percentage of total fund NAV (%)	2.89	11.38	6.44
Number of shares	4,161,169	98,914,572	56,961,269
Highest share price (UK p)	210.00	215.03	211.73
Lowest share price (UK p)	191.52	199.00	163.01

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

The share class was launched on 28 September 2012.

for the year to 31 January Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	133.43	129.40	119.56
Return before operating charges and after direct portfolio transaction costs	(8.35)	6.28	12.43
Operating charges	(2.17)	(2.25)	(2.26)
Return after operating charges	(10.52)	4.03	10.17
Distributions	(1.52)	(1.30)	(1.66)
Retained distributions	1.52	1.30	1.33
Closing NAV	122.91	133.43	129.40
<b>Direct portfolio transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.01	0.01	0.02
Dilution adjustments <sup>[a]</sup>	0.00	0.00	0.00
Total direct portfolio transaction costs	0.01	0.01	0.02
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.01	0.01	0.01
Operating charges	1.68	1.69	1.66
Return after operating charges	-7.88	+3.10	+8.51
Distribution yield	1.43	0.93	1.13
Effect on yield of charges offset against capital	0.00	0.00	0.00
<b>Other information</b>			
Closing NAV (\$'000)	299	446	176
Closing NAV percentage of total fund NAV (%)	0.09	0.02	0.01
Number of shares	185,593	235,900	109,296
Highest share price (UK p)	134.39	135.32	129.74
Lowest share price (UK p)	118.89	128.63	116.85

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

The share class was launched on 3 August 2012.

for the year to 31 January Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	1,388.71	1,466.99	1,198.28
Return before operating charges and after direct portfolio transaction costs	(10.42)	(27.71)	314.44
Operating charges	(12.87)	(13.66)	(12.57)
Return after operating charges	(23.29)	(41.37)	301.87
Distributions	(40.27)	(36.91)	(33.16)
Closing NAV	1,325.15	1,388.71	1,466.99
<b>Direct portfolio transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.09	0.15	0.16
Dilution adjustments <sup>[a]</sup>	(0.03)	(0.05)	(0.04)
Total direct portfolio transaction costs	0.06	0.10	0.12
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.01	0.01	0.01
Operating charges	0.92	0.92	0.92
Return after operating charges	-1.68	-2.82	+25.19
Distribution yield	3.10	2.60	2.80
Effect on yield of charges offset against capital	0.90	0.90	0.90
<b>Other information</b>			
Closing NAV (\$'000)	66,182	85,282	63,903
Closing NAV percentage of total fund NAV (%)	18.02	3.48	2.80
Number of shares	3,803,843	4,336,628	3,495,634
Highest share price (UK p)	1,469.23	1,528.15	1,530.00
Lowest share price (UK p)	1,336.79	1,423.42	1,172.38

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

The share class was launched on 13 July 2007.

for the year to 31 January Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	212.46	218.65	175.28
Return before operating charges and after direct portfolio transaction costs	(1.60)	(4.15)	45.99
Operating charges	(1.97)	(2.04)	(1.84)
Return after operating charges	(3.57)	(6.19)	44.15
Distributions	(4.21)	(3.68)	(3.86)
Retained distributions	4.21	3.68	3.08
Closing NAV	208.89	212.46	218.65
<b>Direct portfolio transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.01	0.02	0.02
Dilution adjustments <sup>[a]</sup>	0.00	(0.01)	(0.01)
Total direct portfolio transaction costs	0.01	0.01	0.01
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.01	0.01	0.01
Operating charges	0.92	0.92	0.92
Return after operating charges	-1.68	-2.83	+25.19
Distribution yield	2.21	1.70	1.91
Effect on yield of charges offset against capital	0.00	0.00	0.00
<b>Other information</b>			
Closing NAV (\$'000)	58,483	78,683	88,773
Closing NAV percentage of total fund NAV (%)	15.92	3.21	3.90
Number of shares	21,323,944	26,151,460	32,580,346
Highest share price (UK p)	224.76	227.75	224.00
Lowest share price (UK p)	204.51	212.14	171.49

# M&G Global Convertibles Fund

## Financial highlights

### Specific share class performance

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

The share class was launched on 28 September 2012.

for the year to 31 January Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	137.78	132.21	121.22
Return before operating charges and after direct portfolio transaction costs	(8.65)	6.90	12.66
Operating charges	(1.24)	(1.33)	(1.19)
Return after operating charges	(9.89)	5.57	11.47
Distributions	(2.57)	(2.38)	(2.40)
Retained distributions	2.57	2.38	1.92
Closing NAV	127.89	137.78	132.21
<b>Direct portfolio transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.01	0.01	0.02
Dilution adjustments <sup>[a]</sup>	0.00	0.00	0.00
Total direct portfolio transaction costs	0.01	0.01	0.02
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.01	0.01	0.01
Operating charges	0.94	0.94	0.93
Return after operating charges	-7.18	+4.21	+9.46
Distribution yield	2.16	1.66	1.88
Effect on yield of charges offset against capital	0.00	0.00	0.00
<b>Other information</b>			
Closing NAV (\$'000)	19,056	17,912	100
Closing NAV percentage of total fund NAV (%)	5.19	0.73	0.00
Number of shares	11,348,633	9,180,780	60,928
Highest share price (UK p)	138.74	139.71	133.39
Lowest share price (UK p)	123.63	132.25	118.49

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

The share class was launched on 3 August 2012.

for the year to 31 January Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	138.35	146.52	119.84
Return before operating charges and after direct portfolio transaction costs	(1.02)	(2.75)	31.41
Operating charges	(1.63)	(1.74)	(1.60)
Return after operating charges	(2.65)	(4.49)	29.81
Distributions	(4.01)	(3.68)	(3.13)
Closing NAV	131.69	138.35	146.52
<b>Direct portfolio transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.01	0.01	0.02
Dilution adjustments <sup>[a]</sup>	0.00	0.00	0.00
Total direct portfolio transaction costs	0.01	0.01	0.02
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.01	0.01	0.01
Operating charges	1.17	1.17	1.17
Return after operating charges	-1.92	-3.06	+24.87
Distribution yield	3.10	2.60	2.80
Effect on yield of charges offset against capital	1.15	1.15	1.15
<b>Other information</b>			
Closing NAV (\$'000)	376	433	266
Closing NAV percentage of total fund NAV (%)	0.10	0.02	0.01
Number of shares	217,374	221,146	145,531
Highest share price (UK p)	146.19	152.59	152.69
Lowest share price (UK p)	133.11	141.82	117.25

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

The share class was launched on 3 August 2012.

for the year to 31 January Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	151.81	156.62	125.81
Return before operating charges and after direct portfolio transaction costs	(1.14)	(2.96)	32.97
Operating charges	(1.78)	(1.85)	(1.68)
Return after operating charges	(2.92)	(4.81)	31.29
Distributions	(2.62)	(2.27)	(2.38)
Retained distributions	2.62	2.27	1.90
Closing NAV	148.89	151.81	156.62
<b>Direct portfolio transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.01	0.02	0.02
Dilution adjustments <sup>[a]</sup>	0.00	(0.01)	0.00
Total direct portfolio transaction costs	0.01	0.01	0.02
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.01	0.01	0.01
Operating charges	1.17	1.17	1.17
Return after operating charges	-1.92	-3.07	+24.87
Distribution yield	1.96	1.46	1.66
Effect on yield of charges offset against capital	0.00	0.00	0.00
<b>Other information</b>			
Closing NAV (\$'000)	419	397	189
Closing NAV percentage of total fund NAV (%)	0.11	0.02	0.01
Number of shares	214,548	184,688	96,927
Highest share price (UK p)	160.39	163.20	160.45
Lowest share price (UK p)	146.04	151.58	123.08

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

The share class was launched on 28 September 2012.

for the year to 31 January Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	137.87	132.02	120.52
Return before operating charges and after direct portfolio transaction costs	(9.02)	7.48	13.48
Operating charges	(1.57)	(1.63)	(1.57)
Return after operating charges	(10.59)	5.85	11.91
Distributions	(2.24)	(2.04)	(2.03)
Retained distributions	2.24	2.04	1.62
Closing NAV	127.28	137.87	132.02
<b>Direct portfolio transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.01	0.01	0.02
Dilution adjustments <sup>[a]</sup>	0.00	0.00	0.00
Total direct portfolio transaction costs	0.01	0.01	0.02
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.01	0.01	0.01
Operating charges	1.18	1.19	1.18
Return after operating charges	-7.68	+4.43	+9.88
Distribution yield	1.92	1.42	1.61
Effect on yield of charges offset against capital	0.00	0.00	0.00
<b>Other information</b>			
Closing NAV (\$'000)	53	76	51
Closing NAV percentage of total fund NAV (%)	0.01	0.00	0.00
Number of shares	31,630	39,116	31,206
Highest share price (UK p)	138.83	139.79	133.21
Lowest share price (UK p)	123.07	132.07	117.80

# M&G Global Convertibles Fund

## Financial highlights

### Specific share class performance

#### Swiss franc Class 'A-H' Accumulation share performance

The share class was launched on 28 September 2012.

for the year to 31 January Change in NAV per share	2019 Swiss ¢	2018 Swiss ¢	2017 Swiss ¢
Opening NAV	1,265.79	1,236.45	1,151.95
Return before operating charges and after direct portfolio transaction costs	(74.57)	50.64	104.95
Operating charges	(15.94)	(21.30)	(20.45)
Return after operating charges	(90.51)	29.34	84.50
Distributions	(10.93)	(12.73)	(12.32)
Retained distributions	10.93	12.73	12.32
Return to shareholder as a result of share class closure	(1,175.28)	n/a	n/a
Closing NAV	0.00	1,265.79	1,236.45
<b>Direct portfolio transaction costs</b>	<b>Swiss ¢</b>	<b>Swiss ¢</b>	<b>Swiss ¢</b>
Costs before dilution adjustments	0.08	0.12	0.14
Dilution adjustments <sup>[a]</sup>	(0.02)	(0.04)	(0.03)
Total direct portfolio transaction costs	0.06	0.08	0.11
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.01	0.01	0.01
Operating charges	1.68	1.69	1.69
Return after operating charges	-7.15	+2.37	+7.34
Distribution yield	1.02	0.92	1.13
Effect on yield of charges offset against capital	0.00	0.00	0.00
<b>Other information</b>			
Closing NAV (\$'000)	0	1,121	851
Closing NAV percentage of total fund NAV (%)	0.00	0.05	0.04
Number of shares	0	82,638	68,337
Highest share price (Swiss ¢)	1,274.31	1,283.36	1,247.54
Lowest share price (Swiss ¢)	1,155.76	1,232.40	1,126.61

#### Swiss franc Class 'C-H' Accumulation share performance

The share class was launched on 28 September 2012.

for the year to 31 January Change in NAV per share	2019 Swiss ¢	2018 Swiss ¢	2017 Swiss ¢
Opening NAV	1,318.68	1,278.18	1,183.98
Return before operating charges and after direct portfolio transaction costs	(77.39)	52.84	105.82
Operating charges	(9.20)	(12.34)	(11.62)
Return after operating charges	(86.59)	40.50	94.20
Distributions	(18.90)	(22.66)	(22.08)
Retained distributions	18.90	22.66	22.08
Return to shareholder as a result of share class closure	(1,232.09)	n/a	n/a
Closing NAV	0.00	1,318.68	1,278.18
<b>Direct portfolio transaction costs</b>	<b>Swiss ¢</b>	<b>Swiss ¢</b>	<b>Swiss ¢</b>
Costs before dilution adjustments	0.09	0.13	0.15
Dilution adjustments <sup>[a]</sup>	(0.02)	(0.04)	(0.04)
Total direct portfolio transaction costs	0.07	0.09	0.11
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.01	0.01	0.01
Operating charges	0.93	0.94	0.93
Return after operating charges	-6.57	+3.17	+7.96
Distribution yield	1.77	1.65	1.88
Effect on yield of charges offset against capital	0.00	0.00	0.00
<b>Other information</b>			
Closing NAV (\$'000)	0	20,619	20,970
Closing NAV percentage of total fund NAV (%)	0.00	0.84	0.92
Number of shares	0	1,458,670	1,628,386
Highest share price (Swiss ¢)	1,327.70	1,337.00	1,289.69
Lowest share price (Swiss ¢)	1,211.16	1,278.51	1,156.89

#### US dollar Class 'A-H' Income share performance

The share class was launched on 8 August 2014.

for the year to 31 January Change in NAV per share	2019 US ¢	2018 US ¢	2017 US ¢
Opening NAV	1,278.17	1,249.72	1,163.82
Return before operating charges and after direct portfolio transaction costs	(44.04)	84.43	130.25
Operating charges	(16.30)	(21.90)	(20.78)
Return after operating charges	(60.34)	62.53	109.47
Distributions	(27.69)	(34.08)	(23.57)
Return to shareholder as a result of share class closure	(1,190.14)	n/a	n/a
Closing NAV	0.00	1,278.17	1,249.72
<b>Direct portfolio transaction costs</b>	<b>US ¢</b>	<b>US ¢</b>	<b>US ¢</b>
Costs before dilution adjustments	0.06	0.13	0.15
Dilution adjustments <sup>[a]</sup>	(0.02)	(0.04)	(0.04)
Total direct portfolio transaction costs	0.04	0.09	0.11
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.01	0.01	0.01
Operating charges	1.68	1.69	1.69
Return after operating charges	-4.72	+5.00	+9.41
Distribution yield	2.67	2.62	2.81
Effect on yield of charges offset against capital	1.67	1.67	1.67
<b>Other information</b>			
Closing NAV (\$'000)	0	1,470	1,110
Closing NAV percentage of total fund NAV (%)	0.00	0.06	0.05
Number of shares	0	115,000	88,843
Highest share price (US ¢)	1,287.29	1,330.84	1,284.75
Lowest share price (US ¢)	1,196.31	1,250.20	1,137.59



# M&G Global Convertibles Fund

## Financial highlights

### Specific share class performance

#### US dollar Class 'A-H' Accumulation share performance

The share class was launched on 28 September 2012.

for the year to 31 January Change in NAV per share	2019 US ¢	2018 US ¢	2017 US ¢
Opening NAV	1,358.25	1,293.66	1,182.90
Return before operating charges and after direct portfolio transaction costs	(46.69)	87.15	131.86
Operating charges	(17.23)	(22.56)	(21.10)
Return after operating charges	(63.92)	64.59	110.76
Distributions	(11.97)	(13.65)	(12.96)
Retained distributions	11.97	13.65	12.96
Return to shareholder as a result of share class closure	(1,294.33)	n/a	n/a
Closing NAV	0.00	1,358.25	1,293.66
<b>Direct portfolio transaction costs</b>	<b>US ¢</b>	<b>US ¢</b>	<b>US ¢</b>
Costs before dilution adjustments	0.09	0.13	0.15
Dilution adjustments <sup>[a]</sup>	(0.02)	(0.04)	(0.04)
Total direct portfolio transaction costs	0.07	0.09	0.11
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.01	0.01	0.01
Operating charges	1.68	1.69	1.69
Return after operating charges	-4.71	+4.99	+9.36
Distribution yield	1.00	0.94	1.15
Effect on yield of charges offset against capital	0.00	0.00	0.00

#### Other information

Closing NAV (\$'000)	0	35,256	25,704
Closing NAV percentage of total fund NAV (%)	0.00	1.44	1.13
Number of shares	0	2,595,667	1,986,919
Highest share price (US ¢)	1,367.80	1,377.42	1,305.32
Lowest share price (US ¢)	1,271.49	1,294.05	1,156.34

#### US dollar Class 'C-H' Income share performance

The share class was launched on 8 August 2014.

for the year to 31 January Change in NAV per share	2019 US ¢	2018 US ¢	2017 US ¢
Opening NAV	1,303.87	1,265.72	1,173.95
Return before operating charges and after direct portfolio transaction costs	(44.77)	85.18	132.15
Operating charges	(9.18)	(12.34)	(11.87)
Return after operating charges	(53.95)	72.84	120.28
Distributions	(28.36)	(34.69)	(28.51)
Return to shareholder as a result of share class closure	(1,221.56)	n/a	n/a
Closing NAV	0.00	1,303.87	1,265.72
<b>Direct portfolio transaction costs</b>	<b>US ¢</b>	<b>US ¢</b>	<b>US ¢</b>
Costs before dilution adjustments	0.09	0.13	0.15
Dilution adjustments <sup>[a]</sup>	(0.02)	(0.04)	(0.04)
Total direct portfolio transaction costs	0.07	0.09	0.11
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.01	0.01	0.01
Operating charges	0.93	0.94	0.94
Return after operating charges	-4.14	+5.75	+10.25
Distribution yield	2.67	2.62	2.81
Effect on yield of charges offset against capital	0.92	0.92	0.92
<b>Other information</b>			
Closing NAV (\$'000)	0	1,074	1,232
Closing NAV percentage of total fund NAV (%)	0.00	0.04	0.05
Number of shares	0	82,347	97,347
Highest share price (US ¢)	1,313.19	1,357.41	1,305.86
Lowest share price (US ¢)	1,227.58	1,266.24	1,147.97

#### US dollar Class 'C-H' Accumulation share performance

The share class was launched on 28 September 2012.

for the year to 31 January Change in NAV per share	2019 US ¢	2018 US ¢	2017 US ¢
Opening NAV	1,414.62	1,337.57	1,211.35
Return before operating charges and after direct portfolio transaction costs	(48.37)	90.06	138.40
Operating charges	(9.99)	(13.01)	(12.18)
Return after operating charges	(58.36)	77.05	126.22
Distributions	(20.73)	(24.27)	(23.21)
Retained distributions	20.73	24.27	23.21
Return to shareholder as a result of share class closure	(1,356.26)	n/a	n/a
Closing NAV	0.00	1,414.62	1,337.57
<b>Direct portfolio transaction costs</b>	<b>US ¢</b>	<b>US ¢</b>	<b>US ¢</b>
Costs before dilution adjustments	0.09	0.14	0.15
Dilution adjustments <sup>[a]</sup>	(0.02)	(0.05)	(0.04)
Total direct portfolio transaction costs	0.07	0.09	0.11
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.01	0.01	0.01
Operating charges	0.93	0.94	0.93
Return after operating charges	-4.13	+5.76	+10.42
Distribution yield	1.75	1.69	1.88
Effect on yield of charges offset against capital	0.00	0.00	0.00
<b>Other information</b>			
Closing NAV (\$'000)	0	60,695	88,542
Closing NAV percentage of total fund NAV (%)	0.00	2.48	3.89
Number of shares	0	4,290,546	6,619,606
Highest share price (US ¢)	1,424.59	1,434.59	1,349.55
Lowest share price (US ¢)	1,332.00	1,338.02	1,184.37

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

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



# M&G Global Convertibles Fund

## Financial statements and notes

### Financial statements

Statement of total return					
for the year to 31 January	Note	2019		2018	
		\$'000	\$'000	\$'000	\$'000
Income					
Net capital gains / (losses)	3		(267,282)		254,318
Revenue	5	49,274		68,589	
Expenses	6	(21,651)		(30,204)	
Net revenue / (expense) before taxation		27,623		38,385	
Taxation	7	(493)		(964)	
Net revenue / (expense) after taxation			27,130		37,421
<b>Total return before distributions</b>			<b>(240,152)</b>		<b>291,739</b>
Distributions	8		(32,944)		(45,024)
<b>Change in net assets attributable to shareholders from investment activities</b>			<b>(273,096)</b>		<b>246,715</b>

Statement of change in net assets attributable to shareholders				
	2019		2018	
for the year to 31 January	\$'000	\$'000	\$'000	\$'000
Opening net assets attributable to shareholders		2,452,079		2,278,773
Amounts received on issue of shares	485,305		722,119	
Amounts paid on cancellation of shares	(1,034,708)		(827,368)	
Transferred to M&G (Lux) Global Convertibles Fund	(1,284,054)		0	
		(1,833,457)		(105,249)
Dilution adjustments		2,611		2,944
Change in net assets attributable to shareholders from investment activities (see above)		(273,096)		246,715
Retained distributions on Accumulation shares		19,193		28,896
Closing net assets attributable to shareholders		367,330		2,452,079

Balance sheet			
as at 31 January	Note	2019	2018
		\$'000	\$'000
<b>Assets</b>			
<b>Fixed assets</b>			
Investments		366,404	2,388,115
<b>Current assets</b>			
Debtors	9	2,267	72,063
Cash and bank balances	10	8,060	17,322
Cash equivalents		4,680	93,154
<b>Total assets</b>		<b>381,411</b>	<b>2,570,654</b>
<b>Liabilities</b>			
Investment liabilities		(23)	(2,137)
<b>Creditors</b>			
Bank overdrafts		0	(2,887)
Overdrawn positions at futures clearing houses and collateral manager		(1,147)	(3,194)
Distribution payable		(9,543)	(14,545)
Other creditors	11	(3,368)	(95,812)
<b>Total liabilities</b>		<b>(14,081)</b>	<b>(118,575)</b>
<b>Net assets attributable to shareholders</b>		<b>367,330</b>	<b>2,452,079</b>

### Notes to the financial statements

#### 1 Accounting policies

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

#### 2 Distribution policy

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

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

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

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

for the year to 31 January	2019	2018
	\$'000	\$'000
Non-derivative securities	(207,619)	190,541
Derivative contracts	(60,281)	63,290
Currency gains / (losses)	630	496
Transaction charges	(12)	(9)
<b>Net capital gains / (losses)</b>	<b>(267,282)</b>	<b>254,318</b>

# M&G Global Convertibles Fund

## Financial statements and notes

### Notes to the financial statements

#### 4 Portfolio transactions and associated costs

The following tables show portfolio transactions and their associated transaction costs. For more information about the nature of the costs please see the section on 'Operating charges and portfolio transaction costs' on pages 32 and 33.

for the year to 31 January	2019 \$'000	% of transaction	2018 \$'000	% of transaction
<b>a) Purchases</b>				
<b>Equities</b>				
Equities before transaction costs	30,560		123,610	
Commissions	19	0.06	49	0.04
Taxes	12	0.04	70	0.06
<b>Equities after transaction costs</b>	<b>30,591</b>		<b>123,729</b>	
<b>Debt securities after transaction costs <sup>[a]</sup></b>				
	<b>673,084</b>		<b>721,083</b>	
<b>Other transaction types</b>				
Corporate actions	0		719	
<b>Total purchases after transaction costs</b>	<b>703,675</b>		<b>845,531</b>	
<b>b) Sales</b>				
<b>Equities</b>				
Equities before transaction costs	156,265		137,371	
Commissions	(70)	0.04	(68)	0.05
Taxes	(32)	0.02	(26)	0.02
<b>Equities after transaction costs</b>	<b>156,163</b>		<b>137,277</b>	
<b>Debt securities after transaction costs <sup>[a]</sup></b>				
	<b>1,074,980</b>		<b>696,209</b>	
<b>Other transaction types</b>				
Corporate actions	19,594		58,272	
<b>Total sales after transaction costs</b>	<b>1,250,737</b>		<b>891,758</b>	
<b>c) Direct portfolio transaction costs</b>				
	2019 \$'000	% of average NAV	2018 \$'000	% of average NAV
<b>Commissions paid</b>				
Equities	89	0.01	117	0.01
Derivatives	6	0.00	28	0.00
<b>Total commissions paid</b>	<b>95</b>	<b>0.01</b>	<b>145</b>	<b>0.01</b>
<b>Taxes paid</b>				
Equities	44	0.00	96	0.00
<b>Total direct portfolio transaction costs <sup>[b]</sup></b>	<b>139</b>	<b>0.01</b>	<b>241</b>	<b>0.01</b>
<b>d) Indirect portfolio transaction costs</b>				
		%		%
Portfolio dealing spread <sup>[c]</sup>		0.71		0.54

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

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

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

#### 5 Revenue

for the year to 31 January	2019 \$'000	2018 \$'000
Bank interest	450	14
Derivative revenue	(321)	626
Dividends from equity investments: non-taxable	4,155	8,659
Dividends from equity investments: taxable	1,464	3,346
Interest distributions	313	209
Interest on debt securities	43,213	55,735
<b>Total revenue</b>	<b>49,274</b>	<b>68,589</b>

#### 6 Expenses

for the year to 31 January	2019 \$'000	2018 \$'000
<b>Payable to the ACD or associate</b>		
Annual management charge	18,690	25,981
Administration charge	2,606	3,679
Share class hedging charge	111	160
	<b>21,407</b>	<b>29,820</b>
<b>Payable to the Depositary or associate</b>		
Depositary's charge (including VAT)	81	105
<b>Other expenses</b>		
Audit fee (including VAT)	14	16
Dividend charges	26	93
Interest payable	31	33
Legal fees	3	22
Safe custody charge	78	115
Tax fee	11	0
	<b>163</b>	<b>279</b>
<b>Total expenses</b>	<b>21,651</b>	<b>30,204</b>

#### 7 Taxation

for the year to 31 January	2019 \$'000	2018 \$'000
<b>a) Analysis of charge in the year</b>		
Corporation tax	0	0
Withholding tax	493	958
Current year adjustment	0	6
Deferred tax (note 7c)	0	0
<b>Total taxation</b>	<b>493</b>	<b>964</b>
<b>b) Factors affecting taxation charge for the year</b>		
Net revenue / (expense) before taxation	27,623	38,385
Corporation tax at 20%	5,525	7,677
<b>Effects of:</b>		
Dividends from equity investments: non-taxable	(831)	(1,732)
Interest distributions	(4,694)	(5,945)
Withholding tax	493	958
Current year adjustment	0	6
<b>Total tax charge (note 7a)</b>	<b>493</b>	<b>964</b>
<b>c) Provision for deferred taxation</b>		
Provision at the start of the year	0	0
Deferred tax in profit and loss account (note 7a)	0	0
<b>Provision at the end of the year</b>	<b>0</b>	<b>0</b>

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

# M&G Global Convertibles Fund

## Financial statements and notes

### Notes to the financial statements

#### 8 Distributions

for the year to 31 January	2019		2018	
	Inc <sup>[a]</sup> \$'000	Acc <sup>[b]</sup> \$'000	Inc <sup>[a]</sup> \$'000	Acc <sup>[b]</sup> \$'000
Interest distributions				
Final	9,775	19,193	13,487	28,896
Total net distributions		28,968		42,383
Interest distributions		28,968		42,383
Income deducted on cancellation of shares		9,169		7,995
Income received on issue of shares		(5,193)		(5,354)
<b>Distributions</b>		<b>32,944</b>		<b>45,024</b>
Net revenue / (expense) per statement of total return		27,130		37,421
Expenses offset against capital		5,814		7,602
Undistributed income brought forward		0		1
<b>Distributions</b>		<b>32,944</b>		<b>45,024</b>

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

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

#### 9 Debtors

as at 31 January	2019 \$'000	2018 \$'000
Amounts receivable on issues of shares	130	23,274
Currency deals outstanding	0	40,558
Debt security interest receivable	1,255	6,998
Distributions receivable	9	30
Dividends receivable	3	268
Withholding tax recoverable	870	935
<b>Total debtors</b>	<b>2,267</b>	<b>72,063</b>

#### 10 Cash and bank balances

as at 31 January	2019 \$'000	2018 \$'000
Amounts held at futures clearing houses and collateral manager	454	3,202
Cash held as bank balances	7,606	14,120
<b>Total cash and bank balances</b>	<b>8,060</b>	<b>17,322</b>

#### 11 Other creditors

as at 31 January	2019 \$'000	2018 \$'000
ACD's annual management charge payable	210	1,177
Administration charge payable	26	165
Amounts payable on cancellation of shares	132	50,130
Currency deals outstanding	0	40,433
Expenses payable	24	67
Purchases awaiting settlement	2,976	3,833
Share class hedging charge payable	0	7
<b>Total other creditors</b>	<b>3,368</b>	<b>95,812</b>

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

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

#### 13 Shares in issue

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

Share class	Opening 01.02.18	Movements		Closing 31.01.19
		Issued	Cancelled	
<b>Euro</b>				
Class 'A' Income	9,218,342	236,271	(9,454,613)	0
Class 'A' Accumulation	10,981,621	116,679	(11,098,300)	0
Class 'A-H' Income	1,084,270	583,328	(1,667,598)	0
Class 'A-H' Accumulation	4,519,970	162,991	(4,682,961)	0
Class 'B' Income	32,478	11,090	(43,568)	0
Class 'B' Accumulation	734,624	84,246	(818,870)	0
Class 'B-H' Income	20,006	5,397	(25,403)	0
Class 'B-H' Accumulation	571,804	286,833	(858,637)	0
Class 'C' Income	68,241	3,307	(71,548)	0
Class 'C' Accumulation	23,446,910	1,571,301	(25,018,211)	0
Class 'C-H' Income	1,723,635	35,253	(1,758,888)	0
Class 'C-H' Accumulation	32,916,546	18,257,308	(51,173,854)	0
<b>Sterling</b>				
Class 'A' Income	83,487,897	23,287,574	(5,396,752)	101,378,719
Class 'A' Accumulation	98,914,572	16,593,719	(111,347,122)	4,161,169
Class 'A-H' Accumulation	235,900	0	(50,307)	185,593
Class 'I' Income	4,336,628	363,652	(896,437)	3,803,843
Class 'I' Accumulation	26,151,460	1,766,659	(6,594,175)	21,323,944
Class 'I-H' Accumulation	9,180,780	2,845,761	(677,908)	11,348,633
Class 'R' Income	221,146	26,187	(29,959)	217,374
Class 'R' Accumulation	184,688	103,728	(73,868)	214,548
Class 'R-H' Accumulation	39,116	41,314	(48,800)	31,630
<b>Swiss franc</b>				
Class 'A-H' Accumulation	82,638	1,965	(84,603)	0
Class 'C-H' Accumulation	1,458,670	224,086	(1,682,756)	0
<b>US dollar</b>				
Class 'A-H' Income	115,000	16,405	(131,405)	0
Class 'A-H' Accumulation	2,595,667	328,209	(2,923,876)	0
Class 'C-H' Income	82,347	4,507	(86,854)	0
Class 'C-H' Accumulation	4,290,546	322,881	(4,613,427)	0

# M&G Global Convertibles Fund

## Financial statements and notes

### Notes to the financial statements

#### 14 Charging structure

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

Share class	Entry charge %	Exit charge %	Annual management charge %	Share class hedging charge %
<b>Euro</b>				
Class 'A'	4.00	n/a	1.50	n/a
Class 'A-H'	4.00	n/a	1.50	[a]
Class 'B'	n/a	n/a	2.00	n/a
Class 'B-H'	n/a	n/a	2.00	[a]
Class 'C'	1.25	n/a	0.75	n/a
Class 'C-H'	1.25	n/a	0.75	[a]
<b>Sterling</b>				
Class 'A'	nil	n/a	1.50	n/a
Class 'A-H'	nil	n/a	1.50	[a]
Class 'I'	nil	n/a	0.75	n/a
Class 'I-H'	nil	n/a	0.75	[a]
Class 'R'	nil	n/a	1.00	n/a
Class 'R-H'	nil	n/a	1.00	[a]
<b>Swiss franc</b>				
Class 'A-H'	4.00	n/a	1.50	[a]
Class 'C-H'	1.25	n/a	0.75	[a]
<b>US dollar</b>				
Class 'A-H'	4.00	n/a	1.50	[a]
Class 'C-H'	1.25	n/a	0.75	[a]

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

#### 15 Related parties

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

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

At the balance sheet date, shareholders from within Prudential plc, of which M&G Securities Limited is a wholly owned subsidiary, have holdings totalling 74.48% (2018: 57.68%) of the fund's shares.

#### 16 Events after the balance sheet date

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

#### 17 Fair value analysis

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

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

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

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

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

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

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

	Assets 2019 \$'000	Liabilities 2019 \$'000	Assets 2018 \$'000	Liabilities 2018 \$'000
as at 31 January				
Basis of valuation				
Level 1	18,486	0	232,745	0
Level 2	347,918	(23)	2,155,370	(2,137)
Level 3	0	0	0	0
	366,404	(23)	2,388,115	(2,137)

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

#### 18 Risk management policies

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

# M&G Global Convertibles Fund

## Financial statements and notes

### Notes to the financial statements

#### 19 Market risk sensitivity and exposure

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

The VaR limit set during the financial year to 31 January 2019 was 13% (2018: 13%).

The lowest, highest and average VaR, as well as utilisation of VaR with reference to the limit above, are calculated during the financial years ended 31 January 2019 and 31 January 2018.

for the year to 31 January	2019 % of VaR	2019 Utilisation of VaR <sup>[a]</sup> 13%	2018 % of VaR	2018 Utilisation of VaR <sup>[a]</sup> 13%
Lowest	4.08	31.42	4.70	36.15
Highest	5.30	40.80	7.94	61.09
Average	4.74	36.43	6.01	46.22

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

#### 20 Credit risk

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

as at 31 January	2019 \$'000	2018 \$'000
Investment grade securities	113,191	801,546
Below investment grade securities	75,675	386,359
Unrated securities	156,789	949,236
Other investments	20,726	248,837
<b>Total</b>	<b>366,381</b>	<b>2,385,978</b>

The tables below show the exposure to counterparties. Collateral is posted daily, in the form of cash or high-quality government bonds, to minimise this exposure.

as at 31 January 2019	Forward currency contracts \$'000	Futures & options \$'000
Bank of America Merrill Lynch	0	157
State Street Bank	792	0
UBS	1,448	0
<b>Total</b>	<b>2,240</b>	<b>157</b>

as at 31 January 2018	Forward currency contracts \$'000	Futures & options \$'000
Bank of America Merrill Lynch	0	2,925
State Street Bank	16,092	0
<b>Total</b>	<b>16,092</b>	<b>2,925</b>

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

#### 21 Leverage risk

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

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

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

for the year to 31 January	2019 <sup>[a]</sup> \$'000	2019 <sup>[a]</sup> % <sup>[b]</sup>	2018 <sup>[a]</sup> \$'000	2018 <sup>[a]</sup> % <sup>[b]</sup>
Lowest	9,101	0.5	0	0.00
Highest	841,657	92.8	5,659,663	3.17
Average	228,625	18.8	1,819,030	1.03

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

<sup>[b]</sup> Expressed as a percentage over net assets.

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

This fund contains hedged share classes. These share classes operate currency hedges designed to reduce the impact of exchange rates in certain circumstances. As a result, profit and loss on the currency hedges may impact the liquidity of the overall fund. On a day to day basis this is monitored using reporting from the outsourced provider of the hedged share class service. On an ongoing basis the size of the hedged share classes is monitored to ensure that unforeseen exchange rate volatility can be adequately managed without significantly impacting all shareholders. The exposure to forward currency contracts for share class hedging at the year-end accounting date is disclosed in the portfolio statement on page 30.

# M&G Global Convertibles Fund

## Financial statements and notes

### Notes to the financial statements

#### 23 Interest distribution tables

This fund pays annual interest distributions and the following table sets out the distribution period.

Annual distribution period				
	Start	End	Xd	Payment
Final <sup>[a]</sup>	01.02.18	31.01.19	01.02.19	31.03.19

<sup>[a]</sup> As a result of the merger of non-sterling share classes M&G Global Convertibles Fund into M&G (Lux) Global Convertibles Fund on 9 November 2018, any income available for distribution to the non-sterling share classes to the effective date of the merger was distributed to shareholders on 31 December 2018.

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

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

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

Euro Class 'A' Income shares				
Interest distributions for the year to 31 January	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
	€	€	€	€
Final	28.0429	5.3772	33.4201	39.1357

Euro Class 'A' Accumulation shares				
Interest distributions for the year to 31 January	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
	€	€	€	€
Final	8.7139	6.2213	14.9352	16.1668

Euro Class 'A-H' Income shares				
Interest distributions for the year to 31 January	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
	€	€	€	€
Final	21.3844	6.9928	28.3772	35.6354

Euro Class 'A-H' Accumulation shares				
Interest distributions for the year to 31 January	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
	€	€	€	€
Final	7.9611	4.5389	12.5000	14.3483

Euro Class 'B' Income shares				
Interest distributions for the year to 31 January	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
	€	€	€	€
Final	13.9956	8.2430	22.2386	26.1572

Euro Class 'B' Accumulation shares				
Interest distributions for the year to 31 January	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
	€	€	€	€
Final	3.8847	2.7364	6.6211	6.7100

Euro Class 'B-H' Income shares				
Interest distributions for the year to 31 January	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
	€	€	€	€
Final	10.3967	11.2287	21.6254	27.2478

Euro Class 'B-H' Accumulation shares				
Interest distributions for the year to 31 January	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
	€	€	€	€
Final	4.7817	0.8225	5.6042	5.9281

Euro Class 'C' Income shares				
Interest distributions for the year to 31 January	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
	€	€	€	€
Final	13.1539	23.0356	36.1895	42.0851

Euro Class 'C' Accumulation shares				
Interest distributions for the year to 31 January	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
	€	€	€	€
Final	20.3800	6.2881	26.6681	29.7039

Euro Class 'C-H' Income shares				
Interest distributions for the year to 31 January	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
	€	€	€	€
Final	26.1115	4.2217	30.3332	37.8030

Euro Class 'C-H' Accumulation shares				
Interest distributions for the year to 31 January	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
	€	€	€	€
Final	3.6407	18.5194	22.1601	26.3704



# M&G Global Convertibles Fund

## Financial statements and notes

### Notes to the financial statements

#### 23 Interest distribution tables (continued)

##### Sterling Class 'A' Income shares

Interest distributions for the year to 31 January	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
	p	p	p	p
Final	2.6904	2.1647	4.8551	4.4844

##### Sterling Class 'A' Accumulation shares

Interest distributions for the year to 31 January	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
	p	p	p	p
Final	2.2320	0.1838	2.4158	2.0315

##### Sterling Class 'A-H' Accumulation shares

Interest distributions for the year to 31 January	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
	p	p	p	p
Final	1.5153	0.0000	1.5153	1.3031

##### Sterling Class 'I' Income shares

Interest distributions for the year to 31 January	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
	p	p	p	p
Final	21.9024	18.3674	40.2698	36.9124

##### Sterling Class 'I' Accumulation shares

Interest distributions for the year to 31 January	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
	p	p	p	p
Final	2.3775	1.8328	4.2103	3.6756

##### Sterling Class 'I-H' Accumulation shares

Interest distributions for the year to 31 January	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
	p	p	p	p
Final	1.4427	1.1259	2.5686	2.3760

##### Sterling Class 'R' Income shares

Interest distributions for the year to 31 January	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
	p	p	p	p
Final	2.3100	1.6974	4.0074	3.6828

##### Sterling Class 'R' Accumulation shares

Interest distributions for the year to 31 January	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
	p	p	p	p
Final	1.6632	0.9551	2.6183	2.2697

##### Sterling Class 'R-H' Accumulation shares

Interest distributions for the year to 31 January	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
	p	p	p	p
Final	1.3038	0.9382	2.2420	2.0379

##### Swiss franc Class 'A-H' Accumulation shares

Interest distributions for the year to 31 January	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
	¢	¢	¢	¢
Final	4.1664	6.7630	10.9294	12.7325

##### Swiss franc Class 'C-H' Accumulation shares

Interest distributions for the year to 31 January	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
	¢	¢	¢	¢
Final	15.8061	3.0890	18.8951	22.6602

##### US dollar Class 'A-H' Income shares

Interest distributions for the year to 31 January	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
	¢	¢	¢	¢
Final	21.5608	6.1304	27.6912	34.0790

##### US dollar Class 'A-H' Accumulation shares

Interest distributions for the year to 31 January	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
	¢	¢	¢	¢
Final	6.5439	5.4282	11.9721	13.6492

##### US dollar Class 'C-H' Income shares

Interest distributions for the year to 31 January	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
	¢	¢	¢	¢
Final	10.1325	18.2291	28.3616	34.6892

##### US dollar Class 'C-H' Accumulation shares

Interest distributions for the year to 31 January	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
	¢	¢	¢	¢
Final	12.3153	8.4100	20.7253	24.2729

# M&G Global Convertibles Fund

Financial statements and notes

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# M&G Global Emerging Markets Fund

## Authorised Corporate Director's Report

### Investment objective

The fund aims to maximise long term total return (the combination of capital growth and income) by investing in emerging market countries.

### Investment policy

The fund will invest mainly in the securities of companies domiciled in or conducting the major part of their economic activity in emerging market countries\*. Exposure to these securities may be gained through the use of derivatives. The fund may invest across a wide range of geographies, sectors and market capitalisations. The fund may also invest in other assets including collective investment schemes, other transferable securities, cash and near cash, deposits, warrants, money market instruments and derivatives.

\* The current reference point for defining emerging market countries are those included within the MSCI Emerging Markets Index and/or those included in the World Bank definition of developing economies as updated from time to time.

### Investment approach

The M&G Global Emerging Markets 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 under-appreciated 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.

### Risk profile

The fund invests mainly in company shares issued by companies located in emerging markets. It is, therefore, subject to the price volatility of the global stockmarket and the performance of individual issuers. The fund is also subject to fluctuations in currency exchange rates.

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

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

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



The above number:

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

### Investment review

**As at 1 February 2019, for the year ended 31 January 2019**

#### Performance against objective

Between 1 February 2018 (the start of the review period) and 1 February 2019, the sterling share classes of the M&G Global Emerging Markets Fund produced a negative total return (the combination of income and growth of capital).\*

However, the fund's returns were ahead of a comparative index, the MSCI Emerging Markets Index. Over the 12 months, returns for the index in sterling terms were -5.9%.

Between 1 February 2018 and 26 October 2018, the fund's unhedged euro, Singapore dollar, Swiss franc and US dollar share classes delivered negative returns that were ahead of the returns from the MSCI Emerging Markets Index. In contrast, the fund's hedged euro share classes produced a negative total return that lagged the returns from the MSCI Emerging Markets Index.

# M&G Global Emerging Markets Fund

## Authorised Corporate Director's Report

### Investment review

#### Performance against objective (continued)

On 26 October 2018, the fund's non-sterling share classes merged into the M&G (Lux) Global Emerging Markets Fund, a Luxembourg-authorized SICAV that launched on that date.

Over the longer term of five years, the fund (sterling share classes) has achieved its performance objective of maximising long-term total return. The sterling share classes produced positive returns over this time period. The non-sterling share classes had produced positive returns over the period from 3 February 2014 until 26 October 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 in 2017, share prices of emerging market companies retreated in 2018. The optimism that had driven financial markets higher was replaced by risk aversion as investors worried about a variety of factors, including a potential global trade war, signs of weakness in global economic growth and higher interest rates in the US.

The impressive rally in emerging market equities, which had lasted for nearly two years, came to an end in February amid fears about the pace of future interest rate rises in the US. In response to robust economic growth, the Federal Reserve (Fed) raised interest rates four times during the period as it continued to unwind the stimulus measures that were put in place after the global financial crisis of 2007/8.

The Fed's actions and the strengthening of the US dollar in the period also contributed to the negative sentiment towards emerging markets as they could be perceived to make the US a more attractive place to invest capital than emerging markets.

Investor confidence was dented further when the US announced a raft of trade tariffs, starting with aluminium and steel imports. Over the next few months, the US proceeded to introduce additional tariffs on billions of dollars' worth of Chinese products, which sparked retaliatory measures from the Chinese government.

By the end of the period, the trade dispute between the world's two largest economies had escalated to such a level that investors feared it would have a damaging impact on global growth and trade.

Besides the trade tensions and rising interest rates, uncertainty about the UK's departure from the European Union, as well as crises in Turkey, Argentina and Italy also unsettled investors from time to time.

Despite a significant recovery in the first month of 2019, on hopes of progress in trade talks between the US and China and an end to the current cycle of interest rate rises in the US, emerging market equities ended the review period in negative territory. They also underperformed their developed market counterparts, in a reversal of the outperformance in the previous 12 months.

There was a wide dispersion of returns from different markets, however. Turkey was one of the worst-performing markets as concerns about the country's economy and policy decisions triggered a steep decline in the Turkish lira.

China's stockmarket also declined amid concerns about the ongoing trade war with the US and weaker economic growth. With factory activity and exports slowing down, investors expected the government to introduce a range of stimulus policies, including infrastructure spending, to support the economy.

In South Korea and Taiwan, too, share prices fell on worries that the country's export-oriented economy would be negatively affected by the US-China trade conflict.

Meanwhile, South Africa's stockmarket declined as optimism about the new president Cyril Ramaphosa gave way to concerns about the weak rand and an economic slowdown.

In contrast, Brazil's stockmarket rallied as investors welcomed the election of a new right-wing president. Share prices in Qatar and Russia, two leading oil-producing nations, advanced as oil prices climbed for most of the period. The small southeast Asian markets of Indonesia and Thailand also outperformed as they bucked the downward trend.

At the sector level, returns were mixed. Energy stocks were the stand-out performers, as the efforts by leading oil-producing nations to reduce the global supply glut of crude supported oil prices. In the risk-averse environment, more 'defensive' areas that are typically less sensitive to economic conditions performed well, with consumer staples and utilities outperforming.

In contrast, sectors that are more closely linked to economic activity generally struggled. The consumer discretionary sector was one of the weakest areas, with shares in automobile companies dragged down by concerns about potential US tariffs on vehicle imports. Communication services, a newly created sector, which includes some of the large Chinese internet stocks, also lagged.

Against this background, the fund's relatively large allocation to energy made a positive contribution to relative performance as the sector outperformed. Our holdings in Lukoil, a Russian oil and gas firm, South African energy company Sasol and Chinese oil firms CNOOC and China Petroleum & Chemical (known as Sinopec) were leading contributors, supported by the continued recovery of oil prices during the period.

Stock selection in China was also successful with several holdings resisting the decline in the wider Chinese market. Chinese sporting goods firm Li-Ning was a leading contributor as investors were 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.

Chinese PC maker Lenovo was another notable contributor. After struggling in recent years as the PC market declined, Lenovo is also engaged in turnaround efforts. The company's share price gained on signs of improving performance, with revenues rising to the highest level in several years.

As Brazil's stockmarket climbed to record highs amid optimism about the new government's economic reforms, our holdings in financial group Banco Bradesco, conglomerate Cosan and housebuilder Cyrela Brazil Realty added value as they outperformed.

In information technology, software development company Luxoft made a positive contribution as its share price soared after a takeover bid.

# M&G Global Emerging Markets Fund

## Authorised Corporate Director's Report

### Investment review

#### Investment performance (continued)

In contrast, our holdings in Taiwanese tech firms Casetek Holdings and Catcher Technology 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.

As South Africa's stockmarket declined amid worries about the country's slide into recession, our holdings in Barloworld, a distributor of industrial equipment, and logistics company Imperial Holdings also held back performance. During the period, Imperial Holdings split into two companies, Imperial Logistics and Motus.

Meanwhile, in China, concerns about the impact of the trade war on the world's second-largest economy weighed on the share prices of internet search firm Baidu and online travel company Ctrip.com International. In our view, Ctrip.com 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.

In Turkey, our holding in Hacı Ömer Sabancı, a conglomerate with leading financial, energy, retailing and industrial businesses, was a notable detractor as the company's share price fell amid Turkey's currency crisis. First Pacific, a Hong Kong-listed conglomerate, was another detractor, as the stock was dragged down by weakness in its Philippine telecom business.

#### Investment activities

As contrarian, value-oriented investors, we believe market turbulence can provide opportunities to invest in stocks that are mispriced. During the review period, we took advantage of the fall in Turkey's stockmarket to invest in Koç, a conglomerate with interests in finance, energy and automotive services. Some of the group's businesses are involved in exporting goods and could, in our view, benefit from the weakness in the Turkish lira.

In Mexico, concerns about the country's trade relationship with the US and uncertainty about the outcome of the presidential election provided an opportunity to invest in Mexican real estate trust Fibra Uno. In our view, Fibra has a diversified portfolio of good-quality assets and the company's stock was trading at an attractive valuation.

We think the Philippines has attractive long-term economic prospects, but this potential has historically been reflected in expensive valuations for Philippine companies. However, as the market declined during the period, we started a position in GT Capital. With interests in financial services, autos, property and infrastructure, we believe GT is well positioned to benefit from the structural changes in the Philippines.

At the country level, we see attractive opportunities in Brazil and invested in private education company Kroton Educacional. Kroton provides university courses and is looking to expand into the school education sector. In our view, the company is well run, with a history of successful acquisitions, and has attractive growth prospects.

Elsewhere, we took advantage of share price weakness to add to a number of existing holdings, notably Chinese online travel agent Ctrip.com, Chinese financial group China Construction Bank and energy firm Kosmos Energy.

In contrast, we sold a number of holdings on valuation grounds after a period of share price gains, notably Ambev, a Brazilian drinks company, and Sasol, a South African energy firm. We also sold our shares in Luxoft after the software company received a takeover offer at a significant premium to the current share price.

We also closed several small positions including Chinese cigarette packaging company AMVIG, Chinese telecom firm China Unicom, Chinese power producer China Resources Power and South Korean car maker Kia Motors as we consolidated the portfolio and focused on stocks that we believe have more attractive prospects.

#### 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 additional US tariffs on Chinese goods could hamper global trade and economic growth. Recent economic data appear to indicate that economic activity in many parts of the world is slowing down, with the trade dispute often cited as a contributing factor.

Despite these concerns, we are optimistic about the potential long-term returns from emerging market assets. After the stockmarket declines during the review period, we believe there are plenty of promising opportunities available.

In our view, worries about the macroeconomic outlook (slowing global economic growth) and geopolitics (trade wars) were a significant factor behind the share price falls. We believe that investors largely ignored the operational performance, or fundamentals, of companies.

As a result, we believe the recent stockmarket weakness has 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 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.

#### Michael Bourke

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 Global Emerging Markets Fund

## Authorised Corporate Director's Report

### Investments

Portfolio statement			
as at 31 January Holding	2019 \$'000	2019 %	2018 %
<b>EQUITIES</b>	<b>1,034,285</b>	<b>97.97</b>	<b>98.11</b>
<b>Brazil</b>	<b>116,861</b>	<b>11.07</b>	<b>10.67</b>
2,445,666 Banco Bradesco Preference Shares	28,678	2.72	
5,045,298 CCR	20,996	1.99	
2,059,243 Cosan	22,116	2.10	
3,129,555 Cyrela Brazil Realty	14,618	1.38	
2,584,707 Kroton Educacional	8,407	0.80	
201,356 LOG Commercial Properties e Participações	1,066	0.10	
40,371 LOG Commercial Properties e Participações Rights 05/03/2019	0	0.00	
2,790,778 MRV Engenharia	11,347	1.07	
1,070,392 TOTVS	9,633	0.91	
<b>Canada</b>	<b>10,742</b>	<b>1.02</b>	<b>1.19</b>
992,878 First Quantum Minerals	10,742	1.02	
<b>China</b>	<b>178,242</b>	<b>16.88</b>	<b>16.46</b>
27,326,000 China Construction Bank	24,414	2.31	
32,984,000 China Lessor	18,287	1.73	
20,832,000 China Petroleum & Chemical	17,444	1.65	
10,147,000 China Railway Signal & Communication	8,018	0.76	
13,112,000 CNOOC	21,892	2.07	
27,430,000 Greatview Aseptic Packaging	17,305	1.64	
1,044,031 HollySys Automation Technologies	20,985	1.99	
13,104,500 Li-Ning	16,100	1.53	
15,188,500 PICC Property & Casualty	15,641	1.48	
43,167,215 Xinyi Solar	18,156	1.72	
<b>Egypt</b>	<b>0</b>	<b>0.00</b>	<b>0.18</b>
<b>Hong Kong</b>	<b>69,512</b>	<b>6.58</b>	<b>5.47</b>
1,620,200 AIA	14,548	1.38	
20,089,000 Far East Horizon	20,688	1.96	
43,036,652 First Pacific	18,594	1.76	
21,586,000 Lenovo	15,682	1.48	
<b>India</b>	<b>17,089</b>	<b>1.62</b>	<b>2.45</b>
902,946 Axis Bank	9,149	0.87	
4,041,003 NTPC	7,940	0.75	
<b>Indonesia</b>	<b>17,755</b>	<b>1.68</b>	<b>1.06</b>
33,411,200 Bank Mandiri	17,755	1.68	
<b>Mexico</b>	<b>58,326</b>	<b>5.53</b>	<b>2.66</b>
17,044,718 Alfa	21,468	2.03	
1,132,129 Banco Santander Mexico ADR	8,491	0.81	
7,259,590 Fibra Uno Administracion REIT	9,618	0.91	
3,344,637 Grupo Financiero Banorte	18,749	1.78	
<b>Philippines</b>	<b>6,940</b>	<b>0.66</b>	<b>0.18</b>
338,935 GT Capital	6,940	0.66	
<b>Russia</b>	<b>63,252</b>	<b>5.99</b>	<b>5.74</b>
5,178,803 Etalon GDR	10,591	1.00	
275,184 Lukoil GDR	22,205	2.10	
722,841 O'Key GDR	1,063	0.10	
1,978,017 Sberbank of Russia ADR	26,881	2.55	
95,386 X5 Retail	2,512	0.24	
<b>Singapore</b>	<b>9,073</b>	<b>0.86</b>	<b>1.20</b>
1,199,892 Ezion Warrant 24/04/2020	1	0.00	
24,880,366 Ezion Warrant 16/04/2023	0	0.00	
4,731,700 Sembcorp Industries	9,072	0.86	

### Portfolio statement (continued)

as at 31 January Holding	2019 \$'000	2019 %	2018 %
<b>South Africa</b>	<b>64,096</b>	<b>6.07</b>	<b>9.50</b>
1,540,556 Absa	21,457	2.03	
1,426,851 Barloworld	13,032	1.23	
1,577,199 Imperial Logistics	8,045	0.76	
1,011,395 Motus	6,818	0.65	
2,309,322 Sanlam	14,744	1.40	
<b>South Korea</b>	<b>154,797</b>	<b>14.66</b>	<b>15.15</b>
632,386 Hana Financial	22,678	2.15	
97,735 Hyundai Motor	11,375	1.08	
1,580,017 Samsung Electronics	65,535	6.21	
60,468 Samsung Fire & Marine Insurance	14,837	1.40	
1,060,531 Samsung Heavy Industries	8,664	0.82	
818,570 Shinhan Financial	31,708	3.00	
<b>Taiwan</b>	<b>124,328</b>	<b>11.78</b>	<b>14.09</b>
4,037,719 Casetek	6,401	0.61	
1,592,000 Catcher Technology	11,971	1.13	
4,038,715 Cathay Financial	5,725	0.54	
7,942,982 Chicony Electronics	17,349	1.64	
4,682,535 Delta Electronics	22,939	2.17	
800,000 eMemory Technology	7,539	0.72	
140,819 Silicon Motion Technology	5,483	0.52	
5,487,000 Taiwan Semiconductor Manufacturing	39,382	3.73	
12,486,000 TECO Electric & Machinery	7,539	0.72	
<b>Turkey</b>	<b>30,003</b>	<b>2.84</b>	<b>1.32</b>
10,514,720 Hacı Ömer Sabancı	19,174	1.82	
3,202,237 Koç	10,829	1.02	
<b>United Kingdom</b>	<b>43,139</b>	<b>4.09</b>	<b>3.77</b>
6,390,847 Ophir Energy	4,548	0.43	
1,483,459 Petrofac	10,794	1.02	
2,025,239 Standard Chartered	16,636	1.58	
4,132,603 Tullow Oil	11,161	1.06	
<b>United States</b>	<b>70,130</b>	<b>6.64</b>	<b>7.02</b>
151,481 Baidu ADR	25,652	2.43	
758,969 Ctrip.com International ADR	24,606	2.33	
3,888,947 Kosmos Energy	19,872	1.88	
<b>Portfolio of investments</b>	<b>1,034,285</b>	<b>97.97</b>	<b>98.11</b>
<b>CASH EQUIVALENTS</b>	<b>4,702</b>	<b>0.45</b>	<b>2.06</b>
<b>'AAA' rated money market funds [a]</b>	<b>4,702</b>	<b>0.45</b>	<b>2.06</b>
4,702,000 Northern Trust Global Fund - US dollar	4,702	0.45	
<b>SHARE CLASS HEDGING</b>	<b>0</b>	<b>0.00</b>	<b>0.02</b>
<b>Forward currency contracts for share class hedging</b>	<b>0</b>	<b>0.00</b>	<b>0.02</b>
<b>Total portfolio (notes 2c &amp; 2d on page 7)</b>	<b>1,038,987</b>	<b>98.42</b>	<b>100.19</b>
<b>Net other assets / (liabilities)</b>	<b>16,663</b>	<b>1.58</b>	<b>(0.19)</b>
<b>Net assets attributable to shareholders</b>	<b>1,055,650</b>	<b>100.00</b>	<b>100.00</b>

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

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



# M&G Global Emerging Markets Fund

## Authorised Corporate Director's Report

### Investments

#### Top ten portfolio transactions

for the year to 31 January 2019

<b>Largest purchases</b>	<b>\$'000</b>
First Pacific	20,023
Fibra Uno Administracion REIT	19,138
China Construction Bank	17,728
Ctrip.com International ADR	17,513
Kosmos Energy	15,958
Samsung Heavy Industries	15,947
China Railway Signal & Communication	15,489
CCR	15,021
Koç	14,472
Hacı Ömer Sabancı	13,105
Other purchases	208,631
<b>Total purchases</b>	<b>373,025</b>
<b>Largest sales</b>	<b>\$'000</b>
Sasol	62,081
Samsung Electronics	61,200
Ambev	56,579
Taiwan Semiconductor Manufacturing	47,564
Baidu ADR	39,014
Barclays Africa	33,546
China Unicom	29,543
Luxoft	29,305
Axis Bank	28,996
China Petroleum & Chemical	27,100
Other sales	765,904
<b>Total sales</b>	<b>1,180,832</b>

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

# M&G Global Emerging Markets 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.

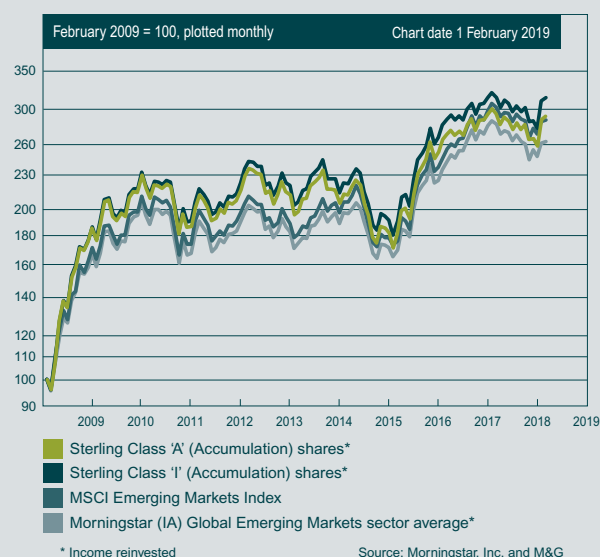
The fund is available for investment in different share classes, each with varying levels of charges and minimum investments; please refer to the Prospectus for M&G Investment Funds (7), which is available free of charge either from our website at [www.mandg.co.uk/prospectuses](http://www.mandg.co.uk/prospectuses) or by calling M&G Customer Relations.

### Fund level performance

Fund net asset value			
as at 31 January	2019 \$'000	2018 \$'000	2017 \$'000
Fund net asset value (NAV)	1,055,650	2,979,840	2,250,229

### 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.



# M&G Global Emerging Markets 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 February 2019 for sterling share classes. Calculated on a price to price basis with income reinvested.

Long-term performance by share class				
	One year 01.02.18 % <sup>[a]</sup>	Three years 01.02.16 % p.a.	Five years 03.02.14 % p.a.	Since launch % p.a.
<b>Euro <sup>[b]</sup></b>				
Class 'A'	-14.0	+9.7	+4.6	+10.1 <sup>[c]</sup>
Class 'A-H'	-23.4	n/a	n/a	-4.3 <sup>[d]</sup>
Class 'C'	-13.4	+10.8	+5.6	+11.2 <sup>[c]</sup>
Class 'C-H'	-23.0	n/a	n/a	-3.4 <sup>[d]</sup>
Class 'J'	n/a	n/a	n/a	-9.3 <sup>[e]</sup>
<b>Singapore dollar <sup>[b]</sup></b>				
Class 'A'	-17.4	+10.2	n/a	+2.2 <sup>[f]</sup>
Class 'C'	-16.8	+11.3	n/a	+3.2 <sup>[f]</sup>
<b>Sterling <sup>[g]</sup></b>				
Class 'A'	-2.6	+18.9	+8.4	+11.3 <sup>[c]</sup>
Class 'I'	-1.8	+19.8	+9.2	+12.1 <sup>[c]</sup>
Class 'R'	-2.1	+19.5	+8.9	+6.7 <sup>[h]</sup>
<b>Swiss franc <sup>[b]</sup></b>				
Class 'A-H'	-23.6	n/a	n/a	-4.6 <sup>[d]</sup>
Class 'C-H'	-23.1	n/a	n/a	-3.7 <sup>[d]</sup>
<b>US dollar <sup>[b]</sup></b>				
Class 'A'	-21.5	+11.4	+0.8	+8.7 <sup>[c]</sup>
Class 'C'	-21.0	+12.5	+1.8	+9.8 <sup>[c]</sup>
Class 'J'	n/a	n/a	n/a	-14.0 <sup>[e]</sup>

<sup>[a]</sup> Absolute basis.

<sup>[b]</sup> Price to price with net income reinvested.

<sup>[c]</sup> 5 February 2009, the launch date of the fund.

<sup>[d]</sup> 24 February 2017, the launch date of the share class.

<sup>[e]</sup> 4 May 2018, the launch date of the share class. Absolute basis.

<sup>[f]</sup> 16 January 2015, the launch date of the share class.

<sup>[g]</sup> Price to price with income reinvested.

<sup>[h]</sup> 3 August 2012, 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 Global Emerging Markets 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](http://www.mandg.co.uk/prospectuses) or by calling M&G Customer Relations.

Portfolio transaction costs				
for the year to 31 January	2019	2018	2017	Average <sup>[a]</sup>
Direct portfolio transaction costs <sup>[b]</sup>	%	%	%	%
Broker commission	0.04	0.05	0.06	0.05
Taxes	0.06	0.06	0.04	0.05
Costs before dilution adjustments	0.10	0.11	0.10	0.10
Dilution adjustments <sup>[c]</sup>	(0.09)	(0.08)	(0.06)	(0.08)
Total direct portfolio transaction costs	0.01	0.03	0.04	0.02
as at 31 January	2019	2018	2017	Average <sup>[a]</sup>
Indirect portfolio transaction costs	%	%	%	%
Average portfolio dealing spread	0.22	0.17	0.25	0.21

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

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

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

### 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 Emerging Markets Fund on 26 October 2018. The historic yields for the current year non-sterling share classes were calculated at the merger date.

Historic yields for the sterling share classes for the current year are calculated as at 8 February 2019.

#### Euro Class 'A' Income share performance

The share class was launched on 8 August 2014.

for the year to 31 January	2019	2018	2017
Change in NAV per share	Euro ¢	Euro ¢	Euro ¢
Opening NAV	2,824.66	2,591.24	1,930.28
Return before operating charges and after direct portfolio transaction costs	(339.56)	343.70	750.16
Operating charges	(38.58)	(54.67)	(49.21)
Return after operating charges	(378.14)	289.03	700.95
Distributions	(65.85)	(55.61)	(39.99)
Return to shareholder as a result of share class closure	(2,380.67)	n/a	n/a
Closing NAV	0.00	2,824.66	2,591.24
<b>Direct portfolio transaction costs</b>	<b>Euro ¢</b>	<b>Euro ¢</b>	<b>Euro ¢</b>
Costs before dilution adjustments	2.71	2.89	2.53
Dilution adjustments <sup>[a]</sup>	(2.03)	(2.10)	(1.36)
Total direct portfolio transaction costs	0.68	0.79	1.17
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.01	0.03	0.04
Operating charges	1.98	1.99	2.06*
Return after operating charges	-13.39	+11.15	+36.31
Historic yield	2.31	2.00	1.41
Effect on yield of charges offset against capital	1.90	1.90	1.90

Other information			
Closing NAV (\$'000)	0	13,702	2,056
Closing NAV percentage of total fund NAV (%)	0.00	0.46	0.09
Number of shares	0	389,476	73,794
Highest share price (Euro ¢)	2,836.93	2,938.26	2,675.10
Lowest share price (Euro ¢)	2,426.12	2,589.18	1,818.49

\* Due to investor inflows, the share class NAV increased significantly towards the end of the year, therefore 2.04% is a more reliable estimate of the year to 31.01.17 ongoing charges.

# M&G Global Emerging Markets Fund

## Financial highlights

### Specific share class performance

#### Euro Class 'A' Accumulation share performance

The share class was launched on 5 February 2009.

for the year to 31 January Change in NAV per share	2019 Euro ¢	2018 Euro ¢	2017 Euro ¢
Opening NAV	2,958.40	2,661.52	1,953.81
Return before operating charges and after direct portfolio transaction costs	(355.34)	352.10	755.24
Operating charges	(40.48)	(55.22)	(47.53)
Return after operating charges	(395.82)	296.88	707.71
Distributions	(28.64)	(9.11)	(14.87)
Retained distributions	28.64	9.11	14.87
Return to shareholder as a result of share class closure	(2,562.58)	n/a	n/a
Closing NAV	0.00	2,958.40	2,661.52
<b>Direct portfolio transaction costs</b>	<b>Euro ¢</b>	<b>Euro ¢</b>	<b>Euro ¢</b>
Costs before dilution adjustments	2.84	2.92	2.45
Dilution adjustments <sup>[a]</sup>	(2.13)	(2.13)	(1.33)
Total direct portfolio transaction costs	0.71	0.79	1.12
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.01	0.03	0.04
Operating charges	1.98	1.99	2.03
Return after operating charges	-13.38	+11.15	+36.22
Historic yield	0.36	0.18	0.46
Effect on yield of charges offset against capital	0.00	0.00	0.00
<b>Other information</b>			
Closing NAV (\$'000)	0	193,508	163,054
Closing NAV percentage of total fund NAV (%)	0.00	6.49	7.25
Number of shares	0	5,251,896	5,698,146
Highest share price (Euro ¢)	2,966.92	3,017.96	2,705.88
Lowest share price (Euro ¢)	2,541.21	2,659.42	1,837.70

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

The share class was launched on 24 February 2017.

for the year to 31 January Change in NAV per share	2019 Euro ¢	2018 Euro ¢	2017 Euro ¢
Opening NAV	1,212.75	1,000.00	n/a
Return before operating charges and after direct portfolio transaction costs	(262.95)	234.12	n/a
Operating charges	(15.98)	(21.37)	n/a
Return after operating charges	(278.93)	212.75	n/a
Distributions	(10.47)	(4.05)	n/a
Retained distributions	10.47	4.05	n/a
Return to shareholder as a result of share class closure	(933.82)	n/a	n/a
Closing NAV	0.00	1,212.75	n/a
<b>Direct portfolio transaction costs</b>	<b>Euro ¢</b>	<b>Euro ¢</b>	<b>Euro ¢</b>
Costs before dilution adjustments	1.11	1.12	n/a
Dilution adjustments <sup>[a]</sup>	(0.83)	(0.82)	n/a
Total direct portfolio transaction costs	0.28	0.30	n/a
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.01	0.03	n/a
Operating charges	2.00	2.01	n/a
Return after operating charges	-23.00	+21.28	n/a
Historic yield	0.44	0.22	n/a
Effect on yield of charges offset against capital	0.00	0.00	n/a
<b>Other information</b>			
Closing NAV (\$'000)	0	7,638	n/a
Closing NAV percentage of total fund NAV (%)	0.00	0.26	n/a
Number of shares	0	505,674	n/a
Highest share price (Euro ¢)	1,214.18	1,231.91	n/a
Lowest share price (Euro ¢)	929.54	972.79	n/a

#### Euro Class 'C' Income share performance

The share class was launched on 8 August 2014.

for the year to 31 January Change in NAV per share	2019 Euro ¢	2018 Euro ¢	2017 Euro ¢
Opening NAV	3,006.89	2,731.61	2,022.67
Return before operating charges and after direct portfolio transaction costs	(360.88)	363.25	787.79
Operating charges	(20.42)	(28.13)	(25.31)
Return after operating charges	(381.30)	335.12	762.48
Distributions	(71.60)	(59.84)	(53.54)
Return to shareholder as a result of share class closure	(2,553.99)	n/a	n/a
Closing NAV	0.00	3,006.89	2,731.61
<b>Direct portfolio transaction costs</b>	<b>Euro ¢</b>	<b>Euro ¢</b>	<b>Euro ¢</b>
Costs before dilution adjustments	2.88	2.99	2.59
Dilution adjustments <sup>[a]</sup>	(2.17)	(2.18)	(1.40)
Total direct portfolio transaction costs	0.71	0.81	1.19
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.01	0.03	0.04
Operating charges	0.98	0.99	1.03
Return after operating charges	-12.68	+12.27	+37.70
Historic yield	2.31	2.00	1.81
Effect on yield of charges offset against capital	0.90	0.90	0.90
<b>Other information</b>			
Closing NAV (\$'000)	0	4,782	8,693
Closing NAV percentage of total fund NAV (%)	0.00	0.16	0.39
Number of shares	0	127,698	296,002
Highest share price (Euro ¢)	3,021.27	3,128.62	2,831.57
Lowest share price (Euro ¢)	2,602.63	2,741.74	1,906.58

# M&G Global Emerging Markets Fund

## Financial highlights

### Specific share class performance

#### Euro Class 'C' Accumulation share performance

The share class was launched on 5 February 2009.

for the year to 31 January Change in NAV per share	2019 Euro ¢	2018 Euro ¢	2017 Euro ¢
Opening NAV	3,233.97	2,880.46	2,092.38
Return before operating charges and after direct portfolio transaction costs	(389.86)	383.50	813.92
Operating charges	(22.17)	(29.99)	(25.84)
Return after operating charges	(412.03)	353.51	788.08
Distributions	(54.50)	(37.70)	(43.00)
Retained distributions	54.50	37.70	43.00
Return to shareholder as a result of share class closure	(2,821.94)	n/a	n/a
Closing NAV	0.00	3,233.97	2,880.46
<b>Direct portfolio transaction costs</b>	<b>Euro ¢</b>	<b>Euro ¢</b>	<b>Euro ¢</b>
Costs before dilution adjustments	3.14	3.19	2.66
Dilution adjustments <sup>[a]</sup>	(2.36)	(2.32)	(1.44)
Total direct portfolio transaction costs	0.78	0.87	1.22
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.01	0.03	0.04
Operating charges	0.98	0.99	1.02
Return after operating charges	-12.74	+12.27	+37.66
Historic yield	1.36	1.12	1.37
Effect on yield of charges offset against capital	0.00	0.00	0.00
<b>Other information</b>			
Closing NAV (\$'000)	0	608,807	472,412
Closing NAV percentage of total fund NAV (%)	0.00	20.43	20.99
Number of shares	0	15,115,308	15,254,166
Highest share price (Euro ¢)	3,243.37	3,298.54	2,928.40
Lowest share price (Euro ¢)	2,797.26	2,890.65	1,969.64

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

The share class was launched on 24 February 2017.

for the year to 31 January Change in NAV per share	2019 Euro ¢	2018 Euro ¢	2017 Euro ¢
Opening NAV	1,223.84	1,000.00	n/a
Return before operating charges and after direct portfolio transaction costs	(267.53)	234.77	n/a
Operating charges	(8.10)	(10.93)	n/a
Return after operating charges	(275.63)	223.84	n/a
Distributions	(19.19)	(13.87)	n/a
Retained distributions	19.19	13.87	n/a
Return to shareholder as a result of share class closure	(948.21)	n/a	n/a
Closing NAV	0.00	1,223.84	n/a
<b>Direct portfolio transaction costs</b>	<b>Euro ¢</b>	<b>Euro ¢</b>	<b>Euro ¢</b>
Costs before dilution adjustments	1.12	1.14	n/a
Dilution adjustments <sup>[a]</sup>	(0.84)	(0.83)	n/a
Total direct portfolio transaction costs	0.28	0.31	n/a
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.01	0.03	n/a
Operating charges	1.00	1.01	n/a
Return after operating charges	-22.52	+22.38	n/a
Historic yield	1.48	1.11	n/a
Effect on yield of charges offset against capital	0.00	0.00	n/a
<b>Other information</b>			
Closing NAV (\$'000)	0	4,831	n/a
Closing NAV percentage of total fund NAV (%)	0.00	0.16	n/a
Number of shares	0	316,927	n/a
Highest share price (Euro ¢)	1,225.32	1,243.18	n/a
Lowest share price (Euro ¢)	943.87	973.08	n/a

#### Euro Class 'J' Accumulation share performance

The share class was launched on 4 May 2018.

for the year to 31 January Change in NAV per share	2019 Euro ¢	2018 Euro ¢	2017 Euro ¢
Opening NAV	1,000.00	n/a	n/a
Return before operating charges and after direct portfolio transaction costs	(85.16)	n/a	n/a
Operating charges	(3.92)	n/a	n/a
Return after operating charges	(89.08)	n/a	n/a
Distributions	(16.26)	n/a	n/a
Retained distributions	16.26	n/a	n/a
Return to shareholder as a result of share class closure	(910.92)	n/a	n/a
Closing NAV	0.00	n/a	n/a
<b>Direct portfolio transaction costs</b>	<b>Euro ¢</b>	<b>Euro ¢</b>	<b>Euro ¢</b>
Costs before dilution adjustments	0.97	n/a	n/a
Dilution adjustments <sup>[a]</sup>	(0.48)	n/a	n/a
Total direct portfolio transaction costs	0.49	n/a	n/a
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.01	n/a	n/a
Operating charges	0.86	n/a	n/a
Return after operating charges	-8.91	n/a	n/a
Historic yield	1.46	n/a	n/a
Effect on yield of charges offset against capital	0.00	n/a	n/a
<b>Other information</b>			
Closing NAV (\$'000)	0	n/a	n/a
Closing NAV percentage of total fund NAV (%)	0.00	n/a	n/a
Number of shares	0	n/a	n/a
Highest share price (Euro ¢)	1,032.48	n/a	n/a
Lowest share price (Euro ¢)	902.90	n/a	n/a



# M&G Global Emerging Markets Fund

## Financial highlights

### Specific share class performance

#### Singapore dollar Class 'A' Income share performance

The share class was launched on 16 January 2015.

for the year to 31 January Change in NAV per share	2019 Singapore ¢	2018 Singapore ¢	2017 Singapore ¢
Opening NAV	1,252.87	1,074.05	817.53
Return before operating charges and after direct portfolio transaction costs	(191.30)	226.77	292.33
Operating charges	(15.93)	(23.31)	(19.45)
Return after operating charges	(207.23)	203.46	272.88
Distributions	(28.13)	(24.64)	(16.36)
Return to shareholder as a result of share class closure	(1,017.51)	n/a	n/a
Closing NAV	0.00	1,252.87	1,074.05
<b>Direct portfolio transaction costs</b>	<b>Singapore ¢</b>	<b>Singapore ¢</b>	<b>Singapore ¢</b>
Costs before dilution adjustments	1.12	1.41	0.96
Dilution adjustments <sup>[a]</sup>	(0.84)	(1.03)	(0.52)
Total direct portfolio transaction costs	0.28	0.38	0.44
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.01	0.03	0.04
Operating charges	1.97	2.02	2.03
Return after operating charges	-16.54	+18.94	+33.38
Historic yield	2.37	1.98	1.40
Effect on yield of charges offset against capital	1.90	1.90	1.90
<b>Other information</b>			
Closing NAV (\$'000)	0	5	4
Closing NAV percentage of total fund NAV (%)	0.00	0.00	0.00
Number of shares	0	500	500
Highest share price (Singapore ¢)	1,261.72	1,296.73	1,109.15
Lowest share price (Singapore ¢)	1,040.32	1,082.34	780.35

#### Singapore dollar Class 'A' Accumulation share performance

The share class was launched on 16 January 2015.

for the year to 31 January Change in NAV per share	2019 Singapore ¢	2018 Singapore ¢	2017 Singapore ¢
Opening NAV	1,307.69	1,099.18	824.09
Return before operating charges and after direct portfolio transaction costs	(198.60)	232.25	296.14
Operating charges	(17.52)	(23.74)	(21.05)
Return after operating charges	(216.12)	208.51	275.09
Distributions	(12.62)	(3.98)	(6.42)
Retained distributions	12.62	3.98	6.42
Return to shareholder as a result of share class closure	(1,091.57)	n/a	n/a
Closing NAV	0.00	1,307.69	1,099.18
<b>Direct portfolio transaction costs</b>	<b>Singapore ¢</b>	<b>Singapore ¢</b>	<b>Singapore ¢</b>
Costs before dilution adjustments	1.23	1.26	1.08
Dilution adjustments <sup>[a]</sup>	(0.92)	(0.91)	(0.58)
Total direct portfolio transaction costs	0.31	0.35	0.50
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.01	0.03	0.04
Operating charges	1.98	1.99	2.06*
Return after operating charges	-16.53	+18.97	+33.38
Historic yield	0.37	0.17	0.49
Effect on yield of charges offset against capital	0.00	0.00	0.00
<b>Other information</b>			
Closing NAV (\$'000)	0	857	210
Closing NAV percentage of total fund NAV (%)	0.00	0.03	0.01
Number of shares	0	85,692	27,088
Highest share price (Singapore ¢)	1,315.01	1,327.33	1,118.07
Lowest share price (Singapore ¢)	1,086.01	1,106.64	785.72

\* Due to investor inflows, the share class NAV increased significantly towards the end of the year, therefore 2.03% is a more reliable estimate of the year to 31.01.17 ongoing charges.

# M&G Global Emerging Markets Fund

## Financial highlights

### Specific share class performance

#### Singapore dollar Class 'C' Income share performance

The share class was launched on 16 January 2015.

for the year to 31 January Change in NAV per share	2019 Singapore ¢	2018 Singapore ¢	2017 Singapore ¢
Opening NAV	1,270.36	1,078.16	815.64
Return before operating charges and after direct portfolio transaction costs	(194.22)	228.84	293.44
Operating charges	(8.02)	(11.79)	(9.97)
Return after operating charges	(202.24)	217.05	283.47
Distributions	(28.64)	(24.85)	(20.95)
Return to shareholder as a result of share class closure	(1,039.48)	n/a	n/a
Closing NAV	0.00	1,270.36	1,078.16
<b>Direct portfolio transaction costs</b>	<b>Singapore ¢</b>	<b>Singapore ¢</b>	<b>Singapore ¢</b>
Costs before dilution adjustments	1.14	1.41	0.98
Dilution adjustments <sup>[a]</sup>	(0.86)	(1.03)	(0.53)
Total direct portfolio transaction costs	0.28	0.38	0.45
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.01	0.03	0.04
Operating charges	0.97	1.01	1.04*
Return after operating charges	-15.92	+20.13	+34.75
Historic yield	2.34	1.97	1.81
Effect on yield of charges offset against capital	0.90	0.90	0.90
<b>Other information</b>			
Closing NAV (\$'000)	0	5	4
Closing NAV percentage of total fund NAV (%)	0.00	0.00	0.00
Number of shares	0	500	500
Highest share price (Singapore ¢)	1,279.38	1,314.46	1,117.85
Lowest share price (Singapore ¢)	1,062.66	1,086.54	779.01

\* Due to investor inflows, the share class NAV increased significantly towards the end of the year, therefore 1.03% is a more reliable estimate of the year to 31.01.17 ongoing charges.

#### Singapore dollar Class 'C' Accumulation share performance

The share class was launched on 16 January 2015.

for the year to 31 January Change in NAV per share	2019 Singapore ¢	2018 Singapore ¢	2017 Singapore ¢
Opening NAV	1,347.55	1,121.69	832.65
Return before operating charges and after direct portfolio transaction costs	(205.28)	238.45	299.27
Operating charges	(9.10)	(12.59)	(10.23)
Return after operating charges	(214.38)	225.86	289.04
Distributions	(22.11)	(15.31)	(16.41)
Retained distributions	22.11	15.31	16.41
Return to shareholder as a result of share class closure	(1,133.17)	n/a	n/a
Closing NAV	0.00	1,347.55	1,121.69
<b>Direct portfolio transaction costs</b>	<b>Singapore ¢</b>	<b>Singapore ¢</b>	<b>Singapore ¢</b>
Costs before dilution adjustments	1.29	1.43	1.06
Dilution adjustments <sup>[a]</sup>	(0.97)	(1.04)	(0.57)
Total direct portfolio transaction costs	0.32	0.39	0.49
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.01	0.03	0.04
Operating charges	0.98	1.01	1.04*
Return after operating charges	-15.91	+20.14	+34.71
Historic yield	1.36	1.08	1.34
Effect on yield of charges offset against capital	0.00	0.00	0.00
<b>Other information</b>			
Closing NAV (\$'000)	0	51	4
Closing NAV percentage of total fund NAV (%)	0.00	0.00	0.00
Number of shares	0	5,000	500
Highest share price (Singapore ¢)	1,355.14	1,367.58	1,140.83
Lowest share price (Singapore ¢)	1,127.34	1,129.33	794.21

\* Due to investor inflows, the share class NAV increased significantly towards the end of the year, therefore 1.03% is a more reliable estimate of the year to 31.01.17 ongoing charges.

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

The share class was launched on 5 February 2009.

for the year to 31 January Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	277.02	248.67	163.61
Return before operating charges and after direct portfolio transaction costs	(6.34)	38.44	92.89
Operating charges	(4.50)	(4.61)	(3.74)
Return after operating charges	(10.84)	33.83	89.15
Distributions	(7.77)	(5.48)	(4.09)
Closing NAV	258.41	277.02	248.67
<b>Direct portfolio transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.26	0.28	0.22
Dilution adjustments <sup>[a]</sup>	(0.27)	(0.20)	(0.12)
Total direct portfolio transaction costs	(0.01)	0.08	0.10
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.01	0.03	0.04
Operating charges	1.74	1.74	1.77
Return after operating charges	-3.91	+13.60	+54.49
Historic yield	3.01	2.01	1.51
Effect on yield of charges offset against capital	1.65	1.65	1.65
<b>Other information</b>			
Closing NAV (\$'000)	94,598	123,050	109,775
Closing NAV percentage of total fund NAV (%)	8.96	4.13	4.88
Number of shares	27,881,877	31,366,638	35,425,606
Highest share price (UK p)	276.67	288.17	255.33
Lowest share price (UK p)	236.20	247.62	156.99

# M&G Global Emerging Markets Fund

## Financial highlights

### Specific share class performance

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

The share class was launched on 5 February 2009.

for the year to 31 January Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	299.87	263.97	170.90
Return before operating charges and after direct portfolio transaction costs	(6.86)	40.80	97.00
Operating charges	(4.86)	(4.90)	(3.93)
Return after operating charges	(11.72)	35.90	93.07
Distributions	(3.78)	(1.56)	(2.16)
Retained distributions	3.78	1.56	2.16
Closing NAV	288.15	299.87	263.97
<b>Direct portfolio transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.28	0.30	0.23
Dilution adjustments <sup>[a]</sup>	(0.29)	(0.22)	(0.13)
Total direct portfolio transaction costs	(0.01)	0.08	0.10
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.01	0.03	0.04
Operating charges	1.74	1.74	1.77
Return after operating charges	-3.91	+13.60	+54.46
Historic yield	1.30	0.41	0.71
Effect on yield of charges offset against capital	0.00	0.00	0.00
<b>Other information</b>			
Closing NAV (\$'000)	361,952	415,364	345,284
Closing NAV percentage of total fund NAV (%)	34.29	13.94	15.34
Number of shares	95,673,173	97,816,094	104,963,849
Highest share price (UK p)	299.04	305.89	266.66
Lowest share price (UK p)	255.70	262.63	163.80

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

The share class was launched on 5 February 2009.

for the year to 31 January Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	280.24	249.65	163.50
Return before operating charges and after direct portfolio transaction costs	(6.32)	38.77	93.23
Operating charges	(2.62)	(2.65)	(2.18)
Return after operating charges	(8.94)	36.12	91.05
Distributions	(7.89)	(5.53)	(4.90)
Closing NAV	263.41	280.24	249.65
<b>Direct portfolio transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.27	0.28	0.22
Dilution adjustments <sup>[a]</sup>	(0.28)	(0.21)	(0.12)
Total direct portfolio transaction costs	(0.01)	0.07	0.10
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.01	0.03	0.04
Operating charges	0.99	0.99	1.02
Return after operating charges	-3.19	+14.47	+55.69
Historic yield	3.00	2.00	1.82
Effect on yield of charges offset against capital	0.90	0.90	0.90
<b>Other information</b>			
Closing NAV (\$'000)	94,187	196,164	151,863
Closing NAV percentage of total fund NAV (%)	8.92	6.58	6.75
Number of shares	27,234,073	49,431,022	48,815,032
Highest share price (UK p)	279.89	291.49	257.03
Lowest share price (UK p)	240.57	248.61	156.95

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

The share class was launched on 5 February 2009.

for the year to 31 January Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	320.60	280.13	179.99
Return before operating charges and after direct portfolio transaction costs	(7.24)	43.44	102.53
Operating charges	(2.97)	(2.97)	(2.39)
Return after operating charges	(10.21)	40.47	100.14
Distributions	(6.31)	(3.72)	(4.16)
Retained distributions	6.31	3.72	4.16
Closing NAV	310.39	320.60	280.13
<b>Direct portfolio transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.31	0.32	0.25
Dilution adjustments <sup>[a]</sup>	(0.31)	(0.23)	(0.13)
Total direct portfolio transaction costs	0.00	0.09	0.12
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.01	0.03	0.04
Operating charges	0.99	0.99	1.02
Return after operating charges	-3.18	+14.45	+55.64
Historic yield	2.03	1.11	1.36
Effect on yield of charges offset against capital	0.00	0.00	0.00
<b>Other information</b>			
Closing NAV (\$'000)	501,750	586,547	477,128
Closing NAV percentage of total fund NAV (%)	47.53	19.69	21.20
Number of shares	123,119,542	129,194,519	136,680,904
Highest share price (UK p)	319.73	327.02	282.89
Lowest share price (UK p)	275.24	278.70	172.56

# M&G Global Emerging Markets Fund

## Financial highlights

### Specific share class performance

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

The share class was launched on 3 August 2012.

for the year to 31 January Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	143.79	128.40	84.23
Return before operating charges and after direct portfolio transaction costs	(3.30)	19.94	47.94
Operating charges	(1.67)	(1.72)	(1.39)
Return after operating charges	(4.97)	18.22	46.55
Distributions	(4.02)	(2.83)	(2.38)
Closing NAV	134.80	143.79	128.40
<b>Direct portfolio transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.14	0.15	0.11
Dilution adjustments <sup>[a]</sup>	(0.14)	(0.11)	(0.06)
Total direct portfolio transaction costs	0.00	0.04	0.05
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.01	0.03	0.04
Operating charges	1.24	1.24	1.27
Return after operating charges	-3.46	+14.19	+55.27
Historic yield	2.99	2.00	1.72
Effect on yield of charges offset against capital	1.15	1.15	1.15
<b>Other information</b>			
Closing NAV (\$'000)	680	894	455
Closing NAV percentage of total fund NAV (%)	0.06	0.03	0.02
Number of shares	384,117	439,344	284,407
Highest share price (UK p)	143.60	149.55	132.10
Lowest share price (UK p)	123.13	127.88	80.84

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

The share class was launched on 3 August 2012.

for the year to 31 January Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	155.89	136.56	87.96
Return before operating charges and after direct portfolio transaction costs	(3.54)	21.21	50.06
Operating charges	(1.80)	(1.88)	(1.46)
Return after operating charges	(5.34)	19.33	48.60
Distributions	(2.72)	(1.48)	(1.73)
Retained distributions	2.72	1.48	1.73
Closing NAV	150.55	155.89	136.56
<b>Direct portfolio transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.15	0.16	0.12
Dilution adjustments <sup>[a]</sup>	(0.15)	(0.12)	(0.06)
Total direct portfolio transaction costs	0.00	0.04	0.06
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.01	0.03	0.04
Operating charges	1.24	1.24	1.27
Return after operating charges	-3.43	+14.15	+55.25
Historic yield	1.80	0.88	1.15
Effect on yield of charges offset against capital	0.00	0.00	0.00
<b>Other information</b>			
Closing NAV (\$'000)	2,483	1,847	432
Closing NAV percentage of total fund NAV (%)	0.24	0.06	0.02
Number of shares	1,256,138	836,661	253,659
Highest share price (UK p)	155.47	159.02	137.92
Lowest share price (UK p)	133.53	135.86	84.32

#### Swiss franc Class 'A-H' Accumulation share performance

The share class was launched on 24 February 2017.

for the year to 31 January Change in NAV per share	2019 Swiss ¢	2018 Swiss ¢	2017 Swiss ¢
Opening NAV	1,210.33	1,000.00	n/a
Return before operating charges and after direct portfolio transaction costs	(265.29)	231.03	n/a
Operating charges	(15.64)	(20.70)	n/a
Return after operating charges	(280.93)	210.33	n/a
Distributions	(10.25)	(4.17)	n/a
Retained distributions	10.25	4.17	n/a
Return to shareholder as a result of share class closure	(929.40)	n/a	n/a
Closing NAV	0.00	1,210.33	n/a
<b>Direct portfolio transaction costs</b>	<b>Swiss ¢</b>	<b>Swiss ¢</b>	<b>Swiss ¢</b>
Costs before dilution adjustments	1.09	1.08	n/a
Dilution adjustments <sup>[a]</sup>	(0.82)	(0.79)	n/a
Total direct portfolio transaction costs	0.27	0.29	n/a
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.01	0.03	n/a
Operating charges	2.00	2.01	n/a
Return after operating charges	-23.21	+21.03	n/a
Historic yield	0.46	0.22	n/a
Effect on yield of charges offset against capital	0.00	0.00	n/a
<b>Other information</b>			
Closing NAV (\$'000)	0	2,050	n/a
Closing NAV percentage of total fund NAV (%)	0.00	0.07	n/a
Number of shares	0	157,992	n/a
Highest share price (Swiss ¢)	1,211.68	1,229.62	n/a
Lowest share price (Swiss ¢)	925.15	972.39	n/a

#### Swiss franc Class 'C-H' Accumulation share performance

The share class was launched on 24 February 2017.

for the year to 31 January Change in NAV per share	2019 Swiss ¢	2018 Swiss ¢	2017 Swiss ¢
Opening NAV	1,221.04	1,000.00	n/a
Return before operating charges and after direct portfolio transaction costs	(268.97)	231.44	n/a
Operating charges	(8.02)	(10.40)	n/a
Return after operating charges	(276.99)	221.04	n/a
Distributions	(18.20)	(14.08)	n/a
Retained distributions	18.20	14.08	n/a
Return to shareholder as a result of share class closure	(944.05)	n/a	n/a
Closing NAV	0.00	1,221.04	n/a
<b>Direct portfolio transaction costs</b>	<b>Swiss ¢</b>	<b>Swiss ¢</b>	<b>Swiss ¢</b>
Costs before dilution adjustments	1.11	1.08	n/a
Dilution adjustments <sup>[a]</sup>	(0.83)	(0.79)	n/a
Total direct portfolio transaction costs	0.28	0.29	n/a
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.01	0.03	n/a
Operating charges	1.00	1.01	n/a
Return after operating charges	-22.68	+22.10	n/a
Historic yield	1.52	1.10	n/a
Effect on yield of charges offset against capital	0.00	0.00	n/a
<b>Other information</b>			
Closing NAV (\$'000)	0	4,771	n/a
Closing NAV percentage of total fund NAV (%)	0.00	0.16	n/a
Number of shares	0	364,506	n/a
Highest share price (Swiss ¢)	1,222.59	1,240.65	n/a
Lowest share price (Swiss ¢)	939.73	972.68	n/a

# M&G Global Emerging Markets Fund

## Financial highlights

### Specific share class performance

#### US dollar Class 'A' Income share performance

The share class was launched on 8 August 2014.

for the year to 31 January Change in NAV per share	2019 US ¢	2018 US ¢	2017 US ¢
Opening NAV	2,732.97	2,164.13	1,637.16
Return before operating charges and after direct portfolio transaction costs	(539.34)	671.48	600.12
Operating charges	(35.81)	(47.85)	(40.84)
Return after operating charges	(575.15)	623.63	559.28
Distributions	(59.57)	(54.79)	(32.31)
Return to shareholder as a result of share class closure	(2,098.25)	n/a	n/a
Closing NAV	0.00	2,732.97	2,164.13
<b>Direct portfolio transaction costs</b>	<b>US ¢</b>	<b>US ¢</b>	<b>US ¢</b>
Costs before dilution adjustments	2.51	2.53	2.11
Dilution adjustments <sup>[a]</sup>	(1.88)	(1.84)	(1.14)
Total direct portfolio transaction costs	0.63	0.69	0.97
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.01	0.03	0.04
Operating charges	1.99	1.99	2.03
Return after operating charges	-21.04	+28.82	+34.16
Historic yield	2.54	2.03	1.37
Effect on yield of charges offset against capital	1.90	1.90	1.90
<b>Other information</b>			
Closing NAV (\$'000)	0	1,556	937
Closing NAV percentage of total fund NAV (%)	0.00	0.05	0.04
Number of shares	0	56,946	43,303
Highest share price (US ¢)	2,740.65	2,832.24	2,217.86
Lowest share price (US ¢)	2,147.94	2,186.27	1,596.33

#### US dollar Class 'A' Accumulation share performance

The share class was launched on 5 February 2009.

for the year to 31 January Change in NAV per share	2019 US ¢	2018 US ¢	2017 US ¢
Opening NAV	2,861.60	2,222.27	1,655.73
Return before operating charges and after direct portfolio transaction costs	(565.49)	688.44	606.77
Operating charges	(37.82)	(49.11)	(40.23)
Return after operating charges	(603.31)	639.33	566.54
Distributions	(25.09)	(9.06)	(13.13)
Retained distributions	25.09	9.06	13.13
Return to shareholder as a result of share class closure	(2,258.29)	n/a	n/a
Closing NAV	0.00	2,861.60	2,222.27
<b>Direct portfolio transaction costs</b>	<b>US ¢</b>	<b>US ¢</b>	<b>US ¢</b>
Costs before dilution adjustments	2.65	2.60	2.08
Dilution adjustments <sup>[a]</sup>	(1.99)	(1.89)	(1.12)
Total direct portfolio transaction costs	0.66	0.71	0.96
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.01	0.03	0.04
Operating charges	1.98	1.99	2.02
Return after operating charges	-21.08	+28.77	+34.22
Historic yield	0.40	0.19	0.50
Effect on yield of charges offset against capital	0.00	0.00	0.00
<b>Other information</b>			
Closing NAV (\$'000)	0	123,745	87,429
Closing NAV percentage of total fund NAV (%)	0.00	4.15	3.89
Number of shares	0	4,324,337	3,934,208
Highest share price (US ¢)	2,865.42	2,907.22	2,243.97
Lowest share price (US ¢)	2,247.94	2,244.14	1,612.60

#### US dollar Class 'C' Income share performance

The share class was launched on 8 August 2014.

for the year to 31 January Change in NAV per share	2019 US ¢	2018 US ¢	2017 US ¢
Opening NAV	2,911.64	2,282.40	1,716.00
Return before operating charges and after direct portfolio transaction costs	(577.88)	711.36	632.84
Operating charges	(19.08)	(25.32)	(21.49)
Return after operating charges	(596.96)	686.04	611.35
Distributions	(62.51)	(56.80)	(44.95)
Return to shareholder as a result of share class closure	(2,252.17)	n/a	n/a
Closing NAV	0.00	2,911.64	2,282.40
<b>Direct portfolio transaction costs</b>	<b>US ¢</b>	<b>US ¢</b>	<b>US ¢</b>
Costs before dilution adjustments	2.69	2.69	2.20
Dilution adjustments <sup>[a]</sup>	(2.02)	(1.96)	(1.19)
Total direct portfolio transaction costs	0.67	0.73	1.01
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.01	0.03	0.04
Operating charges	0.98	0.99	1.02
Return after operating charges	-20.50	+30.06	+35.63
Historic yield	2.45	1.97	1.84
Effect on yield of charges offset against capital	0.90	0.90	0.90
<b>Other information</b>			
Closing NAV (\$'000)	0	4,919	4,132
Closing NAV percentage of total fund NAV (%)	0.00	0.17	0.18
Number of shares	0	168,941	181,060
Highest share price (US ¢)	2,919.63	3,015.17	2,349.80
Lowest share price (US ¢)	2,304.08	2,307.14	1,674.15

# M&G Global Emerging Markets Fund

## Financial highlights

### Specific share class performance

#### US dollar Class 'C' Accumulation share performance

The share class was launched on 5 February 2009.

for the year to 31 January Change in NAV per share	2019 US ¢	2018 US ¢	2017 US ¢
Opening NAV	3,129.89	2,406.57	1,775.07
Return before operating charges and after direct portfolio transaction costs	(621.13)	750.11	653.42
Operating charges	(20.50)	(26.79)	(21.92)
Return after operating charges	(641.63)	723.32	631.50
Distributions	(48.32)	(36.30)	(35.90)
Retained distributions	48.32	36.30	35.90
Return to shareholder as a result of share class closure	(2,488.26)	n/a	n/a
Closing NAV	0.00	3,129.89	2,406.57
<b>Direct portfolio transaction costs</b>	<b>US ¢</b>	<b>US ¢</b>	<b>US ¢</b>
Costs before dilution adjustments	2.89	2.84	2.25
Dilution adjustments <sup>[a]</sup>	(2.17)	(2.07)	(1.22)
Total direct portfolio transaction costs	0.72	0.77	1.03
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.01	0.03	0.04
Operating charges	0.99	0.99	1.02
Return after operating charges	-20.50	+30.06	+35.58
Historic yield	1.46	1.11	1.38
Effect on yield of charges offset against capital	0.00	0.00	0.00
<b>Other information</b>			
Closing NAV (\$'000)	0	684,747	426,357
Closing NAV percentage of total fund NAV (%)	0.00	22.98	18.95
Number of shares	0	21,877,655	17,716,425
Highest share price (US ¢)	3,134.20	3,179.30	2,429.76
Lowest share price (US ¢)	2,476.86	2,430.32	1,729.49

#### US dollar Class 'J' Accumulation share performance

The share class was launched on 4 May 2018.

for the year to 31 January Change in NAV per share	2019 US ¢	2018 US ¢	2017 US ¢
Opening NAV	1,000.00	n/a	n/a
Return before operating charges and after direct portfolio transaction costs	(132.47)	n/a	n/a
Operating charges	(3.82)	n/a	n/a
Return after operating charges	(136.29)	n/a	n/a
Distributions	(15.42)	n/a	n/a
Retained distributions	15.42	n/a	n/a
Return to shareholder as a result of share class closure	(863.71)	n/a	n/a
Closing NAV	0.00	n/a	n/a
<b>Direct portfolio transaction costs</b>	<b>US ¢</b>	<b>US ¢</b>	<b>US ¢</b>
Costs before dilution adjustments	0.95	n/a	n/a
Dilution adjustments <sup>[a]</sup>	(0.46)	n/a	n/a
Total direct portfolio transaction costs	0.49	n/a	n/a
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.01	n/a	n/a
Operating charges	0.86	n/a	n/a
Return after operating charges	-13.63	n/a	n/a
Historic yield	1.57	n/a	n/a
Effect on yield of charges offset against capital	0.00	n/a	n/a
<b>Other information</b>			
Closing NAV (\$'000)	0	n/a	n/a
Closing NAV percentage of total fund NAV (%)	0.00	n/a	n/a
Number of shares	0	n/a	n/a
Highest share price (US ¢)	1,025.15	n/a	n/a
Lowest share price (US ¢)	859.75	n/a	n/a

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

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



# M&G Global Emerging Markets Fund

## Financial statements and notes

### Financial statements

Statement of total return					
for the year to 31 January	Note	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Income					
Net capital gains / (losses)	3		(456,423)		673,774*
Revenue	5	69,515		69,853	
Expenses	6	(24,592)		(33,749)	
Net revenue / (expense) before taxation		44,923		36,104	
Taxation	7	(5,715)		(6,736)*	
Net revenue / (expense) after taxation			39,208		29,368*
<b>Total return before distributions</b>			<b>(417,215)</b>		<b>703,142</b>
Distributions	8		(41,481)		(33,133)
<b>Change in net assets attributable to shareholders from investment activities</b>			<b>(458,696)</b>		<b>670,009</b>

\* Reclassified to comply with current period disclosure requirements.

Statement of change in net assets attributable to shareholders					
for the year to 31 January		2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
<b>Opening net assets attributable to shareholders</b>		<b>2,979,840</b>	<b>2,250,229</b>		
Amounts received on issue of shares		393,520		841,919	
Amounts paid on cancellation of shares		(1,253,899)		(810,742)	
Transfer to M&G (Lux) Global Emerging Markets Fund		(634,198)		0	
			(1,494,577)		31,177
Dilution adjustments			3,322		3,275
Change in net assets attributable to shareholders from investment activities (see above)			(458,696)		670,009
Retained distributions on Accumulation shares			25,761		25,150
<b>Closing net assets attributable to shareholders</b>		<b>1,055,650</b>	<b>2,979,840</b>		

Balance sheet			
as at 31 January	Note	2019 \$'000	2018 \$'000
<b>Assets</b>			
<b>Fixed assets</b>			
Investments		1,034,285	2,924,216
<b>Current assets</b>			
Debtors	9	6,805	53,390
Cash and bank balances	10	19,217	22,023
Cash equivalents		4,702	61,195
<b>Total assets</b>		<b>1,065,009</b>	<b>3,060,824</b>
<b>Liabilities</b>			
Investment liabilities		0	(12)
<b>Creditors</b>			
Bank overdrafts		0	(37,550)
Distribution payable		(5,685)	(6,814)
Other creditors	11	(3,674)	(36,608)
<b>Total liabilities</b>		<b>(9,359)</b>	<b>(80,984)</b>
<b>Net assets attributable to shareholders</b>		<b>1,055,650</b>	<b>2,979,840</b>

### Notes to the financial statements

#### 1 Accounting policies

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

#### 2 Distribution policy

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

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

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

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

for the year to 31 January	2019 \$'000	2018 \$'000
Non-derivative securities	(452,681)	673,189*
Derivative contracts	(2,480)	830
Currency gains / (losses)	(1,186)	(186)
Transaction charges	(76)	(59)
<b>Net capital gains / (losses)</b>	<b>(456,423)</b>	<b>673,774</b>

\* Reclassified to comply with current period disclosure requirements.

# M&G Global Emerging Markets Fund

## Financial statements and notes

### Notes to the financial statements

#### 4 Portfolio transactions and associated costs

The following tables show portfolio transactions and their associated transaction costs. For more information about the nature of the costs please see the section on 'Operating charges and portfolio transaction costs' on pages 55 and 56.

for the year to 31 January	2019 \$'000	% of transaction	2018 \$'000	% of transaction
<b>a) Purchases</b>				
<b>Equities</b>				
Equities before transaction costs	372,590		852,624	
Commissions	283	0.08	562	0.07
Taxes	152	0.04	610	0.07
<b>Equities after transaction costs</b>	<b>373,025</b>		<b>853,796</b>	
<b>Other transaction types</b>				
Corporate actions	0		10,471	
<b>Total purchases after transaction costs</b>	<b>373,025</b>		<b>864,267</b>	
<b>b) Sales</b>				
<b>Equities</b>				
Equities before transaction costs	1,182,719		790,279	
Commissions	(621)	0.05	(642)	0.08
Taxes	(1,266)	0.11	(1,014)	0.12
<b>Equities after transaction costs</b>	<b>1,180,832</b>		<b>788,623</b>	
<b>Other transaction types</b>				
Corporate actions	0		42,695	
<b>Total sales after transaction costs</b>	<b>1,180,832</b>		<b>831,318</b>	
<b>c) Direct portfolio transaction costs</b>				
	2019 \$'000	% of average NAV	2018 \$'000	% of average NAV
<b>Commissions paid</b>				
Equities	904	0.04	1,204	0.05
<b>Taxes paid</b>				
Equities	1,418	0.06	1,624	0.06
<b>Total direct portfolio transaction costs [a]</b>	<b>2,322</b>	<b>0.10</b>	<b>2,828</b>	<b>0.11</b>
<b>d) Indirect portfolio transaction costs</b>				
		%		%
Portfolio dealing spread [b]		0.22		0.17

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

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

#### 5 Revenue

for the year to 31 January	2019 \$'000	2018 \$'000
Bank interest	8	1
Distributions from collective investment schemes: taxable	82	0
Dividends from equity investments: non-taxable	61,395	61,231
Dividends from equity investments: taxable	6,612	8,034
Interest distributions	462	519
Interest on debt securities	(3)	0
Share class hedging revenue	(6)	3
Stock dividends	965	0
Underwriting commission	0	65
<b>Total revenue</b>	<b>69,515</b>	<b>69,853</b>

#### 6 Expenses

for the year to 31 January	2019 \$'000	2018 \$'000
<b>Payable to the ACD or associate</b>		
Annual management charge	19,937	27,327
Administration charge	2,936	4,020
Share class hedging charge	3	1
	<b>22,876</b>	<b>31,348</b>
<b>Payable to the Depositary or associate</b>		
Depositary's charge (including VAT)	91	112
<b>Other expenses</b>		
Audit fee (including VAT)	13	14
Dividend charges	279	179
Interest payable	12	9
Legal fees	5	0
Safe custody charge	1,249	2,078
Tax fees (including VAT)	67	9
	<b>1,625</b>	<b>2,289</b>
<b>Total expenses</b>	<b>24,592</b>	<b>33,749</b>

#### 7 Taxation

for the year to 31 January	2019 \$'000	2018 \$'000
<b>a) Analysis of charge in the year</b>		
Corporation tax	0	0
Withholding tax	5,632	6,642
Capital gains tax (India)	83	94*
Deferred tax (note 7c)	0	0
<b>Total taxation</b>	<b>5,715</b>	<b>6,736</b>
<b>b) Factors affecting taxation charge for the year</b>		
Net revenue / (expense) before taxation	44,923	36,104
Corporation tax at 20%	8,985	7,221
<b>Effects of:</b>		
Dividends from equity investments: non-taxable	(12,279)	(12,246)
Stock dividends not taxable	(193)	0
Current year expenses not utilised	3,636	5,537
Withholding tax	5,632	6,642
Withholding tax expensed	(149)	(189)
Capital gains tax (India)	83	94*
Prior year adjustment to expenses not utilised	0	(323)
<b>Total tax charge (note 7a)</b>	<b>5,715</b>	<b>6,736</b>
<b>c) Provision for deferred taxation</b>		
Provision at the start of the year	0	0
Deferred tax in profit and loss account (note 7a)	0	0
<b>Provision at the end of the year</b>	<b>0</b>	<b>0</b>

\* Restated.

The fund has not recognised a deferred tax asset of \$31,074,000 (2018: \$27,438,000) arising as a result of having excess management expenses. We do not expect this asset to be utilised in the foreseeable future.

# M&G Global Emerging Markets Fund

## Financial statements and notes

### Notes to the financial statements

#### 8 Distributions

for the year to 31 January	2019		2018	
	Inc <sup>[a]</sup> \$'000	Acc <sup>[b]</sup> \$'000	Inc <sup>[a]</sup> \$'000	Acc <sup>[b]</sup> \$'000
<b>Dividend distributions</b>				
Final	6,108	25,761	6,814	25,150
Total net distributions		31,869		31,964
Income deducted on cancellation of shares		12,756		5,140
Income received on issue of shares		(3,144)		(3,971)
<b>Distributions</b>		<b>41,481</b>		<b>33,133</b>
Net revenue / (expense) per statement of total return		39,207		29,368*
Expenses offset against capital		3,149		3,671
Stock dividends not distributed		(958)		0
Capital gains tax offset against capital		83		94
<b>Distributions</b>		<b>41,481</b>		<b>33,133</b>

[a] Distributions payable on Income shares.

[b] Retained distributions on Accumulation shares.

\* Restated.

#### 9 Debtors

as at 31 January	2019 \$'000	2018 \$'000
Amounts receivable on issues of shares	469	11,372
Currency deals outstanding	1,946	12,850
Distributions receivable	10	54
Dividends receivable	3,279	8,367
Sales awaiting settlement	1,101	20,742
Withholding tax recoverable	0	5
<b>Total debtors</b>	<b>6,805</b>	<b>53,390</b>

#### 10 Cash and bank balances

as at 31 January	2019 \$'000	2018 \$'000
Cash held as bank balances	19,217	22,023
<b>Total cash and bank balances</b>	<b>19,217</b>	<b>22,023</b>

#### 11 Other creditors

as at 31 January	2019 \$'000	2018 \$'000
ACD's annual management charge payable	514	1,296
Administration charge payable	72	194
Amounts payable on cancellation of shares	770	5,023
Currency deals outstanding	1,968	12,894
Expenses payable	242	862
Purchases awaiting settlement	69	16,339
Amounts due to M&G (Lux) Global Emerging Markets Fund	39	0
<b>Total other creditors</b>	<b>3,674</b>	<b>36,608</b>

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

At the balance sheet date, the sub-fund had a contingent liability of \$47,897 (31.01.18: \$nil) in respect of LOG Commercial Properties e Participações 40,371 nil paid shares resulting from a rights issue whereby, one nil paid share was issued for every 0.196973 ordinary shares held. The nil paid shares were exercised on 7 February 2019 at BRL22.00 per share.

#### 13 Shares in issue

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

Share class	Opening 01.02.18	Movements		Closing 31.01.19
		Issued	Cancelled	
<b>Euro</b>				
Class 'A' Income	389,476	37,320	(426,796)	0
Class 'A' Accumulation	5,251,896	747,847	(5,999,743)	0
Class 'A-H' Accumulation	505,674	319,096	(824,770)	0
Class 'C' Income	127,698	73,412	(201,110)	0
Class 'C' Accumulation	15,115,308	2,666,738	(17,782,046)	0
Class 'C-H' Accumulation	316,927	779,618	(1,096,545)	0
Class 'J' Accumulation	0	4,105	(4,105)	0
<b>Singapore dollar</b>				
Class 'A' Income	500	2,159	(2,659)	0
Class 'A' Accumulation	85,692	23,073	(108,765)	0
Class 'C' Income	500	2,108	(2,608)	0
Class 'C' Accumulation	5,000	1,015	(6,015)	0
<b>Sterling</b>				
Class 'A' Income	31,366,638	608,830	(4,093,591)	27,881,877
Class 'A' Accumulation	97,816,094	2,418,985	(4,561,906)	95,673,173
Class 'I' Income	49,431,022	5,623,344	(27,820,293)	27,234,073
Class 'I' Accumulation	129,194,519	35,100,664	(41,175,641)	123,119,542
Class 'R' Income	439,344	130,994	(186,221)	384,117
Class 'R' Accumulation	836,661	665,088	(245,611)	1,256,138
<b>Swiss franc</b>				
Class 'A-H' Accumulation	157,992	22,245	(180,237)	0
Class 'C-H' Accumulation	364,506	208,314	(572,820)	0
<b>US dollar</b>				
Class 'A' Income	56,946	43,036	(99,982)	0
Class 'A' Accumulation	4,324,337	318,448	(4,642,785)	0
Class 'C' Income	168,941	27,050	(195,991)	0
Class 'C' Accumulation	21,877,655	2,568,593	(24,446,248)	0
Class 'J' Accumulation	0	21,889	(21,889)	0

# M&G Global Emerging Markets Fund

## Financial statements and notes

### Notes to the financial statements

#### 14 Charging structure

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

Share class	Entry charge %	Exit charge %	Annual management charge %	Share class hedging charge %
<b>Euro</b>				
Class 'A'	4.00	n/a	1.75	n/a
Class 'A-H'	4.00	n/a	1.75	[a]
Class 'C'	1.25	n/a	0.75	n/a
Class 'C-H'	1.25	n/a	0.75	[a]
Class 'J'	1.25	n/a	[b]	n/a
<b>Singapore dollar</b>				
Class 'A'	4.00	n/a	1.75	n/a
Class 'C'	1.25	n/a	0.75	n/a
<b>Sterling</b>				
Class 'A'	nil	n/a	1.50	n/a
Class 'I'	nil	n/a	0.75	n/a
Class 'R'	nil	n/a	1.00	n/a
<b>Swiss franc</b>				
Class 'A-H'	4.00	n/a	1.75	[a]
Class 'C-H'	1.25	n/a	0.75	[a]
<b>US dollar</b>				
Class 'A'	4.00	n/a	1.75	n/a
Class 'C'	1.25	n/a	0.75	n/a
Class 'J'	1.25	n/a	[b]	n/a

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

[b] This charge is up to 0.75%.

#### 15 Related parties

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

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

At the balance sheet date, shareholders from within Prudential plc, of which M&G Securities Limited is a wholly owned subsidiary, have holdings totalling 28.29% (2018: 16.34%) of the fund's shares.

#### 16 Events after the balance sheet date

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

#### 17 Fair value analysis

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

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

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

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

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

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

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

as at 31 January	Assets 2019	Liabilities 2019	Assets 2018	Liabilities 2018
Basis of valuation	\$'000	\$'000	\$'000	\$'000
Level 1	1,034,285	0	2,917,844	0
Level 2	0	0	631	(12)
Level 3	0	0	5,741	0
	<b>1,034,285</b>	<b>0</b>	<b>2,924,216</b>	<b>(12)</b>

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

#### 18 Risk management policies

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

#### 19 Market risk sensitivity

A five per cent increase in the value of the fund's investment portfolio would have the effect of increasing the return and net assets by \$51,714,000 (2018: \$146,180,000). A five per cent decrease would have an equal and opposite effect.

# M&G Global Emerging Markets Fund

## Financial statements and notes

### Notes to the financial statements

#### 20 Currency risk sensitivity and exposure

A five per cent increase in the value of the funds's currency exposure would have the effect of increasing the return and net assets by \$52,783,000 (2018: \$148,992,000). A five per cent decrease would have an equal and opposite effect.

as at 31 January	2019 \$'000	2018 \$'000
<b>Currency exposure in respect of the fund</b>		
Brazilian real	95,308	267,777
Canadian dollar	10,742	35,517
Egyptian pound	0	5,424
Euro	0	14,266
Hong Kong dollar	243,404	651,119
Indian rupee	17,378	73,045
Indonesian rupiah	17,755	31,476
Mexican peso	49,835	79,361
Philippine peso	6,940	5,436
Singapore dollar	9,239	36,387
Sterling	26,457	56,611
South African rand	64,096	299,817
South Korean won	157,309	458,426
Taiwan dollar	121,986	425,697
Turkish lira	30,003	39,365
US dollar	205,198	493,467
<b>Currency exposures in respect of share class hedging</b>		
Swiss franc	0	6,649
<b>Total</b>	<b>1,055,650</b>	<b>2,979,840</b>

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

This fund contains hedged share classes. These share classes operate currency hedges designed to reduce the impact of exchange rates in certain circumstances. As a result, profit and loss on the currency hedges may impact the liquidity of the overall fund. On a day to day basis this is monitored using reporting from the outsourced provider of the hedged share class service. On an ongoing basis the size of the hedged share classes is monitored to ensure that unforeseen exchange rate volatility can be adequately managed without significantly impacting all shareholders. The exposure to forward currency contracts for share class hedging at the year-end accounting date is disclosed in the portfolio statement on page 52.

#### 22 Dividend distribution tables

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

<b>Annual distribution period</b>				
	Start	End	Xd	Payment
Final <sup>[a]</sup>	01.02.18	31.01.19	01.02.19	31.03.19

<sup>[a]</sup> As a result of the merger of the non-sterling share classes of M&G Global Emerging Markets Fund into M&G (Lux) Global Emerging Markets Fund on 26 October 2018, any income available for distribution to the non-sterling share classes to the effective date of the merger was distributed to shareholders on 20 December 2018.

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

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

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

#### Euro Class 'A' Income shares

Ordinary distributions for the year to 31 January	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2018	
	€	€	€	€
Final	37.0014	28.8513	65.8527	55.6129

#### Euro Class 'A' Accumulation shares

Ordinary distributions for the year to 31 January	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2018	
	€	€	€	€
Final	15.7195	12.9237	28.6432	9.1067

#### Euro Class 'A-H' Accumulation shares

Ordinary distributions for the year to 31 January	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2018	
	€	€	€	€
Final	9.4042	1.0643	10.4685	4.0492

#### Euro Class 'C' Income shares

Ordinary distributions for the year to 31 January	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2018	
	€	€	€	€
Final	62.6764	8.9277	71.6041	59.8419

#### Euro Class 'C' Accumulation shares

Ordinary distributions for the year to 31 January	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2018	
	€	€	€	€
Final	39.7489	14.7559	54.5048	37.7035

#### Euro Class 'C-H' Accumulation shares

Ordinary distributions for the year to 31 January	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2018	
	€	€	€	€
Final	16.5671	2.6230	19.1901	13.8707

#### Euro Class 'J' Accumulation shares

Ordinary distributions for the year to 31 January	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2018	
	€	€	€	€
Final	4.0888	12.1702	16.2590	0.0000

# M&G Global Emerging Markets Fund

## Financial statements and notes

### Notes to the financial statements

#### 22 Dividend distribution tables (continued)

##### Singapore dollar Class 'A' Income shares

Ordinary distributions for the year to 31 January	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
	¢	¢	¢	¢
Final	6.6411	21.4855	28.1266	24.6420

##### Singapore dollar Class 'A' Accumulation shares

Ordinary distributions for the year to 31 January	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
	¢	¢	¢	¢
Final	11.5874	1.0289	12.6163	3.9807

##### Singapore dollar Class 'C' Income shares

Ordinary distributions for the year to 31 January	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
	¢	¢	¢	¢
Final	6.7736	21.8696	28.6432	24.8480

##### Singapore dollar Class 'C' Accumulation shares

Ordinary distributions for the year to 31 January	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
	¢	¢	¢	¢
Final	4.8252	17.2810	22.1062	15.3088

##### Sterling Class 'A' Income shares

Ordinary distributions for the year to 31 January	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
	p	p	p	p
Final	6.3137	1.4579	7.7716	5.4812

##### Sterling Class 'A' Accumulation shares

Ordinary distributions for the year to 31 January	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
	p	p	p	p
Final	1.7320	2.0445	3.7765	1.5576

##### Sterling Class 'I' Income shares

Ordinary distributions for the year to 31 January	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
	p	p	p	p
Final	5.8465	2.0386	7.8851	5.5278

##### Sterling Class 'I' Accumulation shares

Ordinary distributions for the year to 31 January	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
	p	p	p	p
Final	2.3475	3.9649	6.3124	3.7187

##### Sterling Class 'R' Income shares

Ordinary distributions for the year to 31 January	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
	p	p	p	p
Final	2.5900	1.4341	4.0241	2.8308

##### Sterling Class 'R' Accumulation shares

Ordinary distributions for the year to 31 January	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
	p	p	p	p
Final	1.6324	1.0840	2.7164	1.4767

##### Swiss franc Class 'A-H' Accumulation shares

Ordinary distributions for the year to 31 January	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
	¢	¢	¢	¢
Final	8.0666	2.1801	10.2467	4.1656

##### Swiss franc Class 'C-H' Accumulation shares

Ordinary distributions for the year to 31 January	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
	¢	¢	¢	¢
Final	15.6750	2.5257	18.2007	14.0750

##### US dollar Class 'A' Income shares

Ordinary distributions for the year to 31 January	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
	¢	¢	¢	¢
Final	52.8819	6.6863	59.5682	54.7857

##### US dollar Class 'A' Accumulation shares

Ordinary distributions for the year to 31 January	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
	¢	¢	¢	¢
Final	18.8974	6.1918	25.0892	9.0621

##### US dollar Class 'C' Income shares

Ordinary distributions for the year to 31 January	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
	¢	¢	¢	¢
Final	50.7341	11.7796	62.5137	56.8038

##### US dollar Class 'C' Accumulation shares

Ordinary distributions for the year to 31 January	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
	¢	¢	¢	¢
Final	37.4177	10.9017	48.3194	36.2950

##### US dollar Class 'J' Accumulation shares

Ordinary distributions for the year to 31 January	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
	¢	¢	¢	¢
Final	6.9793	8.4383	15.4176	0.0000



# M&G Global Floating Rate High Yield Fund

## Authorised Corporate Director's Report

### Investment objective

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

### Investment policy

The fund invests on a global basis mainly in high yield corporate or government floating rate notes and asset backed securities denominated in any currency. Floating rate note exposure may be achieved either directly or synthetically, through various combinations of government securities, corporate bonds, cash, credit default swaps, interest rate swaps, asset swaps or other credit derivatives.

The fund may also invest in other government and public securities and other transferable securities, collective investment schemes, cash and near cash, deposits, warrants, money market instruments and other derivative instruments.

Any currency exposures within the fund may be managed by currency hedges.

Derivatives may be used in pursuit of the fund's objective and for efficient portfolio management purposes.

### Investment approach

The M&G Global Floating Rate High Yield Fund is designed to provide an attractive level of income, along with a natural hedge against rising interest rates, by investing mainly in high yield floating rates notes (FRNs). FRNs are bonds which pay a variable rate of income, which is regularly reset in line with changes in interest rates. If interest rates rise, investors in FRNs will benefit from a higher income as their coupons are automatically adjusted upwards (equally, should interest rates fall, then the coupons will be adjusted downwards). The fund invests predominantly in FRNs issued by high yield companies, which typically pay higher rates of interest to compensate investors for the greater risk of default. The fund is globally diversified and the fund manager has the flexibility to invest in the best opportunities across different regions, including the US, continental Europe and the UK.

### Risk profile

The fund invests globally in high yield corporate or government floating rate notes and asset-backed securities denominated in any currency. It is, therefore, subject to the price volatility of the global bond market and the performance of individual issuers. It is also subject to fluctuations in currency exchange rates.

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

The fund focuses on floating rate notes issued by companies with a low credit rating, which typically pay higher levels of interest to compensate investors for the greater risk of default. These higher risk assets could potentially experience a degree of illiquidity in times of market distress.

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

The following table shows the risk number associated with the fund and is based on Sterling Class 'A-H' 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 February 2019, for the year ended 31 January 2019**

#### Performance against objective

Between 1 February 2018 (the start of the review period) and 1 February 2019, the M&G Global Floating Rate High Yield Fund's sterling share classes delivered a mixed performance in terms of the total return (the combination of income and growth of capital)\*.

The fund's returns lagged a comparative index, the ICE BofAML Global Floating Rate High Yield 3% Constrained (GBP Hedged) Index. Over the 12 months, the index returned 0.7% in sterling terms.

Between 1 February 2018 and 7 December 2018, the fund's non-sterling share classes also delivered a mixed performance. On 7 December 2018 the fund's non-sterling share classes merged into the M&G (Lux) Global Floating Rate High Yield Fund, a Luxembourg-authorised SICAV, which launched on that date.

In this reporting period, the fund has not met its objective of providing income\*\* and capital growth, although it has met this objective over three years and since launch.

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

\*\* The fund's distribution and distribution yield are as shown in the 'Specific share class performance' tables in the 'Fund performance' section of this report. This fund provides a variable level of income.

# M&G Global Floating Rate High Yield Fund

## Authorised Corporate Director's Report

### Investment review

#### Investment performance

The M&G Global Floating Rate High Yield Fund is designed to provide an attractive level of income, along with a natural hedge against rising interest rates, by investing mainly in floating rate notes (FRNs). These are securities whose interest payments, or coupons, are periodically adjusted depending on the change in a reference interest rate.

If interest rates rise, investors in FRNs will benefit from a higher income as coupons are automatically adjusted upwards (equally, should interest rates fall, then the coupons will be adjusted downwards).

The fund invests predominantly in FRNs issued by high yield companies, so called because they generally pay relatively high rates of interest to compensate investors for the greater risk that they might fail to repay the money they have borrowed.

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

From a regional perspective, US high yield outperformed, thanks in part to the continued resilience of the US economy. While a sharp fall in oil prices weighed on US energy names in the final quarter of 2018, other sectors, such as healthcare and real estate, continued to hold up well. High yields bonds in Europe and emerging markets, however, endured a more challenging backdrop, with ongoing political uncertainty and slowing economic momentum weighing on returns.

In contrast to the turbulence across the wider fixed income market, high yield FRNs proved relatively resilient over the period. These instruments benefited from their more defensive characteristics and bias towards less cyclical sectors, as well as their minimal sensitivity to movements in interest rates.

High yield markets bounced back strongly in the first month of 2019, with the asset class recovering some of its earlier losses. Despite signs of a further slowdown in global economic activity, sentiment was boosted by the likelihood that further US interest rate rises would be postponed for the time being, as well as by signs of progress in the US-China trade talks.

The fund's performance was helped by its relatively modest exposure to Italian issues and an avoidance of the Italian banking sector in the aftermath of the Italian election. Being defensively positioned from a sector perspective generally proved helpful, such as our below-index exposure to the retail and energy sectors. However, returns were held back by an above-index allocation to banks, and a below-index allocation to technology & electronics.

#### Investment activities

While remaining defensively positioned overall, we have taken advantage of recent market weakness by adding back a small amount of risk to the portfolio. We continue to see attractive opportunities in the European primary high yield FRN market, where we have been able to capture additional yield compared to equivalent

bonds trading in the secondary market. We also took the opportunity to add some high-quality names at attractive prices following last year's Italian election, including issues from financial services provider Nexi Capital and software company TeamSystem Group.

In the primary high yield FRN market, we participated in a range of new deals at compelling prices, including issues from recycling company Groupe Ecore, Italian packaging company Guala and French car parts distributor Autodis. We view the steady flow of new issuance over the past couple of years as a positive development which should help to bring additional liquidity and diversification to the high yield FRN market.

In terms of sales, we took the opportunity to reduce some of our lower conviction holdings during periods of more favourable market conditions, including issues from heat exchange manufacturer Galapagos and medical outsourcer IDH.

The fund remains relatively defensively positioned from a sector perspective, with a continued focus on businesses backed by high-quality assets and which should be able to perform well in a variety of economic conditions, such as global packaging companies and cable operators. However, we are maintaining minimal exposure to companies that are more exposed to the economic cycle, such as energy companies and retailers.

#### Outlook

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

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

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

#### James Tomlins

Fund manager

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

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

# M&G Global Floating Rate High Yield Fund

## Authorised Corporate Director's Report

### Investments

Portfolio statement			
as at 31 January Holding	2019 \$'000	2019 %	2018 %
<b>FIXED INCOME</b>	<b>596,513</b>	<b>80.32</b>	<b>84.87</b>
<b>Debt securities</b>	<b>588,874</b>	<b>79.29</b>	<b>83.39</b>
<b>'AA' credit rated bonds</b>	<b>63,689</b>	<b>8.57</b>	<b>17.79</b>
€1,366,000 Paragon Mortgages No. 15 FRN 0.23% 15/12/2039	1,326	0.18	
\$17,818,500 US Treasury FRN 2.42% 30/04/2020	17,811	2.39	
\$44,546,200 US Treasury FRN 2.46% 30/04/2019	44,552	6.00	
<b>'A' credit rated bonds</b>	<b>20,267</b>	<b>2.73</b>	<b>2.66</b>
\$1,782,000 Bank of America FRN 3.78% 24/04/2023	1,778	0.24	
\$3,778,000 Bank of America FRN 3.92% 20/01/2023	3,801	0.51	
\$762,000 ING Groep FRN 3.95% 29/03/2022	761	0.10	
\$2,548,000 JPMorgan Chase FRN 4.01% 24/10/2023	2,566	0.35	
£624,113 Mitchells & Butlers Finance FRN GBP 1.36% 15/12/2030	750	0.10	
\$1,974,420 Mitchells & Butlers Finance FRN USD 3.24% 15/12/2030	1,804	0.24	
\$6,520,000 UBS Group Funding (Switzerland) FRN 3.87% 23/05/2023	6,513	0.88	
\$2,281,000 Wells Fargo & Company FRN 3.97% 31/10/2023	2,294	0.31	
<b>'BBB' credit rated bonds</b>	<b>30,314</b>	<b>4.08</b>	<b>4.56</b>
€2,500,000 American International Group Var. Rate 1.42% 15/03/2067	2,155	0.29	
\$713,000 Bank of America FRN 3.55% 15/09/2026	666	0.09	
\$4,571,000 Barclays Bank FRN 4.41% 10/01/2023	4,508	0.61	
\$1,751,000 Barclays Bank FRN 4.73% 10/08/2021	1,769	0.24	
\$2,156,000 Citigroup FRN 3.24% 25/08/2036	1,628	0.22	
\$1,247,000 Citigroup FRN 3.93% 02/08/2021	1,261	0.17	
\$4,968,000 Citigroup FRN 4.17% 01/09/2023	5,024	0.68	
\$445,000 CoreStates Capital III FRN 3.19% 15/02/2027	396	0.05	
\$2,049,000 Credit Suisse Group Funding FRN 5.07% 16/04/2021	2,108	0.28	
€2,368,000 Ford Motor Credit FRN 0.38% 01/12/2024	2,295	0.31	
\$4,098,000 HCA 4.5% 15/02/2027	4,095	0.55	
£60,000 Mitchells & Butlers Finance FRN 1.51% 15/12/2033	63	0.01	
\$774,000 Morgan Stanley FRN 3.81% 08/05/2024	773	0.10	
\$3,654,000 Royal Bank of Scotland FRN 4.09% 15/05/2023	3,573	0.48	
<b>'BB' credit rated bonds</b>	<b>160,937</b>	<b>21.67</b>	<b>21.53</b>
€5,326,000 AnaCap Financial FRN 5% 01/08/2024	5,017	0.68	
€4,455,000 Ardagh Packaging Finance 2.75% 15/03/2024	5,121	0.69	
\$6,415,000 Ardagh Packaging Finance 4.63% 15/05/2023	6,362	0.86	
€891,000 Arena Luxembourg Finance 2.88% 01/11/2024	1,025	0.14	
€2,099,000 Arena Luxembourg Finance FRN 2.75% 01/11/2023	2,405	0.32	
€7,103,000 Arrow Global Finance FRN 2.88% 01/04/2025	7,634	1.03	

### Portfolio statement (continued)

as at 31 January Holding	2019 \$'000	2019 %	2018 %
<b>'BB' credit rated bonds (continued)</b>			
€4,452,000 Arrow Global Finance FRN 3.75% 01/03/2026	4,874	0.66	
\$2,673,000 Cemex 5.7% 11/01/2025	2,683	0.36	
\$1,782,000 Cemex Finance 6% 01/04/2024	1,817	0.24	
€1,848,000 Ceva Logistics Finance 5.25% 01/08/2025	2,150	0.29	
\$891,000 Credit Suisse Group Var. Rate 7.13% Perpetual	917	0.12	
\$2,673,000 CSC Holdings 5.38% 15/07/2023	2,686	0.36	
\$9,803,000 Energy Transfer Partners FRN 5.75% 01/11/2066	7,688	1.03	
€7,569,000 HT1 Funding Var. Rate 1.82% Perpetual	7,324	0.99	
€5,467,000 Intrum FRN 2.63% 15/07/2022	6,042	0.81	
€1,336,000 IQVIA 3.25% 15/03/2025	1,551	0.21	
\$2,229,000 Liberty Mutual Group Var. Rate 5.69% 07/03/2067	2,096	0.28	
€1,959,000 Louvre Bidco FRN 5.38% 30/09/2024	2,237	0.30	
€5,362,000 Naviera Armas FRN 4.25% 15/11/2024	5,716	0.77	
€4,113,000 Naviera Armas FRN 6.5% 31/07/2023	4,630	0.62	
€1,069,000 Nomad Foods 3.25% 15/05/2024	1,241	0.17	
€2,584,000 Progroup FRN 2.5% 31/03/2024	2,958	0.40	
€4,250,000 Smurfit Kappa Acquisitions FRN 3.19% 15/10/2020	5,053	0.68	
\$5,100,000 Standard Chartered Var. Rate 4.26% Perpetual	3,955	0.53	
€4,811,400 Telenet Finance VI 4.88% 15/07/2027	5,914	0.80	
\$6,330,000 Tenet Healthcare 4.63% 15/07/2024	6,207	0.84	
€4,805,000 Tenneco FRN 4.88% 15/04/2024	5,545	0.75	
€7,127,000 Unitymedia Hessen 4% 15/01/2025	8,494	1.14	
\$2,584,000 Virgin Media Secured Finance 5.25% 15/01/2026	2,531	0.34	
€27,962,000 Wind Tre FRN 2.75% 20/01/2024	28,721	3.87	
€891,000 Ziggo 3.75% 15/01/2025	1,042	0.14	
€8,018,000 Ziggo 4.25% 15/01/2027	9,301	1.25	
<b>'B' credit rated bonds</b>	<b>291,983</b>	<b>39.32</b>	<b>34.60</b>
€3,374,000 3AB Optique Developpement FRN 4.13% 01/10/2023	3,706	0.50	
€3,258,000 Algeco Global Finance FRN 6.25% 15/02/2023	3,758	0.51	
€2,673,000 Altice France 5.63% 15/05/2024	3,163	0.43	
\$3,207,000 Altice France 6.25% 15/05/2024	3,110	0.42	
\$1,782,000 Altice France 7.38% 01/05/2026	1,688	0.23	
€6,756,000 Autodis FRN 4.38% 01/05/2022	7,607	1.02	
€415,000 Bausch Health 4.5% 15/05/2023	471	0.06	
€5,661,000 Bormioli Pharma Bidco FRN 3.5% 15/11/2024	5,891	0.79	
€4,455,000 Burger King France 6% 01/05/2024	5,387	0.72	
€4,377,000 Burger King France FRN 5.25% 01/05/2023	5,070	0.68	
€2,673,000 Cabot Financial Luxembourg 7.5% 01/10/2023	3,302	0.44	
€5,600,000 Cabot Financial Luxembourg FRN 5.88% 15/11/2021	6,326	0.85	
€4,488,000 Carlson Travel FRN 4.75% 15/06/2023	5,142	0.69	
\$2,811,000 Chesapeake Energy FRN 6.04% 15/04/2019	2,804	0.38	
€5,523,000 Cirsia Finance International FRN 5.75% 20/12/2023	6,438	0.87	

# M&G Global Floating Rate High Yield Fund

## Authorised Corporate Director's Report

### Investments

Portfolio statement (continued)			
as at 31 January Holding	2019 \$'000	2019 %	2018 %
<b>'B' credit rated bonds (continued)</b>			
€2,584,000 Fabric FRN 4.13% 30/11/2024	2,914	0.39	
€5,917,000 Fire FRN 4.75% 30/09/2024	6,625	0.89	
£2,607,000 Galaxy Bidco FRN 5.39% 15/11/2020	3,380	0.45	
€3,732,000 Gamenet Group FRN 3.75% 27/04/2023	4,162	0.56	
€7,074,000 Garfunkelux Holdco 3 FRN 3.5% 01/09/2023	6,519	0.88	
€6,474,000 Garfunkelux Holdco 3 FRN 4.5% 01/09/2023	6,062	0.82	
£5,702,000 Garfunkelux Holdco 8.5% 01/11/2022	6,279	0.85	
€5,227,000 Groupe Ecore Holding FRN 6.25% 15/11/2023	5,695	0.77	
€2,352,000 Guala Closures FRN 3.5% 15/04/2024	2,702	0.36	
€5,373,000 HEMA Bondco I FRN 6.25% 15/07/2022	5,245	0.71	
£5,346,000 Iceland Bondco 4.63% 15/03/2025	6,230	0.84	
£1,425,000 Iceland Bondco 6.75% 15/07/2024	1,816	0.24	
€3,264,000 Infopro Digital FRN 4.5% 15/07/2022	3,746	0.50	
€3,448,000 International Design Group FRN 6% 15/11/2025	3,791	0.51	
€3,537,000 Lecta FRN 6.38% 01/08/2022	3,849	0.52	
€4,786,000 Limacorporate FRN 3.75% 15/08/2023	5,485	0.74	
€4,261,000 LSF10 Wolverine Investments FRN 4.63% 15/03/2024	4,819	0.65	
€4,057,000 Marcolin FRN 4.13% 15/02/2023	4,651	0.63	
€7,127,000 Matterhorn Telecom 4% 15/11/2027	7,590	1.02	
€1,018,143 Matterhorn Telecom FRN 3.25% 01/02/2023	1,160	0.16	
€3,250,000 Montichem Holdco FRN 4.44% 15/06/2021	3,679	0.50	
£2,821,000 Newday Bondco FRN 7.41% 01/02/2023	3,361	0.45	
€12,704,000 Nexi Capital FRN 3.63% 01/05/2023	14,519	1.94	
€2,667,000 Novafives FRN 4.5% 15/06/2025	2,583	0.35	
€4,031,000 Paprec Holding FRN 3.5% 31/03/2025	3,908	0.53	
€21,106,000 Picard Groupe FRN 3% 30/11/2023	23,243	3.13	
£3,479,000 Premier Foods Finance FRN 5.93% 15/07/2022	4,512	0.61	
€4,995,000 Promontoria Holding 264 FRN 6.25% 15/08/2023	5,676	0.76	
\$13,325,000 Reynolds Group FRN 6.29% 15/07/2021	13,342	1.80	
€1,899,000 Rossini Sarl FRN 6.25% 30/10/2025	2,202	0.30	
€5,984,000 Selecta Group FRN 5.38% 01/02/2024	6,661	0.90	
€4,948,000 Sisal Group FRN 6.63% 31/07/2022	5,670	0.76	
£2,673,000 Stonegate Pub Company 4.88% 15/03/2022	3,392	0.46	
£2,888,000 Stonegate Pub Company FRN 5.28% 15/03/2022	3,686	0.50	
€15,085,000 Synlab Bondco FRN 3.5% 01/07/2022	17,282	2.33	
€5,959,000 Tendam Brands FRN 5.25% 15/09/2024	6,560	0.88	
£2,275,000 TVL Finance FRN 5.76% 15/05/2023	2,947	0.40	
€7,836,000 United Group FRN 4.38% 01/07/2023	8,965	1.21	
£1,767,000 Vue International Bidco 7.88% 15/07/2020	2,311	0.31	
€786,000 Vue International Bidco FRN 4.93% 15/07/2020	901	0.12	

### Portfolio statement (continued)

as at 31 January Holding	2019 \$'000	2019 %	2018 %
<b>'CCC' credit rated bonds</b>			
SEK29,020,000 Verisure Midholding FRN 5.75% 01/12/2023	3,236	0.44	1.30
<b>Bonds with no credit rating</b>			
£1,350,000 Ardonagh Midco 8.38% 15/07/2023	1,498	0.20	
£3,118,000 House of Fraser Funding FRN 6.55% 15/09/2020	232	0.03	
£7,470,000 Stonegate 7% 15/03/2022	9,738	1.31	
€6,104,000 TeamSystem FRN 4% 15/04/2023	6,980	0.94	
<b>Debt derivatives</b>			
<b>Credit default swaps</b>			
€(4,099,000) Iceland Bondco Jun 2022	376	0.05	
\$(33,846,580) Markit CDX North American High Yield Series 25 5 Year Dec 2020	1,812	0.24	
\$(34,210,560) Markit CDX North American High Yield Series 26 5 Year Jun 2021	1,965	0.26	
\$(57,138,110) Markit CDX North American High Yield Series 28 5 Year Jun 2022	3,675	0.50	
\$(1,396,500) Markit CDX North American High Yield Series 29 5 Year Dec 2022	90	0.01	
€(1,933,854) Markit iTraxx Europe Xover Series 26 5 Year Dec 2021	156	0.02	
€(8,790,154) Markit iTraxx Europe Xover Series 29 5 Year Jun 2023	734	0.10	
€(2,227,000) Vue International Bidco Dec 2021	192	0.03	
€(3,564,000) Vue International Bidco Jun 2022	305	0.04	
<b>Asset swaps</b>			
\$2,673,000 Altice US Finance Pay 5.375% Receive VAR Jul 2023	(27)	0.00	
€3,564,000 Ardagh Packaging Finance Pay 2.75% Receive VAR Mar 2024	(57)	(0.01)	
\$5,525,000 Ardagh Packaging Finance Pay 4.625% Receive VAR May 2023	52	0.01	
\$891,000 Ardagh Packaging Finance Pay 4.875% Receive VAR May 2027	11	0.00	
€891,000 Arena Luxembourg Pay 2.875% Receive VAR Nov 2024	(8)	0.00	
€4,455,000 Burger King France Pay 6% Receive VAR May 2024	(259)	(0.04)	
£2,673,000 Cabot Financial Pay 7.5% Receive VAR Oct 2023	(147)	(0.02)	
\$891,000 Cemex Finance Pay 5.7% Receive VAR Jan 2025	(25)	0.00	
\$1,782,000 Cemex Finance Pay 5.75% Receive VAR Jan 2025	27	0.00	
\$1,782,000 Cemex Finance Pay 6% Receive VAR Apr 2024	(29)	0.00	
€1,848,000 Ceva Logistics Finance Pay 5.25% Receive VAR Aug 2025	(41)	(0.01)	
\$891,000 Credit Suisse Pay 7.125% Receive VAR Perpetual	11	0.00	
£2,673,000 Garfunkelux Pay 8.5% Receive VAR Nov 2022	(56)	(0.01)	
\$4,098,000 HCA Pay 4.5% Receive VAR Feb 2027	110	0.01	
£5,346,000 Iceland Bondco Pay 4.625% Receive VAR Mar 2025	152	0.02	
£1,426,000 Iceland Bondco Pay 6.75% Receive VAR Jul 2024	(83)	(0.01)	
€7,127,000 Matterhorn Telecom Pay 4% Receive VAR Nov 2027	(160)	(0.02)	
€535,000 Nomad Foods Pay 3.25% Receive VAR May 2024	(5)	0.00	
€1,336,000 Quintiles Pay 3.25% Receive VAR Mar 2025	(5)	0.00	

# M&G Global Floating Rate High Yield Fund

## Authorised Corporate Director's Report

### Investments

Portfolio statement (continued)			
as at 31 January	2019	2019	2018
Holding	\$'000	%	%
<b>Asset swaps (continued)</b>			
€891,000 SFR Group Pay 5.625% Receive VAR May 2024	(34)	0.00	
\$3,207,000 SFR Group Pay 6.25% Receive VAR May 2024	(13)	0.00	
\$1,782,000 SFR Group Pay 7.375% Receive VAR May 2026	(17)	0.00	
£2,673,000 Stonegate Pub Pay 4.875% Receive VAR Mar 2022	(8)	0.00	
€3,920,000 Telenet Finance Pay 4.875% Receive VAR Jul 2027	(261)	(0.04)	
€891,000 Telnet Finance Pay 4.875% Receive VAR Jul 2027	(61)	(0.01)	
\$891,000 THC Escrow Pay 4.625% VAR Apr 2024	17	0.00	
€1,782,000 Unity Media Kabelbw Pay 4% Receive VAR Jan 2025	(66)	(0.01)	
€5,346,000 Unity Pay 4% Receive VAR Jan 2025	(226)	(0.03)	
\$2,584,000 Virgin Media Pay 5.25% Receive VAR Jan 2026	48	0.01	
€178,000 Ziggo Pay 3.75% Receive VAR Jan 2023	(5)	0.00	
€713,000 Ziggo Pay 3.75% Receive VAR Jan 2025	(28)	0.00	
€8,019,000 Ziggo Pay 4.25% Receive VAR Jan 2027	(473)	(0.06)	
<b>CURRENCY</b>	<b>(3,027)</b>	<b>(0.41)</b>	<b>(1.68)</b>
<b>Forward currency contracts</b>	<b>(3,027)</b>	<b>(0.41)</b>	<b>(1.68)</b>
€8,446,634 Bought for \$9,679,246 (expires 13.02.19)	31	0.00	
€(327,081,947) Sold for \$374,988,220 (expires 13.02.19)	(1,033)	(0.14)	
£2,720,115 Bought for \$3,578,814 (expires 13.02.19)	(6)	0.00	
£(43,686,621) Sold for \$55,320,253 (expires 13.02.19)	(2,064)	(0.28)	
SEK(29,333,524) Sold for \$3,297,480 (expires 13.02.19)	45	0.01	
<b>Portfolio of investments</b>	<b>593,486</b>	<b>79.91</b>	<b>83.19</b>
<b>CASH EQUIVALENTS</b>	<b>71,184</b>	<b>9.59</b>	<b>9.04</b>
<b>'AAA' rated money market funds [a]</b>	<b>71,184</b>	<b>9.59</b>	<b>9.04</b>
71,184,328 Northern Trust Global Fund - US dollar	71,184	9.59	
<b>SHARE CLASS HEDGING</b>	<b>31,876</b>	<b>4.29</b>	<b>2.76</b>
<b>Forward currency contracts for share class hedging</b>	<b>31,876</b>	<b>4.29</b>	<b>2.76</b>
£602,221,258 Bought for \$758,074,280 (expires 13.02.19)	32,975	4.44	
£(34,992,039) Sold for \$44,864,547 (expires 13.02.19)	(1,099)	(0.15)	
<b>Total portfolio (notes 2c &amp; 2d on page 7)</b>	<b>696,546</b>	<b>93.79</b>	<b>94.99</b>
<b>Net other assets / (liabilities)</b>	<b>46,117</b>	<b>6.21</b>	<b>5.01</b>
<b>Net assets attributable to shareholders</b>	<b>742,663</b>	<b>100.00</b>	<b>100.00</b>

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

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



# M&G Global Floating Rate High Yield 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-H' (Accumulation) shares and Sterling Class 'I-H' (Accumulation) shares.

We show performance for these two share classes because:

- The performance of the Sterling Class 'A-H' (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-H' (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.

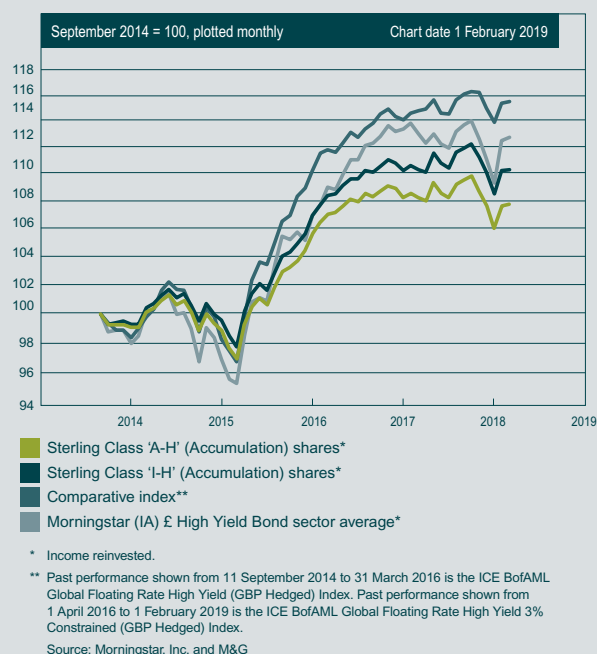
The fund is available for investment in different share classes, each with varying levels of charges and minimum investments; please refer to the Prospectus for M&G Investment Funds (7), which is available free of charge either from our website at [www.mandg.co.uk/prospectuses](http://www.mandg.co.uk/prospectuses) or by calling M&G Customer Relations.

### Fund level performance

Fund net asset value			
as at 31 January	2019 \$'000	2018 \$'000	2017 \$'000
Fund net asset value (NAV)	742,663	5,456,246	2,160,036

### 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-H' (Accumulation) shares and Sterling Class 'I-H' (Accumulation) shares.





# M&G Global Floating Rate High Yield 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 7 December 2018 for the non-sterling share classes and 1 February 2019 for the sterling share classes. Calculated on a price to price basis with income reinvested.

Long-term performance by share class				
	One year 01.02.18 % <sup>[a]</sup>	Three years 01.02.16 % p.a.	Five years 03.02.14 % p.a.	Since launch % p.a.
<b>Euro <sup>[b]</sup></b>				
Class 'A-H'	-2.5	+2.4	n/a	+1.0 <sup>[c]</sup>
Class 'B-H'	-2.8	+1.9	n/a	+0.8 <sup>[c]</sup>
Class 'C-H'	-2.0	+3.0	n/a	+1.6 <sup>[c]</sup>
<b>Singapore dollar <sup>[b]</sup></b>				
Class 'A-H'	-0.3	+4.3	n/a	+3.1 <sup>[e]</sup>
Class 'A-H M'	-0.4	+4.3	n/a	+3.5 <sup>[f]</sup>
Class 'C-H M'	+0.1	+4.9	n/a	+4.1 <sup>[f]</sup>
<b>Sterling <sup>[g]</sup></b>				
Class 'A-H'	-0.8	+3.3	n/a	+1.7 <sup>[c]</sup>
Class 'E-H'	+0.0	+4.1	n/a	+2.5 <sup>[c]</sup>
Class 'I-H'	-0.3	+3.8	n/a	+2.2 <sup>[c]</sup>
Class 'R-H'	-0.6	+3.5	n/a	+2.0 <sup>[c]</sup>
<b>Swiss franc <sup>[b]</sup></b>				
Class 'A-H'	-2.8	+1.9	n/a	+0.5 <sup>[c]</sup>
Class 'C-H'	-2.3	+2.6	n/a	+1.1 <sup>[c]</sup>
<b>US dollar <sup>[b]</sup></b>				
Class 'A'	-0.1	+4.5	n/a	+2.6 <sup>[c]</sup>
Class 'A M'	+0.3	+4.6	n/a	+3.6 <sup>[f]</sup>
Class 'C'	+0.4	+5.1	n/a	+3.2 <sup>[c]</sup>
Class 'C M'	+0.8	+5.2	n/a	+4.2 <sup>[f]</sup>

<sup>[a]</sup> Absolute basis.

<sup>[b]</sup> Price to price with gross income reinvested.

<sup>[c]</sup> 11 September 2014, the launch date of the fund.

<sup>[d]</sup> 11 September 2015, the launch date of the share class.

<sup>[e]</sup> 16 January 2015, the launch date of the share class.

<sup>[f]</sup> 9 October 2015, the launch date of the share class.

<sup>[g]</sup> Price to price with income reinvested.

### 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 Global Floating Rate High Yield 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. As the fund invests wholly in fixed interest securities no direct portfolio transaction costs are applicable. To give an indication of the indirect portfolio dealing costs the table below shows the average portfolio dealing spread.

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

Portfolio transaction costs				
as at 31 January	2019	2018	2017	Average <sup>[a]</sup>
Indirect portfolio transaction costs	%	%	%	%
Average portfolio dealing spread	0.77	0.51	0.66	0.65

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

### Specific share class performance

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

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

### Euro Class 'A-H' Income share performance

The share class was launched on 11 September 2014.

for the year to 31 January	2019	2018	2017
Change in NAV per share	Euro ¢	Euro ¢	Euro ¢
Opening NAV	950.86	974.87	930.76
Return before operating charges and after direct portfolio transaction costs	(8.86)	30.74	93.98
Operating charges	(11.35)	(14.16)	(13.85)
Return after operating charges	(20.21)	16.58	80.13
Distributions	(36.62)	(40.59)	(36.02)
Return to shareholder as a result of share class closure	(894.03)	n/a	n/a
Closing NAV	0.00	950.86	974.87
<b>Direct portfolio transaction costs</b>	<b>Euro ¢</b>	<b>Euro ¢</b>	<b>Euro ¢</b>
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments <sup>[a]</sup>	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.00
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.00	0.00	0.00
Operating charges	1.44	1.43	1.45
Return after operating charges	-2.13	+1.70	+8.61
Distribution yield	4.75	4.10	4.14
Effect on yield of charges offset against capital	1.42	1.42	1.42
<b>Other information</b>			
Closing NAV (\$'000)	0	348,615	99,028
Closing NAV percentage of total fund NAV (%)	0.00	6.39	4.59
Number of shares	0	29,437,700	9,448,121
Highest share price (Euro ¢)	956.92	989.60	992.01
Lowest share price (Euro ¢)	895.56	959.35	923.39

# M&G Global Floating Rate High Yield Fund

## Financial highlights

### Specific share class performance

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

The share class was launched on 11 September 2014.

for the year to 31 January Change in NAV per share	2019 Euro ¢	2018 Euro ¢	2017 Euro ¢
Opening NAV	1,070.83	1,052.67	968.33
Return before operating charges and after direct portfolio transaction costs	(10.25)	33.67	99.03
Operating charges	(12.97)	(15.51)	(14.69)
Return after operating charges	(23.22)	18.16	84.34
Distributions	(29.03)	(29.38)	(30.48)
Retained distributions	29.03	29.38	30.48
Return to shareholder as a result of share class closure	(1,047.61)	n/a	n/a
Closing NAV	0.00	1,070.83	1,052.67
<b>Direct portfolio transaction costs</b>	<b>Euro ¢</b>	<b>Euro ¢</b>	<b>Euro ¢</b>
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments <sup>[a]</sup>	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.00
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.00	0.00	0.00
Operating charges	1.44	1.43	1.45
Return after operating charges	-2.17	+1.73	+8.71
Distribution yield	3.32	2.71	2.74
Effect on yield of charges offset against capital	0.00	0.00	0.00
<b>Other information</b>			
Closing NAV (\$'000)	0	1,715,358	585,633
Closing NAV percentage of total fund NAV (%)	0.00	31.44	27.11
Number of shares	0	128,620,587	51,744,585
Highest share price (Euro ¢)	1,077.72	1,080.71	1,059.45
Lowest share price (Euro ¢)	1,043.90	1,058.51	960.04

#### Euro Class 'B-H' Income share performance

The share class was launched on 11 September 2015.

for the year to 31 January Change in NAV per share	2019 Euro ¢	2018 Euro ¢	2017 Euro ¢
Opening NAV	965.39	994.48	952.41
Return before operating charges and after direct portfolio transaction costs	(8.55)	31.74	95.64
Operating charges	(15.54)	(19.51)	(19.11)
Return after operating charges	(24.09)	12.23	76.53
Distributions	(37.11)	(41.32)	(34.46)
Return to shareholder as a result of share class closure	(904.19)	n/a	n/a
Closing NAV	0.00	965.39	994.48
<b>Direct portfolio transaction costs</b>	<b>Euro ¢</b>	<b>Euro ¢</b>	<b>Euro ¢</b>
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments <sup>[a]</sup>	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.00
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.00	0.00	0.00
Operating charges	1.94	1.93	1.97
Return after operating charges	-2.50	+1.23	+8.04
Distribution yield	4.75	4.11	4.14
Effect on yield of charges offset against capital	1.92	1.92	1.92
<b>Other information</b>			
Closing NAV (\$'000)	0	52,998	8,944
Closing NAV percentage of total fund NAV (%)	0.00	0.97	0.41
Number of shares	0	4,407,914	836,515
Highest share price (Euro ¢)	970.40	1,008.40	1,012.02
Lowest share price (Euro ¢)	905.74	974.46	944.87

# M&G Global Floating Rate High Yield Fund

## Financial highlights

### Specific share class performance

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

The share class was launched on 11 September 2015.

for the year to 31 January Change in NAV per share	2019 Euro ¢	2018 Euro ¢	2017 Euro ¢
Opening NAV	1,056.49	1,043.92	965.30
Return before operating charges and after direct portfolio transaction costs	(9.21)	33.39	98.49
Operating charges	(17.24)	(20.82)	(19.87)
Return after operating charges	(26.45)	12.57	78.62
Distributions	(24.15)	(23.77)	(25.27)
Retained distributions	24.15	23.77	25.27
Return to shareholder as a result of share class closure	(1,030.04)	n/a	n/a
Closing NAV	0.00	1,056.49	1,043.92
<b>Direct portfolio transaction costs</b>	<b>Euro ¢</b>	<b>Euro ¢</b>	<b>Euro ¢</b>
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments <sup>[a]</sup>	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.00
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.00	0.00	0.00
Operating charges	1.94	1.93	1.98*
Return after operating charges	-2.50	+1.20	+8.14
Distribution yield	2.81	2.21	2.26
Effect on yield of charges offset against capital	0.00	0.00	0.00
<b>Other information</b>			
Closing NAV (\$'000)	0	118,135	22,795
Closing NAV percentage of total fund NAV (%)	0.00	2.16	1.06
Number of shares	0	8,978,117	2,030,993
Highest share price (Euro ¢)	1,062.16	1,067.63	1,050.60
Lowest share price (Euro ¢)	1,026.39	1,049.63	956.79

\* Due to investor inflows, the share class NAV increased significantly towards the end of the year, therefore 1.94% is a more reliable estimate of the year to 31.01.17 ongoing charges.

#### Euro Class 'C-H' Income share performance

The share class was launched on 11 September 2014.

for the year to 31 January Change in NAV per share	2019 Euro ¢	2018 Euro ¢	2017 Euro ¢
Opening NAV	958.55	976.78	930.22
Return before operating charges and after direct portfolio transaction costs	(8.90)	30.84	93.55
Operating charges	(6.63)	(8.27)	(8.07)
Return after operating charges	(15.53)	22.57	85.48
Distributions	(37.02)	(40.80)	(38.92)
Return to shareholder as a result of share class closure	(906.00)	n/a	n/a
Closing NAV	0.00	958.55	976.78
<b>Direct portfolio transaction costs</b>	<b>Euro ¢</b>	<b>Euro ¢</b>	<b>Euro ¢</b>
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments <sup>[a]</sup>	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.00
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.00	0.00	0.00
Operating charges	0.84	0.83	0.84
Return after operating charges	-1.62	+2.31	+9.19
Distribution yield	4.75	4.10	4.13
Effect on yield of charges offset against capital	0.82	0.82	0.82
<b>Other information</b>			
Closing NAV (\$'000)	0	113,986	54,289
Closing NAV percentage of total fund NAV (%)	0.00	2.09	2.51
Number of shares	0	9,547,870	5,169,530
Highest share price (Euro ¢)	965.89	992.91	994.03
Lowest share price (Euro ¢)	907.55	966.10	923.19

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

The share class was launched on 11 September 2014.

for the year to 31 January Change in NAV per share	2019 Euro ¢	2018 Euro ¢	2017 Euro ¢
Opening NAV	1,091.18	1,066.28	975.64
Return before operating charges and after direct portfolio transaction costs	(10.49)	34.07	99.24
Operating charges	(7.69)	(9.17)	(8.60)
Return after operating charges	(18.18)	24.90	90.64
Distributions	(35.19)	(36.35)	(36.96)
Retained distributions	35.19	36.35	36.96
Return to shareholder as a result of share class closure	(1,073.00)	n/a	n/a
Closing NAV	0.00	1,091.18	1,066.28
<b>Direct portfolio transaction costs</b>	<b>Euro ¢</b>	<b>Euro ¢</b>	<b>Euro ¢</b>
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments <sup>[a]</sup>	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.00
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.00	0.00	0.00
Operating charges	0.84	0.83	0.84
Return after operating charges	-1.67	+2.34	+9.29
Distribution yield	3.92	3.30	3.33
Effect on yield of charges offset against capital	0.00	0.00	0.00
<b>Other information</b>			
Closing NAV (\$'000)	0	984,744	408,045
Closing NAV percentage of total fund NAV (%)	0.00	18.05	18.89
Number of shares	0	72,460,427	35,593,143
Highest share price (Euro ¢)	1,099.90	1,099.42	1,073.24
Lowest share price (Euro ¢)	1,069.19	1,072.30	967.42

# M&G Global Floating Rate High Yield Fund

## Financial highlights

### Specific share class performance

#### Singapore dollar Class 'A-H' Income share performance

The share class was launched on 16 January 2015.

for the year to 31 January Change in NAV per share	2019 Singapore ¢	2018 Singapore ¢	2017 Singapore ¢
Opening NAV	1,017.39	1,027.42	964.63
Return before operating charges and after direct portfolio transaction costs	7.67	48.08	115.11
Operating charges	(12.23)	(14.87)	(14.48)
Return after operating charges	(4.56)	33.21	100.63
Distributions	(39.57)	(43.24)	(37.84)
Return to shareholder as a result of share class closure	(973.26)	n/a	n/a
Closing NAV	0.00	1,017.39	1,027.42
<b>Direct portfolio transaction costs</b>	<b>Singapore ¢</b>	<b>Singapore ¢</b>	<b>Singapore ¢</b>
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments <sup>[a]</sup>	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.00
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.00	0.00	0.00
Operating charges	1.44	1.43	1.46
Return after operating charges	-0.45	+3.23	+10.43
Distribution yield	4.74	4.13	4.14
Effect on yield of charges offset against capital	1.42	1.42	1.42
<b>Other information</b>			
Closing NAV (\$'000)	0	8,273	3,450
Closing NAV percentage of total fund NAV (%)	0.00	0.15	0.16
Number of shares	0	1,063,585	475,439
Highest share price (Singapore ¢)	1,028.02	1,046.75	1,045.03
Lowest share price (Singapore ¢)	974.87	1,023.21	957.84

#### Singapore dollar Class 'A-H M' Income share performance

The share class was launched on 9 October 2015.

for the year to 31 January Change in NAV per share	2019 Singapore ¢	2018 Singapore ¢	2017 Singapore ¢
Opening NAV	1,017.64	1,026.93	964.67
Return before operating charges and after direct portfolio transaction costs	7.31	48.67	114.33
Operating charges	(12.15)	(14.89)	(14.65)
Return after operating charges	(4.84)	33.78	99.68
Distributions	(39.47)	(43.07)	(37.42)
Return to shareholder as a result of share class closure	(973.33)	n/a	n/a
Closing NAV	0.00	1,017.64	1,026.93
<b>Direct portfolio transaction costs</b>	<b>Singapore ¢</b>	<b>Singapore ¢</b>	<b>Singapore ¢</b>
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments <sup>[a]</sup>	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.00
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.00	0.00	0.00
Operating charges	1.44	1.43	1.58*
Return after operating charges	-0.48	+3.29	+10.33
Distribution yield	4.74	4.13	4.14
Effect on yield of charges offset against capital	1.42	1.42	1.42
<b>Other information</b>			
Closing NAV (\$'000)	0	31,062	3,904
Closing NAV percentage of total fund NAV (%)	0.00	0.57	0.18
Number of shares	0	3,992,367	538,137
Highest share price (Singapore ¢)	1,022.10	1,040.74	1,037.50
Lowest share price (Singapore ¢)	974.71	1,019.15	957.87

\* Due to investor inflows, the share class NAV increased significantly towards the end of the year, therefore 1.45% is a more reliable estimate of the year to 31.01.17 ongoing charges.

# M&G Global Floating Rate High Yield Fund

## Financial highlights

### Specific share class performance

#### Singapore dollar Class 'C-H M' Income share performance

The share class was launched on 9 October 2015.

for the year to 31 January Change in NAV per share	2019 Singapore ¢	2018 Singapore ¢	2017 Singapore ¢
Opening NAV	1,026.09	1,028.97	963.54
Return before operating charges and after direct portfolio transaction costs	7.32	49.13	114.11
Operating charges	(7.16)	(8.72)	(8.36)
Return after operating charges	0.16	40.41	105.75
Distributions	(39.90)	(43.29)	(40.32)
Return to shareholder as a result of share class closure	(986.35)	n/a	n/a
Closing NAV	0.00	1,026.09	1,028.97
<b>Direct portfolio transaction costs</b>	<b>Singapore ¢</b>	<b>Singapore ¢</b>	<b>Singapore ¢</b>
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments <sup>[a]</sup>	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.00
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.00	0.00	0.00
Operating charges	0.84	0.83	0.84
Return after operating charges	+0.02	+3.93	+10.98
Distribution yield	4.74	4.13	4.14
Effect on yield of charges offset against capital	0.82	0.82	0.82
<b>Other information</b>			
Closing NAV (\$'000)	0	1,349	47
Closing NAV percentage of total fund NAV (%)	0.00	0.02	0.00
Number of shares	0	172,012	6,401
Highest share price (Singapore ¢)	1,030.98	1,044.87	1,039.54
Lowest share price (Singapore ¢)	987.75	1,026.99	956.98

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

The share class was launched on 11 September 2014.

for the year to 31 January Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	97.97	99.59	94.16
Return before operating charges and after direct portfolio transaction costs	0.52	3.99	10.58
Operating charges	(1.38)	(1.44)	(1.41)
Return after operating charges	(0.86)	2.55	9.17
Distributions	(4.50)	(4.17)	(3.74)
Closing NAV	92.61	97.97	99.59
<b>Direct portfolio transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments <sup>[a]</sup>	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.00
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.00	0.00	0.00
Operating charges	1.44	1.43	1.44
Return after operating charges	-0.88	+2.56	+9.74
Distribution yield	4.66	4.08	4.12
Effect on yield of charges offset against capital	1.42	1.42	1.42
<b>Other information</b>			
Closing NAV (\$'000)	18,429	20,134	9,680
Closing NAV percentage of total fund NAV (%)	2.48	0.37	0.45
Number of shares	15,156,328	14,513,032	7,799,962
Highest share price (UK p)	98.81	101.29	101.12
Lowest share price (UK p)	92.11	98.72	93.38

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

The share class was launched on 11 September 2014.

for the year to 31 January Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	108.50	105.77	96.95
Return before operating charges and after direct portfolio transaction costs	0.63	4.29	10.91
Operating charges	(1.56)	(1.56)	(1.46)
Return after operating charges	(0.93)	2.73	9.45
Distributions	(3.53)	(2.97)	(3.18)
Retained distributions	3.53	2.97	2.55
Closing NAV	107.57	108.50	105.77
<b>Direct portfolio transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments <sup>[a]</sup>	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.00
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.00	0.00	0.00
Operating charges	1.44	1.43	1.44
Return after operating charges	-0.86	+2.58	+9.75
Distribution yield	3.27	2.69	2.74
Effect on yield of charges offset against capital	0.00	0.00	0.00
<b>Other information</b>			
Closing NAV (\$'000)	15,547	23,374	12,046
Closing NAV percentage of total fund NAV (%)	2.09	0.43	0.56
Number of shares	11,007,640	15,212,723	9,138,957
Highest share price (UK p)	109.83	109.20	106.45
Lowest share price (UK p)	105.65	106.36	96.09



# M&G Global Floating Rate High Yield Fund

## Financial highlights

### Specific share class performance

#### Sterling Class 'E-H' Income share performance

The share class was launched on 3 October 2014.

for the year to 31 January Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	99.19	99.94	94.15
Return before operating charges and after direct portfolio transaction costs	0.49	4.03	10.52
Operating charges	(0.57)	(0.59)	(0.58)
Return after operating charges	(0.08)	3.44	9.94
Distributions	(4.57)	(4.19)	(4.15)
Closing NAV	94.54	99.19	99.94
<b>Direct portfolio transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments <sup>[a]</sup>	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.00
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.00	0.00	0.00
Operating charges	0.59	0.58	0.59
Return after operating charges	-0.08	+3.44	+10.56
Distribution yield	4.66	4.08	4.12
Effect on yield of charges offset against capital	0.57	0.57	0.57
<b>Other information</b>			
Closing NAV (\$'000)	31,720	40,804	42,029
Closing NAV percentage of total fund NAV (%)	4.27	0.75	1.95
Number of shares	25,555,013	29,048,554	33,748,077
Highest share price (UK p)	100.21	102.00	101.47
Lowest share price (UK p)	93.98	99.81	93.39

#### Sterling Class 'E-H' Accumulation share performance

The share class was launched on 11 September 2014.

for the year to 31 January Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	111.38	107.69	98.01
Return before operating charges and after direct portfolio transaction costs	0.61	4.33	11.10
Operating charges	(0.65)	(0.64)	(0.61)
Return after operating charges	(0.04)	3.69	10.49
Distributions	(4.59)	(3.94)	(4.07)
Retained distributions	4.59	3.94	3.26
Closing NAV	111.34	111.38	107.69
<b>Direct portfolio transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments <sup>[a]</sup>	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.00
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.00	0.00	0.00
Operating charges	0.59	0.58	0.59
Return after operating charges	-0.04	+3.43	+10.70
Distribution yield	4.10	3.52	3.57
Effect on yield of charges offset against capital	0.00	0.00	0.00
<b>Other information</b>			
Closing NAV (\$'000)	8,351	9,486	40,008
Closing NAV percentage of total fund NAV (%)	1.13	0.17	1.85
Number of shares	5,712,894	6,013,824	29,813,464
Highest share price (UK p)	113.38	112.04	108.38
Lowest share price (UK p)	109.28	108.29	97.15

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

The share class was launched on 11 September 2014.

for the year to 31 January Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	98.88	99.87	94.11
Return before operating charges and after direct portfolio transaction costs	0.48	4.05	10.60
Operating charges	(0.80)	(0.84)	(0.81)
Return after operating charges	(0.32)	3.21	9.79
Distributions	(4.55)	(4.20)	(4.03)
Closing NAV	94.01	98.88	99.87
<b>Direct portfolio transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments <sup>[a]</sup>	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.00
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.00	0.00	0.00
Operating charges	0.84	0.83	0.84
Return after operating charges	-0.32	+3.21	+10.40
Distribution yield	4.66	4.08	4.13
Effect on yield of charges offset against capital	0.82	0.82	0.82
<b>Other information</b>			
Closing NAV (\$'000)	347,663	312,252	215,208
Closing NAV percentage of total fund NAV (%)	46.81	5.72	9.96
Number of shares	281,670,641	222,997,145	172,929,829
Highest share price (UK p)	99.83	101.80	101.40
Lowest share price (UK p)	93.46	99.53	93.34

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

The share class was launched on 11 September 2014.

for the year to 31 January Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	110.56	107.11	97.69
Return before operating charges and after direct portfolio transaction costs	0.53	4.38	11.03
Operating charges	(0.92)	(0.93)	(0.86)
Return after operating charges	(0.39)	3.45	10.17
Distributions	(4.27)	(3.68)	(3.79)
Retained distributions	4.27	3.68	3.04
Closing NAV	110.17	110.56	107.11
<b>Direct portfolio transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments <sup>[a]</sup>	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.00
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.00	0.00	0.00
Operating charges	0.84	0.83	0.84
Return after operating charges	-0.35	+3.22	+10.41
Distribution yield	3.85	3.28	3.32
Effect on yield of charges offset against capital	0.00	0.00	0.00
<b>Other information</b>			
Closing NAV (\$'000)	320,180	373,628	113,868
Closing NAV percentage of total fund NAV (%)	43.11	6.85	5.27
Number of shares	221,346,667	238,628,804	85,306,938
Highest share price (UK p)	112.28	111.21	107.80
Lowest share price (UK p)	108.16	107.72	96.83

# M&G Global Floating Rate High Yield Fund

## Financial highlights

### Specific share class performance

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

The share class was launched on 11 September 2014.

for the year to 31 January Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	98.33	99.68	94.13
Return before operating charges and after direct portfolio transaction costs	0.50	4.06	10.57
Operating charges	(1.14)	(1.22)	(1.16)
Return after operating charges	(0.64)	2.84	9.41
Distributions	(4.52)	(4.19)	(3.86)
Closing NAV	93.17	98.33	99.68
<b>Direct portfolio transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments <sup>[a]</sup>	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.00
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.00	0.00	0.00
Operating charges	1.19	1.18	1.19
Return after operating charges	-0.65	+2.85	+10.00
Distribution yield	4.66	4.09	4.13
Effect on yield of charges offset against capital	1.17	1.17	1.17
<b>Other information</b>			
Closing NAV (\$'000)	337	1,158	106
Closing NAV percentage of total fund NAV (%)	0.05	0.02	0.01
Number of shares	275,736	831,563	85,320
Highest share price (UK p)	99.23	101.46	101.21
Lowest share price (UK p)	92.66	99.04	93.36

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

The share class was launched on 11 September 2014.

for the year to 31 January Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	109.51	106.43	97.31
Return before operating charges and after direct portfolio transaction costs	0.59	4.39	11.01
Operating charges	(1.29)	(1.31)	(1.21)
Return after operating charges	(0.70)	3.08	9.80
Distributions	(3.84)	(3.28)	(3.41)
Retained distributions	3.84	3.28	2.73
Closing NAV	108.81	109.51	106.43
<b>Direct portfolio transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments <sup>[a]</sup>	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.00
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.00	0.00	0.00
Operating charges	1.19	1.18	1.20
Return after operating charges	-0.64	+2.89	+10.07
Distribution yield	3.51	2.95	2.97
Effect on yield of charges offset against capital	0.00	0.00	0.00
<b>Other information</b>			
Closing NAV (\$'000)	436	388	68
Closing NAV percentage of total fund NAV (%)	0.06	0.01	0.00
Number of shares	304,982	250,227	51,567
Highest share price (UK p)	111.04	110.15	107.11
Lowest share price (UK p)	106.85	107.02	96.44

#### Swiss franc Class 'A-H' Income share performance

The share class was launched on 14 December 2015.

for the year to 31 January Change in NAV per share	2019 Swiss ¢	2018 Swiss ¢	2017 Swiss ¢
Opening NAV	996.61	1,025.62	984.32
Return before operating charges and after direct portfolio transaction costs	(11.98)	28.44	93.84
Operating charges	(11.88)	(14.76)	(14.65)
Return after operating charges	(23.86)	13.68	79.19
Distributions	(38.34)	(42.69)	(37.89)
Return to shareholder as a result of share class closure	(934.41)	n/a	n/a
Closing NAV	0.00	996.61	1,025.62
<b>Direct portfolio transaction costs</b>	<b>Swiss ¢</b>	<b>Swiss ¢</b>	<b>Swiss ¢</b>
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments <sup>[a]</sup>	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.00
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.00	0.00	0.00
Operating charges	1.44	1.43	1.45
Return after operating charges	-2.39	+1.33	+8.05
Distribution yield	4.70	4.06	4.12
Effect on yield of charges offset against capital	1.42	1.42	1.42
<b>Other information</b>			
Closing NAV (\$'000)	0	10,099	645
Closing NAV percentage of total fund NAV (%)	0.00	0.18	0.03
Number of shares	0	945,305	62,397
Highest share price (Swiss ¢)	1,001.96	1,040.18	1,043.65
Lowest share price (Swiss ¢)	935.94	1,006.11	976.45

#### Swiss franc Class 'A-H' Accumulation share performance

The share class was launched on 11 September 2014.

for the year to 31 January Change in NAV per share	2019 Swiss ¢	2018 Swiss ¢	2017 Swiss ¢
Opening NAV	1,050.85	1,037.16	958.85
Return before operating charges and after direct portfolio transaction costs	(13.23)	28.87	92.71
Operating charges	(12.71)	(15.18)	(14.40)
Return after operating charges	(25.94)	13.69	78.31
Distributions	(28.45)	(29.01)	(30.09)
Retained distributions	28.45	29.01	30.09
Return to shareholder as a result of share class closure	(1,024.91)	n/a	n/a
Closing NAV	0.00	1,050.85	1,037.16
<b>Direct portfolio transaction costs</b>	<b>Swiss ¢</b>	<b>Swiss ¢</b>	<b>Swiss ¢</b>
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments <sup>[a]</sup>	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.00
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.00	0.00	0.00
Operating charges	1.44	1.43	1.44
Return after operating charges	-2.47	+1.32	+8.17
Distribution yield	3.28	2.68	2.74
Effect on yield of charges offset against capital	0.00	0.00	0.00
<b>Other information</b>			
Closing NAV (\$'000)	0	21,858	5,087
Closing NAV percentage of total fund NAV (%)	0.00	0.40	0.24
Number of shares	0	1,940,425	486,868
Highest share price (Swiss ¢)	1,056.76	1,061.99	1,043.88
Lowest share price (Swiss ¢)	1,021.28	1,043.02	950.53

# M&G Global Floating Rate High Yield Fund

## Financial highlights

### Specific share class performance

#### Swiss franc Class 'C-H' Income share performance

The share class was launched on 14 December 2015.

for the year to 31 January Change in NAV per share	2019 Swiss ¢	2018 Swiss ¢	2017 Swiss ¢
Opening NAV	1,005.03	1,027.93	983.59
Return before operating charges and after direct portfolio transaction costs	(11.71)	28.68	93.71
Operating charges	(6.95)	(8.63)	(8.72)
Return after operating charges	(18.66)	20.05	84.99
Distributions	(38.78)	(42.95)	(40.65)
Return to shareholder as a result of share class closure	(947.59)	n/a	n/a
Closing NAV	0.00	1,005.03	1,027.93
<b>Direct portfolio transaction costs</b>	<b>Swiss ¢</b>	<b>Swiss ¢</b>	<b>Swiss ¢</b>
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments <sup>[a]</sup>	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.00
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.00	0.00	0.00
Operating charges	0.84	0.83	0.87*
Return after operating charges	-1.86	+1.95	+8.64
Distribution yield	4.70	4.06	4.09
Effect on yield of charges offset against capital	0.82	0.82	0.82
<b>Other information</b>			
Closing NAV (\$'000)	0	28,187	5,220
Closing NAV percentage of total fund NAV (%)	0.00	0.52	0.24
Number of shares	0	2,616,376	504,019
Highest share price (Swiss ¢)	1,011.89	1,043.61	1,045.63
Lowest share price (Swiss ¢)	949.14	1,013.35	976.04

\* Due to investor inflows, the share class NAV increased significantly towards the end of the year, therefore 0.84% is a more reliable estimate of the year to 31.01.17 ongoing charges.

#### Swiss franc Class 'C-H' Accumulation share performance

The share class was launched on 11 September 2014.

for the year to 31 January Change in NAV per share	2019 Swiss ¢	2018 Swiss ¢	2017 Swiss ¢
Opening NAV	1,073.11	1,053.01	968.51
Return before operating charges and after direct portfolio transaction costs	(13.24)	29.11	93.11
Operating charges	(7.54)	(9.01)	(8.61)
Return after operating charges	(20.78)	20.10	84.50
Distributions	(34.57)	(35.93)	(36.81)
Retained distributions	34.57	35.93	36.81
Return to shareholder as a result of share class closure	(1,052.33)	n/a	n/a
Closing NAV	0.00	1,073.11	1,053.01
<b>Direct portfolio transaction costs</b>	<b>Swiss ¢</b>	<b>Swiss ¢</b>	<b>Swiss ¢</b>
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments <sup>[a]</sup>	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.00
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.00	0.00	0.00
Operating charges	0.84	0.83	0.84
Return after operating charges	-1.94	+1.91	+8.72
Distribution yield	3.88	3.26	3.33
Effect on yield of charges offset against capital	0.00	0.00	0.00
<b>Other information</b>			
Closing NAV (\$'000)	0	91,551	15,968
Closing NAV percentage of total fund NAV (%)	0.00	1.68	0.74
Number of shares	0	7,958,867	1,505,156
Highest share price (Swiss ¢)	1,080.57	1,082.73	1,059.67
Lowest share price (Swiss ¢)	1,048.60	1,058.82	959.43

#### US dollar Class 'A' Income share performance

The share class was launched on 11 September 2014.

for the year to 31 January Change in NAV per share	2019 US ¢	2018 US ¢	2017 US ¢
Opening NAV	993.68	997.78	939.87
Return before operating charges and after direct portfolio transaction costs	14.38	52.43	108.40
Operating charges	(11.83)	(14.30)	(13.90)
Return after operating charges	2.55	38.13	94.50
Distributions	(38.85)	(42.23)	(36.59)
Return to shareholder as a result of share class closure	(957.38)	n/a	n/a
Closing NAV	0.00	993.68	997.78
<b>Direct portfolio transaction costs</b>	<b>US ¢</b>	<b>US ¢</b>	<b>US ¢</b>
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments <sup>[a]</sup>	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.00
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.00	0.00	0.00
Operating charges	1.42	1.41	1.42
Return after operating charges	+0.26	+3.82	+10.05
Distribution yield	4.76	4.16	4.19
Effect on yield of charges offset against capital	1.40	1.40	1.40
<b>Other information</b>			
Closing NAV (\$'000)	0	133,320	40,252
Closing NAV percentage of total fund NAV (%)	0.00	2.44	1.86
Number of shares	0	13,416,855	4,034,134
Highest share price (US ¢)	1,005.72	1,019.64	1,015.20
Lowest share price (US ¢)	958.91	998.42	932.30

# M&G Global Floating Rate High Yield Fund

## Financial highlights

### Specific share class performance

#### US dollar Class 'A' Accumulation share performance

The share class was launched on 11 September 2014.

for the year to 31 January Change in NAV per share	2019 US ¢	2018 US ¢	2017 US ¢
Opening NAV	1,116.21	1,074.83	975.60
Return before operating charges and after direct portfolio transaction costs	15.91	57.05	113.95
Operating charges	(13.47)	(15.67)	(14.72)
Return after operating charges	2.44	41.38	99.23
Distributions	(30.86)	(30.77)	(31.02)
Retained distributions	30.86	30.77	31.02
Return to shareholder as a result of share class closure	(1,118.65)	n/a	n/a
Closing NAV	0.00	1,116.21	1,074.83
<b>Direct portfolio transaction costs</b>	<b>US ¢</b>	<b>US ¢</b>	<b>US ¢</b>
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments <sup>[a]</sup>	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.00
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.00	0.00	0.00
Operating charges	1.42	1.41	1.43
Return after operating charges	+0.22	+3.85	+10.17
Distribution yield	3.34	2.76	2.79
Effect on yield of charges offset against capital	0.00	0.00	0.00

#### Other information

Closing NAV (\$'000)	0	377,860	120,204
Closing NAV percentage of total fund NAV (%)	0.00	6.93	5.57
Number of shares	0	33,852,188	11,183,488
Highest share price (US ¢)	1,141.64	1,122.65	1,081.80
Lowest share price (US ¢)	1,110.37	1,081.00	967.03

#### US dollar Class 'A M' Income share performance

The share class was launched on 9 October 2015.

for the year to 31 January Change in NAV per share	2019 US ¢	2018 US ¢	2017 US ¢
Opening NAV	1,016.28	1,020.49	961.47
Return before operating charges and after direct portfolio transaction costs	14.53	53.42	110.95
Operating charges	(12.07)	(14.59)	(14.63)
Return after operating charges	2.46	38.83	96.32
Distributions	(39.60)	(43.04)	(37.30)
Return to shareholder as a result of share class closure	(979.14)	n/a	n/a
Closing NAV	0.00	1,016.28	1,020.49
<b>Direct portfolio transaction costs</b>	<b>US ¢</b>	<b>US ¢</b>	<b>US ¢</b>
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments <sup>[a]</sup>	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.00
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.00	0.00	0.00
Operating charges	1.42	1.41	1.52*
Return after operating charges	+0.24	+3.81	+10.02
Distribution yield	4.76	4.16	4.19
Effect on yield of charges offset against capital	1.40	1.40	1.40
<b>Other information</b>			
Closing NAV (\$'000)	0	165,494	38,940
Closing NAV percentage of total fund NAV (%)	0.00	3.03	1.80
Number of shares	0	16,284,356	3,815,836
Highest share price (US ¢)	1,021.58	1,035.67	1,030.99
Lowest share price (US ¢)	980.50	1,017.23	953.71

\* Due to investor inflows, the share class NAV increased significantly towards the end of the year, therefore 1.43% is a more reliable estimate of the year to 31.01.17 ongoing charges.

#### US dollar Class 'C' Income share performance

The share class was launched on 11 September 2014.

for the year to 31 January Change in NAV per share	2019 US ¢	2018 US ¢	2017 US ¢
Opening NAV	1,002.78	1,000.85	939.85
Return before operating charges and after direct portfolio transaction costs	14.52	52.72	108.52
Operating charges	(6.87)	(8.30)	(8.25)
Return after operating charges	7.65	44.42	100.27
Distributions	(39.31)	(42.49)	(39.27)
Return to shareholder as a result of share class closure	(971.12)	n/a	n/a
Closing NAV	0.00	1,002.78	1,000.85
<b>Direct portfolio transaction costs</b>	<b>US ¢</b>	<b>US ¢</b>	<b>US ¢</b>
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments <sup>[a]</sup>	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.00
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.00	0.00	0.00
Operating charges	0.82	0.81	0.83
Return after operating charges	+0.76	+4.44	+10.67
Distribution yield	4.76	4.16	4.18
Effect on yield of charges offset against capital	0.80	0.80	0.80
<b>Other information</b>			
Closing NAV (\$'000)	0	84,464	23,260
Closing NAV percentage of total fund NAV (%)	0.00	1.55	1.08
Number of shares	0	8,422,982	2,323,991
Highest share price (US ¢)	1,016.22	1,025.85	1,018.31
Lowest share price (US ¢)	972.67	1,006.63	932.50

# M&G Global Floating Rate High Yield Fund

## Financial highlights

### Specific share class performance

#### US dollar Class 'C' Accumulation share performance

The share class was launched on 11 September 2014.

for the year to 31 January Change in NAV per share	2019 US ¢	2018 US ¢	2017 US ¢
Opening NAV	1,138.74	1,089.98	983.41
Return before operating charges and after direct portfolio transaction costs	17.56	57.92	115.11
Operating charges	(9.24)	(9.16)	(8.54)
Return after operating charges	8.32	48.76	106.57
Distributions	(37.44)	(38.02)	(37.70)
Retained distributions	37.44	38.02	37.70
Return to shareholder as a result of share class closure	(1,147.06)	n/a	n/a
Closing NAV	0.00	1,138.74	1,089.98
<b>Direct portfolio transaction costs</b>	<b>US ¢</b>	<b>US ¢</b>	<b>US ¢</b>
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments <sup>[a]</sup>	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.00
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.00	0.00	0.00
Operating charges	0.82	0.81	0.82
Return after operating charges	+0.73	+4.47	+10.84
Distribution yield	3.95	3.36	3.39
Effect on yield of charges offset against capital	0.00	0.00	0.00
<b>Other information</b>			
Closing NAV (\$'000)	0	369,700	284,326
Closing NAV percentage of total fund NAV (%)	0.00	6.78	13.16
Number of shares	0	32,465,819	26,085,507
Highest share price (US ¢)	1,169.41	1,145.20	1,097.02
Lowest share price (US ¢)	1,133.06	1,096.25	975.00

#### US dollar Class 'C M' Income share performance

The share class was launched on 9 October 2015.

for the year to 31 January Change in NAV per share	2019 US ¢	2018 US ¢	2017 US ¢
Opening NAV	1,024.38	1,022.45	960.36
Return before operating charges and after direct portfolio transaction costs	14.66	53.62	110.51
Operating charges	(7.01)	(8.44)	(8.15)
Return after operating charges	7.65	45.18	102.36
Distributions	(40.02)	(43.25)	(40.27)
Return to shareholder as a result of share class closure	(992.01)	n/a	n/a
Closing NAV	0.00	1,024.38	1,022.45
<b>Direct portfolio transaction costs</b>	<b>US ¢</b>	<b>US ¢</b>	<b>US ¢</b>
Costs before dilution adjustments	0.00	0.00	0.00
Dilution adjustments <sup>[a]</sup>	0.00	0.00	0.00
Total direct portfolio transaction costs	0.00	0.00	0.00
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.00	0.00	0.00
Operating charges	0.82	0.81	0.88*
Return after operating charges	+0.75	+4.42	+10.66
Distribution yield	4.76	4.16	4.19
Effect on yield of charges offset against capital	0.80	0.80	0.80
<b>Other information</b>			
Closing NAV (\$'000)	0	17,969	6,986
Closing NAV percentage of total fund NAV (%)	0.00	0.33	0.32
Number of shares	0	1,754,172	683,249
Highest share price (US ¢)	1,031.04	1,040.23	1,032.97
Lowest share price (US ¢)	993.38	1,024.74	952.84

\* Due to investor inflows, the share class NAV increased significantly towards the end of the year, therefore 0.83% is a more reliable estimate of the year to 31.01.17 ongoing charges.

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

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

# M&G Global Floating Rate High Yield Fund

## Financial statements and notes

### Financial statements

#### Statement of total return

for the year to 31 January	Note	2019 \$'000	2018 \$'000
Income			
Net capital gains / (losses)	3	(532,508)	483,591
Revenue	5	198,355	193,674
Expenses	6	(49,808)	(52,853)
Interest payable		(630)	(850)
Net revenue / (expense) before taxation		147,917	139,971
Taxation	7	(19)	(138)
Net revenue / (expense) after taxation		147,898	139,833
<b>Total return before distributions</b>		<b>(384,610)</b>	<b>623,424</b>
Distributions	8	(161,726)	(153,189)
<b>Change in net assets attributable to shareholders from investment activities</b>		<b>(546,336)</b>	<b>470,235</b>

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

for the year to 31 January	2019 \$'000	2018 \$'000
<b>Opening net assets attributable to shareholders</b>	<b>5,456,246</b>	<b>2,160,036</b>
Amounts received on issue of shares	727,726	3,661,118
Amounts paid on cancellation of shares	(1,487,022)	(953,276)
Transferred to M&G (Lux) Global Floating Rate High Yield Fund	(3,513,655)	0
	(4,272,951)	2,707,842
Dilution adjustments	3,686	8,007
Change in net assets attributable to shareholders from investment activities (see above)	(546,336)	470,235
Retained distributions on Accumulation shares	102,018	110,126
<b>Closing net assets attributable to shareholders</b>	<b>742,663</b>	<b>5,456,246</b>

#### Balance sheet

as at 31 January	Note	2019 \$'000	2018 \$'000
<b>Assets</b>			
<b>Fixed assets</b>			
Investments		631,658	4,803,824
<b>Current assets</b>			
Debtors	9	16,547	185,653
Cash and bank balances	10	61,059	351,303
Cash equivalents		71,184	493,073
<b>Total assets</b>		<b>780,448</b>	<b>5,833,853</b>
<b>Liabilities</b>			
Investment liabilities		(6,296)	(114,266)
<b>Creditors</b>			
Distribution payable		(5,046)	(14,544)
Other creditors	11	(26,443)	(248,797)
<b>Total liabilities</b>		<b>(37,785)</b>	<b>(377,607)</b>
<b>Net assets attributable to shareholders</b>		<b>742,663</b>	<b>5,456,246</b>

### Notes to the financial statements

#### 1 Accounting policies

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

#### 2 Distribution policy

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

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

for the year to 31 January	2019 \$'000	2018 \$'000
Non-derivative securities	(387,069)	283,627
Derivative contracts	(139,915)	190,687
Currency gains / (losses)	(5,509)	9,304
Transaction charges	(15)	(27)
<b>Net capital gains / (losses)</b>	<b>(532,508)</b>	<b>483,591</b>

#### 4 Portfolio transactions and associated costs

The following tables show portfolio transactions and their associated transaction costs. For more information about the nature of the costs please see the section on 'Operating charges and portfolio transaction costs' on pages 77 and 78.

for the year to 31 January	2019 \$'000	2018 \$'000
<b>a) Purchases</b>		
Debt securities <sup>[a]</sup>	806,555	4,089,964
<b>b) Sales</b>		
Debt securities <sup>[a]</sup>	1,367,693	1,299,218
<b>Other transaction types</b>		
Corporate actions	0	65,355
<b>Total sales after transaction costs</b>	<b>1,367,693</b>	<b>1,364,573</b>

#### c) There were no direct portfolio transaction costs

d) Indirect portfolio transaction costs	%	%
Portfolio dealing spread <sup>[b]</sup>	0.77	0.51

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

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

#### 5 Revenue

for the year to 31 January	2019 \$'000	2018 \$'000
Bank interest	932	582
Derivative revenue	40,838	46,132
Interest distributions	8,082	4,851
Interest on debt securities	148,503	142,109
<b>Total revenue</b>	<b>198,355</b>	<b>193,674</b>



# M&G Global Floating Rate High Yield Fund

## Financial statements and notes

### Notes to the financial statements

#### 6 Expenses

for the year to 31 January	2019 \$'000	2018 \$'000
<b>Payable to the ACD or associate</b>		
Annual management charge	42,453	45,070
Administration charge	6,443	6,793
Share class hedging charge	597	660
	49,493	52,523
<b>Payable to the Depositary or associate</b>		
Depositary's charge (including VAT)	160	167
<b>Other expenses</b>		
Audit fee (including VAT)	15	16
Safe custody charge	140	147
	155	163
<b>Total expenses</b>	<b>49,808</b>	<b>52,853</b>

#### 7 Taxation

for the year to 31 January	2019 \$'000	2018 \$'000
<b>a) Analysis of charge in the year</b>		
Corporation tax	0	0
Withholding tax	19	54
Current year adjustment	0	84
Deferred tax (note 7c)	0	0
<b>Total taxation</b>	<b>19</b>	<b>138</b>

#### b) Factors affecting taxation charge for the year

Net revenue / (expense) before taxation	147,917	139,971
Corporation tax at 20%	29,583	27,994
Effects of:		
Interest distributions	(29,583)	(27,994)
Withholding tax	19	54
Current year adjustment	0	84
<b>Total tax charge (note 7a)</b>	<b>19</b>	<b>138</b>

#### c) Provision for deferred taxation

Provision at the start of the year	0	0
Deferred tax in profit and loss account (note 7a)	0	0
<b>Provision at the end of the year</b>	<b>0</b>	<b>0</b>

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

#### 8 Distributions

	2019		2018	
for the year to 31 January	Inc <sup>[a]</sup> \$'000	Acc <sup>[b]</sup> \$'000	Inc <sup>[a]</sup> \$'000	Acc <sup>[b]</sup> \$'000
<b>Interest distributions</b>				
First interim	671	0	322	0
Second interim	769	0	577	0
Third interim	12,946	28,721	8,320	20,519
Fourth interim	782	0	845	0
Fifth interim	801	0	816	0
Sixth interim	14,153	30,386	11,567	27,839
Seventh interim	834	0	864	0
Eighth interim	742	0	848	0
Ninth interim	14,943	29,437	12,303	29,179
Tenth interim	n/a	n/a	851 <sup>[c]</sup>	0
Eleventh interim	n/a	n/a	827 <sup>[c]</sup>	0
Final	9,938	13,474	13,717	32,589
<b>Total net distributions</b>		<b>158,597</b>		<b>161,983</b>
Interest distributions		158,597		161,983
Income deducted on cancellation of shares		6,886		4,465
Income received on issue of shares		(3,757)		(13,259)
<b>Distributions</b>		<b>161,726</b>		<b>153,189</b>
Net revenue per statement of total return		147,898		139,833
Expenses offset against capital		13,827		13,356
Undistributed income brought forward		1		1
Undistributed income carried forward		0		(1)
<b>Distributions</b>		<b>161,726</b>		<b>153,189</b>

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

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

<sup>[c]</sup> Restated.

#### 9 Debtors

as at 31 January	2019 \$'000	2018 \$'000
Amounts receivable on issues of shares	372	5,954
Currency deals outstanding	11,746	142,837
Debt security interest receivable	3,639	25,810
Derivative revenue receivable	385	2,408
Distributions receivable	139	579
Sales awaiting settlement	266	8,000
Withholding tax recoverable	0	65
<b>Total debtors</b>	<b>16,547</b>	<b>185,653</b>

#### 10 Cash and bank balances

as at 31 January	2019 \$'000	2018 \$'000
Amounts held at futures clearing houses and collateral manager	1,240	10,350
Cash held as bank balances	59,819	340,953
<b>Total cash and bank balances</b>	<b>61,059</b>	<b>351,303</b>

#### 11 Other creditors

as at 31 January	2019 \$'000	2018 \$'000
ACD's annual management charge payable	232	2,382
Administration charge payable	52	359
Amounts payable on cancellation of shares	1,889	30,109
Currency deals outstanding	11,741	142,728
Expenses payable	39	109
Purchases awaiting settlement	12,484	73,076
Share class hedging charge payable	6	34
<b>Total other creditors</b>	<b>26,443</b>	<b>248,797</b>

# M&G Global Floating Rate High Yield Fund

## Financial statements and notes

### Notes to the financial statements

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

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

#### 13 Shares in issue

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

Share class	Opening 01.02.18	Movements		Closing 31.01.19
		Issued	Cancelled	
<b>Euro</b>				
Class 'A-H' Income	29,437,700	6,739,929	(36,177,629)	0
Class 'A-H' Accumulation	128,620,587	6,844,553	(135,465,140)	0
Class 'B-H' Income	4,407,914	382,384	(4,790,298)	0
Class 'B-H' Accumulation	8,978,117	772,210	(9,750,327)	0
Class 'C-H' Income	9,547,870	4,668,524	(14,216,394)	0
Class 'C-H' Accumulation	72,460,427	5,871,707	(78,332,134)	0
<b>Singapore dollar</b>				
Class 'A-H' Income	1,063,585	48,500	(1,112,085)	0
Class 'A-H M' Income	3,992,367	1,402,190	(5,394,557)	0
Class 'C-H M' Income	172,012	76,917	(248,929)	0
<b>Sterling</b>				
Class 'A-H' Income	14,513,032	5,421,140	(4,777,844)	15,156,328
Class 'A-H' Accumulation	15,212,723	1,173,785	(5,378,868)	11,007,640
Class 'E-H' Income	29,048,554	4,370	(3,497,911)	25,555,013
Class 'E-H' Accumulation	6,013,824	0	(300,930)	5,712,894
Class 'I-H' Income	222,997,145	89,719,041	(31,045,545)	281,670,641
Class 'I-H' Accumulation	238,628,804	44,188,745	(61,470,882)	221,346,667
Class 'R-H' Income	831,563	73,567	(629,394)	275,736
Class 'R-H' Accumulation	250,227	320,062	(265,307)	304,982
<b>Swiss franc</b>				
Class 'A-H' Income	945,305	56,153	(1,001,458)	0
Class 'A-H' Accumulation	1,940,425	102,419	(2,042,844)	0
Class 'C-H' Income	2,616,376	345,046	(2,961,422)	0
Class 'C-H' Accumulation	7,958,867	230,919	(8,189,786)	0
<b>US dollar</b>				
Class 'A' Income	13,416,855	3,011,037	(16,427,892)	0
Class 'A' Accumulation	33,852,188	4,414,868	(38,267,056)	0
Class 'A M' Income	16,284,356	2,877,983	(19,162,339)	0
Class 'C' Income	8,422,982	2,220,364	(10,643,346)	0
Class 'C' Accumulation	32,465,819	7,431,465	(39,897,284)	0
Class 'C M' Income	1,754,172	295,874	(2,050,046)	0

#### 14 Charging structure

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

Share class	Entry charge %	Exit charge %	Annual management charge %	Share class hedging charge %
<b>Euro</b>				
Class 'A-H'	4.00	n/a	1.25	[a]
Class 'B-H'	n/a	n/a	1.75	[a]
Class 'C-H'	1.25	n/a	0.65	[a]
<b>Singapore dollar</b>				
Class 'A-H'	4.00	n/a	1.25	[a]
Class 'A-H M'	4.00	n/a	1.25	[a]
Class 'C-H M'	1.25	n/a	0.65	[a]
<b>Sterling</b>				
Class 'A-H'	nil	n/a	1.25	[a]
Class 'E-H'	nil	n/a	0.40	[a]
Class 'I-H'	nil	n/a	0.65	[a]
Class 'R-H'	nil	n/a	1.00	[a]
<b>Swiss franc</b>				
Class 'A-H'	4.00	n/a	1.25	[a]
Class 'C-H'	1.25	n/a	0.65	[a]
<b>US dollar</b>				
Class 'A'	4.00	n/a	1.25	n/a
Class 'A M'	4.00	n/a	1.25	n/a
Class 'C'	1.25	n/a	0.65	n/a
Class 'C M'	1.25	n/a	0.65	n/a

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

#### 15 Related parties

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

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

At the balance sheet date, shareholders from within Prudential plc, of which M&G Securities Limited is a wholly owned subsidiary, have holdings totalling 0.00% (2018: 1.08%) of the fund's shares.

# M&G Global Floating Rate High Yield Fund

## Financial statements and notes

### Notes to the financial statements

#### 16 Events after the balance sheet date

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

#### 17 Fair value analysis

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

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

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

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

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

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

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

Assets as at 31 January Basis of valuation	Liabilities 2019 \$'000	Assets 2019 \$'000	Liabilities 2018 \$'000	2018 \$'000
Level 1	62,363	0	961	0
Level 2	569,295	(6,296)	4,802,863	(114,266)
Level 3	0	0	0	0
	631,658	(6,296)	4,803,824	(114,266)

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

#### 18 Risk management policies

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

#### 19 Market risk sensitivity and exposure

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

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

The lowest, highest and average VaR, as well as utilisation of VaR with reference to the limit above, are calculated during the financial years ended 31 January 2019 and 31 January 2018.

for the year to 31 January	2019		2018	
	2019 % of VaR	Utilisation of VaR [a] 10%	2018 % of VaR	Utilisation of VaR [a] 10%
Lowest	0.80	6.18	2.09	16.08
Highest	3.35	25.75	3.71	28.55
Average	1.88	14.46	2.79	21.43

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

#### 20 Currency risk sensitivity and exposure

Currency risk is not considered significant for the fund and is therefore not disclosed.

#### 21 Interest rate risk sensitivity and exposure

As the majority of the fund's financial assets are non-interest bearing, the risk is not considered significant and is therefore not disclosed.

# M&G Global Floating Rate High Yield Fund

## Financial statements and notes

### Notes to the financial statements

#### 22 Credit risk

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

as at 31 January	2019 \$'000	2018 \$'000
Investment grade securities	114,270	1,364,781
Below investment grade securities	456,156	3,133,552
Unrated securities	18,448	51,879
Other investments	36,488	139,346
<b>Total</b>	<b>625,362</b>	<b>4,689,558</b>

The tables below show the exposure to counterparties. Collateral is posted daily, in the form of cash or high-quality government bonds, to minimise this exposure.

as at 31 January 2019	Swaps \$'000	Forward currency contracts \$'000
Bank of America Merrill Lynch	(284)	4
Barclays Bank	890	0
BNP Paribas	0	(6)
Citigroup	3,809	(1)
Goldman Sachs	(575)	0
HSBC	(226)	20
JPMorgan	4,025	(11)
Standard Chartered Bank	0	(17)
State Street Bank	0	28,867
UBS	0	(7)
<b>Total</b>	<b>7,639</b>	<b>28,849</b>

as at 31 January 2018	Swaps \$'000	Forward currency contracts \$'000
Bank of America Merrill Lynch	4,074	0
Barclays Bank	5,194	0
BNP Paribas	0	416
Citigroup	55,840	(108)
Credit Suisse	20,029	0
Goldman Sachs	(3,792)	0
HSBC	(3,579)	0
JPMorgan	2,904	(726)
State Street Bank	0	59,094
<b>Total</b>	<b>80,670</b>	<b>58,676</b>

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

#### 23 Leverage risk

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

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

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

for the year to 31 January	2019 <sup>[a]</sup> \$'000	2019 <sup>[a]</sup> % <sup>[b]</sup>	2018 <sup>[a]</sup> \$'000	2018 <sup>[a]</sup> % <sup>[b]</sup>
Lowest	682,311	59	3,761,557	80.48
Highest	10,412,023	322	17,229,226	191.62
Average	5,107,074	115	7,416,866	101.85

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

<sup>[b]</sup> Expressed as a percentage over net assets.

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

This fund contains hedged share classes. These share classes operate currency hedges designed to reduce the impact of exchange rates in certain circumstances. As a result, profit and loss on the currency hedges may impact the liquidity of the overall fund. On a day to day basis this is monitored using reporting from the outsourced provider of the hedged share class service. On an ongoing basis the size of the hedged share classes is monitored to ensure that unforeseen exchange rate volatility can be adequately managed without significantly impacting all shareholders. The exposure to forward currency contracts for share class hedging at the year-end accounting date is disclosed in the portfolio statement on page 75.

# M&G Global Floating Rate High Yield Fund

## Financial statements and notes

### Notes to the financial statements

#### 25 Interest distribution tables

This fund pays both monthly and quarterly interest distributions depending on the share class. The following tables set out the distribution periods applicable.

##### Monthly distribution periods

	Start	End	Xd	Payment
First interim	01.02.18	28.02.18	01.03.18	30.04.18
Second interim	01.03.18	31.03.18	02.04.18	31.05.18
Third interim	01.04.18	30.04.18	01.05.18	30.06.18
Fourth interim	01.05.18	31.05.18	01.06.18	31.07.18
Fifth interim	01.06.18	30.06.18	02.07.18	31.08.18
Sixth interim	01.07.18	31.07.18	01.08.18	30.09.18
Seventh interim	01.08.18	31.08.18	03.09.18	31.10.18
Eighth interim	01.09.18	30.09.18	01.10.18	30.11.18
Ninth interim	01.10.18	31.10.18	01.11.18	31.12.18
Final <sup>[a]</sup>	01.01.19	07.12.18	07.12.18	31.01.19

##### Quarterly distribution periods

	Start	End	Xd	Payment
First interim	01.02.18	30.04.18	01.05.18	30.06.18
Second interim	01.05.18	31.07.18	01.08.18	30.09.18
Third interim	01.08.18	31.10.18	01.11.18	31.12.18
Final <sup>[a]</sup>	01.11.18	31.01.19	01.02.19	31.03.19

<sup>[a]</sup> As a result of the merger of the non-sterling share classes of M&G Global Floating Rate High Yield Fund into M&G (Lux) Global Floating Rate High Yield Fund on 7 December 2018, any income available for distribution to the non-sterling share classes to the effective date of the merger was distributed to shareholders on 31 January 2019.

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

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

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

##### Euro Class 'A-H' Income shares

Interest distributions for the year to 31 January	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
	€	€	€	€
First interim	6.2380	3.8739	10.1119	9.2391
Second interim	6.0652	4.8367	10.9019	10.5326
Third interim	2.7369	8.1604	10.8973	10.2861
Final	2.2121	2.5001	4.7122	10.5314

##### Euro Class 'A-H' Accumulation shares

Interest distributions for the year to 31 January	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
	€	€	€	€
First interim	4.3036	3.4893	7.7929	6.4964
Second interim	4.3155	4.3149	8.6304	7.6003
Third interim	4.7112	4.0463	8.7575	7.4757
Final	2.3404	1.5092	3.8496	7.8069

##### Euro Class 'B-H' Income shares

Interest distributions for the year to 31 January	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
	€	€	€	€
First interim	6.0849	4.1786	10.2635	9.4258
Second interim	6.2845	4.7672	11.0517	10.7288
Third interim	4.2415	6.7914	11.0329	10.4644
Final	2.0612	2.7045	4.7657	10.7006

##### Euro Class 'B-H' Accumulation shares

Interest distributions for the year to 31 January	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
	€	€	€	€
First interim	3.0344	3.4053	6.4397	5.2100
Second interim	3.9350	3.2562	7.1912	6.1726
Third interim	2.9553	4.3463	7.3016	6.0466
Final	1.3662	1.8496	3.2158	6.3427

##### Euro Class 'C-H' Income shares

Interest distributions for the year to 31 January	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
	€	€	€	€
First interim	6.4416	3.7634	10.2050	9.2765
Second interim	6.4253	4.5899	11.0152	10.5752
Third interim	1.5056	9.5205	11.0261	10.3432
Final	1.8937	2.8774	4.7711	10.6074

##### Euro Class 'C-H' Accumulation shares

Interest distributions for the year to 31 January	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
	€	€	€	€
First interim	4.0853	5.4112	9.4965	8.0833
Second interim	5.9090	4.5357	10.4447	9.3772
Third interim	5.1085	5.4881	10.5966	9.2558
Final	2.2435	2.4085	4.6520	9.6366

##### Singapore dollar Class 'A-H' Income shares

Interest distributions for the year to 31 January	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
	€	€	€	€
First interim	10.8313	0.0000	10.8313	9.7429
Second interim	1.5487	10.1988	11.7475	11.2789
Third interim	6.6334	5.2786	11.9120	10.8868
Final	5.0754	0.0000	5.0754	11.3293

# M&G Global Floating Rate High Yield Fund

## Financial statements and notes

### Notes to the financial statements

#### 25 Interest distribution tables (continued)

Singapore dollar Class 'A-H M' Income shares				
Interest distributions for the year to 31 January	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019 2018	
	¢	¢	¢	¢
First interim	3.0717	0.0000	3.0717	3.0831
Second interim	2.4597	1.3652	3.8249	3.6194
Third interim	2.9061	1.1982	4.1043	3.1448
Fourth interim	1.1394	2.6533	3.7927	4.0149
Fifth interim	1.6134	2.1862	3.7996	3.6267
Sixth interim	1.4505	2.7190	4.1695	3.6006
Seventh interim	3.0735	0.9871	4.0606	3.6848
Eighth interim	3.6583	0.0000	3.6583	3.5125
Ninth interim	4.1492	0.0000	4.1492	3.6582
Tenth interim	n/a	n/a	n/a	3.4999
Eleventh interim	n/a	n/a	n/a	3.4128
Final	4.8431	0.0000	4.8431	4.2159

Singapore dollar Class 'C-H M' Income shares				
Interest distributions for the year to 31 January	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019 2018	
	¢	¢	¢	¢
First interim	3.1215	0.0000	3.1215	3.0161
Second interim	3.8354	0.0000	3.8354	3.7029
Third interim	4.1426	0.0000	4.1426	3.1607
Fourth interim	2.5588	1.2721	3.8309	4.0281
Fifth interim	3.8383	0.0000	3.8383	3.6416
Sixth interim	4.2163	0.0000	4.2163	3.6176
Seventh interim	3.1094	0.9982	4.1076	3.7040
Eighth interim	3.7020	0.0000	3.7020	3.5314
Ninth interim	4.2015	0.0000	4.2015	3.6811
Tenth interim	n/a	n/a	n/a	3.5235
Eleventh interim	n/a	n/a	n/a	3.4377
Final	4.9060	0.0000	4.9060	4.2499

Sterling Class 'A-H' Income shares				
Interest distributions for the year to 31 January	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019 2018	
	p	p	p	p
First interim	0.5614	0.4875	1.0489	0.9533
Second interim	0.6288	0.5062	1.1350	1.0881
Third interim	0.7077	0.4307	1.1384	1.0425
Final	0.3750	0.7996	1.1746	1.0895

Sterling Class 'A-H' Accumulation shares				
Interest distributions for the year to 31 January	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019 2018	
	p	p	p	p
First interim	0.4867	0.3088	0.7955	0.6573
Second interim	0.6249	0.2595	0.8844	0.7744
Third interim	0.2131	0.6880	0.9011	0.7465
Final	0.5493	0.3983	0.9476	0.7933

Sterling Class 'E-H' Income shares				
Interest distributions for the year to 31 January	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019 2018	
	p	p	p	p
First interim	1.0641	0.0000	1.0641	0.9588
Second interim	1.1526	0.0000	1.1526	1.0653
Third interim	1.1582	0.0000	1.1582	1.0635
Final	1.1976	0.0000	1.1976	1.1022

Sterling Class 'E-H' Accumulation shares				
Interest distributions for the year to 31 January	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019 2018	
	p	p	p	p
First interim	1.0438	0.0000	1.0438	0.8894
Second interim	1.1493	0.0000	1.1493	0.9787
Third interim	1.1701	0.0000	1.1701	1.0095
Final	1.2269	0.0000	1.2269	1.0593

Sterling Class 'I-H' Income shares				
Interest distributions for the year to 31 January	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019 2018	
	p	p	p	p
First interim	0.5451	0.5151	1.0602	0.9567
Second interim	0.5083	0.6394	1.1477	1.0935
Third interim	0.4567	0.6963	1.1530	1.0475
Final	0.6613	0.5301	1.1914	1.0985

Sterling Class 'I-H' Accumulation shares				
Interest distributions for the year to 31 January	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019 2018	
	p	p	p	p
First interim	0.4129	0.5567	0.9696	0.8186
Second interim	0.5541	0.5153	1.0694	0.9540
Third interim	0.4939	0.5952	1.0891	0.9280
Final	0.6058	0.5365	1.1423	0.9800

Sterling Class 'R-H' Income shares				
Interest distributions for the year to 31 January	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019 2018	
	p	p	p	p
First interim	0.7486	0.3054	1.0540	0.9556
Second interim	0.4340	0.7063	1.1403	1.0910
Third interim	0.5531	0.5910	1.1441	1.0455
Final	0.4739	0.7079	1.1818	1.0932

Sterling Class 'R-H' Accumulation shares				
Interest distributions for the year to 31 January	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019 2018	
	p	p	p	p
First interim	0.4902	0.3790	0.8692	0.7262
Second interim	0.7385	0.2240	0.9625	0.8513
Third interim	0.6675	0.3120	0.9795	0.8286
Final	0.8783	0.1510	1.0293	0.8718



# M&G Global Floating Rate High Yield Fund

## Financial statements and notes

### Notes to the financial statements

#### 25 Interest distribution tables (continued)

##### Swiss franc Class 'A-H' Income shares

Interest distributions for the year to 31 January	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
	€	€	€	€
First interim	4.4976	6.1550	10.6526	9.6856
Second interim	7.8368	3.5721	11.4089	11.0970
Third interim	9.3764	2.0337	11.4101	10.8621
Final	2.9462	1.9207	4.8669	11.0497

##### Swiss franc Class 'A-H' Accumulation shares

Interest distributions for the year to 31 January	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
	€	€	€	€
First interim	4.8143	2.8869	7.7012	6.3934
Second interim	3.3715	5.0836	8.4551	7.5148
Third interim	0.8096	7.7748	8.5844	7.4170
Final	3.1525	0.5614	3.7139	7.6814

##### Swiss franc Class 'C-H' Income shares

Interest distributions for the year to 31 January	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
	€	€	€	€
First interim	2.3703	8.3838	10.7541	9.7527
Second interim	6.0336	5.5022	11.5358	11.1450
Third interim	5.3183	6.2358	11.5541	10.9213
Final	4.9342	0.0000	4.9342	11.1339

##### Swiss franc Class 'C-H' Accumulation shares

Interest distributions for the year to 31 January	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
	€	€	€	€
First interim	4.6462	4.7493	9.3955	7.9719
Second interim	5.8299	4.4271	10.2570	9.2830
Third interim	5.3685	5.0445	10.4130	9.1868
Final	2.9318	1.5713	4.5031	9.4928

##### US dollar Class 'A' Income shares

Interest distributions for the year to 31 January	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
	€	€	€	€
First interim	5.4789	5.1415	10.6204	9.4625
Second interim	6.1598	5.4001	11.5599	11.0126
Third interim	5.5620	6.1746	11.7366	10.6456
Final	2.4200	2.5174	4.9374	11.1116

##### US dollar Class 'A' Accumulation shares

Interest distributions for the year to 31 January	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
	€	€	€	€
First interim	5.3939	2.8099	8.2038	6.6623
Second interim	4.8603	4.3002	9.1605	8.0157
Third interim	4.3354	5.1400	9.4754	7.7836
Final	2.0629	1.9614	4.0243	8.3036

##### US dollar Class 'A M' Income shares

Interest distributions for the year to 31 January	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
	€	€	€	€
First interim	1.9882	1.2176	3.2058	3.0618
Second interim	1.5993	2.1072	3.7065	3.6297
Third interim	1.4611	2.6225	4.0836	3.1252
Fourth interim	1.8750	1.9256	3.8006	3.9925
Fifth interim	1.6828	2.1269	3.8097	3.6289
Sixth interim	2.1379	2.0489	4.1868	3.6248
Seventh interim	0.7649	3.3244	4.0893	3.6938
Eighth interim	0.6428	3.0524	3.6952	3.5082
Ninth interim	2.2302	1.9462	4.1764	3.6360
Tenth interim	n/a	n/a	n/a	3.4996
Eleventh interim	n/a	n/a	n/a	3.4120
Final	2.9716	1.8748	4.8464	4.2261

##### US dollar Class 'C' Income shares

Interest distributions for the year to 31 January	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
	€	€	€	€
First interim	8.6821	2.0425	10.7246	9.4987
Second interim	6.3654	5.3260	11.6914	11.0706
Third interim	7.4733	4.4148	11.8881	10.7181
Final	1.9509	3.0553	5.0062	11.2041

##### US dollar Class 'C' Accumulation shares

Interest distributions for the year to 31 January	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
	€	€	€	€
First interim	5.9180	4.0863	10.0043	8.2941
Second interim	5.5660	5.5345	11.1005	9.8669
Third interim	5.6140	5.8439	11.4579	9.6296
Final	2.0316	2.8437	4.8753	10.2277

##### US dollar Class 'C M' Income shares

Interest distributions for the year to 31 January	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
	€	€	€	€
First interim	2.2933	0.9388	3.2321	3.0683
Second interim	1.2347	2.5054	3.7401	3.6359
Third interim	1.4859	2.6352	4.1211	3.1348
Fourth interim	1.1607	2.6767	3.8374	4.0068
Fifth interim	3.8486	0.0000	3.8486	3.6441
Sixth interim	4.2316	0.0000	4.2316	3.6416
Seventh interim	3.1351	1.0003	4.1354	3.7129
Eighth interim	0.0044	3.7329	3.7373	3.5280
Ninth interim	0.9062	3.3212	4.2274	3.6584
Tenth interim	n/a	n/a	n/a	3.5230
Eleventh interim	n/a	n/a	n/a	3.4363
Final	0.7868	4.1216	4.9084	4.2583

# M&G Global Floating Rate High Yield Fund

Financial statements and notes

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# M&G Pan European Dividend Fund

## Authorised Corporate Director's Report

### Investment objective up to 7 December 2018

The fund has three aims:

- to deliver an income stream that increases every year.
- to deliver a yield above that available from the MSCI Europe Index over any five-year period.
- to deliver a higher total return (the combination of income and growth of capital) than that of the MSCI Europe Index over any five-year period.

### Investment policy up to 7 December 2018

At least 70% of the fund is invested in a range of European equities. The Fund may invest across a wide range of geographies, sectors and market capitalisations. The fund may also invest in collective investment schemes, other transferable securities, cash, near cash, other money market securities, warrants and derivatives. The fund's exposure to European equities may be gained through the use of derivatives. Derivatives may be used for efficient portfolio management

### Investment approach up to 7 December 2018

The fund manager 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 the potential for long-term dividend growth. 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 countries and sectors. The fund manager selects stocks with different drivers of dividend growth to construct a portfolio that has the potential to cope in a variety of market conditions. The fund invests with a long-term view of typically three to five years. When attempting to grow distributions, the fund manager's main focus is on delivering an increase in euro terms.

### Risk profile

The fund invests in the shares of European-listed companies and is, therefore, subject to the price volatility of the European stockmarket and the performance of its individual companies. The fund's focus is on shares of companies that have the potential to grow their dividends over the long term. Income distributions from the fund's holdings, however, are not guaranteed and may vary. Diversification is therefore key both 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 February 2019, for the period from 1 February 2018 to 7 December 2018

#### Distribution summary

Over the period under review, the fund distributed income of 60.28 cents per Euro Class 'A' (Income) share, below the distribution level of the same period last year. The Sterling Class 'A' (Income) share distributed 5.86 pence. This was slightly below the previous year's distribution, reflecting the shortened reporting period mentioned above.

The payout for the Euro Class 'A' shares represented a yield (the distributed income as a percentage of the share price) of 4.98% versus a yield of 3.77% for the MSCI Europe Index, a comparative index, reflecting a yield premium of over 30%.

We continue to assess companies on their ability to grow their dividend distribution over time and to balance growth and dividend distribution, demonstrating financial discipline through the economic cycle. (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). This quest for reliable dividend growth means that it is necessary to balance our investments between companies that have not yet reached full maturity and have more scope to grow, and much larger companies that offer greater stability.

The period under review represented a sharp contrast to a rather euphoric 2017, when optimism and share valuations were fed by consistent and solid economic data reflecting strong global growth, as well as US tax cuts, with many US companies delivering strong earnings growth. 2018 was a different story, with a brutal deterioration in sentiment. Trade tariff standoffs, a slowing Chinese economy and Brexit uncertainties all helped to darken the outlook through the second half of the year, and investors retreated towards those areas of the market considered 'safer'. This move prompted sharp falls in the share prices of some companies in the technology sector, along with many of the expensive, fast-growth stocks that had been standard bearers for the market's ebullience through 2017.

Europe had to deal with its own difficulties. Brexit's 'unknowns' weakened sentiment in European markets just as the Italian government reached a budget impasse. It became obvious that European countries would have little or no leeway for fiscal stimulation

# M&G Pan European Dividend Fund

## Authorised Corporate Director's Report

### Investment review

#### Distribution summary (continued)

(i.e. through cutting taxation and increasing spending) of their economies under EU rules. The uncertain outcome of Brexit also turned into a strong, persistent headwind over the course of the year, casting an enduring shadow over the UK market. As a result, many companies delayed investment decisions.

As for the fund, dividend growth was fairly resilient across the portfolio, led in the cyclical part of the portfolio (that is, companies whose performance is more aligned with the economic cycle) by a spectacular 50% growth at NOS, the Portuguese telecoms and media company. Banks also delivered a spate of solid dividends with a combination of high growth – with a 22% dividend upgrade at Banca IFIS, 20% at Erste Group, 14% at Intesa Sanpaolo and more moderate growth at KBC (7.1%) and Nordea Bank (1.5%). Other, non-bank, financials delivered healthy growth as well, with Intermediate Capital's final ordinary dividend up 7.7% and Sampo up 13%.

Catering company Compass Group and cigarette makers British American Tobacco and Imperial Tobacco offered reliable 'defensiveness' with solid dividend growth of 12.5%, 13% and 10% respectively.

Not all our holdings delivered growth, however. French satellite operator SES cut its dividend – in a much-expected move – by 16.4%, as it was going through a change of management and operational reorganisation following a challenging year. We also saw packaging company DS Smith cut its dividend by a modest 3%, although we think this was more of a timing issue, as the company was financing the acquisition of one of its European competitors. We expect a return to dividend growth as soon as next year.

In summary, we were happy with the overall dividend growth across the portfolio, especially in the current economic context. In a macroeconomic environment of increasing complexity, we were not surprised to register fewer special dividends being paid out since, as mentioned in previous reports, special dividends by their very nature are not recurring events.

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

#### Performance against objective

Between 1 February 2018 (the start of the review period) and 7 December 2018 (the point where the fund merged into the M&G (Lux) Pan European Dividend Fund), the fund delivered a negative total return (the combination of income and capital growth) across its share classes and lagged the MSCI Europe Index, which also declined over the period under review.

Over this period, while achieving its objective of delivering a dividend yield above that of the MSCI Europe Index, it did not grow distributions across all share classes nor did it generate capital growth. Over a longer period of five years, the fund has achieved all aspects of its objective.\*

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

### Investment performance

The fund's sector positioning was partly responsible for relative underperformance, as some of the sectors in which we have below-index positions, namely energy and utilities, ended up outperforming the wider market. Our above-index position in financials, the worst performing sector for the period under review, also weighed on relative returns.

Stock selection, however, was the main driver of underperformance over the reporting period. Despite some of our holdings delivering strong returns, this was offset by the portfolio's laggards. Stockpicking within technology led to the largest drag on returns, where previously positive sentiment in the sector reversed on the back of a series of high-profile difficulties – most notably Apple's shock profit warning in the US, which rattled an already apprehensive market. Selection within the materials sector also weighed on performance, as it did in consumer staples, particularly affected by our tobacco holdings.

On the upside, stock selection within the communication services, healthcare and energy sectors was supportive, but again, this positive performance was counterbalanced by weaker performance from some of our holdings.

At a stock level, the largest detractor was Austria-listed ams, a global leader in sensor technology. It was a tough period for the company, in spite of high expectations at the beginning of the year. ams is one of Apple's key suppliers for digital sensors, and it did not comment as openly as we had hoped ahead of Apple's sudden profit warning. Its own visibility was obviously impaired by the weaker demand from Apple, and clarity remained limited on the company's profitability.

British American Tobacco (BAT) was another casualty of the market's risk aversion, and we feel that the share price was unduly punished on two separate counts. Firstly, discussions of a ban on menthol cigarettes in the US hit sentiment in the stock, yet we feel the ban – if it ever comes into force – would take a few years to become effective and impact results. The second issue was the perceived competition from vaping products. Our main observation is that the growth of these products – most strongly among the US teenage population – has now attracted the attention of the regulators. This will likely result in increased regulation of both vapour and tobacco products. BAT is relatively well-positioned to cope with these changes in the US (its largest market) while also deriving over half of its cash flows outside the US. We believe the stock is due for a rebound, having fallen more than its peers over the period.

Other detractors included British packaging company DS Smith and Italian bank Banca IFIS. For DS Smith, in spite of publishing strong results, the company's share price fell considerably over fears of overcapacity in the global cardboard market. We believe these concerns to be overdone, as the company is the largest player in the unconsolidated European market, which gives it a strong competitive advantage. Furthermore, we anticipate that significant demand out of China and online sales growth should underpin market demand over the next three to four years and provide a powerful tailwind for the major players.

Banca IFIS, meanwhile, along with the rest of its peer group among our holdings (KBC, Erste Group, Nordea Bank and Banca Intesa Sanpaolo) finished the period lower, despite a rebound towards the second half of the year. European banks were indiscriminately impacted over the spring and summer by investors' reaction to the Italian constitutional crisis. The crisis – which was eventually put on a path to resolution – affected confidence in the European financial

# M&G Pan European Dividend Fund

## Authorised Corporate Director's Report

### Investment review

#### Investment performance (continued)

system; this was temporary, but rather dramatic. We remain positive on our banking sector holdings, as each company in which we are invested boasts both a strong franchise and a resilient capital structure, which we think sets them apart from their peer groups.

On the positive side, the largest contributor for the period was SES, a Luxembourg-based satellite company. This had been one of our biggest detractors during the previous review period, but the company delivered strong turnaround performance, justifying our decision to hold the stock in order to give new management a chance to deliver on their new strategic objectives.

Within healthcare, several of our holdings were supportive of returns, including Roche, AstraZeneca and Novartis. All three companies benefited from positive sentiment in the healthcare sector, perceived as safer in a risk-averse environment, as well as solid operational success with strong product pipelines in their individual areas of expertise.

British food catering business Compass Group also proved resilient during the review period. Its third quarter results were particularly impressive, powered by organic growth in the US. Compass also announced that it was aiming to reinforce its focus on food catering and would dispose of some of its non-core business.

#### Investment activities

We completed five new purchases and eleven sales during the period under review. We had to make some hard decisions. In some cases we sold holdings offering good upside in order to fund further purchases of companies offering greater potential. This reflected an environment where many companies saw their share price decline, often irrespective of how well the company performed operationally. Our investment decisions are based on the detailed analysis of company fundamentals and the thorough assessment of valuation to determine whether a stock merits its place in the fund.

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

New holdings for the period under review included materials company Covestro, specialist asset manager Intermediate Capital, engineering firm IMA and consumer goods company Unilever.

Covestro offered a unique opportunity to start a position in a world leader in chemical finishing coatings, whose shares were, we believe, unfairly battered by investors in light of the company's excellent operating results. This offered us an opportunity to add a high-quality stock that we think offers significant upside for the portfolio.

Intermediate Capital is a private equity asset manager. We think it has a very impressive business model, likely to deliver above-average returns thanks to the long-term nature of its investors. The company has seen strong growth in its assets under management and its shares were trading at an excessive discount to its peer group, offering a very attractive entry point.

Italian company IMA is 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.

Finally, volatility (or market turbulence) gave us an opportunity to build a position in Unilever – one of the highest quality companies within our investing universe – at an advantageous valuation.

In terms of complete sales, we continued to focus the portfolio on companies where we saw the best opportunities and felt that we had the most earnings visibility. As a consequence, we sold a number of holdings on valuation grounds, where we saw limited further upside or where we felt the investment case had become weaker or simply not delivered the expected returns.

Examples of these included: Alfa Laval, Infineon Technologies and Novo-Nordisk, where we took profits after strong performances; Essity and Prudential, opting for better upside in other areas; and Golar LNG and IMI, where we had lost faith in the investment case for these businesses.

#### Outlook

What a difference a year makes. While in 2017 investors were basking in the euphoria induced by rising markets in the US and strong global growth, 2018 was a year in which the unexpected happened. Volatility made a sudden reappearance and challenged investors' confidence. Macroeconomic uncertainties regained centre stage and focused on lower forecasts for economic growth and rising interest rates in the US, as well as the fact that we had probably seen the top of cyclical earnings growth for a while. 2018 was a year of two halves which met a brutal end, as evidenced by the global markets' synchronised plunge.

Although volatility may continue, we remain firmly focused on our mandate, which is the analysis of company fundamentals and valuation. It is our conviction that these factors alone drive returns over the long term. In the current context, we believe that the market correction which took place at the end of 2018 will offer attractive entry points and therefore significant upside for stock pickers, as the market has shown little differentiation in its pricing adjustment. Medium-sized companies in particular remain a source of attractive opportunities, given their potential to deliver long-term growth for the benefit of shareholders. Selectivity will, however, remain paramount.

We stand committed to our dividend growth strategy and our conviction-based approach and believe that the cash-generative nature of the fund's holdings, their ability to grow dividends over the long term and their attractive valuation will be positive for the fund. The fund's current yield of 4.98%, which we aim to grow over time, continues to offer, we hope, a favourable proposition for long-term investors.

#### Phil Cliff

Fund manager

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

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

# M&G Pan European Dividend Fund

## Authorised Corporate Director's Report

### Investments

The fund had no holdings at year end.

Top ten portfolio transactions	
for the year to 31 January 2019	
Largest purchases	€'000
ams	8,837
Intermediate Capital Group	5,650
Covestro	5,254
Imperial Brands (formerly Imperial Tobacco Group)	4,416
Intesa Sanpaolo Pref.	4,390
Roche Holding 'Genussscheine'	3,726
NOS	3,656
Nordea Bank	3,449
Tritax EuroBox	3,054
Kone	2,720
Other purchases	38,667
<b>Total purchases</b>	<b>83,819</b>
Largest sales	€'000
Prudential <sup>[a]</sup>	6,402
Alfa Laval	5,386
NOS	5,335
AstraZeneca	5,260
Novo-Nordisk 'B'	4,958
IMI	4,864
Erste Group	4,565
British American Tobacco	4,504
Countryside Properties	4,491
Bureau Veritas	4,489
Other sales	83,344
<b>Total sales</b>	<b>133,598</b>

<sup>[a]</sup> Related party to the fund.

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



# M&G Pan European 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 (7), which is available free of charge either from our website at [www.mandg.co.uk/prospectuses](http://www.mandg.co.uk/prospectuses) or by calling M&G Customer Relations.

### Fund level performance

Fund net asset value			
	2019	2018	2017
as at 31 January	€'000	€'000	€'000
Fund net asset value (NAV)	0	194,962	121,486

### Performance since launch

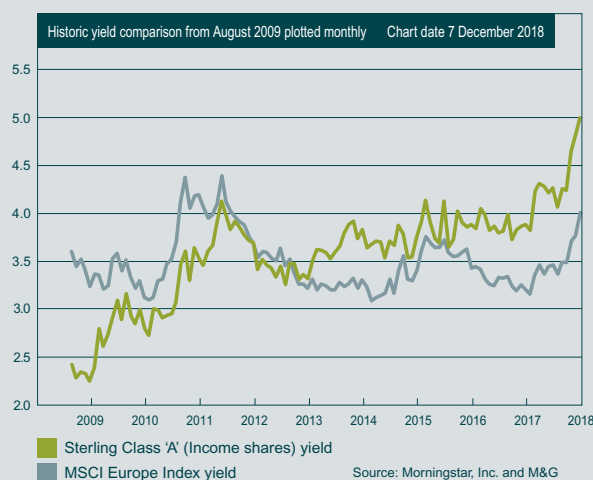
To give an indication of how the fund has performed since launch, the chart below shows total return of Sterling Class 'A' (Accumulation) shares and Sterling Class 'I' (Accumulation) shares.



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.

### Historic yield

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

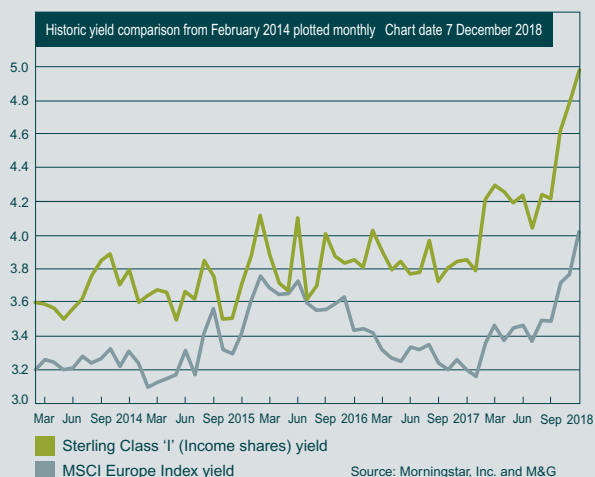


# M&G Pan European Dividend Fund

## Financial highlights

### Fund performance

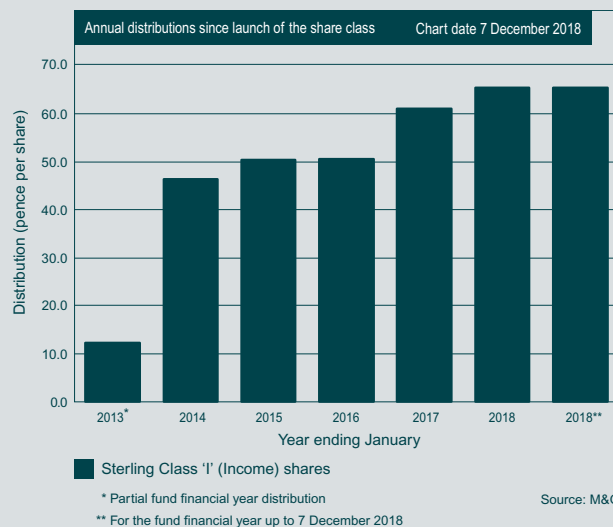
#### Historic yield (continued)



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

#### Distribution since launch

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



To give an indication of the performance of the fund, the following table shows the compound rate of return, over the period to 7 December 2018 when the fund closed and merged into a SICAV. Calculated on a price to price basis with income reinvested.

#### Long-term performance by share class

	From 01.02.18 % <sup>[a]</sup>	From 01.02.16 % p.a.	From 03.02.14 % p.a.	Since launch % p.a.
<b>Euro <sup>[b]</sup></b>				
Class 'A'	-17.0	-1.0	+3.2	+4.2 <sup>[c]</sup>
Class 'B'	-17.4	n/a	n/a	-1.6 <sup>[d]</sup>
Class 'C'	-16.5	-0.2	+4.0	+5.0 <sup>[c]</sup>
<b>Sterling <sup>[e]</sup></b>				
Class 'A'	-15.3	+4.7	+4.9	+5.4 <sup>[c]</sup>
Class 'I'	-14.9	+5.5	+5.6	+8.6 <sup>[f]</sup>
Class 'R'	-15.0	+5.2	+5.4	+8.3 <sup>[f]</sup>
<b>US dollar <sup>[b]</sup></b>				
Class 'A'	-24.1	+0.6	n/a	-1.0 <sup>[g]</sup>
Class 'C'	-23.6	+1.4	n/a	-0.2 <sup>[g]</sup>

<sup>[a]</sup> Absolute basis.

<sup>[b]</sup> Price to price with net income reinvested.

<sup>[c]</sup> 18 July 2008, the launch date of the fund.

<sup>[d]</sup> 18 March 2016, the launch date of the share class.

<sup>[e]</sup> Price to price with income reinvested.

<sup>[f]</sup> 3 August 2012, the launch date of the share class.

<sup>[g]</sup> 8 August 2014, the launch date of the share class.

# M&G Pan European Dividend Fund

## Financial highlights

### Fund performance

### Operating charges and portfolio transaction costs

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

#### Operating charges

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

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

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

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

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

#### Portfolio transaction costs

Portfolio transaction costs are incurred by funds when buying and selling investments. These costs vary depending on the types of

investment, their market capitalisation, country of exchange and method of execution. They are made up of direct and indirect portfolio transaction costs:

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

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

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

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

#### Portfolio transaction costs

for the year to 31 January	2019	2018	2017	Average <sup>[a]</sup>
Direct portfolio transaction costs <sup>[b]</sup>	%	%	%	%
Broker commission	0.06	0.06	0.08	0.07
Taxes	0.08	0.17	0.14	0.13
Costs before dilution adjustments	0.14	0.23	0.22	0.20
Dilution adjustments <sup>[c]</sup>	(0.06)	(0.08)	(0.14)	(0.09)
Total direct portfolio transaction costs	0.08	0.15	0.08	0.11
as at 31 January	2019	2018	2017	Average <sup>[d]</sup>
Indirect portfolio transaction costs	%	%	%	%
Average portfolio dealing spread	0.00 <sup>[e]</sup>	0.06	0.14	0.10

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

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

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

<sup>[d]</sup> Average of the last two columns.

<sup>[e]</sup> The average figure for 2019 is not a true representation, as the fund has not been in existence for the full 2019 financial year.

# M&G Pan European Dividend Fund

## Financial highlights

### Specific share class performance

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

The sterling share classes were closed on the effective date on 6 December 2018. The current year historic yields for the sterling share classes were calculated at the effective date.

The non-sterling share classes were merged into the M&G (Lux) Pan European Dividend Fund on 7 December 2018. The historic yields for the current year non-sterling share classes were calculated at the merger date.

#### Euro Class 'A' Income share performance

The share class was launched on 12 July 2013.

for the year to 31 January Change in NAV per share	2019 Euro ¢	2018 Euro ¢	2017 Euro ¢
Opening NAV	1,512.59	1,381.11	1,389.11
Return before operating charges and after direct portfolio transaction costs	(225.91)	218.36	75.12
Operating charges	(20.24)	(25.71)	(23.43)
Return after operating charges	(246.15)	192.65	51.69
Distributions	(60.28)	(61.17)	(59.69)
Return to shareholder as a result of share class closure	(1,206.16)	n/a	n/a
Closing NAV	0.00	1,512.59	1,381.11
<b>Direct portfolio transaction costs</b>	<b>Euro ¢</b>	<b>Euro ¢</b>	<b>Euro ¢</b>
Costs before dilution adjustments	1.72	3.47	3.02
Dilution adjustments <sup>[a]</sup>	(0.68)	(1.22)	(0.99)
Total direct portfolio transaction costs	1.04	2.25	2.03
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.08	0.15	0.08
Operating charges	1.67	1.68	1.69
Return after operating charges	-16.27	+13.95	+3.72
Historic yield	4.98	4.31	4.17
Effect on yield of charges offset against capital	1.67	1.68	1.69
<b>Other information</b>			
Closing NAV (€'000)	0	17,166	3,316
Closing NAV percentage of total fund NAV (%)	0.00	8.81	2.73
Number of shares	0	1,134,856	240,122
Highest share price (Euro ¢)	1,520.18	1,583.85	1,454.28
Lowest share price (Euro ¢)	1,238.07	1,390.29	1,248.65

#### Euro Class 'A' Accumulation share performance

The share class was launched on 18 July 2008.

for the year to 31 January Change in NAV per share	2019 Euro ¢	2018 Euro ¢	2017 Euro ¢
Opening NAV	1,843.24	1,617.08	1,558.29
Return before operating charges and after direct portfolio transaction costs	(280.45)	256.45	85.28
Operating charges	(24.81)	(30.29)	(26.49)
Return after operating charges	(305.26)	226.16	58.79
Distributions	(49.26)	(42.22)	(53.97)
Retained distributions	49.26	42.22	53.97
Return to shareholder as a result of share class closure	(1,537.98)	n/a	n/a
Closing NAV	0.00	1,843.24	1,617.08
<b>Direct portfolio transaction costs</b>	<b>Euro ¢</b>	<b>Euro ¢</b>	<b>Euro ¢</b>
Costs before dilution adjustments	2.11	4.09	3.42
Dilution adjustments <sup>[a]</sup>	(0.83)	(1.44)	(1.12)
Total direct portfolio transaction costs	1.28	2.65	2.30
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.08	0.15	0.08
Operating charges	1.67	1.68	1.69
Return after operating charges	-16.56	+13.99	+3.77
Historic yield	2.87	2.44	2.42
Effect on yield of charges offset against capital	0.02	0.03	0.04
<b>Other information</b>			
Closing NAV (€'000)	0	18,805	10,668
Closing NAV percentage of total fund NAV (%)	0.00	9.65	8.78
Number of shares	0	1,020,210	659,681
Highest share price (Euro ¢)	1,852.43	1,885.18	1,658.80
Lowest share price (Euro ¢)	1,536.69	1,627.25	1,400.34

#### Euro Class 'B' Income share performance

The share class was launched on 18 March 2016.

for the year to 31 January Change in NAV per share	2019 Euro ¢	2018 Euro ¢	2017 Euro ¢
Opening NAV	1,075.04	986.67	1,000.00
Return before operating charges and after direct portfolio transaction costs	(160.19)	155.82	34.60
Operating charges	(18.53)	(23.78)	(18.74)
Return after operating charges	(178.72)	132.04	15.86
Distributions	(42.78)	(43.67)	(29.19)
Return to shareholder as a result of share class closure	(853.54)	n/a	n/a
Closing NAV	0.00	1,075.04	986.67
<b>Direct portfolio transaction costs</b>	<b>Euro ¢</b>	<b>Euro ¢</b>	<b>Euro ¢</b>
Costs before dilution adjustments	1.21	2.47	1.88
Dilution adjustments <sup>[a]</sup>	(0.48)	(0.87)	(0.62)
Total direct portfolio transaction costs	0.73	1.60	1.26
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.08	0.15	0.08
Operating charges	2.17	2.18	2.19
Return after operating charges	-16.62	+13.38	+1.59
Historic yield	5.01	4.33	4.13
Effect on yield of charges offset against capital	2.17	2.18	2.19
<b>Other information</b>			
Closing NAV (€'000)	0	351	44
Closing NAV percentage of total fund NAV (%)	0.00	0.18	0.04
Number of shares	0	32,632	4,500
Highest share price (Euro ¢)	1,080.43	1,129.95	1,030.90
Lowest share price (Euro ¢)	876.18	993.16	907.14

# M&G Pan European Dividend Fund

## Financial highlights

### Specific share class performance

#### Euro Class 'B' Accumulation share performance

The share class was launched on 18 March 2016.

for the year to 31 January Change in NAV per share	2019 Euro ¢	2018 Euro ¢	2017 Euro ¢
Opening NAV	1,152.66	1,016.30	1,000.00
Return before operating charges and after direct portfolio transaction costs	(174.90)	161.32	35.18
Operating charges	(20.07)	(24.96)	(18.88)
Return after operating charges	(194.97)	136.36	16.30
Distributions	(26.15)	(20.97)	(18.44)
Retained distributions	26.15	20.97	18.44
Return to shareholder as a result of share class closure	(957.69)	n/a	n/a
Closing NAV	0.00	1,152.66	1,016.30
<b>Direct portfolio transaction costs</b>	<b>Euro ¢</b>	<b>Euro ¢</b>	<b>Euro ¢</b>
Costs before dilution adjustments	1.32	2.60	1.88
Dilution adjustments <sup>[a]</sup>	(0.52)	(0.92)	(0.62)
Total direct portfolio transaction costs	0.80	1.68	1.26
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.08	0.15	0.08
Operating charges	2.17	2.18	2.19
Return after operating charges	-16.91	+13.42	+1.63
Historic yield	2.30	1.94	3.13
Effect on yield of charges offset against capital	0.02	0.03	0.04
<b>Other information</b>			
Closing NAV (€'000)	0	608	38
Closing NAV percentage of total fund NAV (%)	0.00	0.31	0.03
Number of shares	0	52,709	3,707
Highest share price (Euro ¢)	1,158.38	1,178.99	1,042.92
Lowest share price (Euro ¢)	956.88	1,022.67	907.15

#### Euro Class 'C' Income share performance

The share class was launched on 8 August 2014.

for the year to 31 January Change in NAV per share	2019 Euro ¢	2018 Euro ¢	2017 Euro ¢
Opening NAV	1,722.81	1,561.12	1,557.94
Return before operating charges and after direct portfolio transaction costs	(258.53)	247.07	84.83
Operating charges	(12.74)	(16.09)	(14.62)
Return after operating charges	(271.27)	230.98	70.21
Distributions	(68.81)	(69.29)	(67.03)
Return to shareholder as a result of share class closure	(1,382.73)	n/a	n/a
Closing NAV	0.00	1,722.81	1,561.12
<b>Direct portfolio transaction costs</b>	<b>Euro ¢</b>	<b>Euro ¢</b>	<b>Euro ¢</b>
Costs before dilution adjustments	1.96	3.93	3.41
Dilution adjustments <sup>[a]</sup>	(0.77)	(1.39)	(1.12)
Total direct portfolio transaction costs	1.19	2.54	2.29
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.08	0.15	0.08
Operating charges	0.93	0.93	0.94
Return after operating charges	-15.75	+14.80	+4.51
Historic yield	4.94	4.28	4.14
Effect on yield of charges offset against capital	0.93	0.93	0.94
<b>Other information</b>			
Closing NAV (€'000)	0	29,133	11,426
Closing NAV percentage of total fund NAV (%)	0.00	14.94	9.41
Number of shares	0	1,690,984	731,922
Highest share price (Euro ¢)	1,731.52	1,801.59	1,638.83
Lowest share price (Euro ¢)	1,419.17	1,571.52	1,400.80

#### Euro Class 'C' Accumulation share performance

The share class was launched on 18 July 2008.

for the year to 31 January Change in NAV per share	2019 Euro ¢	2018 Euro ¢	2017 Euro ¢
Opening NAV	1,982.77	1,726.51	1,651.21
Return before operating charges and after direct portfolio transaction costs	(302.98)	274.31	90.91
Operating charges	(14.81)	(18.05)	(15.61)
Return after operating charges	(317.79)	256.26	75.30
Distributions	(65.05)	(59.62)	(63.68)
Retained distributions	65.05	59.62	63.68
Return to shareholder as a result of share class closure	(1,664.98)	n/a	n/a
Closing NAV	0.00	1,982.77	1,726.51
<b>Direct portfolio transaction costs</b>	<b>Euro ¢</b>	<b>Euro ¢</b>	<b>Euro ¢</b>
Costs before dilution adjustments	2.28	4.41	3.63
Dilution adjustments <sup>[a]</sup>	(0.90)	(1.55)	(1.19)
Total direct portfolio transaction costs	1.38	2.86	2.44
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.08	0.15	0.08
Operating charges	0.92	0.93	0.94
Return after operating charges	-16.03	+14.84	+4.56
Historic yield	3.71	3.20	3.13
Effect on yield of charges offset against capital	0.02	0.03	0.04
<b>Other information</b>			
Closing NAV (€'000)	0	27,664	7,019
Closing NAV percentage of total fund NAV (%)	0.00	14.19	5.78
Number of shares	0	1,395,217	406,537
Highest share price (Euro ¢)	1,992.69	2,027.58	1,770.02
Lowest share price (Euro ¢)	1,663.59	1,737.39	1,484.25

# M&G Pan European Dividend Fund

## Financial highlights

### Specific share class performance

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

The share class was launched on 18 July 2008.

for the year to 31 January Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	145.02	129.90	115.57
Return before operating charges and after direct portfolio transaction costs	(20.19)	23.46	22.00
Operating charges	(1.95)	(2.44)	(2.11)
Return after operating charges	(22.14)	21.02	19.89
Distributions	(5.86)	(5.90)	(5.56)
Return to shareholder as a result of share class closure	(117.02)	n/a	n/a
Closing NAV	0.00	145.02	129.90
<b>Direct portfolio transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.17	0.33	0.27
Dilution adjustments <sup>[a]</sup>	(0.07)	(0.12)	(0.09)
Total direct portfolio transaction costs	0.10	0.21	0.18
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.08	0.15	0.08
Operating charges	1.68	1.68	1.69
Return after operating charges	-15.27	+16.18	+17.21
Historic yield	4.99	4.34	4.13
Effect on yield of charges offset against capital	1.68	1.68	1.69
<b>Other information</b>			
Closing NAV (€'000)	0	65,652	59,940
Closing NAV percentage of total fund NAV (%)	0.00	33.67	49.34
Number of shares	0	39,816,138	39,811,476
Highest share price (UK p)	145.99	152.29	135.94
Lowest share price (UK p)	120.12	129.41	107.05

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

The share class was launched on 18 July 2008.

for the year to 31 January Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	204.37	175.89	149.92
Return before operating charges and after direct portfolio transaction costs	(28.61)	31.82	28.74
Operating charges	(2.80)	(3.34)	(2.77)
Return after operating charges	(31.41)	28.48	25.97
Distributions	(5.54)	(4.72)	(5.80)
Retained distributions	5.54	4.72	5.80
Return to shareholder as a result of share class closure	(172.96)	n/a	n/a
Closing NAV	0.00	204.37	175.89
<b>Direct portfolio transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.24	0.45	0.36
Dilution adjustments <sup>[a]</sup>	(0.09)	(0.16)	(0.12)
Total direct portfolio transaction costs	0.15	0.29	0.24
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.08	0.15	0.08
Operating charges	1.68	1.68	1.69
Return after operating charges	-15.37	+16.19	+17.32
Historic yield	2.87	2.47	2.48
Effect on yield of charges offset against capital	0.03	0.03	0.04
<b>Other information</b>			
Closing NAV (€'000)	0	30,291	26,570
Closing NAV percentage of total fund NAV (%)	0.00	15.54	21.87
Number of shares	0	13,035,866	13,033,469
Highest share price (UK p)	207.18	209.85	179.73
Lowest share price (UK p)	172.82	175.16	138.84

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

The share class was launched on 3 August 2012.

for the year to 31 January Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	1,609.59	1,430.80	1,263.16
Return before operating charges and after direct portfolio transaction costs	(223.35)	259.00	241.42
Operating charges	(11.94)	(15.03)	(12.89)
Return after operating charges	(235.29)	243.97	228.53
Distributions	(65.16)	(65.18)	(60.89)
Return to shareholder as a result of share class closure	(1,309.14)	n/a	n/a
Closing NAV	0.00	1,609.59	1,430.80
<b>Direct portfolio transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	1.84	3.67	3.00
Dilution adjustments <sup>[a]</sup>	(0.72)	(1.29)	(0.98)
Total direct portfolio transaction costs	1.12	2.38	2.02
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.08	0.15	0.08
Operating charges	0.92	0.93	0.94
Return after operating charges	-14.62	+17.05	+18.09
Historic yield	4.94	4.32	4.11
Effect on yield of charges offset against capital	0.92	0.93	0.94
<b>Other information</b>			
Closing NAV (€'000)	0	1,657	683
Closing NAV percentage of total fund NAV (%)	0.00	0.85	0.56
Number of shares	0	90,555	41,156
Highest share price (UK p)	1,626.41	1,689.21	1,496.74
Lowest share price (UK p)	1,343.73	1,425.45	1,170.40



# M&G Pan European Dividend Fund

## Financial highlights

### Specific share class performance

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

The share class was launched on 3 August 2012.

for the year to 31 January Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	1,980.39	1,691.65	1,431.07
Return before operating charges and after direct portfolio transaction costs	(280.08)	306.66	275.22
Operating charges	(15.14)	(17.92)	(14.64)
Return after operating charges	(295.22)	288.74	260.58
Distributions	(65.85)	(59.96)	(61.71)
Retained distributions	65.85	59.96	61.71
Return to shareholder as a result of share class closure	(1,685.17)	n/a	n/a
Closing NAV	0.00	1,980.39	1,691.65
<b>Direct portfolio transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	2.33	4.37	3.41
Dilution adjustments <sup>[a]</sup>	(0.92)	(1.54)	(1.12)
Total direct portfolio transaction costs	1.41	2.83	2.29
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.08	0.15	0.08
Operating charges	0.92	0.93	0.94
Return after operating charges	-14.91	+17.07	+18.21
Historic yield	3.72	3.23	3.14
Effect on yield of charges offset against capital	0.02	0.03	0.04
<b>Other information</b>			
Closing NAV (€'000)	0	2,707	1,361
Closing NAV percentage of total fund NAV (%)	0.00	1.39	1.12
Number of shares	0	120,233	69,415
Highest share price (UK p)	2,015.41	2,032.38	1,728.06
Lowest share price (UK p)	1,683.76	1,684.72	1,325.62

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

The share class was launched on 3 August 2012.

for the year to 31 January Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	158.69	141.41	125.16
Return before operating charges and after direct portfolio transaction costs	(21.97)	25.60	23.89
Operating charges	(1.51)	(1.89)	(1.61)
Return after operating charges	(23.48)	23.71	22.28
Distributions	(6.42)	(6.43)	(6.03)
Return to shareholder as a result of share class closure	(128.79)	n/a	n/a
Closing NAV	0.00	158.69	141.41
<b>Direct portfolio transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.18	0.36	0.30
Dilution adjustments <sup>[a]</sup>	(0.07)	(0.13)	(0.10)
Total direct portfolio transaction costs	0.11	0.23	0.20
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.08	0.15	0.08
Operating charges	1.18	1.18	1.19
Return after operating charges	-14.80	+16.77	+17.80
Historic yield	4.96	4.33	4.11
Effect on yield of charges offset against capital	1.18	1.18	1.19
<b>Other information</b>			
Closing NAV (€'000)	0	294	42
Closing NAV percentage of total fund NAV (%)	0.00	0.15	0.04
Number of shares	0	162,852	25,845
Highest share price (UK p)	160.14	166.57	147.95
Lowest share price (UK p)	132.20	140.88	115.96

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

The share class was launched on 3 August 2012.

for the year to 31 January Change in NAV per share	2019 UK p	2018 UK p	2017 UK p
Opening NAV	194.91	166.91	141.56
Return before operating charges and after direct portfolio transaction costs	(27.54)	30.23	27.20
Operating charges	(1.86)	(2.23)	(1.85)
Return after operating charges	(29.40)	28.00	25.35
Distributions	(6.08)	(5.43)	(5.90)
Retained distributions	6.08	5.43	5.90
Return to shareholder as a result of share class closure	(165.51)	n/a	n/a
Closing NAV	0.00	194.91	166.91
<b>Direct portfolio transaction costs</b>	<b>UK p</b>	<b>UK p</b>	<b>UK p</b>
Costs before dilution adjustments	0.23	0.43	0.34
Dilution adjustments <sup>[a]</sup>	(0.09)	(0.15)	(0.11)
Total direct portfolio transaction costs	0.14	0.28	0.23
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.08	0.15	0.08
Operating charges	1.17	1.18	1.19
Return after operating charges	-15.09	+16.78	+17.91
Historic yield	3.44	2.98	2.92
Effect on yield of charges offset against capital	0.02	0.03	0.04
<b>Other information</b>			
Closing NAV (€'000)	0	85	48
Closing NAV percentage of total fund NAV (%)	0.00	0.04	0.04
Number of shares	0	38,441	25,000
Highest share price (UK p)	198.11	200.06	170.52
Lowest share price (UK p)	165.37	166.23	131.12

# M&G Pan European Dividend Fund

## Financial highlights

### Specific share class performance

#### US Dollar Class 'A' Income share performance

The share class was launched on 8 August 2014.

for the year to 31 January Change in NAV per share	2019 US ¢	2018 US ¢	2017 US ¢
Opening NAV	1,091.70	860.53	878.81
Return before operating charges and after direct portfolio transaction costs	(242.04)	291.22	34.42
Operating charges	(13.84)	(17.05)	(14.96)
Return after operating charges	(255.88)	274.17	19.46
Distributions	(40.32)	(43.00)	(37.74)
Return to shareholder as a result of share class closure	(795.50)	n/a	n/a
Closing NAV	0.00	1,091.70	860.53
<b>Direct portfolio transaction costs</b>	<b>US ¢</b>	<b>US ¢</b>	<b>US ¢</b>
Costs before dilution adjustments	1.18	2.30	1.94
Dilution adjustments <sup>[a]</sup>	(0.46)	(0.81)	(0.64)
Total direct portfolio transaction costs	0.72	1.49	1.30
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.08	0.15	0.08
Operating charges	1.67	1.68	1.69
Return after operating charges	-23.44	+31.86	+2.21
Historic yield	5.31	4.18	4.26
Effect on yield of charges offset against capital	1.67	1.68	1.69
<b>Other information</b>			
Closing NAV (€'000)	0	108	52
Closing NAV percentage of total fund NAV (%)	0.00	0.06	0.04
Number of shares	0	12,349	6,478
Highest share price (US ¢)	1,095.52	1,131.48	949.78
Lowest share price (US ¢)	816.59	870.20	818.90

#### US Dollar Class 'A' Accumulation share performance

The share class was launched on 8 August 2014.

for the year to 31 January Change in NAV per share	2019 US ¢	2018 US ¢	2017 US ¢
Opening NAV	1,257.57	952.41	931.93
Return before operating charges and after direct portfolio transaction costs	(282.67)	324.17	36.57
Operating charges	(16.04)	(19.01)	(16.09)
Return after operating charges	(298.71)	305.16	20.48
Distributions	(31.20)	(27.84)	(32.37)
Retained distributions	31.20	27.84	32.37
Return to shareholder as a result of share class closure	(958.86)	n/a	n/a
Closing NAV	0.00	1,257.57	952.41
<b>Direct portfolio transaction costs</b>	<b>US ¢</b>	<b>US ¢</b>	<b>US ¢</b>
Costs before dilution adjustments	1.36	2.57	2.07
Dilution adjustments <sup>[a]</sup>	(0.54)	(0.91)	(0.68)
Total direct portfolio transaction costs	0.82	1.66	1.39
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.08	0.15	0.08
Operating charges	1.68	1.68	1.70
Return after operating charges	-23.75	+32.04	+2.20
Historic yield	3.04	2.35	2.47
Effect on yield of charges offset against capital	0.03	0.03	0.05
<b>Other information</b>			
Closing NAV (€'000)	0	431	270
Closing NAV percentage of total fund NAV (%)	0.00	0.22	0.22
Number of shares	0	42,672	30,482
Highest share price (US ¢)	1,261.91	1,274.30	1,006.89
Lowest share price (US ¢)	958.05	962.77	868.14

#### US Dollar Class 'C' Income share performance

The share class was launched on 8 August 2014.

for the year to 31 January Change in NAV per share	2019 US ¢	2018 US ¢	2017 US ¢
Opening NAV	1,122.00	877.40	889.05
Return before operating charges and after direct portfolio transaction costs	(249.95)	297.90	34.90
Operating charges	(7.63)	(9.33)	(8.29)
Return after operating charges	(257.58)	288.57	26.61
Distributions	(41.53)	(43.97)	(38.26)
Return to shareholder as a result of share class closure	(822.89)	n/a	n/a
Closing NAV	0.00	1,122.00	877.40
<b>Direct portfolio transaction costs</b>	<b>US ¢</b>	<b>US ¢</b>	<b>US ¢</b>
Costs before dilution adjustments	1.18	2.52	2.27
Dilution adjustments <sup>[a]</sup>	(0.46)	(0.89)	(0.75)
Total direct portfolio transaction costs	0.72	1.63	1.52
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.08	0.15	0.08
Operating charges	0.92	0.91	0.92
Return after operating charges	-22.96	+32.89	+2.99
Historic yield	5.27	4.16	4.24
Effect on yield of charges offset against capital	0.92	0.91	0.92
<b>Other information</b>			
Closing NAV (€'000)	0	5	4
Closing NAV percentage of total fund NAV (%)	0.00	0.00	0.00
Number of shares	0	500	500
Highest share price (US ¢)	1,125.95	1,162.61	963.44
Lowest share price (US ¢)	844.62	887.26	830.24

# M&G Pan European Dividend Fund

## Financial highlights

### Specific share class performance

#### US Dollar Class 'C' Accumulation share performance

The share class was launched on 8 August 2014.

for the year to 31 January	2019	2018	2017
Change in NAV per share	US ¢	US ¢	US ¢
Opening NAV	1,291.76	970.70	942.57
Return before operating charges and after direct portfolio transaction costs	(291.52)	331.39	36.99
Operating charges	(8.81)	(10.33)	(8.86)
Return after operating charges	(300.33)	321.06	28.13
Distributions	(39.41)	(37.75)	(36.31)
Retained distributions	39.41	37.75	36.31
Return to shareholder as a result of share class closure	(991.43)	n/a	n/a
Closing NAV	0.00	1,291.76	970.70
<b>Direct portfolio transaction costs</b>	<b>US ¢</b>	<b>US ¢</b>	<b>US ¢</b>
Costs before dilution adjustments	1.38	2.52	2.28
Dilution adjustments <sup>[a]</sup>	(0.54)	(0.89)	(0.75)
Total direct portfolio transaction costs	0.84	1.63	1.53
<b>Performance and charges</b>	<b>%</b>	<b>%</b>	<b>%</b>
Direct portfolio transaction costs <sup>[b]</sup>	0.08	0.15	0.08
Operating charges	0.91	0.90	0.92
Return after operating charges	-23.25	+33.08	+2.98
Historic yield	3.96	3.10	3.19
Effect on yield of charges offset against capital	0.01	0.00	0.02
<b>Other information</b>			
Closing NAV (€'000)	0	5	5
Closing NAV percentage of total fund NAV (%)	0.00	0.00	0.00
Number of shares	0	500	500
Highest share price (US ¢)	1,296.24	1,308.74	1,021.16
Lowest share price (US ¢)	990.60	981.27	879.98

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

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

# M&G Pan European Dividend Fund

## Financial statements and notes

### Financial statements

Statement of total return					
for the year to 31 January	Note	2019		2018	
		€'000	€'000	€'000	€'000
Income					
Net capital gains / (losses)	3		(33,646)		14,775
Revenue	5	8,359		6,511	
Expenses	6	(2,340)		(2,481)	
Net revenue / (expense) before taxation		6,019		4,030	
Taxation	7	(351)		(305)	
Net revenue / (expense) after taxation			5,668		3,725
<b>Total return before distributions</b>			<b>(27,978)</b>		<b>18,500</b>
Distributions	8		(7,164)		(5,215)
<b>Change in net assets attributable to shareholders from investment activities</b>			<b>(35,142)</b>		<b>13,285</b>

Statement of change in net assets attributable to shareholders				
	2019		2018	
for the year to 31 January	€'000	€'000	€'000	€'000
Opening net assets attributable to shareholders		194,962		121,486
Amounts received on issue of shares	105,593		75,606	
Amounts paid on cancellation of shares	(149,866)		(17,540)	
Transfer to M&G (Lux) Pan European Dividend Fund	(118,269)		0	
		(162,542)		58,066
Dilution adjustments		117		185
Change in net assets attributable to shareholders from investment activities (see above)		(35,142)		13,285
Retained distributions on Accumulation shares		2,605		1,940
Closing net assets attributable to shareholders		0		194,962

Balance sheet			
as at 31 January	Note	2019	2018
		€'000	€'000
<b>Assets</b>			
<b>Fixed assets</b>			
Investments		0	195,563
<b>Current assets</b>			
Debtors	9	572	1,801
Cash and bank balances	10	13	1,144
<b>Total assets</b>		<b>585</b>	<b>198,508</b>
<b>Liabilities</b>			
<b>Creditors</b>			
Bank overdrafts		(20)	0
Distribution payable		0	(2,595)
Other creditors	11	(565)	(951)
<b>Total liabilities</b>		<b>(585)</b>	<b>(3,546)</b>
<b>Net assets attributable to shareholders</b>		<b>0</b>	<b>194,962</b>

### Notes to the financial statements

#### 1 Accounting policies

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

#### 2 Distribution policy

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

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

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

for the year to 31 January	2019	2018
	€'000	€'000
Non-derivative securities	(33,484)	14,669
Derivative contracts	(15)	224
Currency gains / (losses)	(143)	(112)
Transaction charges	(4)	(6)
<b>Net capital gains / (losses)</b>	<b>(33,646)</b>	<b>14,775</b>

# M&G Pan European Dividend Fund

## Financial statements and notes

### Notes to the financial statements

#### 4 Portfolio transactions and associated costs

The following tables show portfolio transactions and their associated transaction costs. For more information about the nature of the costs please see the section on 'Operating charges and portfolio transaction costs' on page 103.

for the year to 31 January	2019 €'000	% of transaction	2018 €'000	% of transaction
<b>a) Purchases</b>				
<b>Equities</b>				
Equities before transaction costs	82,542		136,618	
Commissions	34	0.04	61	0.04
Taxes	130	0.16	281	0.21
<b>Equities after transaction costs</b>	<b>82,706</b>		<b>136,960</b>	
<b>Other transaction types</b>				
Corporate actions	1,113		0	
<b>Total purchases after transaction costs</b>	<b>83,819</b>		<b>136,960</b>	
<b>b) Sales</b>				
<b>Equities</b>				
Equities before transaction costs	133,654		77,917	
Commissions	(56)	0.04	(33)	0.04
<b>Total sales after transaction costs</b>	<b>133,598</b>		<b>77,884</b>	
<b>c) Direct portfolio transaction costs</b>				
<b>Commissions paid</b>				
Equities	90	0.06	94	0.06
<b>Taxes paid</b>				
Equities	130	0.08	281	0.17
<b>Total direct portfolio transaction costs [a]</b>	<b>220</b>	<b>0.14</b>	<b>375</b>	<b>0.23</b>
<b>d) Indirect portfolio transaction costs</b>				
		%		%
Portfolio dealing spread [b]		0.00		0.06

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

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

#### 5 Revenue

for the year to 31 January	2019 €'000	2018 €'000
Bank interest	46	0
Distributions from collective investment schemes: taxable	0	71
Distributions from collective investment schemes: property income dividends	84	209
Dividends from equity investments: non-taxable	7,513	5,962
Dividends from equity investments: taxable	580	268
Interest distributions	1	1
Stock dividends	99	0
Underwriting commission	36	0
<b>Total revenue</b>	<b>8,359</b>	<b>6,511</b>

#### 6 Expenses

for the year to 31 January	2019 €'000	2018 €'000
<b>Payable to the ACD or associate</b>		
Annual management charge	2,048	2,170
Administration charge	232	249
	2,280	2,419
<b>Payable to the Depositary or associate</b>		
Depositary's charge (including VAT)	14	15
	14	15
<b>Other expenses</b>		
Audit fee (including VAT)	6	10
Interest payable	25	20
Safe custody charge	15	17
	46	47
<b>Total expenses</b>	<b>2,340</b>	<b>2,481</b>

#### 7 Taxation

for the year to 31 January	2019 €'000	2018 €'000
<b>a) Analysis of charge in the year</b>		
Corporation tax	0	0
Withholding tax	351	305
Deferred tax (note 7c)	0	0
<b>Total taxation</b>	<b>351</b>	<b>305</b>
<b>b) Factors affecting taxation charge for the year</b>		
Net revenue / (expense) before taxation	6,019	4,030
Corporation tax at 20%	1,204	806
Effects of:		
Dividends from equity investments: non-taxable	(1,503)	(1,192)
Stock dividends not taxable	(20)	0
Current year expenses not utilised	334	388
Withholding tax	351	305
Withholding tax expensed	(15)	(5)
Prior year adjustment to expenses not utilised	0	3
<b>Total tax charge (note 7a)</b>	<b>351</b>	<b>305</b>
<b>c) Provision for deferred taxation</b>		
Provision at the start of the year	0	0
Deferred tax in profit and loss account (note 7a)	0	0
<b>Provision at the end of the year</b>	<b>0</b>	<b>0</b>

The fund has not recognised a deferred tax asset of €2,016,000 (2018: €1,682,000) arising as a result of having excess management expenses and interest distributions. We do not expect this asset to be utilised in the foreseeable future.

#### 8 Distributions

for the year to 31 January	2019		2018	
	Inc [a]	Acc [b]	Inc [a]	Acc [b]
<b>Dividend distributions</b>	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>
Interim	2,162	1,151	1,719	964
Final	1,192	1,454	2,595	976
<b>Total net distributions</b>		<b>5,959</b>		<b>6,254</b>
Income deducted on cancellation of shares		2,819		332
Income received on issue of shares		(1,614)		(1,371)
<b>Distributions</b>		<b>7,164</b>		<b>5,215</b>
Net revenue / (expense) per statement of total return				
		5,668		3,725
Expenses offset against capital		1,494		1,490
Undistributed income carried forward		2		0
<b>Distributions</b>		<b>7,164</b>		<b>5,215</b>

[a] Distributions payable on Income shares.

[b] Retained distributions on Accumulation shares.

# M&G Pan European Dividend Fund

## Financial statements and notes

### Notes to the financial statements

#### 9 Debtors

as at 31 January	2019 €'000	2018 €'000
Amounts receivable on issues of shares	0	683
Currency deals outstanding	0	404
Dividends receivable	0	273
Tax recoverable	0	24
Withholding tax recoverable	572	417
<b>Total debtors</b>	<b>572</b>	<b>1,801</b>

#### 10 Cash and bank balances

as at 31 January	2019 €'000	2018 €'000
Cash held as bank balances	13	1,144
<b>Total cash and bank balances</b>	<b>13</b>	<b>1,144</b>

#### 11 Other creditors

as at 31 January	2019 €'000	2018 €'000
ACD's annual management charge payable	0	110
Administration charge payable	0	13
Currency deals outstanding	0	404
Expenses payable	8	21
Purchases awaiting settlement	0	403
Amounts due to M&G (Lux) Pan European Dividend Fund	557	0
<b>Total other creditors</b>	<b>565</b>	<b>951</b>

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

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

#### 13 Shares in issue

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

Share class	Opening 01.02.18	Movements		Closing 31.01.19
		Issued	Cancelled	
<b>Euro</b>				
Class 'A' Income	1,134,856	2,689,438	(3,824,294)	0
Class 'A' Accumulation	1,020,210	41,275	(1,061,485)	0
Class 'B' Income	32,632	27,788	(60,420)	0
Class 'B' Accumulation	52,709	16,461	(69,170)	0
Class 'C' Income	1,690,984	506,484	(2,197,468)	0
Class 'C' Accumulation	1,395,217	3,287,208	(4,682,425)	0
<b>Sterling</b>				
Class 'A' Income	39,816,138	225,650	(40,041,788)	0
Class 'A' Accumulation	13,035,866	28,439	(13,064,305)	0
Class 'I' Income	90,555	40,069	(130,624)	0
Class 'I' Accumulation	120,233	17,405	(137,638)	0
Class 'R' Income	162,852	94,168	(257,020)	0
Class 'R' Accumulation	38,441	62,518	(100,959)	0
<b>US dollar</b>				
Class 'A' Income	12,349	6,804	(19,153)	0
Class 'A' Accumulation	42,672	7,023	(49,695)	0
Class 'C' Income	500	1,957	(2,457)	0
Class 'C' Accumulation	500	1,596	(2,096)	0

#### 14 Charging structure

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

Share class	Entry charge %	Exit charge %	Annual management charge %
<b>Euro</b>			
Class 'A'	4.00	n/a	1.50
Class 'B'	n/a	n/a	2.00
Class 'C'	1.25	n/a	0.75
<b>Sterling</b>			
Class 'A'	nil	n/a	1.50
Class 'I'	nil	n/a	0.75
Class 'R'	nil	n/a	1.00
<b>US dollar</b>			
Class 'A'	4.00	n/a	1.50
Class 'C'	1.25	n/a	0.75

#### 15 Related parties

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

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

During the year, there were transactions in Prudential plc, a related party of M&G Securities Limited with a total value of €7,340,000 (2018: €2,058,000).

At the balance sheet date, the fund held shares in related parties of M&G Securities Limited with a value of €0 (2018: €5,599,000).

At the balance sheet date, shareholders from within Prudential plc, of which M&G Securities Limited is a wholly owned subsidiary, have holdings totalling 0.00% (2018: 88.27%) of the fund's shares.

#### 16 Events after the balance sheet date

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



# M&G Pan European Dividend Fund

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#### 17 Fair value analysis

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

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

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

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

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

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

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

as at 31 January	Assets	Liabilities	Assets	Liabilities
Basis of valuation	2019	2019	2018	2018
	€'000	€'000	€'000	€'000
Level 1	0	0	195,563	0
Level 2	0	0	0	0
Level 3	0	0	0	0
	0	0	195,563	0

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

As the fund no longer has any assets there is no exposure to fair value.

#### 18 Risk management policies

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

#### 19 Market risk sensitivity

A five per cent increase in the value of the fund's investment portfolio would have the effect of increasing the return and net assets by €nil (2018: €9,778,000). A five per cent decrease would have an equal and opposite effect.

As the fund no longer has any assets there is no exposure to market risk sensitivity.

#### 20 Currency risk sensitivity and exposure

A five per cent increase in the value of the fund's currency exposure would have the effect of increasing the return and net assets by €nil (2018: €9,748,000). A five per cent decrease would have an equal and opposite effect.

as at 31 January	2019	2018
	€'000	€'000
<b>Currency exposure in respect of the fund</b>		
Danish krone	0	10,467
Euro	0	86,394
Norwegian krone	0	485
Sterling	0	62,514
Swedish krona	0	16,576
Swiss franc	0	13,626
US dollar	0	4,900
<b>Total</b>	<b>0</b>	<b>194,962</b>

#### 21 Dividend distribution tables

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

Semi-annual distribution periods				
	Start	End	Xd	Payment
Interim	01.02.18	31.07.18	01.08.18	30.09.18
Final <sup>[a]</sup>	01.08.18	07.12.18	07.12.18	31.01.19

<sup>[a]</sup> As a result of the merger of the non-sterling share classes of M&G Pan European Dividend Fund into M&G (Lux) Pan European Dividend Fund on 7 December 2018, any income available for distribution up to the effective date of the merger was paid as a final distribution to shareholders on 31 January 2019.

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

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

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

Euro Class 'A' Income shares				
Ordinary distributions for the year to 31 January	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2019	2019	2019	2018
	€	€	€	€
Interim	5.8299	21.5020	27.3319	26.7960
Final	7.0776	25.8737	32.9513	34.3710

Euro Class 'A' Accumulation shares				
Ordinary distributions for the year to 31 January	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2019	2019	2019	2018
	€	€	€	€
Interim	10.7584	14.6579	25.4163	23.5434
Final	2.7316	21.1096	23.8412	18.6786

# M&G Pan European Dividend Fund

## Financial statements and notes

### Notes to the financial statements

#### 21 Dividend distribution tables (continued)

##### Euro Class 'B' Income shares

Ordinary distributions for the year to 31 January	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
	€	€	€	€
Interim	2.5082	16.8982	19.4064	19.1490
Final	4.6345	18.7420	23.3765	24.5234

##### Euro Class 'B' Accumulation shares

Ordinary distributions for the year to 31 January	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
	€	€	€	€
Interim	2.4478	11.9440	14.3918	13.3441
Final	0.1661	11.5951	11.7612	7.6233

##### Euro Class 'C' Income shares

Ordinary distributions for the year to 31 January	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
	€	€	€	€
Interim	22.5694	8.6066	31.1760	30.3288
Final	12.6077	25.0256	37.6333	38.9574

##### Euro Class 'C' Accumulation shares

Ordinary distributions for the year to 31 January	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
	€	€	€	€
Interim	14.0638	17.1655	31.2293	28.9931
Final	0.1240	33.6969	33.8209	30.6219

##### Sterling Class 'A' Income shares

Ordinary distributions for the year to 31 January	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
	p	p	p	p
Interim	0.3588	2.2895	2.6483	2.6083
Final	0.6219	2.5862	3.2081	3.2936

##### Sterling Class 'A' Accumulation shares

Ordinary distributions for the year to 31 January	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
	p	p	p	p
Interim	2.2709	0.5771	2.8480	2.6516
Final	0.2671	2.4218	2.6889	2.0706

##### Sterling Class 'T' Income shares

Ordinary distributions for the year to 31 January	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
	p	p	p	p
Interim	0.0000	29.4376	29.4376	28.7868
Final	9.1443	26.5763	35.7206	36.3967

##### Sterling Class 'T' Accumulation shares

Ordinary distributions for the year to 31 January	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
	p	p	p	p
Interim	9.0676	22.4560	31.5236	29.3962
Final	5.3260	29.0010	34.3270	30.5672

##### Sterling Class 'R' Income shares

Ordinary distributions for the year to 31 January	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
	p	p	p	p
Interim	0.0000	2.9008	2.9008	2.8420
Final	0.5304	2.9878	3.5182	3.5925

##### Sterling Class 'R' Accumulation shares

Ordinary distributions for the year to 31 January	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
	p	p	p	p
Interim	0.2090	2.7653	2.9743	2.7714
Final	0.4713	2.6351	3.1064	2.6632

##### US Dollar Class 'A' Income shares

Ordinary distributions for the year to 31 January	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
	€	€	€	€
Interim	5.5495	12.9998	18.5493	18.0704
Final	6.9871	14.7831	21.7702	24.9294

##### US Dollar Class 'A' Accumulation shares

Ordinary distributions for the year to 31 January	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
	€	€	€	€
Interim	15.3328	0.9725	16.3053	15.0030
Final	2.4390	12.4580	14.8970	12.8413

##### US Dollar Class 'C' Income shares

Ordinary distributions for the year to 31 January	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
	€	€	€	€
Interim	19.0912	0.0000	19.0912	18.4605
Final	7.2217	15.2181	22.4398	25.5140

##### US Dollar Class 'C' Accumulation shares

Ordinary distributions for the year to 31 January	Income 2019	Group 2 Equalisation 2019	Group 1 & 2 Distribution 2019	2018
	€	€	€	€
Interim	19.2001	0.0000	19.2001	17.6491
Final	5.2141	14.9978	20.2119	20.1020

# M&G Investment Funds (7)

## Other regulatory disclosures

### Remuneration

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

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

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

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

### Swiss investor information

For funds registered in Switzerland we are required by FINMA to disclose the Total Expense Ratio (TER).

For these funds the TERs are the same as the operating charges disclosed in each fund's financial highlights section under 'Performance and charges'.

# Glossary

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



# Glossary

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

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

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

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

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

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

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

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

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

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

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

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

**Morningstar™:** A provider of independent investment research, including performance statistics and independent fund ratings.

**Near cash:** Deposits or investments with similar characteristics to cash.

**Net asset value (NAV):** A fund's net asset value is calculated by taking the current value of the fund's assets and subtracting its liabilities.

**Ongoing Charge Figure:** The Ongoing Charge Figure includes charges for the following items: management of the fund (also known as Annual Management Charge), administration services, services provided by external parties which include depository, custody and audit, as well as incorporating the ongoing charge figure from funds held in the portfolio (taking into account any rebates).

**Open-ended investment company (OEIC):** A type of managed fund, whose value is directly linked to the value of the fund's underlying investments.

**Options:** Financial contracts that offer the right, but not the obligation, to buy or sell an asset at a given price on or before a given date in the future.

**Over-the-counter (OTC):** Whereby financial assets are traded directly between two parties. This is in contrast to exchange trading, which is carried out through exchanges set up specifically for the purpose of trading. OTC is also known as off-exchange trading.

**Overweight:** If a fund is 'overweight' a stock, it holds a larger proportion of that stock than the comparable index or sector.

**Payment date:** The date on which distributions will be paid by the fund to investors, usually the last business day of the month.

**Physical assets:** An item of value that has tangible existence, for example, cash, equipment, inventory or real estate. Physical assets can also refer to securities, such as company shares or fixed income securities.

**Portfolio transaction cost:** The cost of trading, such as brokerage, clearing, exchange fees and bid-offer spread as well as taxes such as stamp duty.

**Preference shares:** Preference shares are a loan to a company that may be traded in the same way as ordinary shares, but generally have a higher yield and pay dividends on fixed dates. Preference shares have varying characteristics as to the treatment of the principal and the dividend payment, which includes ranking them above ordinary shares when it comes to dividend payments.

**Principal:** The face value of a fixed income security, which is the amount due back to the investor by the borrower when the security reaches the end of its life.

**Private placement:** An offer of sale of securities to a relatively small number of investors selected by the company, generally investment banks, mutual funds, insurance companies or pension funds.

**Property Expense Ratio (PER):** Property expenses are the operating expenses that relate to the management of the property assets in the portfolio. These include: insurance and rates, rent review and lease renewal costs and maintenance and repairs, but not improvements. They depend on the level of activity taking place within the fund. The Property Expense Ratio is the ratio of property expenses to the fund's net asset value.

**Real yield:** The return of an investment, adjusted for changes in prices in an economy.

**Retail Prices Index (RPI):** A UK inflation index that measures the rate of change in prices for a basket of goods and services in the UK, including mortgage payments and council tax.

**Risk:** The chance that an investment's return will be different to what is expected. Risk includes the possibility of losing some or all of the original investment.

**Risk management:** The term used to describe the activities the fund manager undertakes to limit the risk of a loss in a fund.

**Risk premium:** The difference between the return from a risk-free asset, such as a high-quality government bond or cash, and the return from an investment in any other asset. The risk premium can be considered the 'price' or 'pay-off' for taking on increased risk. A higher risk premium implies higher risk.

**Risk-free asset:** An asset that notionally carries no risk of non-payment by the borrower such as a high-quality fixed income security issued by a government or cash.



**Risk/reward ratio:** A ratio comparing the expected returns of an investment with the amount of risk undertaken.

**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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